



Financial Services Commission
Mauritius



Annual Report 2013

CONTENTS

Foreword	i
Chairperson's Statement	3
Members of Board	6
Chief Executive's Statement	13
OUR ORGANISATION	19
Organisational Chart	20
Board Committees	21
Chief Executive	22
Internal Structure	23
The Leadership Team	25
STRATEGIC PLAN	
Strategic Plan 2011 – 2013	29
Strategic Plan 2014 – 2016	31
ENVIRONMENT IN WHICH WE OPERATE	39
OUR FOCUS	
Policy	47
Overview of Sectors	
Capital Markets	57
Investment Funds and Intermediaries	61
Insurance	62
Pensions	64
Non-Bank Financial Institutions	65
Global Business	66
Legal and Regulatory Developments	69
Regulatory Approach	75
Licensing	79
Surveillance and Monitoring	85
Enforcement Actions	99
Communications	107
Financial Literacy and Consumer Protection	111
Strengthening Stakeholder Relations	117
CORPORATE SERVICES	
Administration And Enterprise Risk	125
Information Technology	127
Human Resource	129
Corporate Social Responsibility	135
2013 HIGHLIGHTS	
Action Plan	139
Statistical Highlights	145
Financial Highlights	147
STATUTORY REPORTING	
Report of the Audit and Risk Committee	151
Report of the Corporate Governance Committee	153
Board's Report 2013	155
Independent Auditor's Report	156
Financial Statements	
Statement of Financial Position	161
Statement of Financial Performance	162
Statement of Changes in Funds	163
Statement of Cash Flow	165
Notes to the Financial Statements	166
APPENDICES	
Appendix 1: Markets Trends in Securities	193
Appendix 2: Trends in Insurance	194
Appendix 3: Changes in Legislations	206
Appendix 4: Infrastructures	211
Appendix 5: Stakeholder Confidence	212
Appendix 6: List of Meetings and Conferences	216
Appendix 7: Capacity Building	219
Appendix 8: Milestones	229
List of Tables	233
List of Figures	235
List of Acronyms and Abbreviations	237

Vision

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

Mission

- promote the development, fairness, efficiency and transparency of financial institutions and capital markets in Mauritius;
- suppress crime and malpractices so as to provide protection to members of the public investing in non-banking financial products; and
 - ensure the soundness and stability of the financial system in Mauritius.



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Foreword

The Audited Financial Statements for the year ended 31st December 2013 and the Annual Report 2013 of the Financial Services Commission were approved by the Board on 30th April 2014.

The 30th June 2014 is the date of submission of the Audited Financial Statements for the year ended 31st December 2013 and the Annual Report 2013 of the Commission to the Minister in accordance with Section 85 of the Financial Services Act 2007 and Sections 6 and 7 of the Statutory Bodies (Accounts and Audit) Act 1972.

During the period from the date of approval, 30th April 2014 and the date of submission, 30 June 2014, of the Audited Financial Statements and the Annual Report 2013, there have been changes in the composition of the Board of the Financial Services Commission, Mauritius which were as follows:

- Two new members namely Mr Rajeshsharma Ramloll and Mr Luc Clement Stephen, joined the Board of the Commission on 09 May 2014;
- Mr Sanjay Gopaul and Mr Oliver Lew Kew Lin, members of the Board since 23 November 2005, ceased to be members of the Board on 09 May 2014;
- Mr Marc Hein resigned from his position as Chairperson of the Board with effect from 30th May 2014; and
- Mr Rajeshsharma Ramloll was appointed Chairperson of the Board with effect from 1st June 2014.



.....
C. Ah-Hen
Chief Executive

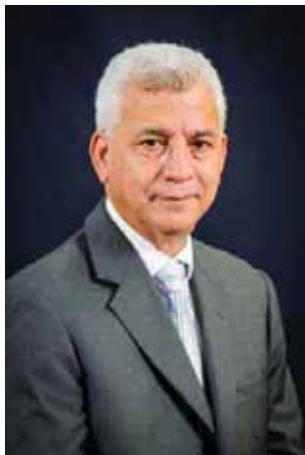
Bio data of the two new members of the Board of the Financial Services Commission, Mauritius:

Mr Rajeshsharma Ramloll

Rajesh Ramloll joined the Board of FSC Mauritius on 09 May 2014 and was appointed Chairperson as from 01 June 2014. He is currently Assistant Solicitor-General at the Attorney-General's Chambers. He is a barrister at Law and holds a specialist LLM in taxation from the University of London. He is the current President of the International Fiscal Association, Mauritius Branch. Rajesh Ramloll is a Fellow of the Hon. Society of Advanced Legal Studies (London) and is a member of the International Fiscal Association. He acts for the Mauritius Revenue Authority before the Supreme Court in Mauritius and before the Judicial Committee of the Privy Council.



Rajesh Ramloll has for the last ten years been involved in tax treaty negotiations. He advises the Government on legal aspects of financial matters. He is a tax assessor of the OECD Global Forum. He has been the treasurer of the Mauritius Bar Association. He regularly writes in International Tax Journals and is on the editorial committees of the IFA World Tax Newsletter and the New Bar Chronicle (Mauritius).



Mr Luc Clement Stephen

Clement Stephen was appointed to the Board of FSC Mauritius on 09 May 2014. He has a long and rich career in the banking industry, with over 36 years of experience at Barclays Bank in Mauritius. Since joining the bank in 1975, Clement Stephen has worked in various positions and departments and has gained international exposure through courses followed in a number of countries, namely Tanzania, Zimbabwe, Kenya, Dubai and South Africa.

Prior to his retirement from the bank in 2011, Clement Stephen was a Senior Manager in the Corporate Banking department. Clement Stephen has been a Chargé de Mission at Banque des Mascareignes during the period August 2011 to June 2012 and currently sits on the Board of CIM Forex as an independent Director.



The Board of FSC Mauritius

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Chairperson's Statement

A Fulfilling Journey

My journey with the Financial Services Commission, as Chairperson of the Board started on 19th March 2012. Today, over two years from that date, it is with nostalgia but much pride that I pen down the Chairperson's report for 2013. As from 1st June 2014, my time and energy will be focussed to the legal profession, my family and other matters such as philanthropic work, which I always wished to do after devoting much time to public service.

My tenure as Chairperson of the Board of FSC Mauritius was filled with challenges. I was on my toes all the time, discussing important high level agenda for the sector at Board level, dealing with other local and international stakeholders, helping to shape policy with Government, representing Mauritius on the international scene and at the same time keeping the media abreast of what FSC Mauritius was busy doing.

The Context

When I took up the Chair of the FSC Mauritius Board, the international context, though slowly coming out of the global economic crisis, was difficult. We were convinced that times of crisis and uncertainty however generate a momentum which, if well harnessed, can help build the foundations for a new strategic vision. It was urgent to revisit our business strategy for our global business, capital markets and insurance sectors, while capitalising on the sound regulatory framework, international best practices, fairness and efficiency of our financial institutions and markets. The financial services sector required reengineering in relation to changing needs and challenges in our business environment.

Indeed, during these two years, both the Board and Management of FSC Mauritius focused on moving forward the financial services sector despite the weak economic growth, high unemployment, volatile

capital markets and an uncertain macroeconomic context.

Strategy

Mauritius is often cited as a success story and has performed exceptionally well in many corners. The financial services sector is one of them and is now a major pillar of the economy. Today, when Mauritius stands at crossroads, the domain of financial services has the potential to continue performing miracles for our small island nation. To make this possible, government and stakeholders have been active in looking at strategies to boost the financial services sector and create opportunities for employment. FSC Mauritius has a major role to play by inculcating the necessary elements within the sector to create the momentum required to keep reigniting growth for the economy as a whole. The role of the Board is central to the successful delivery of our strategic objectives whilst fostering our corporate values and promoting a robust corporate governance framework. FSC Mauritius, under the able executive leadership of Ms. Ah Hen, Chief Executive, is embarking on the implementation of the Strategic Plan established for 2014-2016.

Realisations

Substance

There has been criticism about Mauritian companies lacking substance, that is lacking in terms of activities tied down to the real economy. The trend towards substance requires that management companies optimise on the soft and hard infrastructure and encourage their clients to reinforce their presence in Mauritius by making it the place for effective administration and management of such clients operating in our jurisdiction.

When I joined the Board of FSC Mauritius, one of my main objectives was to tackle the issue of substance. This objective was in line with the

Strategic Plan 2011-2013 and much progress has already been achieved in this area. Management companies can and should help here by offering to their clients a wider, and better range of services, hence providing more legal and economic nexus between the clients and our economy.

Convergence of Global Business and the Local Sector

Operators often point out that global business investors should be allowed to operate freely in the local sector. This is what is often called the merger of the 'offshore' and 'onshore' sectors. We have moved in this direction slowly but surely and fundamental decisions were taken by FSC Mauritius in regards to Global Business Category I companies being allowed to do business on Mauritian territory and Mauritian entities being allowed to use Global Business Category II companies. I am glad to note this convergence.

Image of Mauritius IFC

The Mauritius IFC is a well regulated and transparent jurisdiction enjoying a fine reputation with international organisations. Continuous effort is being deployed to ensure the IFC remains competitive, developed and diversified. FSC Mauritius has been able to put in place the right mix of regulation to ensure growth and stability and may I take this opportunity to affirm that we are, by sovereign choice, a low tax jurisdiction but by no means a tax haven with the nasty connotations it implies. All stakeholders, ranging from management companies to the press should act wisely so as to maintain our good reputation locally and internationally.

Financial Scams and Combating Financial Crime

The most unfortunate chain of events was the unprecedented discovery of a series of financial scams, known as the Ponzi schemes that hit the nation, in 2013. Though there was in place the framework expected to provide a certain level of safeguards, these safeguards had not yet been fully tested and could not prevent the fraudsters from defrauding their victims. What was a pity though is that no one reported the scams to the relevant authorities until a late stage. Nonetheless, it was an opportunity for the relevant authorities to review the whole system to ensure such scams or any other types of frauds do not happen again.

The scams also led the way to better coordination within the regulatory and supervising bodies. There can be safeguards in place to identify and stop them at a very early stage so as to contain the sheer magnitude that such scams may take.

Consumer Education was identified as an important impediment of financial scams and frauds. FSC Mauritius had embarked on Financial Literacy Initiatives since 2011 and this should be encouraged further in Mauritius and Rodrigues. I am pleased to state that I led the first ever delegation of FSC Mauritius to Rodrigues in 2012 and I do hope that FSC Mauritius will continue to have a special consideration for Rodrigues in the future.

Arbitration

Another objective dear to me was the establishment of Mauritius as a jurisdiction of choice for international arbitration. It is a corollary of any decent international financial centre to provide to the investors, shareholders and business entities using it, for ways and means to settle their disputes when the latter arise. The island is a logical choice as it is a safe, stable and democratic jurisdiction where the Rule of Law prevails with regular democratic elections entrenching the separation of powers. The development of international arbitration worldwide has facilitated the creation of a new international legal practice, autonomous from the national laws and attuned to the necessities of the business world.

Our country will host in 2016 the world renowned International Congress for Commercial Arbitration thereby establishing itself clearly on the world map of international arbitration. The development of an international arbitration centre is a fine example of how other services develop and become complementary to financial services within the Mauritius IFC.

As stated previously, global business companies are encouraged to establish substance locally and amendments were recently brought by FSC Mauritius to its Guide on Global Business to consider arbitration in Mauritius as one such additional criteria to establish substance. This means that global business companies have an incentive to put in their constitutions an inbuilt clause to resolve disputes within shareholders through arbitration in Mauritius. This measure helps to consider such global business companies being regarded as 'controlled and managed' locally

and has established itself as pioneering in the field of international financial services and international taxation.

India and Africa

A large part of our global business sector is linked to India and both our governments have been discussing of amendments to the Double Taxation Agreement (DTA) between the two countries for some years now. It is time to conclude. This can be achieved with the new Indian government in the higher interests of both economies. Diversification is however necessary and Mauritius is fortunately now becoming the IFC of reference to Africa. Our bilingualism and hybrid system of law together with our Double Taxation Agreements (DTA's) and Investment Promotion and Protection Agreements (IPPA's) with African countries make of us the best IFC for Africa. We need to push further without delay to market our potential to world investors.

Way Forward

Over these two past years, I have been able to contribute towards consolidating the position of the Mauritius International Financial Centre as a jurisdiction of substance and sound repute. I am grateful for the opportunity I was given to participate in decision making and provide guidance to the Commission during challenging times that the sector had to face. I sincerely thank the Board members, the Chief Executive and all the staff of the FSC Mauritius for their dedication and invaluable support during my term as Chairperson. I am also happy to put on record the excellent relationship which has prevailed with the Ministry of Finance on the one side and the operators of the industry on the other side. I always found help from those two quarters when required. I am sure that FSC Mauritius will continue on sound foundations and I am very confident in the future of financial services in Mauritius.



Marc Hein
Chairperson

Members of the Board

As at 30 April 2014, date of approval of the Audited Financial Statements for the year ended 31st December 2013 and the Annual Report 2013, the Board of the FSC Mauritius comprised:

Chairperson

Mr Marc Hein

Vice Chairperson

Ms Mary Anne Philips

Other Board Members

Mr Y. W. Manoj Appado

Mr Radhakrishna Chellapermal

Mr Sanjay Gopaul

Mr Oliver Lew Kew Lin

Mr Raj Makoond

IN ATTENDANCE

Secretary to the Board

Mr Ramanaidoo Sokappadu

Chief Executive

Ms Clairette Ah-Hen

Mr Marc Hein*Chairperson (19 March 2012 to 30 May 2014)*

Marc Hein, Chairperson of the FSC Mauritius holds an LLB (Honours) from the University of Wales and a Licence en Droit from the University of Aix/Marseilles. He is a barrister from Gray's Inn, London and started practising law in 1980. He is the founder and Head of Juristconsult Chambers, an established law firm dealing with legal, corporate and fiduciary issues on a local and international basis.

He was elected to the Mauritius Parliament in 1983 and was Chairman of the Mauritius Bar Council in 1992. Marc Hein is the Editor of the Mauritius Business Law Review and was elected Chairperson of the National Economic and Social Council of Mauritius from March 2011 to April 2012. He has acquired substantial expertise in all aspects of the practice of law whilst specialising in business law, including corporate, commercial, tax, insolvency, labour and intellectual property.

Marc Hein is a member of the International Bar Association, International Fiscal Association and a fellow of the Mauritius Institute of Directors.

**Ms Mary Anne Philips***Vice-Chairperson*

Mary Anne Philips, Vice-Chairperson of the FSC Mauritius since 23 November 2005, is a practising Attorney since 1995. She holds a Maîtrise en droit. She previously worked in the banking sector as in-house lawyer for the BNPI Group and in the insurance sector.

She specialises in company law, commercial law, bankruptcy law, insurance, financial services and banking as well as civil law. She was the Chairperson of the American Chamber of Commerce – Mauritius from 2008 to 2012.



Mr Radhakrishna Chellapermal

Radhakrishna Chellapermal, a member of the Board of the FSC Mauritius since 01 August 2001, is a member of the Association of Chartered Certified Accountants since 1980. He is presently the Director, Economic and Finance at the Ministry of Finance and Economic Development.

After working in the private sector for 6 years, he joined the Ministry of Finance in 1983, where he has been involved in various projects relating to the financial services sector including the setting up of the Stock Exchange. He also assisted in the review of company legislation and the regulatory framework governing international business. Radhakrishna Chellapermal has served on various committees, including the Company Law Advisory Committee and the Mauritius Accounting and Auditing Standards Committee.

Mr Raj Makoond

Raj Makoond, a member of the Board of the FSC Mauritius since 01 August 2001, is the Executive Director of the Joint Economic Council ('JEC'), the coordinating body of the Mauritius private sector. He is a member of the Board of Investment and is also a Director of the European Centre for Development Policy Management ('ECDPM'), an EU-ACP think-tank based in Maastricht. He holds a Degree in Economics and a Master in Tourism Planning.

He is the Co-chairman of the Restructuring Working Group, a mechanism set up by the Ministry of Finance under the National Resilience Fund, to support the business community in the context of the Euro zone crisis, the Joint Public Private Sector Business Facilitation Task Force to improve the business environment in Mauritius, and the Skills Working Group, a programme set up to accelerate the upgrading of skills among the youth. He was also Co-chairman of the Steering Committee on Global Financial Crisis (2009-2011) which had the responsibility to monitor the implementation of the Additional Stimulus Package put into place in the context of the global financial crisis. Prior to serving as the Executive Director of the JEC, he was the Deputy-Secretary General of the Mauritius Chamber of Commerce and Industry between 1990 and 1993.

From 1976 to 1990, he was an economist and senior economist at the Ministry of Economic Planning and Development and was seconded to the Ministry of Commerce and Deputy Prime Minister's Office and Ministry of Tourism.



Mr Y. W. Manoj Appado

Manoj Appado sits on the Board of the FSC Mauritius since 05 March 2009. He is a practising Attorney for the last 24 years and has been the legal advisor of two local government authorities and the Tourism Authority, another regulatory body.

Manoj Appado's main field of practice is civil and commercial law. He has also previously been the Vice-President of the Association of Mauritian Jurists, an organisation defending human rights issues.



Mr Sanjay Gopaul

Member (23 November 2005 to 16 May 2014)

Sanjay Gopaul is an economist and a graduate of the London School of Economics. He is the lead partner in DCDME&M, an independent economic and management consultancy firm, part of the De Chazal Du Mée organisation.

Before joining the private sector in 1999, he conducted research on export market development and foreign direct investment for the Mauritius Export Development and Investment Authority. He now practises as a management consultant and works almost exclusively in Sub-Saharan Africa. Sanjay Gopaul advises governments and public sector institutions on privatisation, public sector reform and organisational restructuring. He is also widely solicited by the private sector for advice on corporate strategy and new business ventures.

Mr Oliver Lew Kew Lin

Member (23 November 2005 to 16 May 2014)

Oliver Lew Kew Lin is a graduate in Engineering and Computing from Oxford University. He set up one of the first Business Process Outsourcing companies in Mauritius in 1990, specialising in prepress.

Oliver Lew Kew Lin is presently the Managing Director of the Services Arm of the Harel Mallac Group, which includes Activeline Ltd, the Web agency, of which he is also the MD. He was formerly the Chairperson of the Mauritius Institute Advisory Council and the Export Processing Zone Development Authority.

Oliver Lew Kew Lin has served on various boards and committees, including the National Computer Board, the Board of Governors of the University of Technology, Mauritius as well as the Board of a private bank.





Chief Executive's Statement

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Chief Executive's Statement

Introduction

A key component of the Commission's Strategic Plan is to maintain a consistent and rigorous approach with sufficient flexibility to be efficient and effective in all our endeavours. I am pleased to report that this was supported by the strong performance culture that the vast majority of our people continue to demonstrate.

1. Measuring Expectations

Management started 2013 with clear expectations for the year ahead and detailed implementation plans to continue the Commission's transformation into a High Performance Organisation that delivers on our statutory objectives and vision.

During the year under review, the Commission made significant effort and took several measures to reinforce its capacity to regulate and ensure consumer confidence in the non-banking financial services and global business sectors. Some of the initiatives taken were as follows:

- Recruitment of staff (mainly with technical competencies and industry experience);
- Training and capacity building (to improve performance);
- Enlistment of services of local and international consultants (in fields where the Commission lacked expertise and to reinforce capacity building);
- Enhanced mechanism for Exchange of Information by assisting counterpart regulators as well as local authorities in their bona fide enquiries. In return, we benefited from useful assistance in processing certain licensing applications by foreign applicants and in our own investigations;
- Strengthened enforcement actions; and
- Improved communication with stakeholders

through Circular Letters, Guides and Frequently Asked Questions.

Overall the FSC Mauritius delivered on all its set objectives for the year 2013. Some actions however, could not be completed owing to unforeseen circumstances and events which claimed considerable time and resources of the Commission.

2. Continuously Meeting Challenges

While substantial progress was made towards meeting our objectives, our work was overshadowed by a number of challenges which became apparent in March 2013 when several financial scams were uncovered. In connection with the fight against these financial crimes and money laundering, the Commission found that mutual cooperation with both local and foreign regulators and law enforcement agencies proved to be critical. These challenges revealed that a strong legal and enforcement framework is necessary but not sufficient.

The Commission ensured that appropriate technological tools were put at the disposal of staff. The mechanisms to receive and act upon complaints received from the public were reinforced for more effective processing. The Commission reinforced capacity building and manpower devoted to complaints handling and intelligence gathering. As a result of these measures prompt and decisive actions could be taken to prevent other unregulated schemes from taking roots and spreading.

Developments during 2013 warranted a number of enforcement actions by the Commission. All regulatory and supervisory actions taken were in line with best practices and risk based techniques. The FSC Mauritius ensured the prevalence of a fair and transparent environment in the Mauritius IFC.

Our Surveillance Directorate effected both offsite reviews and examinations of statutory returns and audited financial statements submitted during the year. The internal Accounting and Auditing Committee stepped up both its research and verification activities. Regular in-house training were carried out by members of this Committee. At national level, the Committee had effective collaboration with the Financial Reporting Council and at international level, it participated in the discussions on interpretation and implementation of standards of the IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure.

Industry for its part braced up to the challenges of the rapid changes in the economic and financial environment. The financial services sector attracted growing attention as major groups went through restructurings for greater efficiency and creation of shareholder value. We ensured being tuned to all stakeholders by engaging in regular discussions and inviting comments when required. External advisors who are experts in their field were also called upon for interpretation, capacity building purposes as well as for carrying out onsite inspections.

In terms of its communication strategy, the FSC Mauritius believes in open dialogue with the industry and stakeholders. The Commission not only aims at increasing the level of confidence in the conduct of business in Mauritius but also at improving the collaboration between the industry and the Commission. With the aim to maintain the good repute of the Mauritius IFC, considerable effort was made to ensure the visibility of the Mauritius jurisdiction in local media and specialised press abroad.

During the year 2013, our Licensing Directorate processed over 3,000 licences and applications for registration excluding authorisations and approvals. We succeeded in maintaining the right balance between our regulatory mandate and the need to sustain the competitiveness of the jurisdiction. All applications received are treated fairly and the appropriate set of rules and procedures for approving or rejecting applications applied.

3. Engagement with Local and International Stakeholders

Experience has shown that regulatory

cooperation in practice is a challenge. In this respect, the Commission worked towards enhanced collaboration with other regulatory authorities for more effective enforcement. Close dialogue is maintained with the Bank of Mauritius through regular meetings of the Joint Co-ordination Committee as well as among senior officials of both institutions.

In line with the Government's strategy for Africa, the Commission has been very active on the regional front. The presence of the Commission on regional groupings has contributed towards the recognition of Mauritius as an important player in the region and our strategy of positioning Mauritius as a hub for Africa. We also contributed to regional capacity building initiatives, through Study Tours and other training facilities provided to our regional regulatory counterparts.

In 2013, the Commission signed a Multilateral Memorandum of Understanding with the International Association of Insurance Supervisors, a Memoranda of Understanding with IOSCO AMERC and 23 Memoranda of Understanding (relating to the supervision of AIFMD entities) with European Union/European Economic Area securities regulators. Discussions leading to the signature of MoUs with a few neighbouring countries and with other organisations are near conclusion.

The Commission hosted three major events for the region. A Regional Training Programme on the "Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecutions of Securities Fraud and Abuse" was hosted in August in collaboration with the US Securities and Exchange Commission. In October, FSC Mauritius hosted the IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure meeting as well as the IOSCO Africa Middle East Regional Committee Corporate Bond Markets Outreach Programme.

4. Protecting Consumers and Investors

One of our statutory objectives is the protection of consumers. During 2013, the Commission continued to work toward delivering on this important objective. Towards this end, FSC Mauritius has been focusing on the fair treatment of customers in the non-bank financial services and global business sectors in Mauritius. The Commission is currently working on guidelines

for marketing of financial products and services. Furthermore, the conduct of business in the jurisdiction will be subject to proficiency standards which are being developed for the time being for the Insurance and Securities sectors. The Proficiency Standards will achieve the twin objective of ensuring good conduct of business as well as fair treatment of consumers.

Initiatives, started in the previous year, in terms of educating consumers about financial products and services and their rights, continued throughout 2013. The approach adopted was more focused and targeted so as to ensure the right information is disseminated to the right groups of consumers, especially vulnerable groups.

For the younger generation, the approach adopted is education with a tint of competition. The Young Talent Competition 2013 focused on the future of the Insurance sector. The number of participation to this competition increased for this edition.

5. *Paving the Way Ahead*

Another key component of our Strategic Plan is to maintain the competitiveness of the jurisdiction. On this front, the Commission contributed to the development of new avenues and products through research conducted by the Policy Cluster. We also participated in a number of initiatives together with the Prime Minister's Office, the Ministry of Finance & Economic Development as well as through sub committees set up under the aegis of the Financial Services Consultative Council.

In terms of product development, it was important to follow the innovative trends adopted by other jurisdictions in the design of legislative frameworks for captive insurance. The current Mauritian captives are mainly structured as Protected Cell Companies and Special Purpose Vehicles for financial transactions. While allowing these types of captives to continue developing, with the objective to make Mauritius an attractive captive domicile, we embarked on the review of the captive insurance framework. The primary aim is to attract more first party and group insurance captives from corporations or multinational groups in the African and Indian Ocean regions or those with operations in the region.

6. *Bridging the Expectation Gap*

The Strategic Plan 2011-2013 closed during the year under review. As such time and effort was dedicated to developing the new multi-year strategic plan for the period 2014 to 2016. The Strategic Plan 2014-2016 carves out the direction and guidelines for employees so as to ensure all operations are seamlessly integrated among clusters while delivering on our vision and objectives.

As a consequence of the challenges, our performance in terms of regulatory initiatives fell short of our expectations for 2013. Now that the challenges have been addressed, I am confident that we have the business strategy and plans in place to advance and progress in the coming year. While we continue with the following regulatory initiatives of Risk Based Supervision, onsite inspections (theme based), and reviews of audited financial statements and statutory returns, we will also address:

- improved corporate governance requirements in terms of internal control and risk management for our licensees;
- the competency requirements for financial services providers (FSPs); and
- a Code of Conduct for our licensees.

6.1. *Strategic Areas of Focus*

Going forward, we will regularly review how well we are achieving our objectives and assess the impact of our work. We have identified new avenues for monitoring the responsiveness of our organisation both on the strategic and the operational fronts.

On the strategic front, our main areas of focus would include:

- How to consolidate our methodologies and tools and be able to demonstrate our compliance with the core principles and international standards?
- How to direct our research on international developments and expectations of investors so as to give greater clarity to what needs to be done to improve the competitiveness of the jurisdiction?
- How global macroeconomic trends and a slower rate of growth might become leading risks for insurance companies, pension funds as well as investment companies?

- How to adjust to a new environment of lower returns on assets and demand for stricter regulation on risk calculation, capital requirements and a new emphasis on customer care?
- How to deal with improving access to information by staff when offsite or public in order to make better decision while bearing in mind the twin challenge of cyber-risk and data security, which encompasses not only keeping data secure but issues such as systems security and data collection?

6.2. Value for Money

On the operational front, we would adopt the Value for Money principle in how we manage our budget and the key elements are:

- Headcount and staff costs are the largest component of our cost base – therefore focusing on supervisory oversight and ongoing regulatory activity, we have allocated staff principally to front-line clusters - Licensing, Surveillance, Legal and Enforcement.
- Capital expenditure – our focus is on the development of our information technology platform and capability to support the FSC Mauritius in meeting its broad range of responsibilities, regulatory as well as operational requirements, to ensure a safe environment for our staff;
- Income - the licence fees levied are to meet our funding requirement and budgeted contribution to the Consolidated Fund, bearing in mind the need for the jurisdiction to remain competitive; and
- Proper Budgeting - the total amount to fund our planned expenditure based on the 3 Es – Economy, Efficiency and Effectiveness.

Conclusions

The past year was filled with unforeseen challenges which we managed to tackle together while at the same time deliver on our objectives. The Commission received the support of other regulators, both local and overseas, in finding solutions. I take this opportunity to thank all our stakeholders and other institutions which assisted us during these challenging times.

I would like to acknowledge and thank Mr Marc Hein, the Chairperson, and the Board members for their constructive contribution and active support at

all times. I also extend my appreciation to industry representatives for their fruitful collaboration.

My special thanks to the Leadership Team and all staff for their hard work and valuable contribution to the various initiatives taken during the year. I believe that the experience and capabilities we have built and the progress we have made in dealing with challenges in the recent past, will be reflected in our performance in 2014 and beyond.



.....
Clairette Ah-Hen
Chief Executive



Our Organisation

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Our Organisation

Vision

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

The Financial Services Commission, Mauritius ('FSC Mauritius') was established in 2001 and is the integrated regulator for the financial services other than banking and the global business sectors. The FSC Mauritius operates under the Financial Services Act 2007 ('FSA'), the Securities Act 2005 ('SA'), the Insurance Act 2005 ('IA') and the Private Pension Schemes Act 2012 ('PPSA'). The FSC Mauritius licenses, regulates, monitors and supervises the conduct of business activities in the non-banking financial services and the global business sectors.

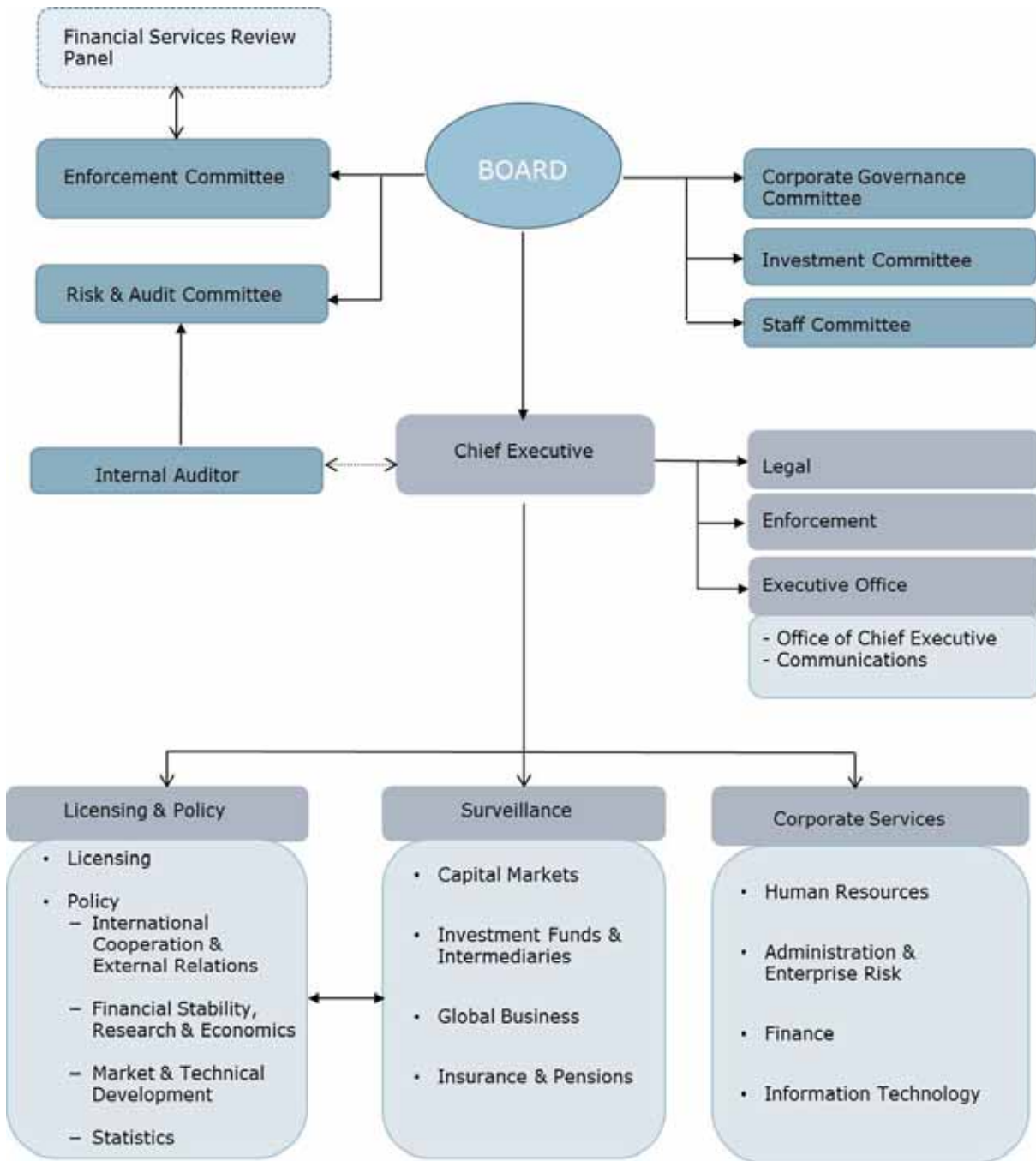
In carrying out its mission, the FSC Mauritius aims to:

- promote the development, fairness, efficiency and transparency of financial institutions and capital markets in Mauritius;
- suppress crime and malpractices so as to provide protection to members of the public investing in non-banking financial products; and
- ensure the soundness and stability of the financial system in Mauritius.

Key Objectives of the FSC Mauritius are to:

- ensure orderly administration of the financial services and global business activities;
- ensure sound conduct of business in the financial services and global business sectors;
- elaborate policies which are directed to ensuring fairness, efficiency and transparency of financial and capital markets in Mauritius; and
- study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation.

Organisational Chart



Board Committees

In carrying out its functions, the Board is assisted by the following sub-committees:

- Corporate Governance Committee;
- Audit and Risk Committee,
- Investment Committee, and
- Staff Committee.

The Enforcement Committee, as established under Section 52 of the FSA, exercises the disciplinary powers of the FSC Mauritius under Section 7(1)(c) to impose an administrative sanction on a licensee. The Composition of the Enforcement Committee as provided in the FSA includes two Members of the Board and two employees fulfilling the following criteria (1) of grade not lower than Executive, (2) having no involvement in investigations of the licensee, and (3) who are designated by the Board. The Committee may also appoint any other person with the necessary expertise as it may require.

The Internal Audit team reports directly to the Audit and Risk Committee and administratively to the Chief Executive. It objectively reviews the effectiveness of the Commission's risk management, operational processes and controls, financial management and reports findings, and recommendations to the Committee.

Chief Executive

The Chief Executive is responsible for the execution of the policies of the Board and for the control and management of the day-to-day business of the FSC Mauritius.

Internal Structure

The internal structure of the FSC Mauritius is organised in a functional manner so as to optimise resources and ensure cross-functionality.

Chief Executive

Clairette Ah-Hen



Clairette Ah-Hen is the Chief Executive of the FSC Mauritius since 01 August 2011. In her capacity as Chief Executive of the FSC Mauritius, she is a Council member of the Mauritius Financial Reporting Council and a Board member of Statistics Mauritius. She is a member of Committee 1 – Issuer Accounting, Audit and Disclosure Committee of IOSCO. She was also elected Vice-Chairperson of the SADC-CISNA for the period 2012 – 2013.

She holds an MPhil and a BA (Hons) in Accounting and Finance and is a fellow member of the Institute of Chartered Accountants in England and Wales as well as a fellow member of the Chartered Institute of Management Accountants, UK. She is also a Chartered Global Management Accountant and a member of the Mauritius Institute of Professional Accountants.

Clairette Ah-Hen has a wide and in-depth experience in financial reporting and corporate capital structures. Before joining the FSC Mauritius, she was responsible for monitoring of compliance with financial reporting standards across the Sub-Saharan Africa for a large international accounting firm. Her then portfolio of clients included companies in regulated industries (banks and other financial institutions), listed companies and other large companies in various sectors across the African Continent, Governments and Central banks. She was the first Chief Executive Officer of the Mauritius Financial Reporting Council in 2005, and held the post of Senior Advisor for Corporate Affairs to the Ministry of Economic Development, Financial Services and Corporate Affairs from 2003 to 2004. She has been an Associate Professor and Dean of the Faculty of Law and Management of the University of Mauritius as well as a visiting fellow of the University of Birmingham (UK).

Clairette Ah-Hen has been a member of several National Committees and has chaired the Mauritius Accounting and Auditing Standards Committee, the National Steering Committee on Accounting and Auditing and worked in collaboration with the World Bank. She has conducted management seminars and facilitated financial reporting and risk management training sessions in the United States, Europe and Africa.

Internal Structure

The Legal Cluster, the Enforcement Unit and the Executive Office Cluster report directly to the Chief Executive.

- The Legal Cluster performs advisory work for legal issues, drafting of legislation and legal documents and handles litigations.
- The Enforcement Unit carries out investigations, intelligence gathering and attends to requests for information.
- The Executive Office, consisting of the Office of the Chief Executive and the Communications Unit, is responsible for policy implementation and coordination, public relations and communication.

The Executive Office monitors the implementation of Board and policy decisions and ensures liaison with the Board.

In line with our objective of “International Engagement”, the Executive Office is also responsible for the organisation of events (study tours, visits from international institutions and consultants, workshops and international conferences and meetings). These initiatives aim at increasing the visibility of Mauritius on the international front.

In terms of day to day operations, the Executive Office coordinates the submission of timely, accurate and relevant information to the Chief Executive. It ensures the dissemination of correspondence throughout the FSC Mauritius as well as manages stakeholder communications and meetings.

Financial inclusion and broadening access to financial services have gained importance over the years, and today rank amongst the priorities of international organisations and regulators. The Executive Office is responsible

for undertaking financial literacy initiatives and ensures that through better communications and transparency, people have access to more objective and meaningful information about financial services.

The three Directorates are:

- The Licensing and Policy Directorate comprising the Licensing and Policy Clusters.

The Licensing Cluster licenses and conducts pre-surveillance of business activities in the non-banking financial services and global business sectors.

The Policy Cluster includes the Financial Stability, Research and Economics Unit, the Market Technical Development Unit, the International Cooperation and External Relations Unit and the Statistics Unit.

The Policy Cluster is responsible for the formulation of the policy framework with a view to spearheading the Mauritius jurisdiction development as an International Financial Centre (‘IFC’) of good repute and substance. It keeps abreast of the local and international developments in the non-banking financial services and global business sectors, and their impact on the Mauritius jurisdiction. The cluster analyses the impact of economic developments to ensure financial stability, and focuses on market and technical developments. It is further responsible for the collection, compilation, publication and dissemination of statistics in respect of the financial services and global business sectors.

- The Surveillance Directorate consists of the Capital Markets Cluster, the Investment Funds and Intermediaries Cluster, the Insurance

and Pensions Cluster and the Global Business Cluster.

The Directorate ensures that all licensed firms and intermediaries comply with regulatory and disclosure requirements on an on-going basis. It is responsible for overseeing the conduct of licensed market infrastructures as well as market intermediaries. The Directorate also ensures sound and stable markets from both prudential and conduct perspectives.

- The Corporate Services Directorate regroups the Human Resource Cluster, the Administration and Enterprise Risk Cluster, the Finance Cluster and the Information Technology Cluster.

The Corporate Services Directorate plays an essential role in delivering the Commission's strategy around the organisation, dealing with different priorities and people from different backgrounds every day. It provides the necessary support to enable the Licensing and Policy, and Surveillance directorates to focus on delivering the core functions of the FSC Mauritius. The Directorate manages business transformation and implements the change strategy to help the Commission effectively manage a world class regulatory regime.

The Human Resources Cluster oversees the development and execution of the Commission's people strategy and knowledge management, and helps in making the people working for the FSC Mauritius instrumental in delivering on the Strategic and Business plans.

The Administrative Support and Enterprise Risk Cluster is responsible for procurement and facilities, enterprise risk management and prevention of business interruption management.

The Finance Cluster is responsible for the organisation's financial integrity and reporting of the Commission's results.

The Information Technology Cluster promotes a more productive mind set in a technology based working environment, thereby improving the Commission's business responsiveness to the demands of the various stakeholders, in a cost effective manner.

The Leadership Team

In carrying out the mission of the FSC Mauritius, the Leadership Team is guided by the Code of Conduct for FSC Staff, the Senior Management Business Conduct Chart and the Core Values of the organisation, which are:

- Ethical Behaviour;
- Team Work;
- Professionalism; and
- Compliance with Rules.

The Executive Committee, comprising the Chief Executive and senior executives, enables the FSC Mauritius to meet its statutory objectives, coordinates the activities of the various directorates and provides direction and guidance to the clusters.

The senior executives during the year 2013 were:



FULTON Max
Director of Surveillance
(16 May 2012 to
15 May 2014)



MOHINDRA Neil
Head – Policy
(Since 11 June 2012)



KURIACHEN P. K.
Advisor to CE – Securities
(Since 01 August 2013)

The Heads of Clusters and Executives work together to deliver the operational objectives of the FSC Mauritius. They are responsible for the implementation of goals set out in the strategic and business plans and ensure that the decisions and directions provided by the Executive Committee are understood by each and every member of the staff.

Licensing and Policy



LOUIS Charlene
(Head - Licensing)



RAMASAWMY Deerajen
(Team Leader - Statistics)



BALLAM Gamal
(Executive - Policy)

Executive Office



MOLOYE Veena
(Head - Executive Office)



SEEBORUTH Ashveer
(Team Leader - Enforcement)

Global Business



DOONGOOR Shailendrasingh (Vikash)
(Head - Surveillance Global Business)

Investment Funds & Intermediaries



SEEBALUCK Vishwadeo
(Head - Surveillance Investment Funds & Intermediaries)

Capital Markets



VARDIN Warren
(Head - Surveillance Capital Markets)

Insurance and Pensions



OREE Raj
(Head - Surveillance Insurance & Pensions)



BHOLAH-BISSONAUTH Bharatee
(Team Leader - Accounting & Auditing Committee)



JAWAHEER-ROOPUN Charisma
(Team Leader - Surveillance Pensions)

Information Technology



SEEWOSUNKUR Prakash
(Head - Information Technology)



CHUTOORGOON Amrit
(Executive - Information Technology)

Administration & Enterprise Risk



GUNESS Jayshree
(Head - Administration and Enterprise Risk)

Human Resources

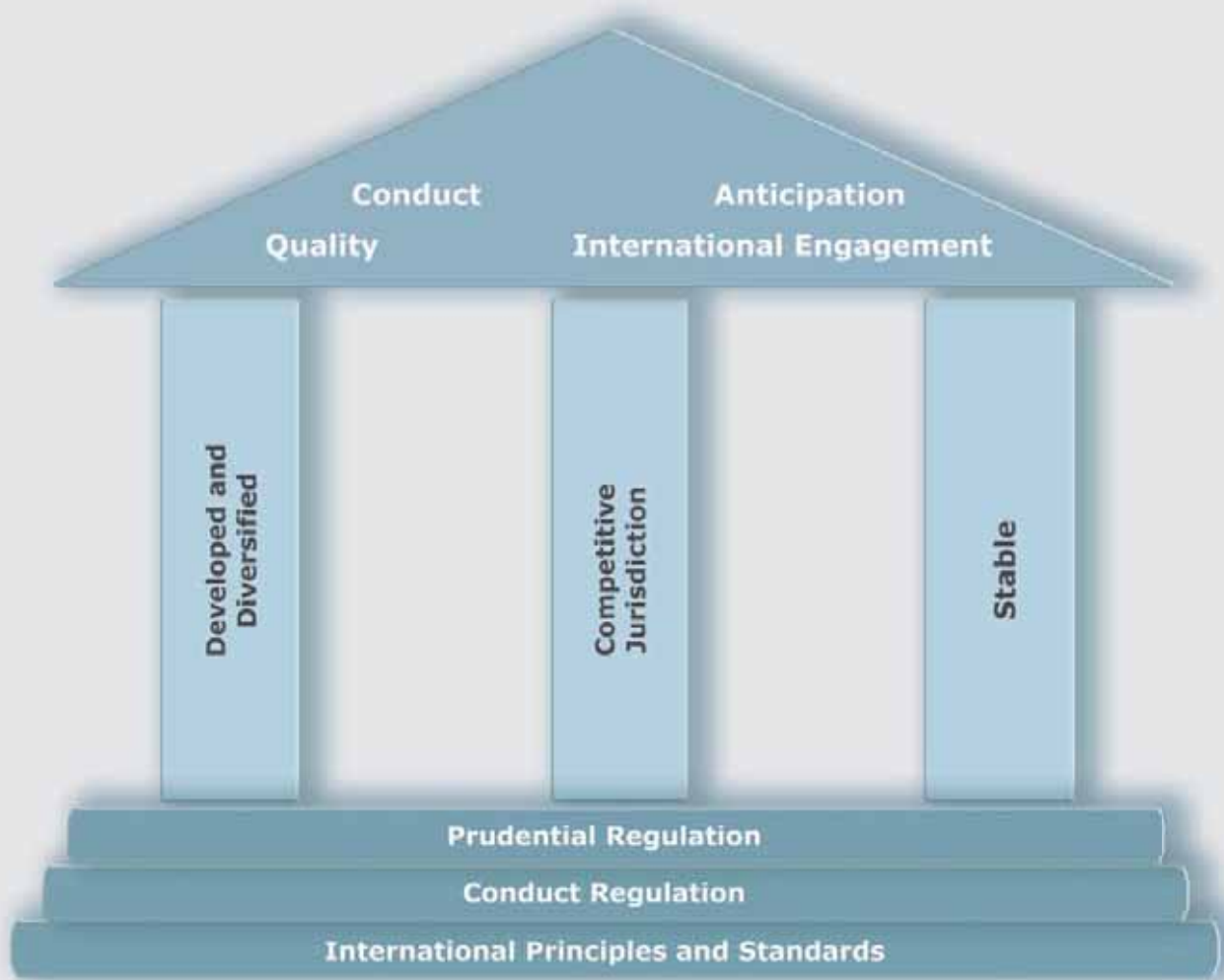


JAGARNATH-HARDOWAR Namita
(Head - Human Resources)

Finance



PUSRAM Rajhans (Vishal)
(Head - Finance)



Strategic Plan

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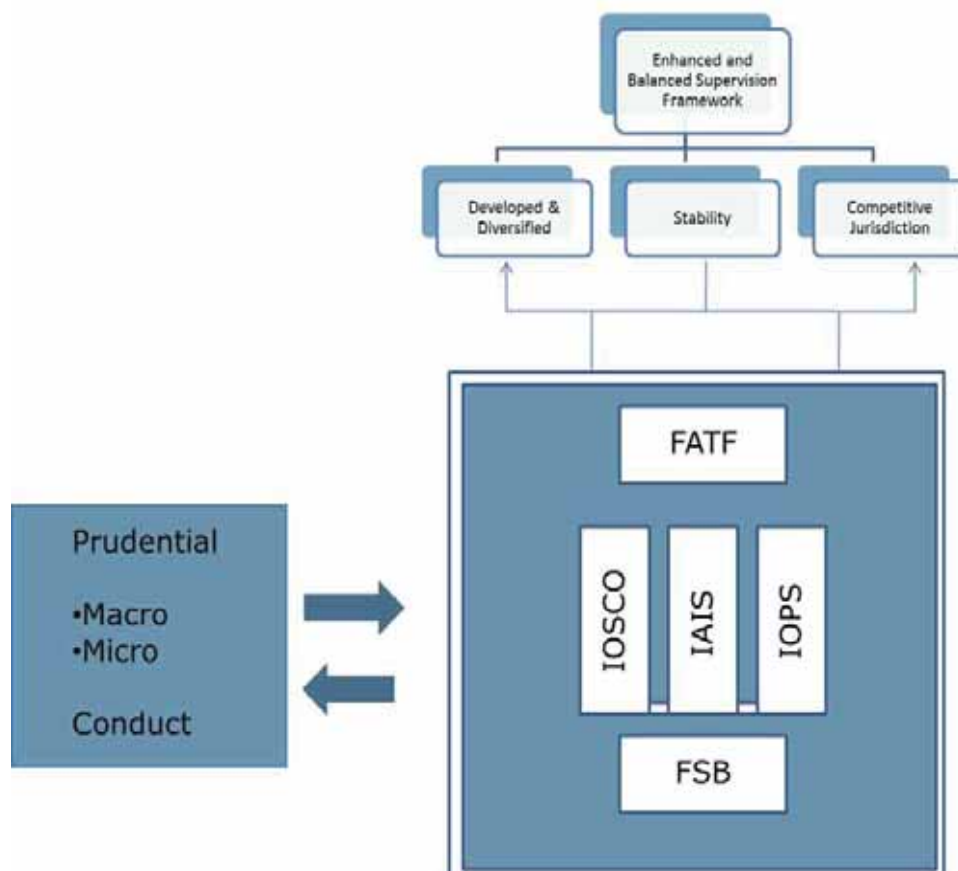
Strategic Plan 2011 - 2013

The Strategic Plan 2011–2013 focused on achieving an enhanced and balanced supervisory framework.

In line with its statutory objectives to “work out objectives, policies and priorities for the development of the financial services sector and global business” and “ensure soundness and stability of the financial system in Mauritius”, the FSC Mauritius focused its Strategic Plan 2011 –

2013 towards building the Mauritius International Financial Centre. Hence, the *raison d’être* of the three pillars ‘Developed and Diversified’, ‘Stability’ and ‘Competitive Jurisdiction’.

Figure 1: Strategic Plan 2011-2013



Source: Financial Services Commission, Mauritius

Strategic Pillar 1: Developed and Diversified

The strategic pillar 'developed and diversified' evolved around the idea that the Mauritian Financial Services sector should be able to further develop, that is increase in terms of volume, and diversify which means increasing the number and variety available and broadening choice. Development and diversification is not seen just in one aspect but spans around markets, sectors, products and service providers. It was therefore, important to improve the capacity of the FSC Mauritius to develop and implement new frameworks quickly and effectively and to be a listening and knowledgeable organisation through effective engagement / consultation mechanisms (both locally and internationally).

Strategic Pillar 2: Stability

'Stability' revolved around the establishment of a comprehensive mechanism to address and monitor systemic risks in the non-bank financial services sector in Mauritius. The need was identified to have a Risk framework with proper Risk monitoring, in terms of reporting systems and means to track, as well as risk triggers systems, whether qualitative or quantitative, to be achieved through means such as legal / regulatory tools.

Strategic Pillar 3: Competitive Jurisdiction

Though Mauritius ranks among the most competitive economies, there is still room for improvement to position the Mauritius IFC as a competitive jurisdiction. For the FSC Mauritius, this entailed improving the turnaround time, responsiveness and international benchmarking through improvements in four key elements namely service levels, regulations, cost and predictability.

The FSC Mauritius integrated approach to supervision of the non-banking financial services and global business sectors has the effect of eliminating redundancies at a functional basis. In addition the FSC Mauritius, through its matrix organisation and objective-based management ensures that the safety and soundness of regulations, regulation of conduct of business (prudential), consumer protection, fairness and efficiency of markets, and transparency issues are addressed coherently and consistently.

To maintain stakeholder confidence, the FSC Mauritius endeavours to comply with the principles and norms of international bodies involved in

standards setting and exchange of information. The FSC Mauritius ensures a sound regulatory environment and direction, and acts in a sensible manner - acceptable and credible – that meet international standards.

Strategic Plan 2014 - 2016

For the strategic plan 2014-2016, the FSC Mauritius has identified four strategic themes namely:

- Quality;
- International engagement;
- Conduct; and
- Anticipation.

The four themes complement the three pillars under the previous strategic plan by taking it to another level. In fact, while the three pillars acted as propellers to move the organisation towards the vision of the FSC Mauritius, the four themes under the new strategic plan will add steam to give momentum to the accomplishments under the previous strategic plan.

The strategic themes and associated strategic objectives identified below reflect the intended strategic direction of FSC Mauritius for the period 2014-2016.

First Strategic Theme: Quality

Following the global financial crisis, the landscape of financial regulation changed dramatically from a once relatively light touch environment to one of *"more discipline, more rigour and more scrutiny"*.

In order to achieve quality regulation and supervision, the FSC Mauritius has identified the following objectives:

Table 1: Strategic Theme - Quality

First Strategic Theme: Quality
<ul style="list-style-type: none"> • We shall authorise and supervise regulated entities in a risk-based, efficient and proactive manner. • We shall develop and maintain both core and specialist skill sets. • We shall continue to upgrade our infrastructure, especially our information technology. • We shall continue our rolling review of the Rulebook.

Source: FSC Mauritius Strategic Plan 2014-2016

Assuring quality in regulation has become an important part of the role of regulators. Quality is the prime focus of the FSC Mauritius in seeking to promote the highest standards in the regulation of the non-bank financial services and global business sectors. The FSC Mauritius believes in improving the quality of financial regulation and supervision in order to enhance its effectiveness, efficiency, consistency and transparency.

The financial services sector is called upon to play an important role in the development of Mauritius and in achieving higher standard of living. Every Mauritian should be able to enjoy the benefits of financial services, by which their financial assets and pensions can be invested efficiently and safely. The financial services industry should play a core role in the Mauritian economy by generating high value added. The Mauritius IFC should endeavour to become more attractive to both domestic and foreign investors, and more user-friendly to customers. The quality of regulation is a crucial determinant of the competitiveness of financial markets. The Commission's efforts in providing quality regulation and supervision will contribute in making the Mauritius IFC more vibrant and competitive internationally.

The FSC Mauritius views quality assurance as a means of delivering the best value whilst managing business risks. Therefore the primary risk management goals are to manage risk through assurance of quality of clients, people, systems and services; and to achieve a balance that promotes the value in risk management without restricting growth.

1. Quality of Licensees/Market Players (Operators)

At the licensing stage, the FSC Mauritius acts as the gatekeeper to ensure only desirable licensees / market players (operators) are allowed to operate in the Mauritius non-bank financial services sector and global business sectors. Different parameters are used through the due diligence process to determine the riskiness or suitability of the applicant and / or activity before they are allowed to start business in the sector in Mauritius.

On an on-going basis, licensees' conduct is regulated so as to ensure the businesses they are conducting do not pose a threat to the soundness of the Mauritius financial system and cause prejudice to the Mauritius IFC reputation.

Licensing and supervision is a transparent transition for the licensee in as much as supervision staff play a role in the licensing process and licensing staff may be consulted post licensing for supervision purposes.

2. Quality of People

The FSC Mauritius ensures quality in terms of people at two levels. First, the staff selection and terms of employment contract are such that not only eligible candidates get into the FSC Mauritius but also grow as per the values of the Commission while working towards the Vision of the FSC Mauritius.

The FSC Mauritius equips its people with the right skills and tools. The staff at the FSC Mauritius are subject to regular training and coaching and are required to be up to date as regards regulatory, supervisory and economic trends both at local and international levels. The Commission's targeted learning and development programme for all employees is focused on building on the skills set of employees and continuing professional development.

With a view to ensuring that its people are outcome-focused and make a meaningful contribution to the Commission, the FSC Mauritius has implemented,

since 2008, a Performance Management System ('PMS'). The PMS framework ensures that the Organisation, Cluster and Individual targets and KPIs are monitored, measured and met.

At the industry level, the FSC Mauritius not only regulates and supervises the conduct of business but also the conduct of key persons in the businesses. The FSC Mauritius is empowered to take action against individuals whose conduct may harm the soundness of the licensee's business, the sector or the reputation of the Mauritius IFC. Taking it one step further, the FSC Mauritius embarked on drafting Proficiency Standards for the regulated sectors with the aim to ensure fair treatment of consumers and investors.

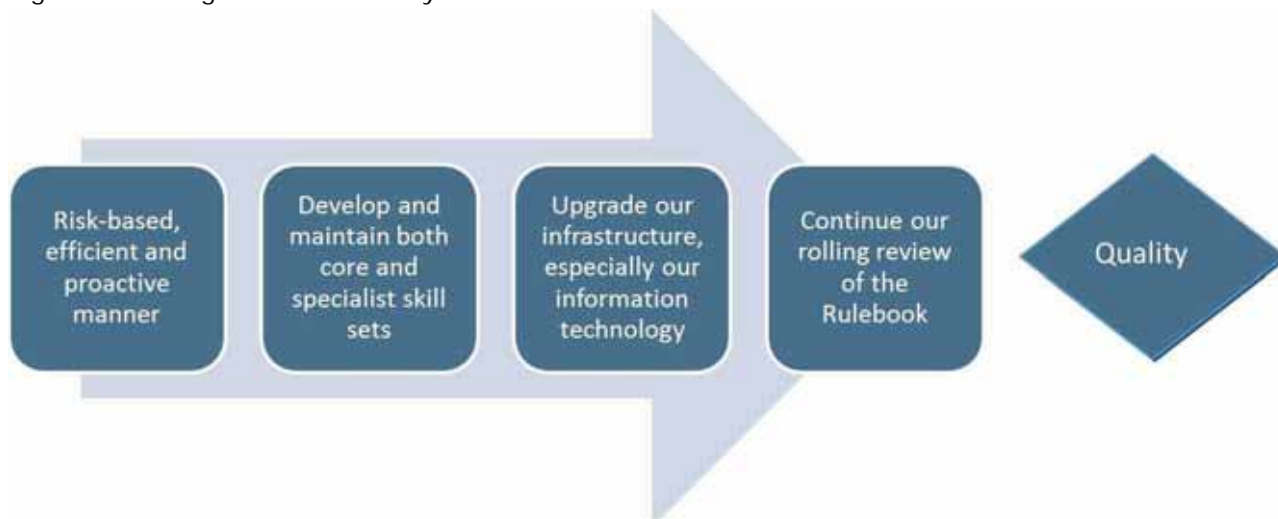
3. Quality Systems and Services

Quality in systems and services is of crucial importance to any International Financial Centre. The FSC Mauritius ensures that the quality of service provided by its licensees as well as the systems they use is of prime quality. The FSC Mauritius published guidelines to ensure the equitable understanding of quality of services and systems by all licensees and other stakeholders. Guidelines published aim at system and services in the Mauritius IFC to be benchmarked with international norms and standards.

The FSC Mauritius has embarked on a Quality Management System ('QMS') Project since 2012. In terms of quality of service, the turnaround time in the Licensing and Surveillance clusters as well as responsiveness of the FSC Mauritius in dealing with complaints are closely monitored. With respect to the quality of systems, an audit of the IT infrastructure and appropriate actions are taken to ensure streamlining of procedures (technical and administrative).

Moreover, the FSC Mauritius, along with other stakeholders, has the strategy to further deepen and broaden the financial services market in Mauritius. Cooperation coupled with good coordination and sustained effort is the approach adopted while working through the Action plan aiming for this objective.

Figure 2: Strategic Theme - Quality



Source: FSC Mauritius Strategic Plan 2014-2016

Second Strategic Theme: International Engagement

The financial services sector is global in both scope and impact. As a regulator of the Mauritius IFC and member of international standard setting bodies (International Organization of Securities Commissions ('IOSCO'), International Association of Insurance Supervisors ('IAIS') and International Organisations of Pension Supervisors ('IOPS')) and international/regional groupings (e.g. Southern African Development Community-Committee of Insurance, Securities and Non-banking financial Authorities ('SADC CISNA'), the FSC Mauritius

regularly engages with a wide range of international stakeholders both bilaterally and through its participation in a range of multilateral forums. Furthermore, the FSC Mauritius participates in the meetings of the Financial Stability Board and the Eastern and Southern Africa 'Anti-Money' Laundering Group ('ESAAMLG').

In order to be internationally recognised, the FSC Mauritius will continue to engage with stakeholders on local, regional and international levels. The strategic objectives supporting international engagement are defined below.

Table 2: Strategic Theme - International Engagement

Strategic Theme 2: International Engagement Enhance our standing as an internationally respected regulator	
Meeting Standards	<ul style="list-style-type: none"> We shall review our rules to ensure alignment with evolving international standards. We shall maintain assessments of our alignment with international standards. We shall monitor and engage with international standard-setters and promote standards development. We will continue to foster stakeholder relationships – engagement with key external stakeholders, continue to use regular Outreach sessions to promote awareness within the regulated community of regulatory requirements and initiatives of the FSC Mauritius.
Collaboration with Other Regulators	<ul style="list-style-type: none"> We shall grow our relationships with relevant local authorities and the regulatory communities. We shall build relationships with relevant international regulators to support our supervisory responsibilities.

Source: FSC Mauritius Strategic Plan 2014-2016

Figure 3: Strategic Theme - International Engagement



Source: FSC Mauritius Strategic Plan 2014-2016

Third Strategic Theme: Conduct

Financial regulation and supervision has three ultimate objectives, which are ensuring stability of the financial system, protecting the interest of the customers, and ensuring fairness and transparency in financial markets. These three objectives are widely shared among major financial regulators around the world.

Table 3: Strategic Theme - Conduct

Strategic Theme 3: Conduct Regulation
<ul style="list-style-type: none"> • We shall monitor the conduct of business of our licensees with the aim to protect consumers of financial services. • We shall ensure consumer education and investor protection. • We shall promote fair conduct in the non-bank financial services sector.

Source: FSC Mauritius Strategic Plan 2014-2016

Figure 4: Strategic Theme - Conduct



Fourth Strategic Theme: Anticipation

Regulators are required to exercise their duties with firmness, fairness and consistency to ensure they drive change in and bring strategic vision to the industry. To do so, they must focus on their preparedness to take action against unacceptable or unlawful conduct with the consideration of not taking action unless it is warranted and appropriate. The FSC Mauritius promotes a leadership culture ensuring it sets goals, implements action plans based on contingencies and the need to respond to situations that arise - as they arise. It is, therefore, important for the FSC Mauritius to understand its operating environment and anticipate what lies ahead before they arise and proactively, take action as well as provide direction to others to initiate change and stay abreast of developments whatever they may be.

While there is a distinct connection between financial market regulation and economic growth which impacts on the consumer and investors, regulation remains a complex balancing act which requires sound partnership with the industry and stakeholders. As the Mauritian IFC grows, so does the number of complex and sophisticated products. The Commission's role is to ensure balanced regulation, maintenance of consumer confidence, the efficiency of our financial markets and the global respect for our market.

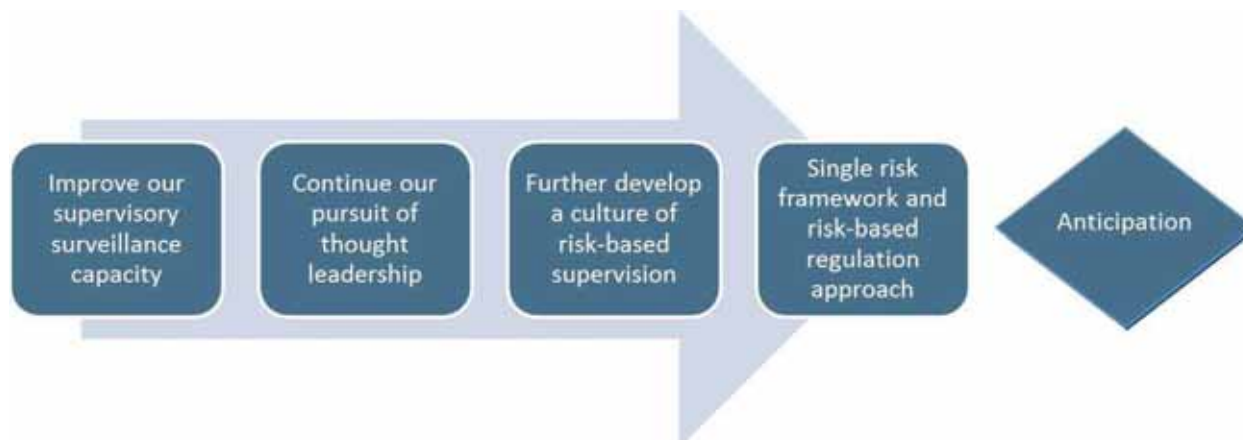
Anticipation also relies on strong partnerships with all stakeholders as well as fairness and transparency in dealings with the industry and consumers. The FSC Mauritius consistently build its capacity while staying committed to learning from past and present actions and continuously aiming for improvement.

Table 4: Strategic Theme - Anticipation

Strategic Theme 4: Anticipation
<ul style="list-style-type: none"> • We shall improve our supervisory surveillance capacity. • We shall continue our pursuit of thought leadership. • We shall further develop a culture of risk-based supervision and embed a single risk framework and risk-based regulation approach.

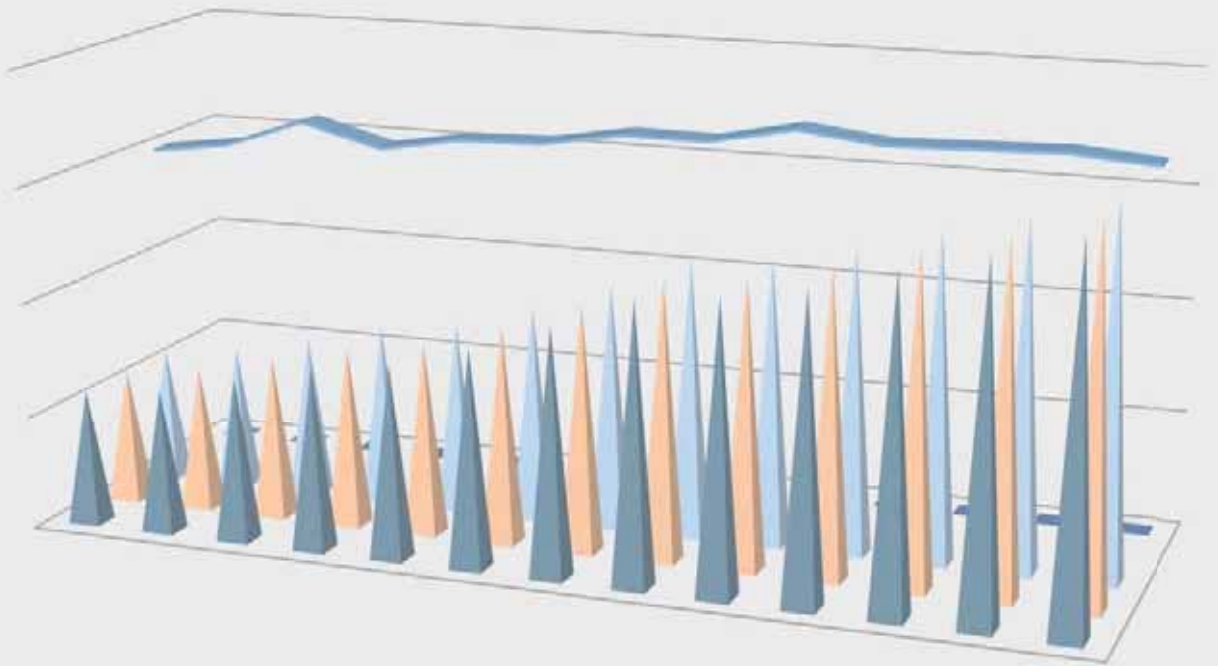
Source: FSC Mauritius Strategic Plan 2014-2016

Figure 5: Strategic Theme - Anticipation



Source: FSC Mauritius Strategic Plan 2014-2016

To have a sustainable culture of risk-based supervision, the approach must be understood by all employees of the FSC Mauritius. The Commission's expectations and information must also be effectively communicated to licensees and stakeholders.



Environment in Which
We Operate

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Environment in Which We Operate

MACROECONOMIC TRENDS

International Economic Perspectives

The global growth rate for 2013 was 3.0 per cent, marginally (0.2 per cent) less than the growth rate in 2012, according to the World Economic Outlook 2014 Report ('WEO') published by the International Monetary Fund ('IMF'). This may be explained mainly due to the poor performance of emerging markets in a difficult international financial environment. Inflation rates were less than projected, indicating significant output gaps and declines in commodity prices.

Global economic activity however, picked up in the second half of 2013 which led to the report projecting the global growth to strengthen to 3.6 per cent in 2014 and 3.9 per cent in 2015. Projected growth rates were highest for the United States that is greater than 2.7 per cent. As regards the Euro area, economic growth is projected to be positive but varied: stronger in the core countries, but weaker in highly indebted countries. Emerging economies are expected to benefit positively from growth in advanced economies in terms of increased external demand, however, tighter financial conditions locally may constraint domestic demand.

The World Bank's Global Economic Prospect Report highlights that recovery taking hold in developed countries may be attributed to fiscal consolidation, easing of policy uncertainty and firm private sector recovery. In developed countries recovery is expected to compensate for the tightening of global financial conditions as central bank balance sheets of developed countries go back to pre-financial crisis levels. The effects of the growing developed economies will be felt in terms of improved exports from emerging countries where economic activity is slow at present.

Global financial stability conditions remain far from normal as the global financial system continues to face challenging transitions. Financial Markets in advanced economies are still supported by extraordinary accommodative monetary and easy liquidity conditions, while emerging economies are exposed to market volatility, pressure on capital flows, and increasingly leveraged public and private balance sheet. According to the Global Financial Stability Report, both advanced and emerging economies must shift from a "liquidity-driven" to a "growth-driven" market and the challenge to such transition would be to minimise spillovers that threaten financial stability.

Regional

The overall economic performance continued to be strong in Sub Saharan Africa. During 2013, Sub Saharan African economies continued to grow at 4.9 per cent. Growth was driven by investment in infrastructure and agricultural production. The disparity between growth in oil exporting and middle income economies persisted during the year. Inflation in the region continued to drop on account of moderate international food and fuel prices and prudent monetary policies. Fiscal and current account deficits widened in many countries. The outflow of capital due to the tightening of global monetary conditions impacted adversely on the currencies of several countries.

According to the Regional Outlook Report, the forecast for the region is expected to remain positive with output set to expand by 5.5 per cent in 2014. However, according to the same report, if the risks of slowdown in emerging markets and tightening global monetary conditions materialise, export driven and commodity producing economies in the region will be adversely affected. Other challenges in the region include large fiscal imbalances and conflicts. The report maintains that several Sub Saharan African countries need to rebuild policy

buffers to stay resilient to adverse external shocks.

Local Context

Gross Domestic Product ('GDP') at market prices stood at MUR 366,509 million and Per Capita GDP at market prices was MUR 282,671 million in 2013. Similar to international experience, growth rate of 3.2 per cent in 2013 was lower than the 3.4 per cent in 2012. This may be partly explained by a contraction of the construction sector by more than 9 per cent in 2013.

Gross National Saving ('GNS') as a percentage of Gross National Disposable Income ('GNDI') stood at 12.7 per cent in 2013, compared to 14.2 per cent in 2012. Saving rate, defined as the ratio of GNS to GDP at market prices further dipped to 12.8 per cent from 14.4 per cent in 2012. The gradual fall of GNS from its 25 per cent mark in the early 2000s is cause for concern. Low saving is unable to bring about the necessary boost in investment.

Total investment fell by 3.5 per cent in 2013. Public sector investment fell by 4.9 per cent compared to 3.1 per cent in the private sector investment. Investment rate, defined as the ratio of investment to GDP at market prices, decreased to 21.2 per cent in 2013 from 23.0 per cent in 2012. This investment rate remains far below the desired rate of 27 – 30 per cent required to achieve the economy's growth ambitions. The more than 8 per cent resource gap in 2012 continued through in 2013. Both the rate of investment and rate of savings fell by about the same percentage points. The resource gap has been compensated by the high level of Foreign Direct Investment ('FDI') coming into Mauritius.

FDI inflows into Mauritius (excluding Category 1 Global Business Companies ('GBC1s')) stood at MUR 9.512 billion in 2013, equivalent to approximately 2.6 per cent of GDP. Real Estate Activities attracted the largest share (62 per cent) of FDI during 2013. FDI inflows fell by 53 per cent in 2013 as compared to 2012, this is largely due to the contraction of FDI into Finance and Insurance (-87 per cent), Construction (-67 per cent) and Real Estate (-22 per cent) industries.

Labour force grew by 3.0 per cent to reach 597,500 in 2013. The active population constituted of 61.4 per cent males and 38.6 per cent females in 2013. 61.7 per cent of the labour force were employed in the tertiary sector, 29.9 per cent in the secondary sector and 8.4 per cent in the primary sector. The unit labour cost for the economy increased

by 7.6 per cent in 2013. The unemployment rate remained at 8 per cent in 2013. The unemployed population in 2013 constituted of 40 per cent males and 60 per cent females. Around 39 per cent of the unemployed were aged below 25 years.

Total personal credit amounted to MUR 29 billion in December 2013, with the majority of this amount constituting of loans (74 per cent). Household credit as a proportion of total private sector credit increased by 1.5 per cent to 27.4 per cent as at end September 2013. Approximately 60 per cent of household credit is for housing purposes and the rest is geared towards consumption.

Outlook

GDP growth rate is projected to increase to 3.7 per cent for the year 2014, subject to a strong growth in the seafood and Agriculture, forestry and fishing along with stable growth in information and communication technology and financial services sector.

As outlined in its remarks in the context of the 2014 Article IV Consultation mission in Mauritius, the IMF suggests that there are major challenges lying ahead for Mauritius for 2014, namely: the reduction of public debt through a smooth medium-term fiscal consolidation path; improvement of the monetary policy transmission mechanism by removing excess reserves; pursuing public sector reforms while protecting the poor; and addressing productivity and competitiveness challenges needed to raise medium-term economic growth prospects.

Financial Services

Financial and insurance activities contributed approximately 0.6 percentage point to the GDP growth of 3.2 per cent in 2013. The financial and insurance activities sector grew by 5.4 per cent in 2013 compared to 5.7 per cent in 2012. Growth prospects for this sector remain stable for the year 2014.

Within the sector, monetary intermediation accounted for 5.9 per cent of GDP, Financial Leasing and other credit granting 0.6 per cent, Insurance, reinsurance and pension 3.1 per cent. Growth was highest for Financial Leasing and other credit granting, 6.5 per cent, followed by 5.5 per cent for monetary intermediation, 5.4 per cent for Others and 4.9 per cent for Insurance, reinsurance and pension.

The insurance sector as a whole grew in 2013 by 13 per cent in terms of assets and 9 per cent in terms of gross premium. Assets for long term insurance in 2013 stood at MUR 106 billion in 2013, growing by 13 per cent; gross premiums for long term insurance increased by 8 per cent in 2013. Assets for general insurance amounted to MUR 13.9 billion in 2013, growing by 11 per cent while gross premiums increased by 12 per cent.

Local Capital Market Trends

Market Capitalisation for the Official Market of the Stock Exchange of Mauritius Ltd ('SEM') increased by 22 per cent to reach MUR 213 billion at year end 2013 as compared to MUR 175 billion at year end 2012. Annual Turnover stood at MUR 11 billion for 2013, up by 12 per cent compared to last year. In terms of volume, domestic investments on the SEM stood at 47 per cent in 2013, down from 81 per cent in 2012.

GLOBAL REGULATORY TRENDS

The financial system is undergoing a pivotal regulatory overhaul and the G20 leaders have reaffirmed their commitment to implement agreed financial regulatory reforms. G20 leaders met in St Petersburg on 05 to 06 September 2013 to reiterate their continued commitment to work together to strengthen the global economy. With regards to financial regulation, the G20 leaders acknowledged that substantial progress has been made in implementing internationally consistent reforms to financial systems. They are committed to maintain the momentum of these reforms towards a strong and stable financial system.

Regulatory Development in 2013

Alternative Investment Fund Managers Directive ('AIFMD')

The Directive on Alternative Investment Fund Managers ('AIFMs') came into force on 22 July 2013 with objectives to (1) to create a comprehensive and effective regulatory and supervisory framework for ('AIFMs') (2) to enhance the transparency of the activities of these AIFMs and their funds (broadly

Sources:

1 Source: Statistics Mauritius National Accounts Estimates (2011- 2014), March 2014 Issue

Bank of Mauritius Monthly Statistical Bulletin, March 2014

2 Source: SEM Factbook 2014

categorised as non-harmonized funds/Alternative Investment Funds "AIFs" in the form of hedge funds, private equity funds and real estate funds amongst others) towards investors and public authorities and (3) to improve the macro-prudential oversight of the sector in the EU.

For non-EU funds to continue being transacted in the EU beyond July 2013, cooperation agreements (in the form of bilateral Memorandum of Understanding between European Union / European Economic Area ('EU/EEA') securities supervisors and the non-EU regulator where the funds are domiciled) needed to be in place.

The FSC Mauritius signed agreements with 23 EU/ EEA Member States in 2013 to allow Mauritius-based funds the opportunity for continued transactions in these EU/EEA jurisdictions under the AIFMD.

Capital Markets Reform: MiFID II

Markets in Financial Instruments Directives ('MiFID') represent a core aspect of the upcoming financial markets reform and it is far from an incremental change. MiFID II will not only completely change the way almost all Over-The-Counter ('OTC') products are priced, traded and reported, but it will also bring further changes to the exchange traded equity market. The timing of MiFID II is set to coincide with the issue of adjacent regulations, such as the revised Market Abuse Directive ('MAD II'), the revised Insurance Mediation Directive ('IMD II') and the impending Packaged Retail Investment Products Directive (PRIIPs). The target MiFID II implementation timeline is moving toward 2015.

Solvency II

Solvency II introduces sheet and capital volatility through the use of mark-to-market approaches. Solvency II's proposed implementation date is 1 January 2014. By that time, insurers will have to make significant changes to their finance systems, restate their balance sheets for Solvency II, and prepare for greater public disclosure of financial statements, modelling and capital calculations.

OTC Derivatives Reforms

Following the financial crisis, the G20 leaders agreed to a series of measures to increase the transparency of the OTC derivatives market and to reduce systemic risk. These reforms bring sweeping changes for all financial institutions. In

2013, the Basel Committee and the International Organization of Securities Commissions have released for consultation the “near final” proposals for the setting of bilateral margin requirements for non-centrally cleared OTC derivatives. The proposed requirements from the Basel Committee and IOSCO are part of broader reform initiated by the G20 to reduce systemic risk posed by OTC derivatives

The Foreign Account Tax Compliance Act ('FATCA')

FATCA is a US law aimed at Foreign Financial Institutions ('FFIs') and other financial intermediaries to prevent tax evasion by US citizens and residents through use of offshore accounts. FATCA will have an impact on US-based companies as well as foreign companies with US assets or clients. The Final FATCA regulations was issued on 17 January 2013 and addressed many of the major items requiring further clarification following the proposed regulations issued in February 2012.

Mauritius demonstrated its commitment to automatic exchange of information by signing an Intergovernmental Agreement Model 1 and a Tax Information Exchange Agreement with the US on 27 December 2013. These agreements seek to promote transparency between the two nations regarding tax matters and form part of the global effort to reduce tax evasion.

The evolving regulatory timelines are influencing financial institutions to prioritise market developments and rulemaking against the global regulatory change process and related jurisdictional challenges.

The bottom of the page features a decorative graphic consisting of two overlapping, upward-curving lines. The upper line is a light gray, and the lower line is a dark blue. These lines create a sense of movement and flow, framing the text below.

Our Focus

Financial Services Commission
Mauritius

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Policy

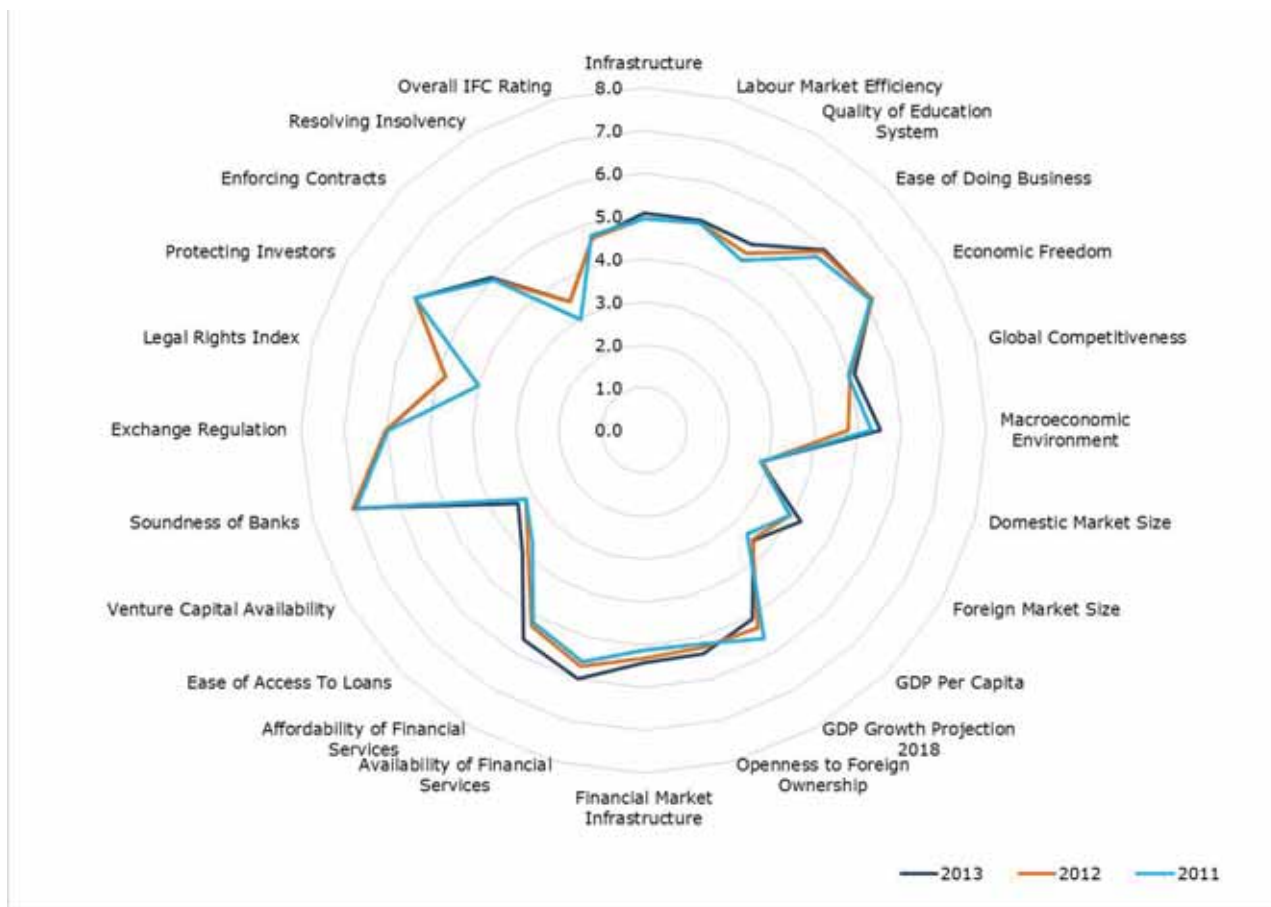
PERFORMANCE OF MAURITIUS IN 2013

The performance of our jurisdiction was assessed over the period 2011-2013 in terms of:

- a) Competitiveness;
- b) Macroeconomics;
- c) Banking and Financial Services;
- d) Ease of Doing Business; and
- e) International Financial Centre.

The radar diagram below depicts the performance Mauritius in the world for the period 2011-2013:

Figure 6: Performance of Mauritius



Source: Financial Services Commission, Mauritius

Note: To ensure consistency, the individual ratings have been standardised on a scale of (1-8) Best.

a) Competitiveness

Mauritius competitiveness performance is as assessed by the following international rating indices:

- World Bank Ease of Doing Business Index (Assesses regulations affecting domestic firms);
- World Economic Forum Global Competitiveness Index (Provides an understanding of the key factors that determine economic growth);
- Wall Street Journal – Heritage Economic Freedom Index (Tracks the march of economic freedom around the world).

Overall Performance:

According to the World Economic Forum Global Competitiveness Index, the rank of Mauritius for global competitiveness in 2012 remained unchanged (54th) compared to the previous year. In 2013, the country moved up by 9 places (45th) becoming the best ranked country in the region. Mauritius stagnated at the 20th place in 2012 and 2013 for the World Bank Ease of Doing Business Index compared to 2011 where it gained three places. Concerning economic freedom, the Wall Street Journal – Heritage Economic Freedom Index ranked Mauritius 8th out of 177 countries in 2012 and the island kept the regional crown as best performer in 2013 by maintaining the same rank.

b) Macroeconomics

Under the macroeconomic review, the following factors were considered:

- Macroeconomic Environment (Government budget balance, Gross national savings, Inflation, Government debt, Country credit rating);
- Domestic Market Size (Sum of gross domestic product plus value of imports of goods and services, minus value of exports of goods and services);
- Foreign Market Size (Value of exports of goods and services);
- GDP Per Capita (GDP valued at purchasing power parity in billions of dollars);
- GDP Growth Projection 2018 (5-year GDP growth projection);
- Infrastructure (Quality of overall infrastructure, Quality of roads, Quality of railroad infrastructure, Quality of port infrastructure, Quality of air transport infrastructure, Available

airline seat kilometres, Quality of electricity supply, Mobile telephone subscriptions, Fixed telephone lines);

- Labour Market Efficiency (Cooperation in labour-employer relations, Flexibility of wage determination, Hiring and firing practices, Redundancy costs, Pay and productivity, Reliance on professional management, Brain drain, Female participation in labour force);
- Quality of Education System (Secondary and tertiary enrolment rates as well as the quality of education as evaluated by the business community. The extent of staff training is also taken into consideration because of the importance of vocational and continuous on-the-job training);
- Openness to Foreign Ownership (Prevalence of foreign ownership in local).

Overall Performance:

The ratings for infrastructure in year 2011 (4.95) and 2012 (4.94) resulted into the same ranking for these two respective years (54th) but signs of improvements were shown by a 4 place gain (rating 5.07) in 2013. Regarding labour market efficiency, the economy showed progress by moving up 15 places (70th to 55th) in the ranking from 2012 to 2013. In terms of macroeconomic environment, Mauritius lost 12 places (from 55th to 67th) in its ranking from 2012 to 2013 compared to year 2011 where it positioned itself at 79th. As far as GDP per capita is concerned, the country's ranking faced a downward trend whereby it continued losing places in the ranking during the three years (from 63rd in 2011 to 67th in 2013).

c) Banking and Financial Services

Financial market efficiency has been assessed by the following variables:

- Financial Market infrastructure (Availability, affordability, ease of financing and regulations);
- Availability of Financial Services (Readiness of a wide variety of financial products and services to businesses);
- Affordability of Financial Services (Extent of competition among providers of financial services to ensure the provision of financial services at affordable prices);
- Ease of Access to Loans (Ease to obtain a bank loan with only a good business plan and no collateral);
- Soundness of Banks (Assessment of the soundness of local banks);

- Exchange Regulations (Assessment of the regulations and supervision of local securities exchanges):

Overall Performance:

The scores for Financial Market Infrastructure had an ascending trend throughout the three years, which eventually lead its ranking to move from 42nd in 2011 to 26th in 2013. This may be due to the fact that financial markets have deepened, raising the performance of Mauritius on the back of improved access to different modes of financing and financial services. Another positive note concerns the ease of access to loans and availability of financial services, which like the scores of financial market infrastructure kept mounting and thus improving the ranking throughout the years.

d) Ease of Doing Business

The ease of doing business in Mauritius has been assessed by the following factors:

- Legal Rights index (Degree of legal protection of borrowers and lenders' rights):
- Protecting Investors (Strength of Investor Protection):
- Enforcing Contract (Measurement of the efficiency of the judicial system in resolving a commercial dispute):
- Resolving Insolvency (Measure of time, cost and outcome of insolvency proceedings involving domestic entities):

Overall Performance:

The ease of doing business in Mauritius improved (3 places gained from 2011 to 2012) although licensing red tape issues prevailing contributed to the country's stagnating rank in 2013 and no major slumps could be found in the scores and rankings of the other factors contributing to the ease of doing business.

e) International Financial Centre

The performance of Mauritius as an IFC was assessed by combining Instrumental factors into five overarching 'areas of competitiveness': People, Business Environment, Infrastructure, Market Access and General Competitiveness.

Overall Performance:

The improving ranks of Mauritius as an IFC could be

a "trompe-l'oeil" because of the fact that its index kept wilting throughout the years. The refining ranks are just a result of other IFC's having worst results than Mauritius and it must also be mentioned that our country remained at the lower end of the ranking in 2013 (67th out of 80 countries).

References:

- i. *The World Economic Forum: Global Competitiveness Reports*
- ii. *The Wall Street Journal & The Heritage Foundation Index of Economic Freedom Report 2013*
- iii. *Global Financial Centre Index*
- iv. *World Bank Ease of Starting a Business Index*

FINANCIAL STABILITY, RESEARCH AND ECONOMICS

The aftermath of the global financial crisis saw the establishment and consolidation of the financial stability arms of regulators of banks and financial Institutions around the world. The FSC Mauritius is mandated, pursuant to section 5(1)(e) of the FSA, "to ensure, in collaboration with the Bank of Mauritius, the soundness and stability of the financial system in Mauritius." Financial stability is one of the objectives of the FSC Mauritius and forms an important pillar of the Strategic Plan 2011 – 2013. It is also an integral part of the Strategic Plan 2014 – 2016 under the theme 'Anticipation'.

FSC Mauritius works closely with the Bank of Mauritius ('BoM') to ensure stability of the financial system. The Joint Coordination Committee ('JCC') between the FSC Mauritius and BoM is the forum where issues of joint interest to both regulators, including financial stability, are discussed. FSC Mauritius also works with BoM for the publication of the bi-annual BoM Financial Stability Report.

During the year 2013, FSC Mauritius created statistical profiles for sectors under its supervision in order to analyse trends and identify any potential systemic risk. It also regularly monitors reports from internationally recognised bodies such as IMF and Swiss-Re to keep abreast of global trends, assess any potential threats, and identify any useful indicator that could be replicated for sectors under supervision.

a) Research projects

Research is carried out to analyse financial stability trends and detect any potential systemic risks in the non-banking financial services sector. During

the year, FSC Mauritius proceeded with the updates of industry analysis as follows:

1. **Analysis of the Insurance Sector:** the FSC Mauritius looked at the evolution of the sector over the period 2001 to 2012 covering aspects such as claims/expense ratios, combined ratio, return on assets/equity, investment income ratio, evolution of residential mortgages, liquidity, market concentration, investment trends, reinsurance patterns and solvency of insurers. The study further revealed that as much as 80 per cent of the respective markets (life and non-life) are held by only a couple of insurers. In the case of the long term insurance market, three long term insurers hold 90 per cent of the market on aggregate.
2. **The Capital Markets profile** consists of a detailed statistical review of the main players in the sector, including the main exchanges, investment dealers, investment advisors and CIS managers. The analysis includes performance, liquidity and capital adequacy ratios, among others. A review of the performance of the two markets of the Stock Exchange of Mauritius Ltd., the Official Market and Development and Enterprise Market ('DEM') is also included, as well as the sector-wise composition of the listed companies in each of these markets. The study also includes a correlation of the performance of the SEMDEX with eight major international indices for different periods of time. A statistical review of the emerging bonds market has also been carried out.
3. **Review of Reinsurance:** as Mauritian insurers rely extensively on reinsurance, it is important to monitor the outlook particularly at year end when most renewals are negotiated. Growth of the global reinsurance sector is expected to be between 3.8 to 3.9 per cent in 2014-2015 and profitability (return on equity) of 9 to 10 per cent for the general reinsurance sector. For the long term reinsurance sector, growth is likely to stagnate over the next few years. The sector is likely to remain profitable despite an expected lower return on investment of less than 3.4 per cent in 2014. Moreover, it is expected that alternative capital will continue to focus on markets with high margins and low entry barriers. For Mauritius, there is no reason to expect price or availability challenges for 2014. General insurers reinsured over 87 per cent of property gross premium and 76 per cent of liability gross premium with reinsurers rated by

S&P, Fitch and A. M. Best for both segments.

b) Crisis Management Framework

Research on the implementation of a Crisis Management Framework & Resolution Regime for distressed firms in Mauritius was initiated during 2013. The draft Working Paper "Crisis Management Framework and Resolution Regimes" explored current practices of resolutions regimes, IAIS and IOSCO principles with respect to resolution as well as any related work undertaken by IAIS and IOSCO in terms of resolution, the Financial Stability Board ('FSB') Key Attributes of Effective Resolution Regimes for Financial Institutions. The Working Paper also assessed the prevailing Mauritian legal system against FSB's 12 Key Attributes. This report constitutes the groundwork in determining how to address troubled licensees with emphasis on systemically important institutions.

c) Collaboration on the BoM Financial Stability Reports

Data and analysis on the insurance sector were provided for the publication of the bi-annual Financial Stability Reports ('FSR') of the BoM. The report published in February 2013 elaborated on the performance of the insurance sector, exposure to global conditions, reinsurance risk, and credit to households. The February 2013 FSR also covered reinsurance activities of general insurers.

The report issued in August 2013 covered the average solvency position of insurers, growth of insurance activities, exposure to global conditions, concentration and the financial performance of insurers.

d) Monitoring Public Financial Stability Reports

The FSC Mauritius keeps abreast of and reviews financial stability reports issued by other regulators and international standard setters. The reviews focus inter alia on developments in other jurisdictions that may affect Mauritius, types of analysis which may be replicated in the Mauritian context and themes identified by other regulators which may warrant analysis in Mauritius.

e) FSB Regional Consultative Group ('FSB RCG') for Sub-Saharan Africa

The FSC Mauritius, along with BoM and the Ministry of Finance and Economic Development, represent

Mauritius on the FSB RCG. The FSC Mauritius participated in both meetings of the FSB RCG held during 2013.

During the third meeting of the FSB RCG for Sub Saharan Africa, held in February 2013 in Kenya, members of the FSB RCG for Sub Saharan Africa reviewed the FSB's policy priorities and work plan along with vulnerabilities in the global financial system, particularly risks in advanced economies and their possible impact on the region.

Members further discussed how supervisory cooperation and information sharing among financial sector authorities in the region can be enhanced, including the potential role of supervisory colleges. The final area of attention during the meeting was the importance of micro-finance in Sub Saharan Africa and how ministries of finance, central banks and supervisory authorities can balance the promotion of these activities with the maintenance of effective oversight.

The fourth meeting of the FSB RCG was held in October 2013 in Mauritius. Further to the review of the policy priorities and work plan, Members discussed the principal forms of shadow banking in the region and steps that are being taken to strengthen the oversight and regulation of the shadow banking system.

Members also reflected on the development and use of credit ratings agencies and credit ratings, on efforts that are being undertaken in the region to develop credit rating agencies and the challenges this poses for regulators' capacity to oversee the agencies. Members also acknowledged the risks associated with a mechanistic reliance on credit ratings.

Members further debated on the foundations of effective risk management: risk governance, risk appetite frameworks and risk culture. Members debated the sound risk governance practices that should be expected from financial institutions in the region and what areas need to be strengthened. In addition, they considered the extent to which financial institutions from the region have risk appetite frameworks.

FINANCIAL STABILITY COMMITTEE

The FSC Mauritius actively participated in the Financial Stability Committee set up pursuant to Section 55A of the Bank of Mauritius Act 2004. The

Committee, as prescribed in the Bank of Mauritius Act, is chaired by the Minister of Finance and Economic Development. The Governor, the Financial Secretary, the Chief Executive of the FSC Mauritius and the Director of the Financial Intelligence Unit are members of the Committee.

The function of the Committee is to regularly review and ensure the soundness and stability of the financial system.

The Minister of Finance and Economic Development convened the first meeting for 2013 to discuss financial scams and its potential impact on the financial system. Collaboration between the various institutions and how to address regulatory gaps were also discussed.

MARKET AND TECHNICAL DEVELOPMENT

In the current highly globalised financial markets, consolidating development and regulation of markets by emerging economies will provide a major drive to sustaining their development efforts and economic growth. In order to maintain the competitiveness of the Mauritius IFC, FSC Mauritius continually looks for new developments in terms of products / services and practices in other jurisdictions and makes appropriate recommendations for Mauritius. This entails research of international developments and initiatives; assessment of the impact on the local financial services industry; formulation of appropriate options for consideration and policy recommendation and advice.

Strengthening the global financial system, identifying and controlling systemic risk, enhancing transparency and reducing complexity have all been the prime objectives of the political and regulatory response over the last five years. Through Market and Technical Development, the FSC Mauritius works towards achieving one of the statutory objects as stated in Section 5(d) & (f)) of the FSA which are:

"to study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation"

"to work out objectives, policies and priorities for the development of the financial services sector and global business and to make recommendations to the Minister".

The FSC Mauritius follows development of competing jurisdictions and also their various assessments by rating agencies and efforts are geared towards:

a) Diversification and Promotion of Innovative Financial Products and Services

Recommendation for changes in legislation and introduction of new products are made after thorough research and internal discussions with relevant clusters and external consultation with stakeholders. This approach ensures that the qualms of all stakeholders are considered and that the FSC Mauritius meet international standards and best practices.

Mauritius has since 2013 embarked on an Ocean Economy Roadmap which spells out the strategies for the expansion of this new pillar. The FSC Mauritius participated at the various discussions and worked on the financial aspects of the Roadmap encompassing Marine Insurance, Taxation, Legal & Regulatory and Leasing.

The FSC Mauritius worked on recommendations for new legislation and changes in existing legislation and introduction of new products to enhance the competitiveness of Mauritius as an IFC. The FSC Mauritius considered possibilities for a regulatory regime with respect to credit rating agencies and plans to launch consultation with stakeholders in 2014. Policy oriented research has also been carried out to look for financial products that complement the Mauritius Africa strategy.

b) Monitoring International Development

The global financial industry is dynamic and evolving. To keep abreast of all the changes and developments, it is important to monitor them and measure their impact on the Mauritian jurisdiction.

The FSC Mauritius FATCA Survey

FATCA is a US legislation that was enacted on 18 March 2010. FATCA requires Foreign Financial Institutions to provide the US Internal Revenue Service ('IRS') with information about financial accounts held by US taxpayers, or by foreign entities in which US taxpayers hold a substantial ownership interest.

The FSC Mauritius launched a survey on 10 January 2013 to collect the views of its licensees on the impact of the FATCA on their operations. The survey was conducted pursuant to Section 7(2) of

the FSA and aimed at collecting reliable and up-to-date information from the industry for micro and macro-economic analysis.

OECD Global Forum Assessment

The FSC Mauritius followed up on the Organisation For Economic Co-operation and Development ('OECD') Global Forum Assessment for Mauritius for both Phase 1 and Phase 2 reviews.

The efforts of the FSC Mauritius and other authorities fructified with the outcome from the OECD in November 2013. Members of the Global Forum on Transparency and Exchange of Information for Tax Purposes met in Jakarta, Indonesia from 21 to 22 November 2013, where they took significant steps to implement a global call for greater international cooperation against tax evasion. New compliance ratings for 50 countries on the practical implementation of the Forum's information exchange standard were published. Mauritius along with the United Kingdom, the United States, Singapore, Jersey, Germany and Italy form part of the 26 jurisdictions rated as 'Largely Compliant'. 18 jurisdictions were rated as 'Compliant', 2 as 'Partially Compliant' and 4 as 'Non-Compliant'.

c) Promoting Industry Partnership

To maintain Mauritius as a competitive IFC, the FSC Mauritius holds regular meetings with the industry associations. Consultations and technical meetings with industry were held to discuss on Regional Headquarter Scheme and Regional Treasury Centre in order to devise the scheme and finalise the Rule. These dialogues foster better understanding of risks and challenges facing the industry, and provide a good platform for the FSC Mauritius and the industry to collectively work toward good supervisory outcomes and financial stability.

FSC Mauritius also formed part of discussions with international organisations, including the World Bank and African Development Bank to foster regional integration and to strengthen the legislation for financial services through technical assistance.

d) Proficiency / Competency Standards

The FSC Mauritius embarked on the Fair Market Conduct Programme in 2013. As part of this programme, the FSC Mauritius announced the development of competency standards for its licensees to align the standards in the financial

services sector with international standards and international best practices. Through the competency standards, the FSC Mauritius is formalising the minimum professional knowledge and skills which specific licensees need to have. A two-phased approach has been adopted for the development of the competency standards for the different sectors in the financial industry.

The first phase consists of the competency analysis for licensees providing intermediary services as well as licensees having fiduciary duties. This phase is the foundation of the development of the competency standards and it consists of the following steps:

- Identifying the technical competencies which the licensee must possess;
- Recognising minimum entry educational qualifications;
- Recognising continuous professional development requirements with respect to maintaining competencies; and
- Providing for a transitional arrangement for existing licensees.

The second phase consists of the drafting of a Competency Code which will formalise the minimum professional knowledge and skills which the specific licensees need to have.

The first phase was initiated with intermediaries in the insurance sector and the FSC Mauritius issued a consultation paper on the proposed competency standards for insurance intermediaries in October 2013.

e) Captive Insurance Framework

In its simplest form, a captive insurance company is a wholly owned subsidiary created to provide insurance to its non-insurance parent company - essentially a form of self-insurance whereby the insurer is owned wholly by the insured. In Mauritius, the present IA provides the regulatory framework for the broader insurance industry. However, lately there has been much innovation in the field of captive insurance legislations, to the extent that Mauritius is not being perceived as an attractive captive domicile relative to other jurisdictions. This has prompted the need for a review of the captive insurance framework with the objective of positioning Mauritius as a Captive domicile of choice.

A Project Steering Committee was set up to

ensure timely and effective deliverables. To assist the FSC Mauritius in the task of putting in place best international practice captive legislation, the services of Marsh Consulting, which manages, 21 per cent of all the world's captives, were commissioned (after a competitive international tender process).

After a study of regional demands and a topology of leading Captive jurisdictions and conscious, at least in the initial stages, to reduce the potential reputational risk exposure of Mauritius as a financial centre, it was decided that the proposed legislation on Captive will focus on Pure Captives - captives writing exclusively risks of parent and affiliated companies. This includes "Group captives" (risks of parent and subsidiaries are covered) but not Association captives (i.e. captives owned and controlled by multiple unrelated companies) or third party captives.

Prior to finalising the provisions of the proposed Captive Framework, the FSC Mauritius consulted with the local industry during the year to register their feedback and propositions. The Captive Framework has been completed and henceforth submitted to the relevant authorities in view of its forthcoming enactment.

f) Competitiveness Rating Indices

A ranking of countries (states / economies) has as of late become very important for most stakeholders starting from the country itself, the local business environment and foreign investors among others.

Nowadays many international organisations (including the World Bank and the International Monetary Fund) provide ratings of economies on various issues and subjects. These ratings are most often a good barometer to measure development and success of a jurisdiction.

As an IFC, Mauritius faces competition from a lot of centres to attract foreign investment and new businesses. Foreign investors rely on many factors when choosing a jurisdiction for either incorporation or doing business and most often the international rating indices are their first port of call for making a decision. As such, international rankings have become a crucial aspect to be considered by the Mauritius jurisdiction along with continually improving performance. It is paramount for Mauritius to maintain an acceptable ranking on the indices so as to maintain its reputation as a competitive and transparent IFC.

There are numerous rating indices available. While many of them overlap in terms of parameters, some provide complementary information about a jurisdiction. Several of the rating indices (rankings) are of international coverage and are widely accepted by the international community. During the year, FSC Mauritius tracked the performance of the Mauritius jurisdiction in terms of ranking in the reports from a number of international rating agencies. Findings and subsequent recommendations have been submitted to the relevant authorities in Mauritius.

FINANCIAL SERVICES CONSULTATIVE COUNCIL ('FSCC')

Pursuant to Section 12 of the FSA, the Minister of Finance and Economic Development reconstituted the FSCC for the period 2013 / 2014. The council comprises the Minister of Finance and Economic Development as Chairperson, the Financial Secretary as Vice Chairperson, the Governor, the Chairperson and the Chief Executive of the FSC Mauritius and industry representatives from the financial services sector.

The objective of the FSCC is to act as a think-tank and to serve as a platform for discussing the latest concepts and international trends in the field of financial services and global business and to formulate suggestions and ideas for the development of the financial services and global business sectors.

During 2013, the FSCC set up seven sub-committees focussing on:

- Legislative Programme & New Products
- Tax Treaties
- Africa And New Markets
- Communication
- Challenges
- India Double Taxation Agreement Related Matters
- Integration Of Global Business And Domestic Sectors

The FSC Mauritius participated actively in the discussions of the sub-committees.

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Overview of Sectors

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Capital Markets

International Overview

On the international scene, global economies and stock markets have been moving side by side with each other. The struggle for recovery to overcome the financial crisis had been the priority of many of the world's jurisdictions while the resilient ones concentrated on improving their situation. New reforms and policies were taken to help insulate vibrant economies from external shocks while encouraging growth. On the overall, the world economy, particularly developed markets, began to show some signs of strength in 2013 with a global economic growth rate of 2.4 per cent.

On the market side, the year brought with it a mixture of both gains and declines across stock market indices of major world players and emerging financial markets. Investors worldwide however remained very cautious in their preference before investing.

Throughout the year, new decisions were taken to buoy developed markets such as the US and Europe. In respect of the Asian markets, a slower momentum was seen during the first half of the year but the emerging markets outperformed during the last quarter of the year. The stock market indices in Latin America namely in Mexico, Colombia, Chile, Brazil and Peru all declined during 2013. However, despite slow economic performance in 2013 which could have been tied to the country's political cycle, investors remain positive with the recently passed energy reform in Mexico.

Overview of Markets – Domestic Trends

Securities Exchanges

The two Securities Exchanges (the Stock Exchange of Mauritius Ltd. and Bourse Africa Limited ('BAL')) experienced a good performance on the overall for the period under review. Several positive factors on the local scene such as investor confidence, and growth contributed to this performance. The results

of the Securities Exchanges were also dependent on other factors such as a recovery of the global economies at large enabling foreign investors to invest in the local markets.

Stock Exchange of Mauritius Ltd

The SEM was characterised by a continuous up-beat path for the year 2013. Both Markets under the SEM namely the Official Market and the Development & Enterprise Market, performed well during the year. This could be attributed to a combination of a profit-motivated investor base with good fundamentals, corporate restructuring and reported earnings results of some stocks. This trend was also mirrored on the part of foreign investors who showed an appetite for Mauritian securities. As such, a net amount of MUR 547.2 million was injected into the market. The initiative of reducing brokerage fees on turnaround trades was another factor accounting for further trading on the platform.

As at the end of 2013, the total market capitalisation for both markets on SEM amounted to MUR 268.72 billion (representing 78 per cent of GDP) as compared to MUR 219.34 billion in 2012. The total value traded stood at MUR 14.3 billion in 2013 for a total volume of 2.1 billion shares exchanged.

SEM currently lists, trades and settles equity and debt products in USD, Euro, GBP, ZAR and MUR.

As part of its internationalisation programme, SEM provides a value-chain of products to promote an attractive listing, trading and capital-raising platform which includes products and services for Global funds, Global Business Companies, Mining and Mineral companies, specialist-debt products, Depositary receipts among others. In 2013, the introduction of Exchange Traded Funds ('ETFs') on SEM's platform marked a new milestone for the development of Capital Markets Industry in Mauritius.

Table 5: Figures for Market Caps and SEMDEX

Official Market

Particulars	Figures – Dec 2013	Figures – Dec 2012
No. of Listed Companies	43	41
Total Volume Traded (shares)	117,792,008	19,514,300
Total Value Traded (MUR)	878,554,314.77	865,319,434.67
Market Capitalisation (MUR Billion)	212.93	170.12
SEMDEX	2,095.69	1,732.06

Development Enterprise Market

Particulars	Figures – Dec 2013	Figures – Dec 2012
No. of Listed Companies	48	47
Total Volume Traded (shares)	57,012,116	12,700,213
Total Value Traded (MUR)	652,568,131.99	131,239,680.33
Market Capitalisation (MUR Billion)	55.78	42.92
DEMEX	173.74	147.55

Source: Stock Exchange of Mauritius Ltd.

Bourse Africa Ltd

BAL is an international multi-class exchange which offers and trades in three segments namely, the Commodity Derivatives Segment, the Currency Derivatives Segment, and the Equity Segment. For the Commodity Derivatives Segment, three contracts namely in gold, silver and Crude Oil (WTI) are offered while for the Currency Derivatives Segment, five currency pairs are traded namely EUR/USD, GBP/USD, JPY/USD, USD/MUR, ZAR/USD.

For the year under review, the performance of BAL was relatively positive with total turnover varying between USD 300 million and USD 700 million, the highest turnover being recorded in May 2013. The greatest total volume traded was in December with 144,284 lots traded.

Table 6: Overview of the Performance of the BAL in the Different Segments for 2012 & 2013

Particulars	Total Turnover (in USD Million)		Total Volumes (in Lots)	
	2013	2012	2013	2012
January	5.2	556.0	294	17,418
February	483.6	646.1	21,161	21,676
March	461.6	632.0	19,681	24,124
April	356.2	579.0	21,844	26,787
May	667.5	756.4	47,694	30,557
June	580.0	462.6	47,496	18,005
July	615.4	252.7	60,808	8,802
August	567.6	252.7	65,497	8,802
September	583.6	161.1	123,823	6,741
October	441.1	52.8	83,917	1,984
November	392.8	36.4	52,770	1,687
December	511.8	6.5	144,284	368
TOTAL FOR THE YEAR	5,666	4,394	689,269	166,951

Source: Bourse Africa Ltd

Bourse Africa Clear Ltd

Under Section 10 of the SA, BAL was granted a licence from the FSC Mauritius in March 2009 for a clearing & settlement facility licence. In July 2013, approval was granted to BAL to set up a separate clearing & settlement facility entity under the name of Bourse Africa Clear Ltd (previously known as GBOT Clear Ltd).

Market Intermediaries

Market Intermediaries consist of Investment Dealers, Investment Advisers and their representatives which are licensed under Sections 29 and 30 of the SA respectively. The current legislations cater for these licences to be applicable to both domestic intermediaries and GBC1s which seek an activity licence as Investment Dealer or Investment Adviser. They are all governed under the single regulatory framework.

- a) The SA provides that one of the core functions of the Investment Dealer is to act as an intermediary in the execution of securities

transactions on behalf of other persons. A domestic Investment Dealer has to be a member of any one of the Securities Exchanges (either SEM or BAL) in order to trade on the platform. The Securities (Licensing) Rules 2007 provides for different categories of Investment Dealers.

In addition to the licensing framework for Investment Dealers, Section 29(3) of the SA caters for the FSC Mauritius to authorise financial institutions which may carry out the functions or activities of an investment dealer. The Securities (Authorization of Foreign Investment Dealers) Rules 2010 apply to the authorisation of foreign investment dealers whose activities are restricted to trading on a securities exchange. These licences are applicable to those foreign investment dealers who are already exercising these functions in a jurisdiction where there is a regulatory or supervisory framework in place consistent with international best practices. The Rules are applicable to both exchanges in Mauritius.

During the year 2013, 2 new Investment Dealers and 12 Representatives of Investment Dealers were licensed on the local front whereas 17 GBC1s were granted an activity licence as Investment Dealer.

- b) The SA provides for the licensing of Investment Advisers and their Representatives under Section 30 and the main activity of this type of intermediary is to 'advise, guide or recommend other persons, or hold himself out to advise, guide or recommend other persons, whether personally or through printed materials or by other means, to enter into securities transactions' or to manage or hold himself out to manage, under a mandate, whether discretionary or not, a portfolio of securities'.

The Securities (Licensing) Rules 2007 provides for two types of Investment Advisers – the Restricted category which provides advice only and the Unrestricted category which provides both advice and manage portfolios of clients. An Investment Adviser can be an entity or an individual.

During the year 2013, 2 new Investment Advisers and 10 Representatives of Investment Advisors were licensed on the local front whereas 33 GBC1s were granted an activity licence as Investment Adviser.

Table 7: Domestic Investment Dealers and Advisers – as at 31st December

Activity	2013	2012
Investment Dealer	21	21
Investment Adviser	31	30
Representative of Investment Dealer	52	45
Representative of Investment Adviser	49	42

Source: Financial Services Commission, Mauritius
Note: The Figures reflect active entities, that is, those applying for winding up and wound up entities are excluded.

Investment Funds and Intermediaries

During the year under review, the Fund industry in Mauritius witnessed a number of changes, which were brought about to enhance the competitiveness of Mauritius as an IFC.

In May 2013, the FSC Mauritius became signatory to the Memorandum of Understanding ('MoU') with the European Securities Markets Authority (more specifically 23 European Union and European Economic Area Member States). The MoU relates to the supervision of hedge funds, private equity and real estate funds under the Alternative Investment Fund Managers' Directive. This agreement enables Mauritius-licensed funds to continue to market in Europe under the private placement regimes of EU Member States after the introduction of the EU AIFMD in July 2013.

The FSC Mauritius issued the Financial Services (Special Purpose Funds) Rules 2013. Special Purpose Fund was introduced in the Income Tax Act further to amendments brought about by the Finance (Miscellaneous Provisions) Act 2012. These Rules allow both foreign and local investors investing outside and within Mauritius to benefit of tax exemption, subject to applicable terms and conditions.

On 20 June 2013, the FSC Mauritius organised an industry session relating to the new Rules issued. Subsequently, the FSC Mauritius issued a Circular Letter on the Special Purpose Fund and published on its website a list of Frequently Asked Questions ('FAQs') on the subject. Further to representations received from the industry, the FSC Mauritius initiated work to fine-tune the above-mentioned Rules so that this new vehicle becomes more attractive to the industry.

During the year under review, the FSC Mauritius also worked on amendments in the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 to:

- enable structures other than a company to hold a CIS Manager Licence; and

- allow the fund of funds structure, i.e. a fund investing in a portfolio of other funds.

As at 31 December 2013, the statistics were as follows:

Table 8: Licences by Type

Type of Licensees	Number*		
	2013	2012	2011
Funds	893	876	836
Including:			
Collective Investment Funds	498	494	538
Closed-end Funds	395	382	298
CIS Managers	333	307	N/A
Custodians	9	8	6
CIS Administrators	4	4	4

* All figures refer to active entities, i.e. those applying for winding up and wound up entities are excluded.

Source: Financial Services Commission, Mauritius

Insurance

Long Term Business

During the year 2013, there were 7 licensed long-term insurers. Prior to segregation of composite insurance companies, as at December 2010, there were 11 companies providing long term insurance. The value of assets stood at MUR 106 billion for 2013 (MUR 93 billion for 2012). Assets of long term insurers increased at an average yearly rate of 13.25 per cent for the last five years. The value of Assets includes managed pension.

The capital and reserves position, showed continuous increase each year for the past five years, which could be interpreted as insurers taking a more prudent and committed approach to policy liabilities and reducing probability of insolvency. The five year average rate of increase was at 20.75 per cent per annum.

Gross premiums increased to MUR 15 billion for 2013 (MUR 14 billion for 2012). Premiums have increased for the last five years with an average yearly rate of 12.25 per cent. While there was a marked increase of 26 per cent in year 2010, thereafter the premiums increased at a fairly constant rate.

Claims on the other hand increased to MUR 11 billion for 2013 (MUR 10 billion for 2012). The average increase for the last five years has been at a rate of 17.25 per cent per annum. The year to year change in claims was however, volatile due to the fact that rate of mortality and other contingencies are uncorrelated to any given year.

The number of new policies increased from 56,951 in 2012 to 61,115 last year. Besides the huge increase in the number of new polices for year 2011 (165,585) with segregation of composite insurance companies, the average yearly rate of increase for the last five years averaged 27.75 per cent per annum.

Table 9: Trends in Long Term Insurance Business

Parameters	2013	2012	2011
Number of Insurers	7	7	8
Value of Assets (MUR Billion)	84.23	92.64	84.24
Gross Premiums (MUR Billion)	15.03	13.90	12.95
Number of Claims	63,193	32,321	59,384
Value of Claims (MUR Billion)	11.06	10.05	10.58
Number of Policies	420,998	419,707	497,228

Source: Financial Services Commission, Mauritius

General Business

During the year 2013, there were 12 insurers licensed to conduct general insurance business. The value of assets stood at MUR 13,888 million for 2013 compared to MUR 12,276 million in 2012, representing an increase of 13 per cent over previous year. The five year average rate of increase of assets was 5 per cent yearly.

Capital and Reserves increased to MUR 6,052 million in 2013 against MUR 5,291 million in 2012. The Capital and Reserves increased at an average yearly rate of 2 per cent, over the last five years. A 28 per cent decline was noted in 2011, which could be explained by the fact that many composites had to separate into two entities and allocate their own capital.

Gross premiums for motor business stood at MUR 2,758 million in 2013 as compared to MUR 2,698 million in 2012, showing an increase of 2 per cent over the previous year. Gross Premiums for non-motor business on the other hand stood at MUR 4,271 million in 2013 compared to MUR 3,485 million in 2012, representing an increase of 23 per cent over 2012. Motor premiums have been increasing at a five year average rate of 6

per cent per annum whereas Non-motor premiums have been increasing at 9 per cent yearly for the last five years.

Underwriting profits stood at MUR 503 million in 2013 lower than the MUR 507 million in 2012, showing a fall of 1 per cent from the previous year. Operating profits on the other hand amounted to MUR 888 million in 2013 against MUR 909 million in 2012 representing a decrease of 2 per cent over the previous last year.

The underwriting profit has been fairly stable for the last three years compared to losses of MUR 1 million suffered in 2010.

The number of motor claims stood at 42,494 for 2013, lower than the 43,320 in 2012. On the other hand the number of non-motor claims amounted to 225,246 in 2013, up from 186,635 in 2012.

The majority of claims belonged to non-motor business averaging to 78 per cent for the last 5 years, whereas the motor business averaged 22 per cent, out of total claims.

Table 10: Trends in General Insurance Business

Parameters	2013	2012	2011
Number of Insurers	12	12	13
Value of Assets (MUR Billion)	13.89	12.28	11.66
Gross Premiums (MUR Billion)	7.03	6.18	6.25
Number of Claims	267,740	229,955	199,677
Value of Claims (MUR Billion)	4.14	3.07	3.25
Number of Policies	475,024	469,616	419,516

Source: Financial Services Commission, Mauritius

Insurance – General Overview

During the year 2013, the insurance sector experienced two catastrophe losses. The first was the flash floods of 30 March 2013 and the second the National Transport Corporation bus accident at Soreze.

Both accidents involved property damage, liability claims and several loss of lives. While these risks were concentrated and correlated, the

insurers successfully compensated those claims following the flash floods using their reserves and reinsurance treaties. Compensation following the Soreze accident are currently being considered by insurance companies.

New products introduced in the market were mostly linked businesses or revision of previous products. The market has experienced a rise in fairly all parameters from the preceding years. (Refer to Appendix 2 for a financial analysis of the market). The FSC Mauritius is working on compensation fund for stakeholders of the insurance sector, as per the Act. As a first step, in collaboration with the Ministry of Finance and Economic Development, the Commission has embarked on an endeavour to introduce a compensation fund for victims of 'hit & run' cases. Following successful implementation, it is envisaged to expand the fund to cater for policyholders of insolvent companies after the conduct of a review of the risk management and solvency requirements for insurers.

Insurance Intermediaries

In line with the Commission's project to make available on its website its register of licensees, FSC Mauritius embarked on an updating exercise of its records of Insurance Brokers, Agents and Salespersons in early 2013. The updated records for Insurance Brokers and Agents were uploaded online, with those of Insurance Salespersons projected to follow in 2014.

As at December 2013, there were 25 brokers and 285 insurance agents.

During 2013, several complaints were received from the public and insurance companies accusing certain agents of issuing fake policy certificates. The FSC Mauritius duly conducted investigations on the premises of some agents and businesses, leading to the matters being referred to the police, in some cases.

Pensions

Since November 2012, the FSC Mauritius is the single regulator and supervisor of the private pensions industry in Mauritius and is mandated to ensure that private pension schemes operating in Mauritius comply with the law in order to maintain a fair, safe, stable and efficient private pension industry. Under the PPSA, the FSC Mauritius is the authority which:

- a) licenses and authorises private pension schemes;
- b) enforces compliance with prudential requirements;
- c) applies the fit and proper requirements to persons constituting the governing body of private pension schemes; and
- d) intervenes in the event of misconduct of a licensed or authorised private pension scheme.

As at date, five FSC Rules under the PPSA have been issued by FSC Mauritius. The regulatory and supervisory framework for the private pensions industry is being further consolidated with the drafting of other FSC Rules under the same Act.

As at December 2012, the value of funds under management for the 1,005 private pension schemes stood at MUR 35.5 billion. The employee and employer contributions were MUR 180 million and MUR 608 million respectively. During the period, a total of MUR 421 million were paid as benefits.

Private Pension Industry at a Glance

Table 11: Private pension industry at a glance

Types of Pension Schemes	Number		
	2013	2012	2011
Insured Pension Schemes*	N/A	971	984
Superannuation Funds **	N/A	34	31
TOTAL	-	1,005	1,015

* *Superannuation funds are private pension schemes set up under the repealed Employees Superannuation Fund Act*

** *"Insured pension schemes", as they are commonly known, are private pension schemes managed by Insurance Companies and are deemed to be licensed under section 58(2) of the PPSA.*

Source: Financial Services Commission, Mauritius

Non-Bank Financial Institutions (Second Schedule of the FSA)

Section 14 of the FSA requires any entity / person carrying out any financial services activities to be a licensee of the FSC Mauritius. While most of the financial services activities fall under relevant Acts as prescribed in the First Schedule of the FSA, there are other financial business activities mentioned in the Second Schedule of the FSA which include amongst others Assets Management, Credit

Finance, Custodian services (non-CIS), Distribution of financial products, Factoring, Leasing, Registrar and Transfer Agent, Treasury Management and Payment Intermediary Services.

For the year 2013, the FSC Mauritius has granted a total of seven licences to domestic entities in the following categories:

Table 12: Number of Licensees (Second Schedule of the FSA) 2011-2013

S/N	Types of Pension Schemes	New in 2013	Number		
			2013	2012	2011
1.	Distribution of Financial Products	2	16	14	14
2.	Treasury Management	1	6	4	3
3.	Custodian (Non-CIS)	2 (Banking Institutions)	9	7	6
4.	Registrar & Transfer Agents	1	7	6	6
5.	Leasing	1	11	10	13
6.	Actuarial Services	Nil	2	4	3
7.	Pension Scheme Administrator	Nil	2	5	5

Source: Financial Services Commission, Mauritius

Reporting Issuers ('RI')

During the year under review, FSC Mauritius granted registration to 5 entities as RIs pursuant to Section 86 of the SA. These Companies have either sought a listing on the SEM or have more than 100 shareholders. As at December 2013, the records indicated that there was a total number of 115 Reporting Issuers. The FSC Mauritius ensures that RIs are compliant to the applicable set of legislation, as part of its supervisory framework, in terms of disclosure obligations. These include prompt submission of financial statements and report, notification of interest in securities by insiders and other notifications. Companies listed on a securities exchange file with the FSC Mauritius, a list of foreign investors holding investments in them.

Global Business

The Global Business sector has been growing in momentum during the year under review despite the aftermath of the financial and Euro zone crisis coupled with perceived uncertainties prevailing on the outcome of the Technical Joint Working Group in the re-negotiation of the Double Taxation Avoidance Agreement between India and Mauritius. In an effort to curtail the downside effects of the foregoing, the FSC Mauritius and the Board of Investment worked together on making the Mauritius jurisdiction the preferred financial hub for investment in Africa, in line with the Africa Strategy set by Government.

Further to government policy of consolidating the position of Mauritius IFC as a jurisdiction of substance and sound repute, discussions with relevant stakeholders were held prior to

amendments being brought to the Guide to Global Business. Existing GBC1s have to comply with these new requirements by 01 January 2015.

Market Trends

During the year under review 77 audited financial statements for Management Companies ('MC') and Corporate Trustees ('CT') were received and reviewed.

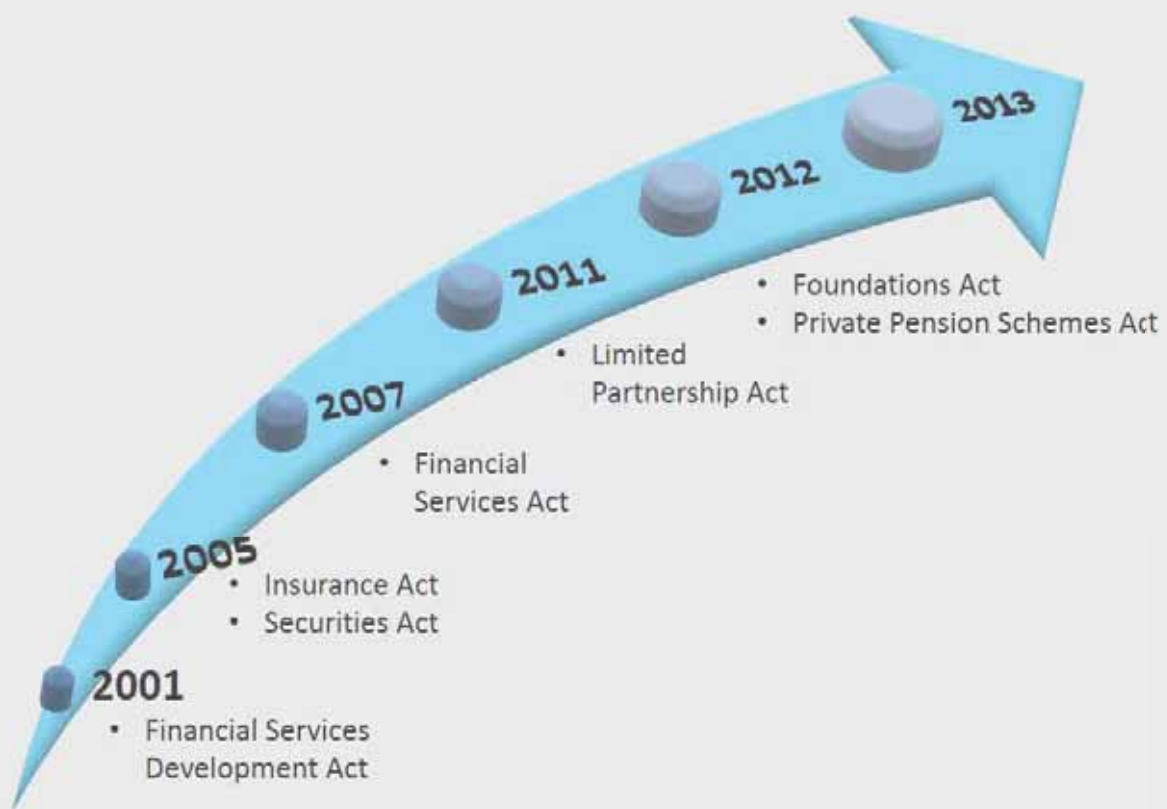
The Total Income, as per the 77 audited financial statements received, amounts to USD 77.5 million and Profit before tax amounts to USD 23.2 million. The corresponding figures for the same population of 77 Management Companies for the year 2012 was USD 73.9 million for total income and USD 21.2 million for profits before tax.

Table 13: Summary of Financial Results of Management Companies (inclusive of Corporate Trustees) (2009-2013)

	2009	2010	2011	2012	2013*
Number of Entities	126	149	153	165	172
Total Income (thousand USD)	146,524	151,303	176,937	176,717	176,000
Profit Before Tax (thousand USD)	59,210	53,884	53,884	56,398	58,600

*Note *: The figures for the year 2013 are estimated for all 172 MCs and CTs based on the audited financial statements received at the Commission and those of previous years.*

Source: Financial Services Commission, Mauritius



Legal and Regulatory Developments

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Legal and Regulatory Developments

AMENDMENTS TO LEGISLATIONS

Amendments to Acts

Amendments to the Financial Services Act 2007

The FSA was amended by the Economic and Financial Measures (Miscellaneous Provisions) Act 2013.

The relevant amendments are as follows:

- Adding a new section which enables the Chief Executive of the FSC Mauritius to conduct special investigations where the latter has reasonable cause to believe that any person, either as a principle or as an agent provides, advertises or holds himself out in any way as providing any financial services or investment activity to the public, without a licence or written authorisation from the FSC Mauritius or that a person has committed, is committing or is likely to commit a breach of the relevant Acts.
- Amended FSA to give the power to FSC Mauritius, with the consent of the Director of Public Prosecutions, to compound any offence committed by a person under the relevant Acts which is prescribed as a compoundable offence, where the person agrees in writing to pay such amount not exceeding the maximum penalty specified for the offence as may be acceptable to the FSC Mauritius.
- In order to further increase substance in Mauritius, Section 71(6) of the FSA was amended to provide that a holder of a Category 1 Global Business Licence may conduct business in Mauritius subject to such restrictions, terms and conditions as may be provided in any guidelines issued by the FSC Mauritius.

Legislative Changes in the Non-Banking Financial Services Sector

The Financial Services (Special Purpose Fund) Rules 2013 provide that FSC Mauritius may, on application, approve a scheme, other than a scheme holding a Global Business Licence, as a special purpose fund if:

- the purpose of the scheme is to conduct investment solely in countries which do not have a tax arrangement with Mauritius;
- the purpose of the scheme is to invest mainly in securities whose returns will be exempted from taxation; or
- all the beneficial owners of the scheme are pension schemes or other persons entitled to tax exemption.

Such approval may be subject to such conditions as the FSC Mauritius considers necessary.

The FSC Mauritius also issued the Financial Services (Administrative Penalties) Rules 2013. The purpose of these new FSC Rules is to impose administrative penalties on licensees who fail to comply with a specific legal obligation. The FSC Rules provide for the amount of administrative penalty to be levied for each business day of non-compliance.

Legislative Changes Specific to the Global Business Sector

The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended to add two new categories of licences which can now be issued by the FSC Mauritius namely Global Headquarters Administration and Global Treasury Activities. The Rules were also amended to review the licence fees charged on Management Companies so as to be fairer to small Management Companies.

The amendments brought to the Guide to Global

Business in 2013 require GBC1s to have more presence in Mauritius. In addition to the existing requirements, other conditions will be considered by the FSC Mauritius in determining whether a GBC1 is being managed and controlled from Mauritius. These new conditions include having office premises or holding assets in Mauritius, employing Mauritian staff or using the services of local service providers.

Legislative Changes Specific to the Insurance and Pensions Sector

Regulation 3(3) of the Insurance Regulations 2007 was amended to provide that Regulation 3(1) shall not apply to insurance contracts providing for export credit insurance.

Rule 12 of the Insurance (Long-Term Insurance Business Solvency) Rules 2007 and Rule 7 of the Insurance (General Insurance Business Solvency) Rules 2007 were amended to clarify that the aggregate value of investments of an insurer in one or more of its related companies shall not exceed 10 per cent of the assets of the insurer.

The Schedule of the Protected Cell Companies Act 1999 was amended to enable GBC1s structured as Protected Cell Companies to hold Long-Term Insurance Business licences, General Insurance Business licences, External Insurance Business licences or Professional Reinsurer licences under the IA. Moreover, just like other GBC1s, they will be able to deal with residents of Mauritius subject to meeting the requirements of the FSA and such terms and conditions as the FSC Mauritius may determine.

Two new Rules were issued under the Private Pension Schemes Act 2012 namely the Private Pension Schemes (Investment) Rules 2013 and the Private Pension Schemes (Technical Funding Requirement) Rules 2013. The purpose is to protect the interests of the beneficiaries of private pension schemes and to ensure the soundness of the financial services sector in Mauritius.

The Private Pension Schemes (Governance) Rules 2012 were amended so as to enable service providers who are promoting private pension schemes to appoint such number of persons as they think fit to act as members of the governing body of the scheme provided that such appointment is in compliance with Section 24 of the FSA, Rules 5(2) and 5(3) of the Private Pension Schemes (Governance) Rules 2012 and with any provision of

the constitutive documents of the private pension scheme.

Legislative Changes Specific to the Capital Markets and Funds sectors

The Securities (Instruments) Regulations 2013 were issued to clarify that for the purpose of section 2 of the Securities Act 2005, "securities", in relation to an instrument, means an Exchange Traded Fund.

Regulation 68 of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 ('CIS Regulations') was amended so as to include a provision granting the power to the Commission to exempt a Collective Investment Scheme from Regulations 68 (2) and 68 (3) for instances not captured under the existing Regulation 68(4) of the CIS Regulations.

Regulation 6 of the CIS Regulations was also amended to allow other types of body corporate, over and above companies, to apply for CIS Manager licences.

The Stock Exchange (Investment by Foreign Investors) Rules 1994 were revoked and replaced by the Securities (Investment by Foreign Investors) Rules 2013. The new Rules provide that the prior written consent of the FSC Mauritius is required where, as a result of an investment in securities, 15 per cent or more of the voting capital of a Mauritian sugar company would be held by foreign investors. The Stock Exchange (Brokerage Fee for Debentures) Regulations 1999 was revoked and replaced by the Securities (Brokerage Fees for Debentures) Rules 2013. The purpose of the new Rules is to provide for the brokerage fees to be paid by any person who enters into a transaction in respect of debentures on the Stock Exchange of Mauritius Ltd ('SEM').

The FSC Mauritius also issued the Securities (Brokerage Fees for Exchange Traded Funds on Foreign Underlyings) Rules 2013 whose purpose is to provide for the levy of brokerage fee on transactions pertaining to Exchange Traded Funds on foreign underlyings.

The Securities (Brokerage Fees for Turnaround Trades) Rules 2013 provide for the brokerage fees to be paid by any person who enters into a transaction in respect of turnaround trades on the SEM.

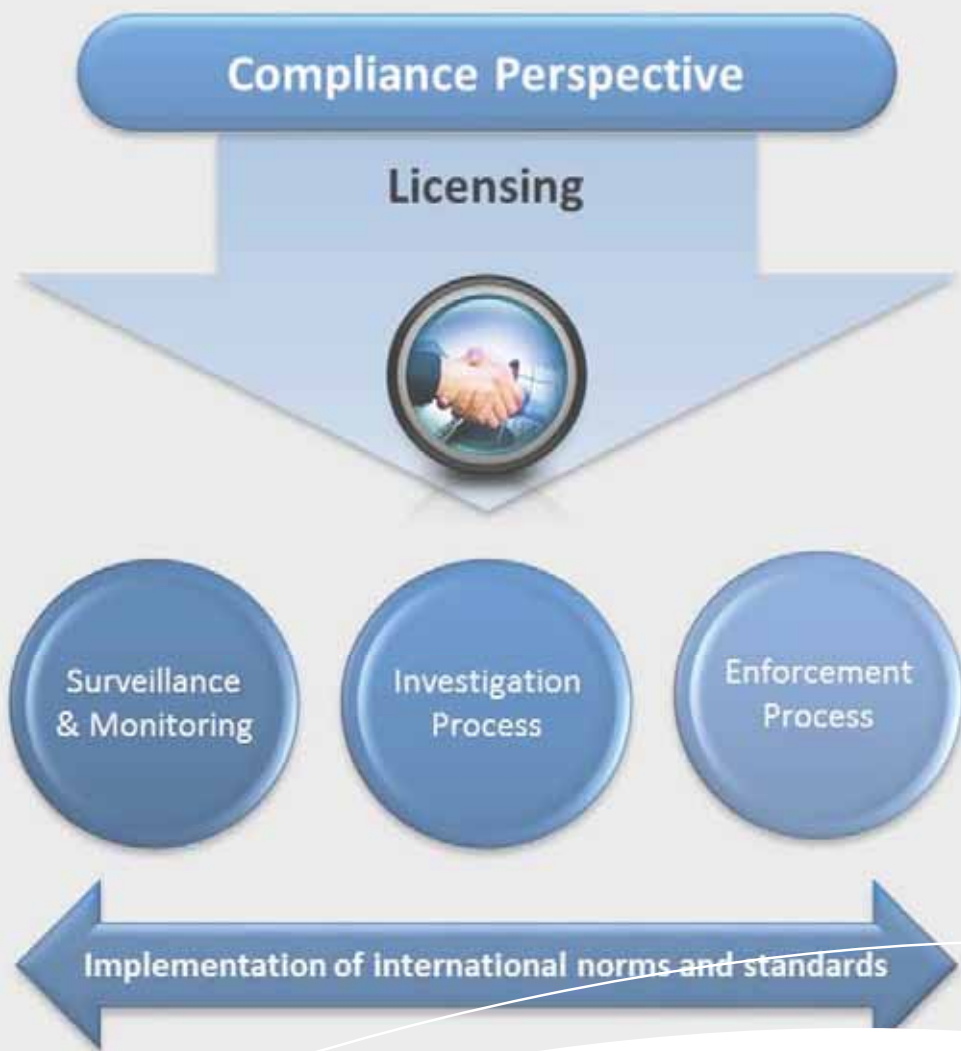
The purpose of the new Securities (Recognition of Remote Custodians) Rules 2013 is to empower the FSC Mauritius to recognise remote custodians.

The Securities (Licensing) Rules 2007 was amended to provide clearly that any sale or purchase by or on behalf of an investor of securities in Mauritian companies listed on a securities exchange should be carried out through an investment dealer.

The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended to provide for new categories of licences with respect to Foreign Investment Dealers trading on SEM. The Rules also caters for the fees which will be applicable to those licensees.

Rule 8 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 was amended in order to reduce the cost of reporting issuers when publishing their quarterly reports.

The Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 were amended to provide for the filing with the FSC Mauritius and the securities exchange each month of a list of foreign investments transactions returns, including the name of the foreign investor, the name of the investment dealer, the date of the transaction and the price. Amendments were made to the Securities (Licensing) Rules 2007 to provide clearly that any sale or purchase by or on behalf of an investor of securities in Mauritian companies listed on a securities exchange should be carried out through an investment dealer.



Regulatory Approach

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Regulatory Approach

The FSC Mauritius adopts an integrated approach to regulation and supervision of the non-banking financial services and global business sectors in Mauritius. In its endeavour to ensure the sustained development of the Mauritius IFC as a competitive and sound jurisdiction, the FSC Mauritius continuously strengthens its regulatory and supervisory framework to align with changing international norms and best practices.

As an integrated regulator for the non-banking financial services and global business sectors, one of our core functions, as defined in the FSA, includes licensing, monitoring and regulating the conduct of business activities in these sectors.

The licensing stage is the first limb in the supervisory

process of the FSC Mauritius and has an important role in establishing high regulatory standards at the outset.

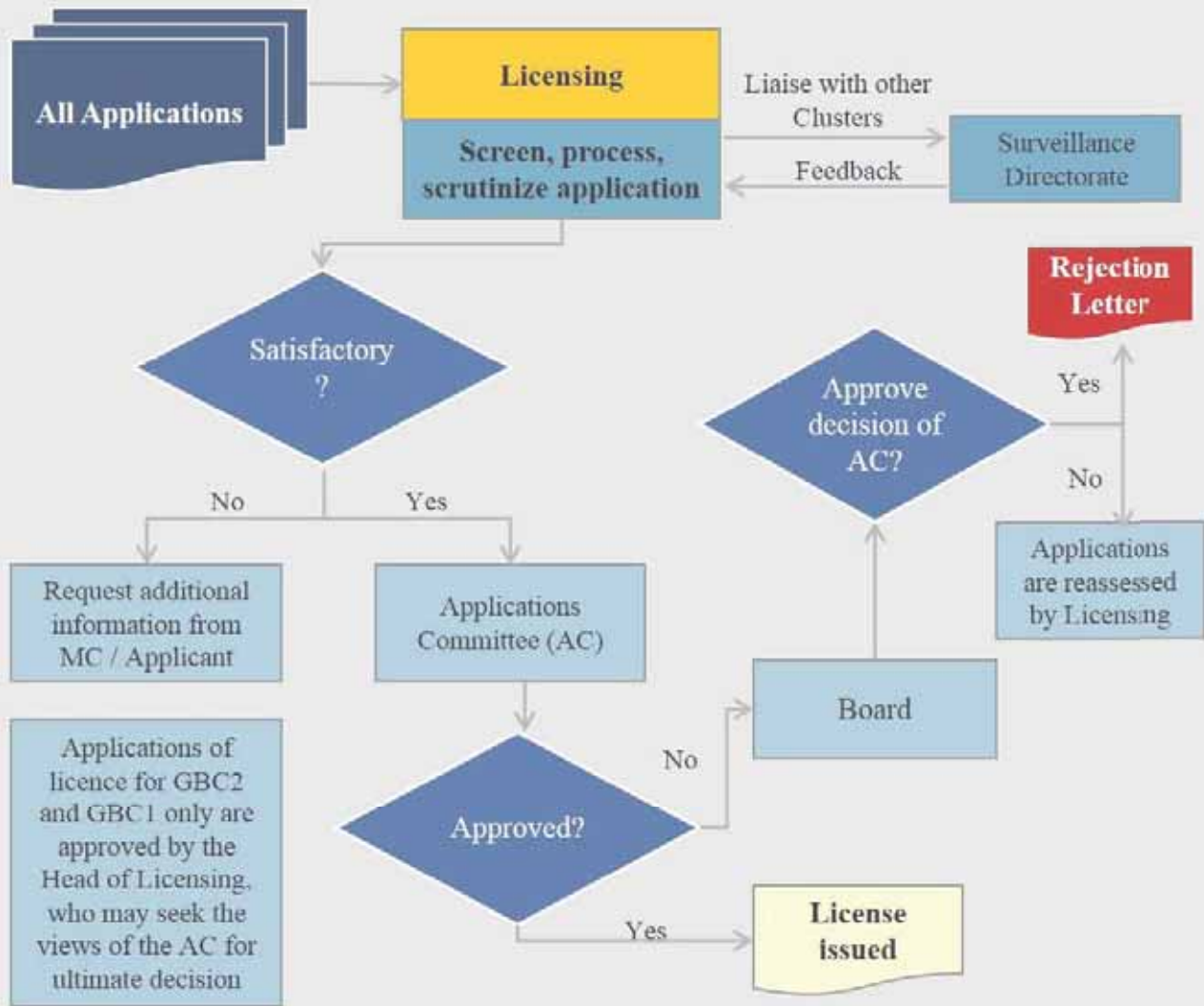
In the chain of operations, FSC Mauritius performs a pre-surveillance function at licensing stage and conducts a screening role so as to enable the Commission to reinforce its core duties of ensuring a sound and stable market from both prudential and conduct perspectives.

The Surveillance process at the Commission is two-fold such that licensees are assessed both through desk monitoring and on-site inspections which enable the Commission to gain an understanding of the level of risks posed by the licensees to the jurisdiction.

Figure 7: FSC Mauritius Regulatory Approach



Source: Financial Services Commission, Mauritius



Licensing

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Licensing

Licences Issued for the Period Under Review

The dynamism at licensing stage continued throughout the period under review and the following number of licences by sector/type were issued in 2013:

Global Business

The FSC Mauritius issued 10 Management Licences for the year under review bringing the number to 172 as at 31 December 2013.

In 2013, the FSC Mauritius issued 1,004 GBC1s licences out of which there were 70 authorisations under the Securities Act 2005 to operate as Collective Investment Schemes ('CIS') /Closed-End- Funds ('CEF'). The comparative figures for 2012 were, 1,023 Category 1 Global Business Licences out of which 108 were authorisations for CIS/CEFs showing a slight decline in number of GBC1 licences issued in 2013.

As regards Category 2 Global Business Companies ('GBC2s'), 1,191 GBC2s were licensed in 2013 as compared to 1,052 licensed in 2012.

The figure below shows the number of GBC1s and GBC2s licensed from 2011 to 2013.

Figure 8: Number of New Global Business Companies



Source: Financial Services Commission, Mauritius

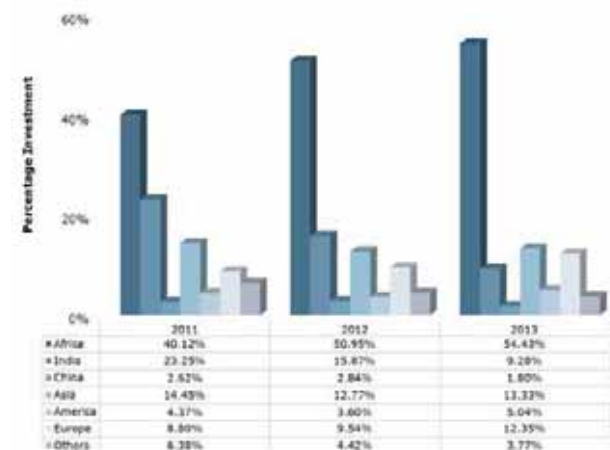
With the aim to protect the good repute of Mauritius as a sound and stable jurisdiction, the FSC Mauritius rejected 11 applications during 2013. The foremost reasons for which the applications were rejected are as follows:

- Lack of fitness and propriety of the proposed applicant;
- An element of riskiness present vis-à-vis the recipients of such services; and
- Unlawful or immoral activities.

Spread of Investments – in Global Business

Business and investment opportunities across the African continent are increasingly being tapped into by global investors. As shown in the chart below, proposed investment into Africa, at licensing stage, has considerably increased during the last two years. As regards investment into India, the proportion of proposed investment has seen a continuous decline over the period. The share of proposed investment into Europe has also increased.

Figure 9: Spread of Investments - Global Business



Source: Financial Services Commission, Mauritius

Domestic Non-Banking Financial Institutions

Non-Banking Financial Institutions play an important financial intermediation role, contributing to the overall economic development of Mauritius. In line with its objective, the FSC Mauritius brought about changes to the framework to ensure further development of the sector.

The Securities (Recognition of Remote Custodians) Rules 2013 were introduced during the year under review in order to cope with the demands and evolving needs of investors. The Rules are in line with the objects of the FSC Mauritius 'to study new avenues for development in the financial services sector' (Section 5 (1) (d) of the FSA). The aim is to recognise regulated custodians based in other jurisdictions such that they can participate in clearing and settlement of trades on behalf of their clients on a clearing and settlement facility licensed in Mauritius.

Since the introduction of the equity segment for investment dealers and foreign investment dealers in September 2012, two foreign investment dealers were authorised during the period 2013 and one

investment dealer was licensed to trade on the equity segment.

Prior to the enactment of the PPSA in November 2012, the pension industry was regulated under the Income Tax Act, FSA, and Employees Superannuation Funds Act. It is estimated that there were approximately 1000 private pension schemes under the three cited Acts. The PPSA laid down a legal framework based on international standards and provided that the existing pension schemes were deemed to be licensed under the PPSA. In this context, the FSC Mauritius issued a Circular Letter dated 11 November 2012 to guide pension schemes and their functionaries through the licensing and supervisory framework of the PPSA. The FSC Mauritius received 56 applications at the end of 2012 and 5 in 2013. For the period under review, 30 pension schemes were granted a licence under PPSA.

During the year 2013, there were 612 licences issued to financial services providers / institutions other than banking institutions in the domestic market. The following table depicts the number of licences issued in 2013.

Table 14: Number of Licensed Non-Banking Financial Institutions

Enabling Laws	Categorisation as per the FSC Rules	Number of entities licensed		
		2013	2012	2011
Financial Services Act	Financial Service Providers	7	2	5
	Specialised Financial Services/Institutions	2	-	2
	Corporate and Trust Service Providers	26	24	9
Securities Act	Capital Market Intermediaries	26	25	14
	CIS and CEFs	7	8	2
	CIS Functionaries and Professionals	2	5	3
Insurance Act	<u>Insurance Service Providers</u>			
	- Insurance agents	15	28	18
	- Insurance brokers	1	-	1
	- Insurance Salespersons	526	352	675

Source: Financial Services Commission, Mauritius

Global Business

The Global Business sector is one of the most dynamic and ever evolving sectors in Mauritius. During the year under review, FSC Mauritius came forward with an array of proactive measures with a view to enhance the regulatory framework. The measures also supported the Commission's objective of making the Mauritius IFC more competitive as defined in its Strategic Plan 2011 - 2013. Below are some of the highlights in a chronological order:

Table 15: Highlights of Changes

Change	Purpose	Date
Global Business Fact Sheet	A Global Business Fact Sheet was issued to clarify any potential grey areas from the point of the market participants.	14 March 2013
Frequently Asked Questions on Licensing Process	The FSC Mauritius issued FAQs on licensing process with a view to informing the public about the licensing process before a licence is issued to an applicant.	17 April 2013
Communiqué: Amendments made to the Guide to Global Business	A communiqué was issued on amendments made to the Guide to Global Business. The amendments aimed at enhancing the economic and physical substance of companies holding a Category 1 Global Business Licence in Mauritius and confirming the commitment of the FSC Mauritius to aid the financial services sector to grow as an emerging pillar of the Mauritian economy.	04 September 2013
Amendment to FSA	Section 71(6) of the FSA was amended by the Economic and Financial Measures (Miscellaneous Provisions) Act 2013 to provide greater flexibility for GBC1s to conduct business in Mauritius, subject to such restrictions, terms and conditions as may be provided in any guidelines issued by the FSC Mauritius.	21 December 2013
	<i>Note: For further information refer to the section on Legal and Regulatory Developments.</i>	

Source: Financial Services Commission, Mauritius



Surveillance and Monitoring

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Surveillance and Monitoring

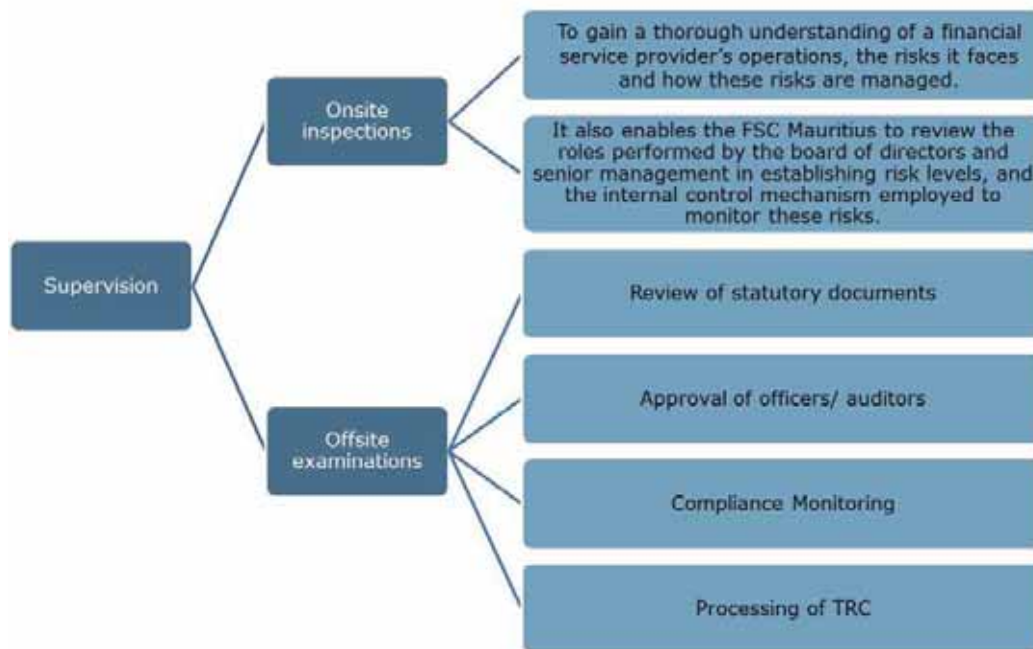
An implicit overarching objective of the FSC Mauritius supervisory process is to ensure, amongst others, financial stability and consumers protection in the financial services industry. The supervisory process at the FSC Mauritius is two-dimensional. Licensees are assessed both through desk monitoring and onsite inspections which allow the FSC Mauritius to gain an understanding of the level of risks posed by the licensees to the Mauritius jurisdiction.

In order to enable the Commission achieve its regulatory objectives, the FSC Mauritius has adopted a risk-based approach towards the monitoring and supervision of its licensees since 2009. The Risk

Based Supervision ('RBS') framework is based on the overall riskiness of a licensee which is determined by both the risk posed by the licensee to the supervisory objectives of the FSC Mauritius and the relative importance of the licensee on the sector within which it operates.

One of the key distinguishing features of RBS is that supervisory resources are allocated where they are mostly needed, based on the assessment of risks. The RBS is a long-term process calling for continuous improvements to address developments in the evolving financial services sector.

Figure 10: Supervision



Source: Financial Services Commission, Mauritius

RBS CYCLE 2013

In year 2013, the FSC Mauritius carried out a review of the previous RBS and Impact Assessment Questionnaires. This exercise led to a common and standardised RBS Questionnaire across the Surveillance Directorate (Capital Markets;

Investment Funds and Intermediaries; Insurance and Pensions; and Global Business) to capture financial stability and sector analysis.

The RBS Questionnaire 2013 catered for Service Providers under an integrated approach covering both financial and non-financial information and

addressing the corporate governance, internal risk management and controls, compliance, and decision making processes. The target population was unchanged from that of the 2012 cycle.

Information gathered from surveys, audited financial statements and statutory returns were used together with information submitted in the RBS cycle in the computation of risk of the corporate service providers.

For the year 2013, the response rate was as follows:

Table 16: Response to RBS Cycle by Corporate Service Providers

Corporate Service Providers	Response Rate (%)		
	2013	2012	2011
Management Companies and Corporate Trustees	92	85	80
Insurance Companies	81	100	100
CIS Custodian	86	100	95
CIS Manager	59	100	80
CIS Administrator	67	100	100
Capital Markets Licensees (Securities Exchanges, Clearing & Settlement Facilities, Investment Dealers, Investment Advisers, Licensees under Section 14 of FSA)	75	76	78

Source: Financial Services Commission, Mauritius

ONSITE INSPECTIONS

A central part of the Surveillance Directorate is the conduct of onsite inspections. Onsite inspections represent "the first line of defence" to detect non-compliance with legislations. During such inspections, the Commission verifies information provided by licensees, such as financial data, roles and responsibilities performed by the board of directors and senior management, Anti-Money Laundering or Combating the Financing of Terrorism ('AML/CFT') procedures in place, internal control mechanism and risk management employed to mitigate these risks.

In addition, they allow the Commission to detect thematic or patterns of practice or circumstances that may be widespread in the industry or which might pose a heightened level of risk to the financial services sector. Following onsite inspections, the FSC Mauritius can make any adjustment required to the risk level of each licensee in the RBS system or require licensees to take remedial actions accordingly.

Every year, the FSC Mauritius plans its programme of onsite inspections based on the following:

- The findings of previous inspections conducted;

- The conclusion of offsite reviews;
- The RBS score and the impact assessment; and
- Recent market developments giving rise to new types of risks.

Onsite inspections are also conducted when issues cannot be dealt or resolved through offsite reviews. Following an onsite inspection, the FSC Mauritius monitors the conduct of the licensee thoroughly to ensure that the recommendations are implemented.

Capital Markets

For the Capital Markets (SEM, BAL, and Intermediaries – Investment Dealers and Investment Advisers), the FSC Mauritius conducted 21 onsite inspections on licensees falling under its purview in this category during 2013, as shown in the Table below.

In respect of the Market Infrastructures, FSC Mauritius looked into the conduct of trading on the relevant platforms, trading log books / registers, guarantee arrangements, settlement finality and the relevant IT infrastructures.

Onsite inspection reports were produced and the findings discussed with the licensees who were required to take remedial actions where instances of non-compliance were noted.

Table 17: Onsite Visits under the Capital Markets

Type of Licence	2013		2012		2011	
	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits
Exchanges	2	2	2	-	2	-
Clearing and Settlement Facilities	2	2	2	-	2	-
Investment Dealers	21	5	21	-	23	-
Investment Advisers	31	12	30	-	28	-

*Note: Onsite inspections were carried out on four licensees falling under the Second Schedule of the FSA.
Source: Financial Services Commission, Mauritius*

Investment Funds and Intermediaries ('IFI')

Table 18: Onsite Visits under IFI

Type of Licence	2013		2012		2011	
	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits
CIS Managers	333	13	307	10	N/A	1
CIS Custodians	9	4	8	2	6	-
CIS Administrators	4	2	4	1	4	-
Funds	893	10	876	1	836	-

Source: Financial Services Commission, Mauritius

In 2013, the FSC Mauritius conducted 29 onsite inspections on its licensees operating in the Investment Funds Sector. These comprised 13 CIS Managers, 4 CIS Custodians, 2 CIS Administrators and 10 Funds. At the end of 2013, the onsite inspections of 13 licensees were satisfactorily closed without any supervisory or regulatory actions being taken. Some cases were referred to the enforcement Unit for necessary action. Deficiency letters were issued to licensees where shortcomings were identified. The FSC Mauritius also monitored the remedial actions being taken by licensees.

The FSC Mauritius suspended the authorisation of a fund and the licence of its CIS Manager in April 2013. The suspension resulted from a thorough investigation carried out by the FSC Mauritius in the last quarter of 2012 at the premises of the two licensees, to whom directions were issued but no corrective measures were put into place. The licences were eventually revoked in October 2013. Four officers, previously employed by the fund and the CIS Manager, were disqualified from

holding positions as officer in any licensee of the FSC Mauritius for a period of five years.

Further to an onsite inspection conducted at a licensee, the FSC Mauritius became aware of major shortcomings in other licensees. As a result, investigations of two funds were launched with a view to ascertain whether they were operating in compliance with their applicable legal requirements. The FSC Mauritius closely monitored those entities so as to ensure that consumers' interest is safeguarded.

Insurance

For the Insurance sector, the FSC Mauritius intensified its onsite inspection programme for the year under review. Inspections of nine insurers were conducted. Findings were discussed extensively with the insurers and then communicated to them in inspection reports. Increased communication with insurers has helped, to a large extent, to further improve compliance, internal control procedures, risk management and complaints handling.

Table 19: Onsite Visits under Insurance

Type of Licence	2013		2012		2011	
	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits
Long Term Insurance	7	6	7	2	8	-
General Insurance	12	3	12	3	13	-

Source: Financial Services Commission, Mauritius

The FSC Mauritius focused on completing the full cycle of onsite inspection on all insurance companies (Long Term Insurance and General Insurance) by the end of 2013. A full cycle of onsite inspection on Insurance Brokers has been scheduled for the years 2014 and 2015.

Insurance Salespersons and Insurance Agents fall under the responsibility of the insurers. For these categories of intermediaries (Insurance Agents and Salespersons), onsite inspection / investigation is carried out on a case-by-case.

During the period under review onsite inspections were carried out on two Insurance Agencies and two Insurance Brokers.

The FSC Mauritius is currently working on the Competency Framework for the insurance intermediaries.

Pensions

With the coming into force of the Private Pension Schemes Act 2012, every private pension scheme is required to be administered by a pension scheme administrator. Most private pension schemes have appointed pension scheme administrators licensed by the FSC Mauritius. However, there are some schemes, which have traditionally been administered by their own governing body.

Under the Private Pension Schemes (Governance) Rules 2012, the governing body may administer its own scheme, subject to the authorisation of the FSC Mauritius. In assessing their request for authorisation, the FSC Mauritius has regards to, *inter alia*:

- the nature, objects and size of the private pension scheme;
- the administrative capacity, including staff, systems, processes and funding of the scheme; and
- the best interests of beneficiaries and sponsoring employers.

As part of its authorisation process, the FSC Mauritius has conducted eight onsite visits during the year 2013.

During the year under review, the FSC Mauritius found that a company was carrying out pension scheme administration activity without a licence issued by the Commission. The FSC Mauritius carried out a thorough investigation along with onsite visit at the premises of the company. This resulted in the company agreeing to stop providing any services to private pension schemes and the matter is under close monitoring by the FSC Mauritius.

Table 20: Onsite Visits in 2013 in Respect of Request of Governing Body for Authorisation to Administer Scheme

Code	Type of Licence	No of requests received	No of onsite visits by FSC Mauritius	Number approved
PPS-1.1	Private Pension Schemes	8	8	5
PPS-1.2	Foreign Pension Scheme	Nil	Nil	-
PPS-1.3	External Pension Scheme	Nil	Nil	-

Source: Financial Services Commission, Mauritius

Global Business Sector

Following the first round of onsite inspections carried out prior to 2013, a second round started at the beginning of the year under review targeting Management Companies ('MCs') with deficiencies and shortcomings. By the end of December 2013, a total of 46 MCs had been inspected. Those MCs, which failed to take remedial actions within the set timeframe, were referred to the Enforcement Unit for relevant enforcement actions.

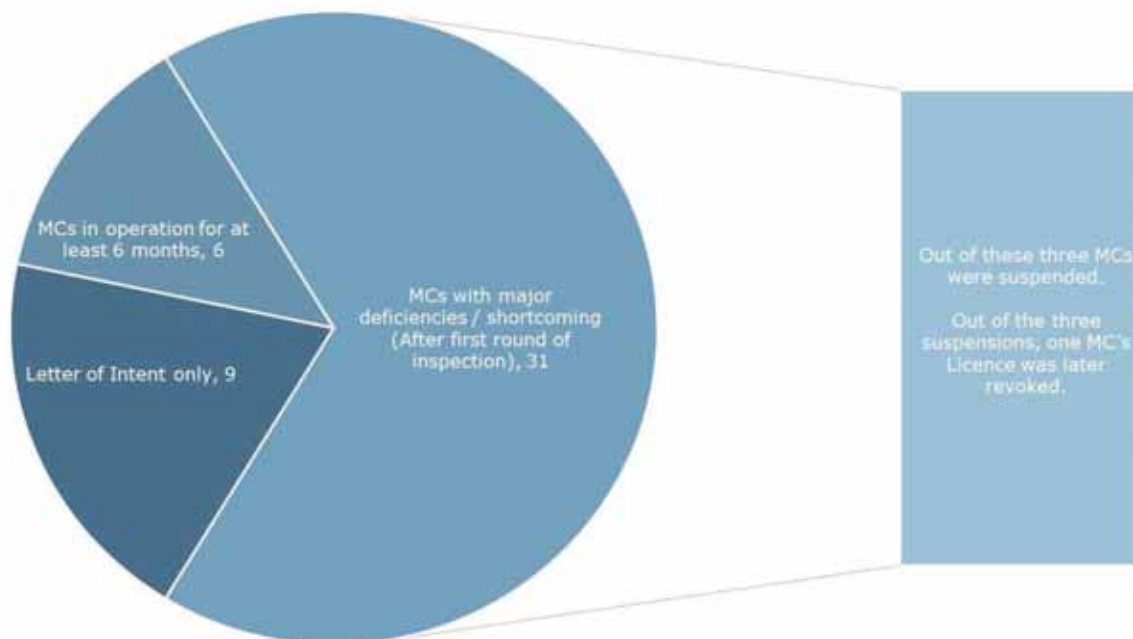
Subsequently, three MCs had their licences suspended during the year under review. One of these Management Companies was referred to the Enforcement Committee and its licence was ultimately revoked on 02 October 2013.

As from 2013, all companies being granted a Management Licence are required to undergo an onsite inspection after the first six months of their

existence, to ascertain that the MCs are, amongst others, operating as per the licensing conditions in terms of their business plans and have relevant resources (infrastructure, financial and human resources) to ensure sustainability of their operation. The FSC Mauritius conducted inspection on six MCs under this category in 2013.

In addition, prior to issuing a Management Licence, the FSC Mauritius conducts an onsite visit on the premises of these applicants one month after the issue of the Letter of Intent, so as to grant a MC licence. It is made clear to the applicant that the letter of intent should not be construed as a licence and the holder of this letter is not authorised to carry out or hold itself as carrying out any financial services until the appropriate licence is issued by the FSC Mauritius. Under this category, the FSC Mauritius conducted 9 onsite visits at the premises of applicants during the year under review.

Figure 11: Inspections on MCs during 2013



Source: Financial Services Commission, Mauritius

Table 21: Onsite Visits under Global Business

Type of Licence	2013		2012		2011	
	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits	Number of Licensees	Number of Onsite Visits
Management Companies	172	46	165	159	153	8

Source: Financial Services Commission, Mauritius

AML/CFT is one of the major considerations during the conduct of onsite inspections. The onsite inspections assess the compliance culture in MCs, starting from the Board of Directors to individual clients. Onsite inspections review the measures taken by MCs in order to comply with AML/CFT provisions and determine their adequacy. Subsequently, FSC Mauritius provides its requirements and recommendations in onsite inspection reports. These onsite inspection reports complement the RBS exercise and provide an important input for policy matters to safeguard the reputation of the Mauritius jurisdiction.

The 46 onsite inspections conducted for the year under review had a strong AML/CFT focus.

In 2013, the FSC Mauritius appointed an external consultant with considerable AML/CFT experience in the conduct of regulatory investigations and inspections at the international level. The external consultant was designated by the Chief Executive under Section 43(5) of the FSA to lead on three onsite inspections and was assisted by a team of officers of the FSC Mauritius. The findings/deficiencies were communicated to the licensees for appropriate remedial actions within a given time frame. Where the deficiencies were considered major, these were referred to the Enforcement Unit for enforcement actions in accordance with the relevant Acts.

OFFSITE SUPERVISION

As a tool for “early warning signals” the offsite surveillance plays a key role in identification of risks and monitoring of licensees on an on-going basis. Offsite supervision is complementary to onsite supervision.

During the year under review, the FSC Mauritius monitored the conduct of business of its licensees and their on-going compliance with the relevant legislations in Mauritius. Changes in working principles and regulatory approvals were carefully examined. Furthermore, licensees were also scrutinised for compliance with their licensing conditions.

During the year 2013, emphasis was laid on the financial reporting obligations. A major milestone was achieved with the coming into force of the Financial Services (Administrative Penalties) Rules 2013 which consolidates the Commission’s set of tools for ensuring timely submission of financial statements.

According to the above mentioned rules where a licensee fails to comply with its financial reporting obligations within the prescribed timeframe, an administrative penalty is applicable for each business day of non-compliance.

Review of Accounts

The FSC Mauritius conducted the review of financial statements, statutory returns, and other reports to ascertain *inter alia*:

- compliance with relevant laws, AML/CFT code, circulars, licensing conditions as well as with International Financial Reporting Standards;
- financial soundness and solvency of licensees; and
- on-going assessment of the licensees.

While reviewing the quality of reporting, the FSC Mauritius noted in one instance that the auditor’s report was not in compliance with accounting and auditing standards. The matter was reported to the Financial Reporting Council, Mauritius (‘FRC’) as per terms under the Memorandum of Understanding between the FSC Mauritius and the FRC.

During the year under review, some Management Companies did not comply with the Commission’s Circular Letter dated 03 March 2003 with respect to filing of Appendices 1-3 and not treating clients’ money as an off-balance sheet item. Moreover, in few instances, Management Companies had failed to adhere to the minimum stated capital requirement of MUR 500,000 or its equivalent in any currency. A close monitoring was also undertaken on GBC1s being promoted by Indian residents / Indian corporation to ensure compliance with their licensing conditions.

The FSC Mauritius also noted that several GBC1s and GBC2s failed to file their respective audited financial statements and financial summaries with the FSC Mauritius within the prescribed timeframe.

Regulatory Approvals

During the year under review, the FSC Mauritius started conducting interviews of proposed officers where it had concerns on their fitness and propriety. In their submissions for approval, the proposed officers could not demonstrate that they had adequate knowledge to enable them to fulfill their duties as officers.

The FSC Mauritius also considered the requirements of Circular Letter CL280313 when processing applications for approval of proposed officers.

In 2013, Section 71(6) of the FSA was amended by the Economic and Financial Measures (Miscellaneous Provisions) Act 2013 to provide greater flexibility for GBC1s to conduct business in Mauritius, subject to such restrictions, terms and conditions as may be provided in any guidelines issued by the FSC Mauritius. As such, a GBC1 no longer requires prior approval of the FSC Mauritius to deal with Mauritian residents. In light of the above changes in the law, the FSC Mauritius initiated work with the view to amend the Guide to Global Business.

The FSC Mauritius considered the following approvals during the year under review:

- Approval for Waivers in terms of Takeovers by Reporting Issuers under the Securities (Takeovers) Rules 2010;
- Approval of SEM's Rules;
- Approval for registration of provisional prospectus and acknowledgement of filing of final prospectus as per the SA;
- Approval for the alterations of the constitutive documents of private pension schemes;
- Approval for conversion from defined benefit schemes to defined contribution schemes;
- Approval for the appointment of members of the governing bodies;
- Approval for new sponsoring employers' participation; and
- Approval for the creation of new cells for entities structured as a Protected Cell Company.

During the year under review, the FSC Mauritius also considered applications for appointment of proposed audit firms. In few instances, the FSC Mauritius objected to the proposed appointment of audit firms where the latter failed to demonstrate that they had adequate experience, expertise and resources to audit the financial statements of specific activities, for example, entities operating in the fund industry.

COMPLIANCE MONITORING

Capital Markets

The FSC Mauritius continued the routine monitoring of both licensed Securities Exchanges, the Stock Exchange of Mauritius Ltd and Bourse Africa Limited, throughout 2013. The routine monitoring includes keeping track of market movements on an online basis during trading hours and detecting /

curbing potential abnormalities or irregularities at the onset.

During the year under review, the FSC Mauritius identified situations whereby abnormal trading had been noted and thereby conducted preliminary enquiries. However, no further action was taken as the preliminary enquiries did not reveal any case of market abuse.

The analysis of periodical reports on trading of operations revealed no failed trades during the year under review.

The market witnessed the introduction of a new product – the ETF's for listing and trading on the SEM.

The FSC Mauritius granted its approvals for the following SEM Rules after it was satisfied that the latter had implemented the necessary infrastructure in line with IOSCO's recommendations and international best practices:

- *Amendment to SEM Business Rules*

Approval was granted to SEM for amendments to its Business Rules to accommodate Trading Members operating on its platform from outside Mauritius. This initiative is expected to bring more flexibility to SEM by aiming at widening the investor base through a larger bulk of transactions. It will simultaneously promote Mauritius as an attractive venue for investments by adding a new visibility to the SEM.

- *Amendment to SEM ATS Schedule of Procedures - Tick Size*

"Tick size" for ordinary and preference shares, is "the minimum price set by the Exchange for a security by which the order price and the quotation price of a security can be altered. For debt instruments, tick size refers to the minimum yield variation set by the Exchange". Approval was granted to the SEM to amend its Automated Trading System (ATS) Schedule of Procedures with a view to improve liquidity and market efficiency. The request followed a proposal from a listed company for a share split on 01 March 2013.

- *Amendment to SEM Listing Rules and ATS Schedule of Procedures – ETFs*

The FSC Mauritius granted its approval to SEM in

line with the introduction of ETFs on its trading platform. This consisted of the revamping of the SEM's Listing Rules with a new Chapter 21 being included on the listing requirements and various amendments brought to the ATS Schedule of Procedures in terms of Tick size, Price spread, Markets & Board.

The FSC Mauritius closely supervised the operations of BAL with appropriate monitoring mechanism following the involvement of Financial Technologies (India) Limited ('FTIL') Group, BAL's main shareholder in an alleged scam in India. In addition to the routine onsite inspection carried on BAL, meetings were held with BAL's Management as well as an onsite visit was carried out to discuss and ensure that BAL had adequate capital to continue its operations.

In terms of approvals, BAL was granted the following approvals:

- Operational Rules for Bourse Africa Clear Ltd;
- Contracts For Difference ('CFDs') on Gold, WTI, Silver, EURO/USD & GBP/USD; and
- BAL's operational Rules were amended to provide for these contracts.

Notifications and Approvals

In respect to Prudential Conduct of Business, the FSC Mauritius ensured that the licensees had submitted the following notifications in terms of:

- Notifications of insiders' interests and Periodical disclosures (Communiqués) by Reporting Issuers under the Securities (Disclosure of Reporting Issuers) Rules 2007; and
- For new licensees, Post-Licensing requirements such as: Final Internal Manuals, contracts / agreements entered with third parties among others. Reminders were sent to new licensees who failed to comply with the post-licensing requirements within one month of obtaining their licences.

Investment Funds and Intermediaries

During the year under review, the FSC Mauritius continued its monitoring of the fund industry. This exercise revealed a few cases where entities operating in the fund industry were:

- i. conducting their business in a manner which was not compliant with their respective licences under the SA and the Securities (Collective

Investment Schemes and Closed-end Funds) Regulations 2008;

- ii. distributing and marketing complex products to non-sophisticated investors;
- iii. misusing the logo of the FSC Mauritius on their respective websites;
- iv. submitting false and misleading information to the FSC Mauritius; and
- v. involved in related-party investments and hence, giving rise to conflicts of interest.

In some instances, cooperation with foreign regulators allowed the FSC Mauritius to obtain further information on the activities of such entities. Regulatory actions were taken by the FSC Mauritius to ensure that these entities discontinue their activities and adopt proper business practices. In addition, Global Schemes and retail Collective Investment Schemes were closely monitored for compliance with investment restrictions as prescribed by the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008. Non-compliant funds were requested to take remedial actions within prescribed deadlines, failing which regulatory sanctions would be taken.

Exemptions Granted

The Commission granted departures to domestic funds and global schemes from complying with the investment restrictions and practices as required by Regulation 65 and Regulation 66 of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 ('The CIS Regulations') respectively. The departures have been granted by the Commission pursuant to Regulation 67.

Similarly Regulations 68 (2) and 68 (3) set the limit that a CIS may invest in other collective investment schemes. Departures from Regulations 68 (2) and 68 (3) have been granted by the Commission pursuant to Regulations 68 (4) and 68 (5).

The Commission considered each application for departure from the said regulations on a case-to-case basis and each has been assessed on the merits of the case. The table below provides statistics on the exemptions granted.

Table 22: Exemptions Granted as at 2013

Total exemption granted for Retail Schemes and Global Schemes (excluding funds granted full departure from Regulations 65, 66 and 68)	Regulation 65: Investment restrictions								Regulation 66: Investment practices							Regulation 68
	a	b	c	d	e	f	g	h	a	b	c	d	e	f	g	
Number of domestic funds	11	1	1	0	0	0	2	0	1	0	0	0	0	1	0	5
Number of global funds*	6	1	0	0	0	2	7	2	5	0	2	5	2	0	2	1
Total number of funds	17	2	1	0	0	2	9	2	6	0	2	5	2	1	2	6

* Note that the statistics for global funds capture only part of exemptions granted to such funds.

Source: Financial Services Commission, Mauritius

The CIS Regulations came into force on 06 May 2008 and many funds were in operation prior to that date and had already invested as per their own investment restrictions and practices given under their offer documents. Thus, complying with the provisions of the Regulations 65, 66 and 68 would have been impossible. Therefore, these schemes sought the approval of the Commission for the relevant departures from the CIS Regulations.

Insurance

Recurrent observations during offsite of insurance intermediaries include amongst others:

- Some insurance brokers fail to notify the FSC Mauritius where more than 40 per cent of premium concluded in a financial year is placed with one insurer;
- Failure to file Professional Indemnity Insurance; and
- Non-submission of statutory forms as per rules.

In so far as companies holding a Global Business Licence and carrying out an activity under the Insurance Act are concerned, the FSC Mauritius observed that some of these licensees did not comply with their submission requirements within the prescribed time limit. In some cases the submissions were incomplete.

Consolidation of the Insurance Sector

In consideration of good risk management, better policyholder protection and internationally accepted

norms, all composite insurers were required to segregate into Long Term insurers and General insurers under the IA. All insurers had until 2011 to comply and duly segregate themselves apportioning the respective capital to each licensed activity. Some decided to structure themselves into group structures where the general insurance company would hold the long term insurer or vice-versa, while others decided to run-off one category of their business, mostly long term insurance funds. There were a few insurers who decided to sell their long term portfolios and focus on only one category.

Table 23: Changes to Composite Insurers Business Following Insurance Act

Type of change	Number
Restructuring into Group Structures	2
Run-off one category of business	3
Sell long term portfolios	1

Source: Financial Services Commission, Mauritius

During the past three years, some insurers, mostly those organised in group structure saw synergies and economies of scale in other insurers and thus decided to merge into one big group. The market has been historically concentrated among a few insurers and the mergers have been among upper end of the big market. It is believed that this will further consolidate the capital base of the entities while at the same time achieve economies of scale

and increase investment opportunities.

In terms of innovation, some companies launched new products in the past few years. While some launched new products to be competitive, others either redesigned their existing products or consolidated products following the merging of companies. Most of the new products launched had the savings element dominant over the protection, which has been well received with the changing needs of consumers.

Pensions

Following the enactment of the PPSA, the FSC Mauritius implemented the off-site supervisory process which includes, *inter alia*:

- monitoring and liaising with governing bodies, pension scheme administrators, auditors, actuaries and investment managers of private pension schemes to improve and enhance their compliance culture;
- following up on deemed to be licensed private pension schemes not yet compliant with the PPSA;
- varying the licences of pensions business service providers due to new provisions introduced in the PPSA; and
- handling of complaints from beneficiaries of private pension schemes e.g. complaints relating to payment of pension benefits.

During the period under review, the FSC Mauritius laid much emphasis on the application of the Governance Rules by the private pension schemes and ensured that pension scheme administrators comply with the Disclosure Rules. The main purpose of these Rules is to provide for increased transparency and enhance the governance concept of a private pension scheme. These are crucial aspects of an efficient private pension scheme and were actively monitored by the FSC Mauritius. The benefits statements of several private pension schemes were reviewed and the implementation of the concepts was discussed with the various stakeholders concerned.

With the publication of the Investment and Technical Funding Requirement Rules in 2013, the FSC Mauritius further consolidated its pension regulatory framework and strengthened its surveillance capability of private pension schemes.

The objective of the Private Pension Schemes (Investments) Rules 2013 is to protect the

interests of the beneficiaries of private pension schemes. The Rule made compulsory for all private pension schemes to have and abide by a prudent investment policy. The said Rules also introduced asset concentration limits, along with other prudent investment requirements, which the FSC Mauritius will monitor very closely over the coming year as part of its off-site review.

The compliance review of private pension scheme during the year 2013 revealed that several private pension schemes were not fully funded. The Private Pension Schemes (Technical Funding Requirement) Rules 2013 brought forward several provisions to standardise the actuarial valuation of private pension schemes by providing *inter alia* how a scheme should value its assets and liabilities, assess its funding level, as well as prepare contingency plans in cases where the funding level is below the level prescribed in the said Rules. These Rules will help the FSC Mauritius in future compliance reviews to more accurately detect funding level issues and work with concerned stakeholders to address the situation.

TAX RESIDENCE CERTIFICATE

Subject to recommendation by the FSC Mauritius, a Tax Residence Certificate ('TRC') is issued by the Mauritius Revenue Authority ('MRA') to entities in the Global Business sector for tax residency purposes. The TRC enables entities operating in the Global Business sector to avail tax benefits under the appropriate Double Taxation Avoidance Agreement ('DTAA').

During the year under review, the FSC Mauritius further revised its procedures for recommending TRCs. TRC applications are made on the prescribed TRC Application Form and a 'TRC Recommendation Notice' is issued to Management Companies for onward collection of their respective TRCs at the MRA upon payment of the appropriate fee. The result of the new streamlined procedures was enhanced efficiency in processing time of TRC applications. During the year under review, the FSC Mauritius recommended 6,822 TRC applications to the MRA.

PUBLIC REGISTER

The FSC Mauritius started work towards making its Register of licensees (the 'Register') available on its website since November 2012. This project is in line with Section 23 of the FSA, Section 6 of the IA, and the objectives of the FSC Mauritius to protect

consumer of non-banking financial products and services as well as to disseminate information in the field of financial services. The Register was officially launched on 12 September 2013.

At this stage, the Register on the website of the FSC Mauritius does not contain the list of licensees for

all types of licences. It is to be noted that Section 26 of the FSA pertaining to Register of Licensees falls under Part IV of the FSA and as such does not apply to licensees holding only a Global Business Licence.

As at date, 58 types of licensees have already been

posted on the FSC Mauritius website which are as follows:

Table 24: Types of Licensees on the FSC Mauritius Public Register

Code	Type
FS 1.1	Asset management
FS 1.2	Distribution of financial products
FS 1.5	Registrar and transfer agent
FS 1.6	Treasury management
FS 1.7	Custodian services (Non CIS)
FS 2.10	Representative office (For financial services provided by a person established in a foreign jurisdiction)
FS 2.11	Other financial business activity
FS 2.3	Credit finance
FS 2.4	Factoring
FS 2.5	Leasing
FS 2.7	Actuarial services
FS 2.8	Credit rating agencies / Rating agencies
FS 2.9	Payment intermediary services
FS 3.1A	Management licence
FS 3.1B	Management licence (Qualified/ Corporate Trustee only)
FS 3.2	Nominee company (Approval)
INS 1.1	Long – term insurance business
INS 1.2	General insurance business
INS 1.3	External insurance business
INS 1.4	Professional reinsurer
INS 2.1	Insurance manager
INS 2.2A	Insurance agent (Company)
INS 2.2B	Insurance agent (Individual)
INS 2.3	Insurance broker
INS 2.5	Claims professional
SEC 1.1	Securities exchange
SEC 1.2	Clearing and settlement facilities
SEC 1.3	Securities trading systems

Code	Type
SEC 2.1A	Investment dealer (Full service dealer including underwriting)
SEC 2.1B	Investment dealer (Full service dealer excluding underwriting)
SEC 2.2	Investment dealer (Broker)
SEC 2.3	Investment dealer (Discount broker)
SEC 2.4	Investment adviser (Unrestricted)
SEC 2.5	Investment adviser (Restricted)
SEC 2.6A	Representative of investment dealer (Full service dealer) Type 1
SEC 2.6B	Representative of investment dealer (Full service dealer) Type 2
SEC 2.6C	Representative of investment dealer (Full service dealer) Type 3
SEC 2.6D	Representative of investment dealer (Broker) Type 1
SEC 2.6E	Representative of investment dealer (Broker) Type 2
SEC 2.6F	Representative of investment dealer (Discount broker)
SEC 2.7A	Representative of investment adviser (Unrestricted)
SEC 2.7B	Representative of investment adviser (Restricted)
SEC 2.8	Investment dealer (Commodity derivatives segment)
SEC 2.9	Investment dealer (Currency derivatives segment)
SEC 3.1A	CIS (Single fund)
SEC 3.1BV	CIS (Having more than 1 fund)
SEC 3.1CV	CIS (Protected cell company)
SEC 3.2A	Closed-end fund (Single fund)
SEC 3.2BV	Closed-end fund (Having more than 1 fund)
SEC 3.2CV	Closed-end fund (Protected cell company)
SEC 4.1	Custodian
SEC 4.2	CIS manager
SEC 4.3	CIS administrator (Approved under section 99 of the Securities Act 2005)
SEC 5.1	Foreign investment dealer (Commodity derivatives segment)
SEC 5.2	Foreign investment dealer (Currency derivatives segment)
TAC 1.1	Qualified trustee (Other than a management company) - Authorisation
TAC 1.2	Enforcer (Purpose trust created by a Mauritian national only)
TAC 1.3	Successor to enforcer (Purpose trust created by a Mauritian national only)

Sources: Financial Services Commission, Mauritius

The following types of licensees are yet to be uploaded on the website:

1. INS 2.4 - Insurance salesperson
2. Reporting issuers
3. Dual GB licensees

The Register of these 3 types of licensees is available for public inspection at the FSC House.



Enforcement Actions

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Enforcement Actions

Enforcement is arguably the most effective tool global regulators have at their disposal to ensure compliance with rules and the protection of consumers of financial services. Following the financial crisis, the implementation of an effective enforcement programme is increasingly an ongoing challenge for regulators around the world.

In the 2012 Annual Report, the FSC Mauritius highlighted that credible deterrence and enforcement are at the centre of its strategic objective. In 2013, the FSC Mauritius surveillance strategy has been supported by taking enforcement actions where it was believed that licensees, including the officers of licensees, failed to comply with regulatory requirements.

Regulatory Actions Taken in the Year 2013

Inquiries

In 2013, the FSC Mauritius had grounds to believe that some entities were acting in contravention of the relevant Acts or condition of licence. In this respect, in order to ensure the orderly administration of the financial services and global business activities, the FSC Mauritius carried out a total of fourteen inquiries in 2013.

Investigations on Licensees

Pursuant to Section 44 of the FSA, the FSC Mauritius conducted thirteen investigations into the business conduct of the licensees of the FSC Mauritius and four investigations on the officers of FSC Mauritius licensees.

Investigations on Unregulated Entities

The FSC Mauritius also carried out investigations on thirty six unregulated entities.

It is to be highlighted that the investigations on unregulated entities were conducted from intelligence gathered and several cases were referred to the Police for further investigations and / or appropriate actions from their end.

Investor Alerts

The FSC Mauritius has also issued several Investor Alerts to warn investors against fraudulent investment schemes and/or fictitious companies which claim to be licensees of the FSC Mauritius.

Directions Issued

The FSC Mauritius gave the following directions during the year 2013:

- Upon an investigation into the business of a licensee, the FSC Mauritius had grounds to believe that the licensee was not conducting its business in line with its business plan submitted to the FSC Mauritius at the time of application. The licensee was directed to (i) stop taking new clients, (ii) to disclose the assets under its management, and (iii) to proceed with redemption within an agreed timeframe.
- A licensee was publishing an advertisement in connection with its activity in a manner which was false and misleading. The licensee was directed to take the following actions: (i) cease these advertisements with immediate effect; (ii) to send a corrective mail to all correspondents to rectify the misleading statements, in wording approved in advance, by the FSC Mauritius; and (iii) to take all practical steps to withdraw from display in any place and from circulation any such advertisement.
- Following an investigation into the business of a licensee, several breaches were identified and the licensee was directed to remedy the effects of the contraventions. The licensee was also directed to submit to the FSC Mauritius, updated / amended offer documents and cell supplements and to cause an independent person approved by the FSC Mauritius, other than the current auditor, to prepare a complete report on the Company's affairs.
- The FSC Mauritius was not satisfied with the

compliance culture of a licensee following an investigation into its business. The FSC Mauritius directed the licensee to cause an independent person approved by the FSC Mauritius, other than the current auditor, to prepare a compliance report.

Suspension/Revocation of Licences

In order to take measures for better protection of consumers of financial services and to ensure sound conduct of business in the financial services and the global business sectors, the FSC Mauritius suspended nine licences and revoked five licences during the year 2013 in line with the procedures under the Act as follows:

- The FSC Mauritius suspended the authorisation of a fund and the matter was referred to the Enforcement Committee ('EC'). Consequently, EC revoked the authorisation of Lotus Fund Ltd and the Collective Investment Scheme Manager Licence of Nirvi Management Ltd. Given the nature of the investment (real estate) the FSC Mauritius appointed an administrator. The administrator sought a court order to put the Company into liquidation due to the lack of liquidity to service the Company.
- The FSC Mauritius suspended the licence of a Company since it failed to implement and adopt remedial measures as required by the Commission.
- Two licensees were charging arbitrary termination fees on clients. The FSC Mauritius started an investigation into the matter and it was revealed that the fees charged were unreasonable. Furthermore, the licensee did not allow the transfer of the client files until the settlement of the unreasonable fees. The conduct of the licensee was causing prejudice to the clients. In view of protecting the interest of investors, the FSC Mauritius suspended the licences. Following the remedial actions proposed by the licensee, the Commission lifted the suspension.
- Five GBC1s and GBC2s were carrying out business in a manner which threatened the integrity of the financial system in Mauritius or is contrary or detrimental to the interest of the public.

Disqualification of Officers

In 2012, following the investigations carried out, the FSC Mauritius initiated actions against officers of licensees. As part of its effort to promote behavioural change in the industry, in 2013, five officers were disqualified from holding any office / position as officer in any licensee of the FSC Mauritius for a specified period of time. Following investigations, the officers were not considered fit and proper to conduct in the financial services sector as per the criteria under Section 20 of the FSA.

Table 25: Enforcement Action by Type

Type of Enforcement Action	2013	2012	2011
Inquiries	14	6	-
Investigations on Licensees	13	2	-
Investigations on Officers of Licensees	4	-	-
Investigations on Unregulated Entities	36	-	-
Investor Alerts - Unauthorised	9	5	-
Directions Issued	7	2	-
Suspension of Licences	9	1	-
Revocation of Licences	5	-	2
Disqualification of Officers	5	-	-

Source: Financial Services Commission, Mauritius

ENFORCEMENT COMMITTEE

In accordance with Section 53 of the FSA, the Chief Executive referred the following three licensees to the Enforcement Committee, set up under Section 52 of the FSA, for such action as the EC may deem appropriate:

1. Lotus Fund Ltd, authorized as a Specialized Collective Investment Scheme ('CIS');
2. Nirvi Management Ltd, a company licensed as a CIS Manager and which was acting as CIS Manager to Lotus Fund Ltd; and
3. Ostermann Finanz Ltd, a company licensed as a Management Company.

The members of the Enforcement Committee which considered the above cases were:

Board Members

- Ms M. A. Phillips
- Mr R. Chellapermal

Staff Members

- Mrs J. Gunness
- Mr P. Seewoosunkur

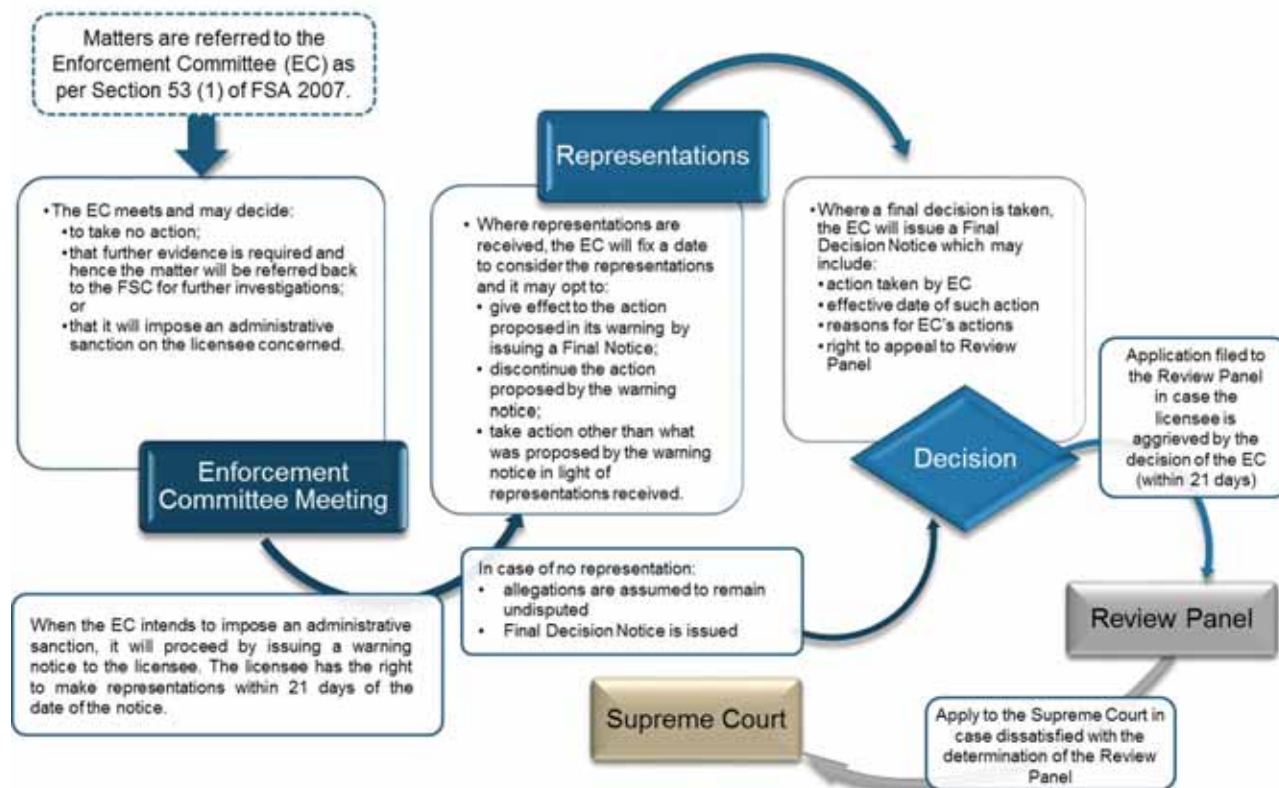
After considering the three matters the following sanctions were imposed by the Enforcement Committee:

1. Lotus Fund Ltd
 - revocation of the authorisation of Lotus Fund Ltd to operate as a CIS pursuant to Sections 52(3) and 7(1)(c)(vi) of the FSA; and
 - disqualification of the two directors of Lotus Fund Ltd from holding position as officer in

any licensee of the FSC for a period of five years pursuant to Sections 52(3) and 7(1)(c)(iv) of the FSA.

2. Nirvi Management Ltd
 - revocation of the CIS Manager Licence of Nirvi Management Ltd pursuant to Sections 52(3) and 7(1)(c)(vi) of the FSA; and
 - disqualification of the two directors of Nirvi Management Ltd from holding position as officer in any licensee of the FSC Mauritius for a period of five years pursuant to Sections 52(3) and 7(1)(c)(iv) of the FSA.
3. Ostermann Finanz Ltd
 - revocation of the Management Licence of Ostermann Finanz Ltd pursuant to Sections 52(3) and 7(1)(c)(vi) of the FSA.

Figure 12: Disciplinary Proceedings



Source: Financial Services Commission, Mauritius

Intelligence Gathering and Exchange of Information

Coordination among Regulatory Bodies

Since international financial centres increasingly engage in cross border financial transactions, information sharing becomes of particular importance to them. International financial centres have been successful in developing innovative financial instruments that may challenge supervisors' current knowledge and oversight. Information sharing and cooperation have also become more complex nowadays. Regulators not only need to be able to go after perpetrators of misconduct after the fact, they also need to be proactive in identifying, managing and mitigating risks. Regulators need information to better understand the risks within institutions and the risks that can cross borders and sectors. They also need to know how to follow the money before the crime / financial disruption happens and how to manage out of such disruptions.

The ongoing dialogue and effective dissemination of information among financial regulators worldwide plays an important role in the financial oversight and the resilience of the global financial system.

Strong Information Sharing Mechanism at the FSC Mauritius

Exchange of information with our international counterparts has gained momentum ever since the FSC Mauritius became a signatory to IOSCO MMOU. Similarly, following the ponzi scandals, cooperation amongst local authorities further strengthened. In 2013, the Request for Information Committee of the FSC Mauritius attended to 293 requests for assistance / information (190 local and 103 international) in an expedient manner.

Technological advances have facilitated the movement of capital across borders and increased investment opportunities for investors. However, these same advances have also enhanced the ability of law violators to transfer assets abroad or conduct their fraudulent activities outside their countries' borders in an effort to avoid detection and prosecution.

As a consequence, regulators and other law enforcement agencies may find that their domestic enforcement abilities are insufficient to combat cross-border fraud. Strong international cooperation is vital to the quick, effective and

appropriate resolution of international enforcement investigations.

In this perspective, the Request for Information Committee was unified within the Enforcement Unit during the year 2013 in order to proactively gather intelligence. The FSC Mauritius has conducted several investigations / inquiries further to intelligence gathered from its local and international counterparts in 2013. The IOSCO MMOU has also served as a fundamental tool for the FSC Mauritius to investigate a number of cases in 2013.

The FSC Mauritius made a total of 108 requests for assistance from its counterparts (38 local and 70 international) during the period under review relating to various surveillance and enforcement issues.

Table 26: Regulation - Expanding Scope of Monitoring

Legal Amendments to reinforce the powers of the FSC Mauritius to exchange information

Section 64 (3) of the Banking Act 2004 was amended to include a provision such that whenever information is required by the Central Bank for the purpose of assisting the FSC Mauritius in the discharge of its functions under the Financial Services Act 2007 or its obligations under any international agreement, convention or treaty to which it is a party, this shall not amount to a breach of confidentiality under section 64 of Banking Act 2004.

Section 87 of Financial Services Act 2007 was amended to allow the FSC Mauritius to provide other law enforcement agencies with information to be used in criminal proceedings.

Source: Financial Services Commission, Mauritius

Table 27: Information Exchanged over the Years

Year	International	Local	Total
2001 - 2005	N/A	N/A	N/A
2006	56	12	68
2007	61	38	99
2008	61	52	113
2009 - 2010	69	38	147
2011	70	39	109
2012	81	45	126
2013	103	190	293
January to May 2014	40	76	116

Source: Financial Services Commission, Mauritius



Communications

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Communications

In the new regulatory climate, regulators seek to be transparent and informative in their communications with stakeholders. The Communications, Media and Public Relations team at the Commission pursued its objective to support the Commission in developing and implementing its internal and external corporate communication plans and initiatives. Streamlining and managing critical information meant for the Commission's various stakeholders remained at the heart of the cluster's activities.

During the year under review, the FSC Mauritius reinforced its internal communication process through on-going sharing of information and key messages aligning the Commission's objectives across the organisation.

The team has been very active to reinforce its corporate communication by strengthening its relation with the media during the year under review. The FSC Mauritius firmly believes that the Media is a valuable partner to sensitise the public on financial services and the latest development happening in the sector.

Along with the issue of releases and reports on events and publications, the team worked towards ensuring their adequate media coverage. Comments from the FSC Mauritius on a number of issues were regularly solicited and the Commission's visibility in the media increased as a result.

Intranet and Newsletters

The team actively contributed in disseminating information to the staff through the effective use of the intranet. The internal weekly newsletter and the external monthly newsletter have continued dissemination of the FSC Mauritius organisational, operational and industry-related information to the Commission's staff as well as external stakeholders.

Website

The Communications Unit has been proactive as far as updating and monitoring of information is concerned. The aim is to ensure that all the stakeholders of the FSC Mauritius get timely and accurate information on the organisation, its operations and publications for proper decision-making. The website is a critical tool in ensuring that the FSC Mauritius maintains its image as a regulator committed to communicating effectively with its licensees, media, public and stakeholders in general.

Publications

The Communications Unit has an important objective to ensure timely release of FSC Mauritius publications such as the Annual Report and Annual Statistical Bulletin amongst others. In addition, the Unit provided input for other publications like corporate brochures, updating of information on the FSC Mauritius in local and international press and business directories.

Table 28: List of 2013 FSC Mauritius Publications

Publication Name	Objective	Date of Issue
FREQUENTLY ASKED QUESTIONS (FAQ)		
Financial Services (Administrative Penalties) Rules 2013	To provide information relating to Administrative Penalties introduced during the year. When and how it is applicable.	23 December
Unregulated Online Platform	To inform public about Trading Securities System and the difference between regulated and unregulated platforms, their characteristics etc.	26 November

Publication Name	Objective	Date of Issue
AIFMD Most Frequently Asked Questions (FAQs) on Third Country Regime	To provide information about the AIFMD and the impact of its coming into effect and how does it affect Mauritian funds.	03 June
FSC's Licensing Process	To explain the FSC Mauritius licensing process including definition of financial services, definition of licence, who can apply, how to apply, consequences of operating without a licence amongst others.	17 April
Exchange Traded Funds ('ETFs')	To sensitise investors about ETF. It provides information about types of ETF products, their benefits and drawbacks. What must the investor know before investing in ETF products and where to obtain market data before trading on such instruments? It also informs about where ETF products may be traded.	30 September
FACT SHEET		
Fact Sheet on Global Business	To provide information about Global Business in Mauritius. It covered eligibility for a GBL, Conduct of business, Management and control amongst others.	17 April
Overview on Consumer Protection	To give an overview of Consumer Protection and how the FSC Mauritius fulfils its objective of protecting consumers of financial products and services.	26 March
QUESTIONS AND ANSWERS ('Q&A')		
Q&A on Scam and Swindles (incl. Ponzi)	It was aimed at sharing the answers to questions received at the FSC Mauritius from the public	26 April
Special Purpose Fund	To provide an overview of the Special Purpose Fund and related issues such as approval, on-going obligations etc.	15 July
FSC – Who we are & what we do?	To give an overview of the FSC Mauritius, its functions, objectives, role etc.	29 April
BROCHURE		
Our Licensing, Supervisory and Enforcement Procedures	To inform investors of the licensing requirement, eligibility and procedures. The Brochure explains the supervisory procedures and the requirements and obligations to remain licensed. Information is also given on the powers of the FSC Mauritius, enforcement procedures and types of enforcement actions.	
Effective Customer Risk Assessment	To provide MCs with a framework which can be adopted to operate within a risk-based environment. It is intended to facilitate MCs in the development of their internal controls systems with a view to discharge their legal obligations in an effective and proactive manner.	30 December
Special Purpose Fund (SPF) – Q&As	To provide an overview of the Special Purpose Fund and related issues such as approval, on-going obligations etc.	06 September
Investment in Business	Provides information about investment including types of funds, intermediaries, application & regulation, obligations & recognition, restrictions etc.	06 September
FSC Brochure	Explains the role, functions and objectives of the FSC Mauritius and the structure within which it operates, sectors under supervision, tools and powers of enforcement and international cooperation.	06 September
European Securities and Markets Authority ('ESMA') MOU: What does it mean for you? (Promoters of Investment Funds)	Give information about ESMA and AIFMD, its importance to promoters, minimum conditions, dates of applicability and requirements.	06 September

Sources: Financial Services Commission, Mauritius

Financial Inclusion



**Consumer
Protection**

**Financial
Capability**

Financial Literacy and Consumer Protection

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Financial Literacy and Consumer Protection

There are general operating principles to be considered in order to meet our strategic objectives under the FSA, namely: Market confidence, Public understanding, Consumer protection and Reduction of financial crime.

The Commission's Consumer Policy seeks to promote consumer awareness, complemented by appropriate consumer protection measures. The FSC Mauritius strongly believes that "prevention is better than cure", and in its view, having better informed, more financially literate consumers is the best way to achieve quality and value.

The FSC Mauritius has adopted a multi-fold approach:

- Long term promotion of public understanding (to facilitate effective consumer decision-making)
- Intervention in crises as they occur (e.g. financial scams/ 'Ponzi' schemes)
- A focus on conduct regulation of service providers (Guidelines on Advertising & Marketing of Financial Products, Competency Framework and Treating Customers Fairly)

Financial Scams

The FSC Mauritius responded swiftly to the matter of financial scams noted early in the year 2013. However, it is imperative to highlight the following issues:

- The problem took some time to emerge given that consumers were reluctant to come out and register their complaints;
- There was much coverage of the issue in the media, both raising awareness but also leading to consumer panic;
- Consumers did not want to admit to lack of comprehension of what financial services entailed and yet entered into agreements they did not fully understand;
- Consumers faced some considerable 'financial

literacy' challenges in order to be able to make appropriate risk assessments; and

- Consumers appeared to trust firms and people rather than act as critical consumers and thus could not properly assess the clarity, fairness and truthfulness of information.

These issues, which came to light, led to increased consumer education initiatives by the Commission.

Complaints Handling

Consumer complaints are handled on a daily basis by a specialist communications cluster within the FSC Mauritius. Complaints from consumers of financial services are received in connection with sectors regulated by the FSC Mauritius more particularly Insurance, Capital Markets and investments. The FSC Mauritius ensures that complaints are lodged as per the procedures set and streamlined to the appropriate departments for necessary action in a timely, efficient and professional manner.

Complaints received in respect of services, which do not fall under the purview of FSC Mauritius, are also logged, documented and transmitted to the appropriate agencies through the Exchange of Information mechanism in place and the complainant is advised accordingly.

New Complaints Logging System

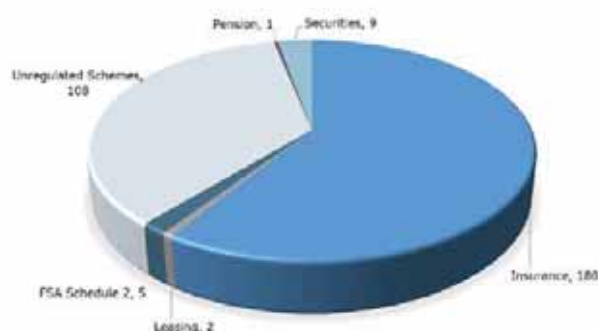
An innovation in relation to Complaints Handling was the introduction of a new well-structured IT-based complaints handling logging system.

The features of the new system are that it records details of the complainant and categorises the complaint. It also records all actions taken as regards the complaint and generates reports automatically.

The benefits of the new system are that it improves internal complaint handling and tracking as well as helps to resolve matters quickly and reduces legal and administrative costs.

During the year 2013, the Commission received a total of 305 complaints.

Figure13: Complaints by Type Received by FSC Mauritius in 2013



Source: Financial Services Commission, Mauritius

Complaints Under Insurance

During the year 2013, the Commission received 180 complaints under the Insurance category.

Table 29: Complaints Under Insurance in 2013

Particulars	Number
Total Incoming Complaint	180
• By Letters	153
• By Mail	12
• By Phone	15
No Action required from the FSC Mauritius (*)	60
Action taken	120
• Matter resolved	57
• Referrals for action by other Authorities/Institutions/Entities **	
- to Motor Vehicle Insurance Arbitration Committee ('MVIAC')	16
- to Complaints Coordinator	38
- Liquidator	4
• In Progress	5

*: These complaints did not require any action from the FSC Mauritius as they were outside the remit of the relevant Acts.

** : As per procedures laid down in the guidelines

issued by the FSC Mauritius on complaints handling, these matters were referred to the complaints coordinators of the respective insurers, to liquidators of insurance companies in provisional liquidation or to the MVIAC for settlement of disputes under the Road Traffic Act.

Source: Financial Services Commission, Mauritius

Out of the 180 complaints, 60 required no action of FSC Mauritius as they were outside the remit of the relevant Acts, 38 were referred to the complaints coordinator of the respective insurers as per procedures laid down in the guidelines issued by the FSC Mauritius on complaints handling, 4 were referred to the provisional liquidator / liquidators of insurance companies in provisional liquidation, 16 were referred to Motor Vehicle insurance Arbitration Committee ('MVIAC') for the settlement of disputes under the of the Road Traffic Act and 57 were resolved. The Commission is still processing 5 complaints for the period under review.

Consumer Education

Consumer Education continued to be one of the important initiatives of the FSC Mauritius during the year under review. The FSC Mauritius pursued its projects targeting various segments of the population, namely secondary and tertiary students (Young Talent Competition) and consumers of financial services (Consumer Outreach Programme).

Young Talent Competition

Following the interest shown for the first edition, the second edition was launched in February 2013. Along with project works and research papers, a number of participants presented creative works (video clip, slam and brochure).

The second edition of the FSC Mauritius Young Talent Competition ('YTC') was successfully completed in June 2013. 76 teams from secondary and tertiary institutions of the island participated in the Competition. The objective of this yearly feature is to create a better awareness of the financial services sector amongst the youth and prompt research in the field.

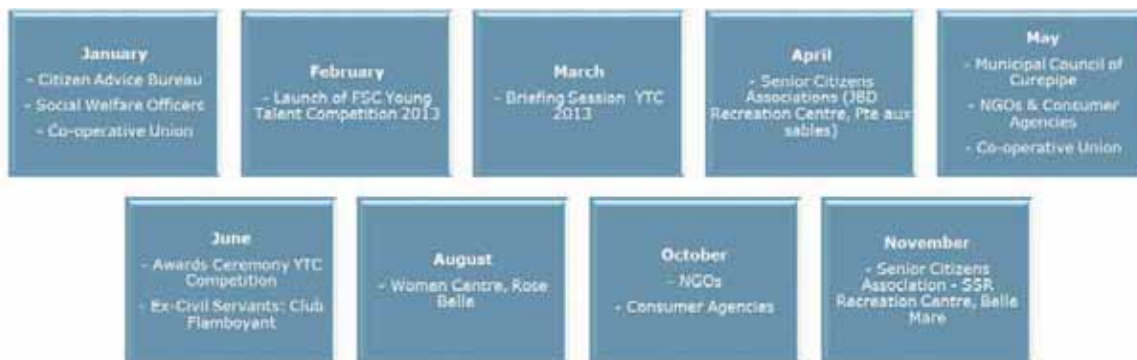
Consumer Outreach Programme

The effort undertaken to sensitise consumers of financial services on the opportunities and risks linked to investment in financial products and

services continued in 2013. After the Consumer Education Roadshow in November 2012, the FSC Mauritius pursued with a Consumer Outreach Programme for the year under review. Targeted segments of the population for 2013 were senior citizens, public officers, Non-governmental organisations, the cooperative movement, local authorities, socio-cultural organisations and women

associations. The Consumer Outreach Programme, while helping in the Commission's sensitisation effort, is also an important tool for intelligence gathering and contribute to the detection of possible cases of financial fraud through contact with the public.

Figure 14: Calendar of Activities for the Year 2013



Source: Financial Services Commission, Mauritius

Consumer Education Poster

Figure 15: First Consumer Education Poster

- Be Informed on the Product and Company in which you are Investing
- Verify / Seek Advice before Investing
- Return on Investment is linked to level of Risks

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FSC House, 54 Cybercity, Ebene
<http://www.fscmauritius.org>

Another financial literacy initiative launched during the year under review was the publication of Consumer Education Posters. The first message was on the importance of making informed financial decisions and to stay away from fraudsters. Drawings / Cartoon characters were used to cater for those with low literacy skills. The posters also

made use of language (other than English) most currently used by Mauritians. These posters were distributed to educational institutions as well as public and private agencies.

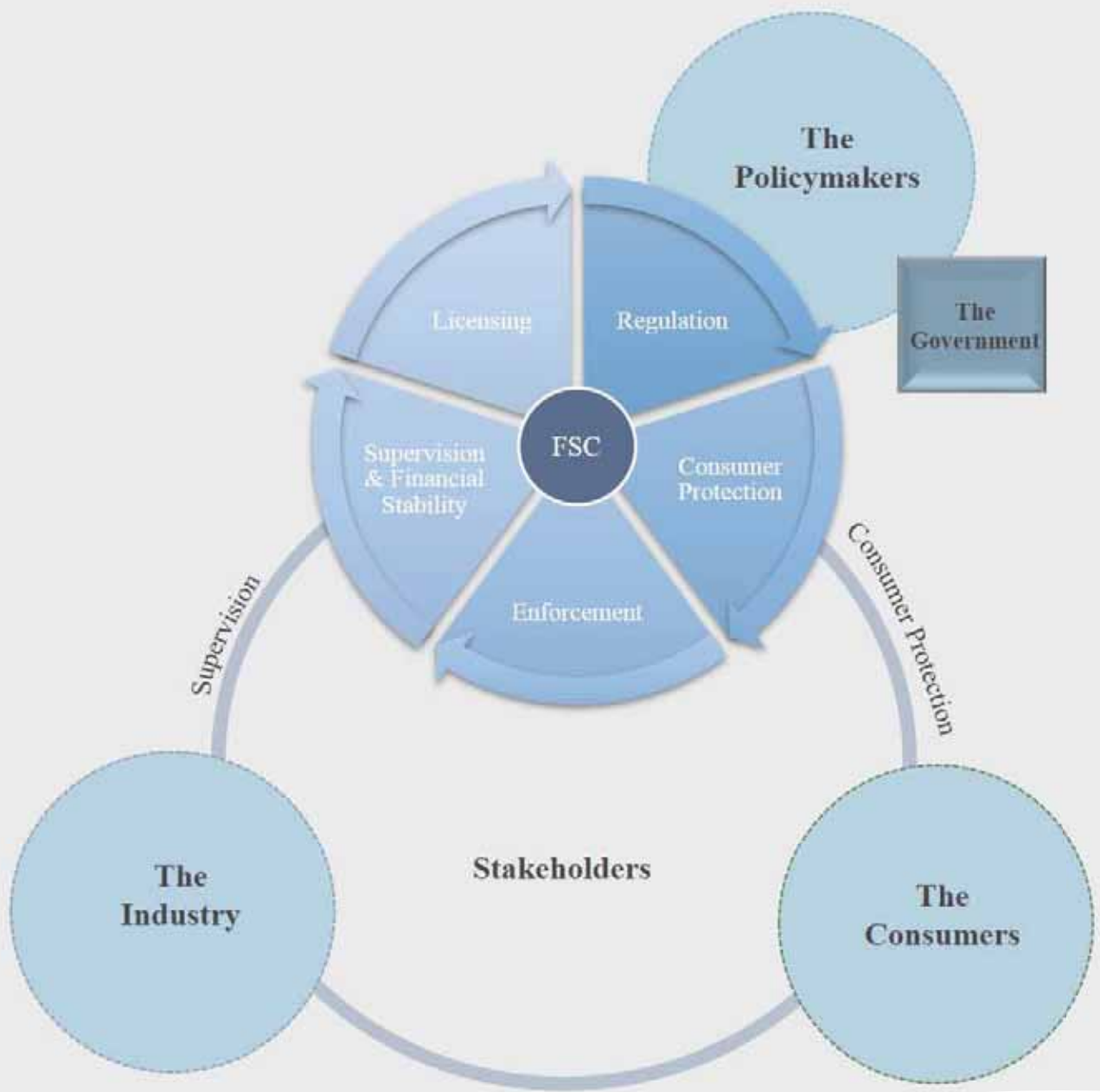
Publications

Publications in relation to consumer education and financial literacy include:

Table 30: Publications Related to Consumer Education and Financial Literacy

Publication Name	Objective	Date of Issue
BROCHURE		
FSC Brochure	Explains the role, functions and objectives of the FSC and the structure within which it operates, sectors under supervision, tools and powers of enforcement and international cooperation.	06 September
FACT SHEET		
Overview on Consumer Protection	To give an overview of Consumer Protection and how the FSC Mauritius fulfils its objective of protecting consumers of financial products and services.	26 March
QUESTIONS AND ANSWERS ('Q&A')		
Q&A on Scam and Swindles (incl. Ponzi)	It was aimed at sharing the answers to questions received at the FSC Mauritius from the public	26 April
FSC – Who we are & what we do?	To give an overview of the FSC Mauritius, its functions, objectives, role etc.	29 April
FREQUENTLY ASKED QUESTIONS ('FAQ')		
Unregulated Online Platform	To inform public about Trading Securities System and the difference between regulated and unregulated platforms, their characteristics etc.	26 November
FSC's Licensing Process	To explain the FSC Mauritius licensing process including definition of financial services, definition of licence, who can apply, how to apply, consequences of operating without a licence amongst others.	17 April

Source: Financial Services Commission, Mauritius



Strengthening Stakeholders Relations

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Strengthening Stakeholder Relations

Stakeholders

The FSC Mauritius actively engages with all stakeholders at national, regional and international levels. At the international and regional levels, FSC Mauritius participates in meetings and collaborates in terms of attachment programmes and organisation of events such as conferences and workshops. The FSC Mauritius engages regularly with local stakeholders such as ministries, authorities, institutions, organisations and licensees. Engagement with local stakeholders takes the form of meetings, workshops, consultation amongst others.

International Engagement

Attachment Programmes

To reinforce the commitment of FSC Mauritius in ensuring effective cross border cooperation, information sharing and capacity building, the Commission regularly conducts attachment programmes, within the spirit of the MOU signed. In 2013, the FSC Mauritius welcomed the following delegations for an attachment programme/ study visit:

- Delegates from the Maldives for study tour on 19 February 2013;
- Two officers of the insurance department of the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) of Botswana for a 10-day attachment programme, 25 February to 08 March 2013;
- Three officers of Conseil Regional de L'Épargne Publique et des Marchés Financiers of the Ivory Coast on a study tour at the FSC Mauritius from 15 to 19 April 2013;
- Three delegates of the Banque Centrale des Etats de L'Afrique de L'Ouest were also on attachment programme at the FSC Mauritius on 19 April 2013;

- Delegates from Tanzania for a study visit of the Mauritian Capital Markets from 10 to 14 June 2013;
- Four officers from the Ministry of Finance of Malawi on 11 June 2013;
- Fourteen officers from Uganda for a meeting on 17 June 2013;
- Officers of the Comissão do Mercado de Capitais, Angola, 12-14 August 2013; and
- Two delegates from the Non-Bank Financial Institutions Regulatory Authority, 06-08 November 2013.

Discussions encompassed the overview of financial services sector and the objectives of the FSC Mauritius, Capital Markets in Mauritius, and an overview of the fund industry in Mauritius, licensing and supervisory approaches, and enforcement policies. Visits to key industry stakeholders were also organised for the delegates.

Hosting of International Conferences & Meetings

IOSCO Committee 1 Meeting on 21 to 24 October 2013

The FSC Mauritius hosted the IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure ('IOSCO C1') Meeting from 21 to 24 October 2013. The IOSCO C1 comprises representatives of 28 member countries and focuses on improving the development of accounting and auditing standards, while improving the quality and transparency of the financial information that investors receive from listed companies and financial institutions. The FSC Mauritius is the only African Regulator on the IOSCO C1.

Through its membership, the FSC Mauritius aims at sharing experiences and best practices with other regulators and international financial institutions, and at the same time, increase the visibility of

Mauritius on international platforms. The role of the FSC Mauritius at the level of the IOSCO C1 is particularly relevant given that IOSCO works intensively with the G20 and the Financial Stability Board on the global regulatory reform agenda.

Other than the usual sub-committee Meetings, the IOSCO C1 Meeting also featured dialogue sessions with representatives of some of the biggest auditing firms at international level, as well as, African technical partners.

IOSCO Corporate Bonds Market Outreach Programme on 07 to 08 October 2013

The FSC Mauritius hosted the IOSCO Africa Middle East Regional Committee ('AMERC') Corporate Bond Markets Outreach Programme at the FSC House on 07 and 08 October 2013. The workshop was organised by IOSCO and the World Bank.

The Programme was attended by capital markets regulators in the region. The corporate bond markets in emerging markets are at various stages of development and tend to be relatively nascent and untapped in many countries. Thus, the Outreach Programme provided an opportunity for participants to benefit from the expertise of high caliber international facilitators to discuss issues of interests with respect to bond markets as well as to reinforce dialogue amongst fellow regulators.

Regional Training Programme in collaboration with the US Securities and Exchange Commission

The FSC Mauritius hosted a Regional Training Programme on the "Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecutions of Securities Fraud and Abuse" in collaboration with the US Securities and Exchange Commission ('USSEC') from 05 to 08 August 2013 at the Commission.

The training covered best practices in the oversight of capital markets to maximise both investor and market development. The speakers emphasised on practical solutions to common market problems and abuses, including how to address pyramid and Ponzi schemes. The programme also featured several case studies involving audience participation.

Engaging with Local Stakeholders

Talk by Professor Jason Sharman from the Centre for Governance & Public Policy, Griffith University,

Australia on his report on "Shell Companies - Launderers Anonymous" on 14 February 2013

In line with its supervisory duties and to promote public understanding of the financial system, the FSC Mauritius, welcomed the renowned Professor Jason Sharman for a talk on his report "Shell Companies - Launderers Anonymous" on 14 February 2013. Professor Sharman is particularly known for his contribution to the knowledge in the regulation of global finance, especially relating to money laundering, tax, corruption and international financial centres. He has worked as a consultant with the World Bank, Asian Development Bank, Commonwealth Secretariat, Financial Action Task Force, the Asia-Pacific Group on Money Laundering, Pacific Islands Forum and in the private sector.

He spoke about shell companies giving details about his report and a survey he carried out to gather information. Mauritius fared well in the survey.

Industry Update on Investment Funds: Special Purpose Funds & The Alternative Investment Fund Managers' Directive on 20 June 2013

The objective of the Industry Update was to inform licensees about the regulatory framework for funds in Mauritius with particular focus on Special Purpose Funds.

Under the AIFMD, the objectives were to provide promoters of funds domiciled in Mauritius of the latest developments on the Topic. The promoters were presented with the objectives of the AIFMD; the requirements for promoters under the AIFMD; the marketing routes available to the EU under the AIFMD; the cooperation agreements that needed to be in place between the FSC Mauritius and EU Regulators under the AIFMD; the transitional provisions under the AIFMD and the important dates; and the administrative procedures that promoters need to follow to seek authorisation from EU Regulators. The FSC Mauritius disseminated an analysis of the statistics / responses related to the Survey carried by the Commission on the Topic among promoters.

Presentation on Conduct Regulation on 05 July 2013

During the Presentation on Conduct Regulation, the Chief Executive of the FSC Mauritius explained the importance of Conduct for Integrity of markets and protection of consumers of financial services and products. Rules and regulations help strike the

right balance between allowing industry to thrive, and ensuring it retains its integrity and delivers what consumers expect from it. Enforcement / disciplinary actions and dialogue with stakeholders are very important.

She informed licensees that the FSC Mauritius is working on a project 'Treating your customer fairly' and will come up with guidelines for marketing and advertisement of financial products and services and competency framework for the sectors.

FSC/ BOI Private Equity Masterclass 2013 on 11 September 2013

Masterclass: Excellence in Private Equity at the FSC House on 11 September was jointly hosted by the FSC Mauritius and the Board of Investment ('BOI'). The Course was presented from two standpoints. Firstly, from the point of view of private equity funds and from the perspective of companies and entrepreneurs who are seeking private equity and venture capital.

The Course Director, Mr Arvind P. Mathur, CFA, FRM, is the Chairman of Private Equity Pro Partners, India and has over 20 years Asia-Pacific private equity experience. He provided examples of private equity transactions in China and other Asian countries like India as well as African markets to illustrate key concepts.

The outcome of this course was as follows:

- Understand how private equity and venture capital funds are established;
- Master the operations of private equity and venture capital funds and how value is added;
- Understand deal structuring techniques;
- Appreciate how entrepreneurs and companies raise private equity and venture capital;

Committees Involvement at National Level

Committee Name	Details
FSC Mauritius meeting with IMF Multi-Sector Mission on Statistics (January – February 2013)	FSC Mauritius was involved in SDDS Technical Committee (along with Ministry of Finance and Economic Development, Bank of Mauritius and Statistics Mauritius) to discuss with the IMF Mission the following issues: IMF Special Data Dissemination Standard Plus (IMF SDDS Plus) and other related issues.
2013: FSC Mauritius a Member of the Standing Committee on Harmonisation of Business Censuses and Surveys and administrative data collection	The Statistics Unit of the FSC Mauritius was involved in the Working Group 1 (WG 1) & Working Group 2 (WG 2) to overseas implementation of the recommendations of the Sub-Committee on Harmonisation of Business Surveys

- Grasp the logic and underlying principles of private equity and venture capital valuation;
- Understand buyouts and leveraged buyouts, their use and structuring; and
- Understand private equity trends and deal structures.

Presentation on The Criminal Vulnerabilities of International Financial Centres on 21 November 2013

The FSC Mauritius held a Presentation on The Criminal Vulnerabilities of International Financial Centres on 21 November. The Presentation was conducted by Mr Stephen Platt of Stephen Platt & Associates LLP. Mr Platt is one of the world's most experienced practitioners in the conduct of regulatory investigations, and a leading expert in the criminal abuse of financial services and related regulatory issues with specialisation in anti-money laundering, sanctions and U.S. extra territoriality. The training session was attended by representatives of Management Companies.

Surveys

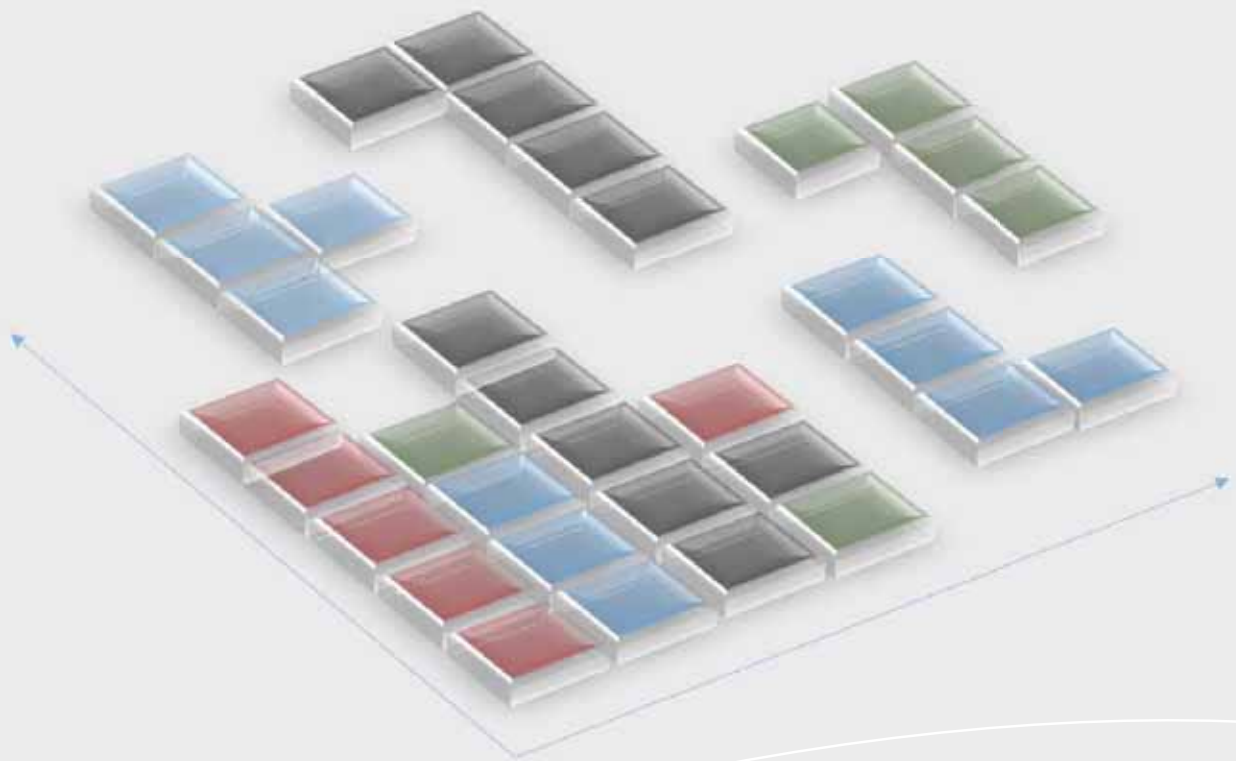
During the year under review, the FSC Mauritius Statistics Unit was involved in several initiatives such as the conduct of surveys, participating in various committees at national level as well interacting with IMF Mission on Statistics including the Article IV Mission. The sixth Annual Statistical Bulletin was released on 10 December 2013. Pursuant to section 6(j) of the FSA, one of the functions of the FSC Mauritius is to "collect, compile, publish and disseminate statistics in respect of the financial services and global business sectors". The Statistical Bulletin provided up-to-date figures on the sectors regulated by the FSC Mauritius and presents a synopsis of current trends in the financial services sector (other than banking) in 2012 and 2011.

Committee Name	Details
Ongoing: FSC Mauritius a Member of the Special Data Dissemination Standards ('SDDS') Technical Committee	<p>The SDDS Technical Committee of which the FSC Mauritius is a member, is responsible at national level to</p> <ul style="list-style-type: none"> • identify current constraints (data quality, manpower, equipment, inter-agency coordination) and propose solutions to address those constraints; • ensure compliance and observance of SDDS undertakings and inform SDDS coordinator on any non-observance of commitments made; • ensure accuracy of metadata and data disseminated on the IMF website; and • ensure continuous improvement on some options taken at subscription (Flexibility options taken, Presentation of the NSDP, ARC, etc) <p>The Committee meets regularly discuss to monitor and to discuss relevant issues</p>

FSC Mauritius Surveys

Survey Name	Details
4th Balance of Payments ('BoP') Survey of Category 1 Global Business Companies	<p>The 4th Balance of Payment Survey was launched in April 2013 on behalf of the Bank of Mauritius. The purpose of this survey was to collect information from the financial statements and supporting details of GBC1s to facilitate compilation of their transactions and positions vis-a-vis non-residents for compiling the balance of payments accounts and the external assets and liabilities position of Mauritius. Balance of Payments statistics are published in the Bank's Monthly Statistical Bulletin, the Annual Report and are also posted on the Bank of Mauritius website.</p> <p>The BoP Survey concerned only 24 leading Management Companies with GBC1s under their management or administration.</p>
Statistics Mauritius – National Accounts Survey	<p>The purpose of the National Account Survey is to collect information on the GBC1s to measure their contribution to the Mauritian economy. The contribution to the economy is the value added of all GBC 1s as a percentage of GDP. Value added is measured as outputs less intermediate consumption (inputs used). Outputs are either sold to local companies or exported while inputs are expenses on goods and services which are either purchased in the country or imported from abroad. Currently the value added of GBC1s has not yet been included in GDP. The Survey is conducted as part of the GBC1 Survey.</p>
Coordinated Portfolio Investment Survey	<p>The CPIS collects information on asset holdings by GBC1s, considered for BoP purposes as residents of Mauritius, of equity securities, short-term and long-term debt securities issued by unaffiliated non-residents as at 31 December 2012. The data from the survey is used to monitor the size and composition of the financial sector of Mauritius. It is also used in the compilation of the balance of payments and international investment position statistics. The survey is conducted under the aegis of the IMF and in coordination with other jurisdictions to facilitate international comparisons.</p>

Survey Name	Details
Coordinated Direct Investment Survey	<p>The CDIS aims to obtain direct investment data by immediate counterpart economy. The country codes provide a list of potential counterpart economies as well as regional aggregates to be used in attributing inward and outward direct investment positions. The CDIS collects information on direct investment positions, both assets and liabilities, between enterprise and non-resident affiliated enterprises as at 31 December 2012.</p>
Foreign Assets and Liabilities Survey ('FALS') 2013	<p>The FSC Mauritius conducted the first Foreign Assets and Liabilities Survey 2013 on behalf of Bank of Mauritius for the country's balance of payments and international investment position. FALS 2013 called for selected resident enterprises to provide stock and flow data on their claims on and liabilities to non-residents for the year ended December 2011 and December 2012. The monitoring of private capital flows is of great macroeconomic importance as it is essential to know the magnitude, composition, sectors and origins within economies to which capital is flowing.</p> <p>An open economy like ours, which allows for the free mobility of capital, poses statistical challenges in capturing such flows which can only be done through surveys. Besides, the fact that good statistics are required for policymaking, they are also required to meet international standards and codes of reporting which include SDDS. The objectives of the survey are to determine statistically the scale and nature of private capital flows; to establish a reporting system for cross-border transactions and to improve the coverage of the private sector's cross-border investment for the compilation of BoPs and International Investment Position statistics.</p>



Corporate Services

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Administration and Enterprise Risk

The functions of Administration and Enterprise Risk Management ('AER') include:

- Enterprise Risk Management;
- Business Continuity Management;
- Facilities Management;
- Quality Management;
- Health and Safety;
- Procurement; and
- Asset Management.

Enterprise Risk Management

The role of the Enterprise Risk unit is to ensure that risks which can impact on the Commission's ability to deliver on its strategic objectives are identified and holistically managed and monitored. The FSC Mauritius continues to work according to the three line of defence model with emphasis on the first line.

The first line of defence provides management assurance and information to the Risk and Audit Committee by identifying risks and business improvement actions, implementing controls, and reporting on progress. The first line describes the controls that have been put in place to deal with its day-to-day activities. The Enterprise Risk Management framework developed by the FSC Mauritius expands on internal control mechanism. The second line of defence supervises business processes. The implementation of a Quality Management System allows the FSC Mauritius to evaluate and improve its internal processes.

The third line of defence concerns internal and external audits which provide independent and objective assurance designed to add value and improve the Commission's operation.

Business Continuity Management

With the adoption of the Business Continuity Management ('BCM') into the Commission's Corporate Governance framework, the FSC Mauritius is committed to optimise its operational resilience as well as ensure prompt recovery from

any crisis, threat or interruption as identified during the initial risk assessment exercise. The FSC Mauritius is continuously improving its processes and investing in its resources to have its policies aligned with the requirements of ISO 22301:2012: Business Continuity Management Systems - Requirements or even with the guidelines of the Business Continuity Institute.

The FSC Mauritius BCM Committee is regularly conducting Business Impact Analysis and Risk Assessment exercises, leading to the improvement of the Commission's current BCM strategies or the implementation of new strategies, such as the set-up of a Disaster Recovery ('DR') site. A Disaster Recovery site was found to be crucial to keep the critical operations of the Commission running in adverse scenarios. In this regard, an off-site DR centre was selected as an alternative site to address the recovery of critical IT assets including systems, applications, databases, storage and network assets.

The FSC Mauritius has also set up an Incident Management Team chaired by the Head of Administration and Enterprise Risk Management Cluster to focus attention on proactive measures in the event of potential natural disasters.

During the year 2013, the first phase of Business Continuity Management was completed with a status report on the building and identification of areas for improvements. Major civil works were initiated on the building to reduce risks of disruption during bad weather.

Facilities Management

The priority for the AER in 2013 was to address the immediate risks to the building and premises of the FSC Mauritius in case of disasters. The building was purchased in 2008, and after five years of occupation FSC Mauritius embarked on an audit of its building infrastructure to ensure that its premises and equipment provide staff with a clean and appropriate working environment and are maintained in good condition and upgraded as

and when required. The emphasis is on preventive maintenance and on the enhancement of safety and security at the Commission. An electrical audit of the building was subcontracted to an expert consultancy firm to independently assess whether the building meets safety norms. Recommendations for improvements are currently being implemented and a second review will be carried out after the remedial works have been completed.

Quality Management System

A QMS, aligned with an internationally recognised standard, is currently being implemented at the Commission. The Quality Policy has been defined in line with Commission's statutory objectives and is the basis of all improvement initiatives taken by the FSC Mauritius. To ensure compliance to the standard, the implementation plan was elaborated using a phased approach. During the beginning of the year, training sessions were organised at the FSC Mauritius to create awareness on the requirements of the QMS.

The training paved the way for the appointment of a QMS Steering Committee whose members have undergone intensive training on QMS implementation and process documentation in accordance with the standard. Consultative internal workshops were then put in place to document the current processes of the organisation which were finalised during 2013 leading to a major milestone.

A re-engineering phase was subsequently initiated to streamline and optimise priority processes that directly impact on the service offered to stakeholders.

Furthermore, internal audits are conducted on a regular basis to verify compliance to documented procedures. Quality objectives have also been set for critical operations of the FSC Mauritius to assess their performance against defined targets.

Health and Safety Measures

The Cyclone and Incident Management Team was reinforced and the procedures to be adopted in case of cyclone or disasters were finalised in collaboration with the Quality unit. Regular training was carried out for the benefit of the team in terms of lift evacuation and fire rescue as per the Health and Safety regulations.

Obsolete equipment were disposed of to prevent health hazards to employees. Regular preventive maintenance of machinery and equipment are

carried out to ensure efficient operation and minimal disruption to employees.

In addition, to provide the staff with a more conducive work environment, the cafeteria facilities were upgraded and meeting rooms refurbished and additional equipment installed.

Procurement

All procurement of goods and services are centralised at the Procurement Unit which is responsible for ensuring that transparent procedures are followed within a fair and efficient procurement exercise.

The procurement process is conducted within the legal framework of the Public Procurement Act 2006 as well as Regulation, Directives and Circulars issued by the Procurement Policy Office ('PPO'). Technical specifications are prepared so as to ensure fair competition and to avoid any discrimination against eligible suppliers.

All procurement are effected in a transparent manner. For all contracts above MUR 1 million, other than those under Direct Procurement Method, unsuccessful bidders are notified of the name and address of the successful bidder and the contract amount in writing. For contracts above MUR 5 million, the FSC Mauritius publishes the outcome of bidding proceedings on its website and the Public Procurement Portal, specifying the subject matter of the procurement, the name and address of the successful bidder and the contract price within seven days.

The FSC Mauritius complies with the reporting requirement by submitting its Annual procurement plan and annual return to the PPO.

Asset Management

All assets purchased are recorded in the Fixed Asset Register ('FAR') which is a full-fledged, Oracle based ERP module. It allows the FSC Mauritius to keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets. The FAR allows recording of the correct value of the asset and its depreciation. Upon receipt at the FSC Mauritius, details of assets are entered in the Fixed Asset Register and a maintenance schedule is defined for these assets. Thereafter, the maintenance schedule is followed to ensure appropriate inspection and maintenance schedule is adhered to.

Information Technology

The improvement of the Commission's operational and supervisory capabilities remains the core focus of the IT strategy. The FSC Mauritius has been investing in a state of the art information and communication technology infrastructure with the view of ensuring efficient flow of information and endeavouring to improve the Commission's business responsiveness to the demands of the various stakeholders, in an efficient and cost effective manner.

The FSC Mauritius initiated and implemented a number of projects for further alignment of the business and technology strategies with resources allocated to IT infrastructure and enterprise software applications.

IT Infrastructure

Today's working environment relies heavily on technology as a competitive enabler for delivery of services. The impact of unavailability and breakdown of IT services is a hindrance in a competitive environment. There is a need for highly performing up-to-date, flexible, scalable, secure and sustainable Information Communication Technology infrastructure that can easily be adapted to existing requirements, new initiatives but more importantly to peak needs.

Security is at the forefront of all IT initiatives at the FSC Mauritius. During past year, substantial investment was made in areas of network security, based on industry best practices and norms. The new setup encompasses highly available security devices, equipment and controls which include firewalls, intrusion prevention, end-point protection, device management and control of user access. Security is continually revisited to cater for emerging vulnerabilities and threats.

In view of fostering a more conducive working environment and as part of its renewal and upgrade of the IT eco-system, FSC Mauritius staff was equipped with specialised tools, new printing and copying devices. The FSC Mauritius also completed a refresh of its entire end-user computing estate

and rolled out new computers to staff. This includes rationalising the server estate to create space within data centres and reduce costs.

Following a review, request for proposals was sought for a homogeneous IT infrastructure platform, consisting of servers, storage, firewalls and UPS systems to improve substantially service performance and availability, security and ease of recovery in case of failure.

Enterprise Software Applications

Further enhancements, developments and acquisition were brought to existing enterprise applications and infrastructure at the FSC Mauritius in order to create a sustainable, interoperable and energy-efficient platform environment.

The Enterprise Resource Planning ('ERP') system was fully implemented in terms of features, functionalities, modules and provided management reports as planned. During the past year, a new software application was added to enhance user-friendly operations and reporting. This also provided further quality assurance in terms of controls and operations. Additional licences were purchased to cater for the increasing needs of the FSC Mauritius.

To enhance dissemination of information on its licensees and for better awareness to combat illegal unlicensed solicitations, an online register of licensees was made available to the public on the website of FSC Mauritius. This allows users of financial services the flexibility to easily verify at any time of the day whether the service provider was licensed with the FSC Mauritius.

The FSC Mauritius is implementing a fully integrated Human Resources Information System ('HRIS') and Payroll system comprising a comprehensive set of tools for human resource management. The HRIS will help in meeting and responding to the HR management challenges faced in the areas of payroll, benefits, attendance, recruitment, training, workforce analytics, employee self-service and others.

The FSC Mauritius is dedicated to continuously improving efficiency among its workforce through the judicious use of IT systems. In this respect, the FSC Mauritius requested proposals for a Collaborative Solution Platform and Electronic Document Management System ('EDMS') in order to facilitate knowledge sharing and promote collaborative features by allowing staff to communicate and share best practices internally using comment streams and forums.

The EDMS, a centralised electronic platform being implemented, will help to save time, resources and costs by eliminating paper-based processes and will allow the sharing of documents electronically while increasing document security. The system will also improve the velocity of flow of documents, automation of business processes through workflows and provide real-time tracking / reporting and ensure compliance to laws and regulations for data protection.

IT Audit

An IT Audit was conducted during the year under review by an external independent IT auditor with the underlying objectives of assessing the effectiveness of IT Policies, the efficiency of the IT Infrastructure, the reliability of IT Policies, the accessibility of IT Infrastructure & Policies, and the Compliance of IT Policies at the FSC Mauritius.

Based on standard guidelines for IS auditing, COBIT 5 and ISO 27000, the scope covered main areas such as security policies of the information systems, controls including physical access, operating system, application and database controls and network / infrastructure management.

The results of the IT Audit performed indicated that for the areas covered, adequate policies and controls are established, based on international standards and key security related risks are appropriately addressed. The overall observations of the audit exercise were positive and the suggested improvements are being put in place as part of the on-going IT risk management at the FSC Mauritius. This audit exercise provided an independent assurance for the FSC Mauritius on the adequacy and effectiveness of management of actions taken to address IT related issues.

Human Resources

The FSC Mauritius considers its people and values as its greatest assets. It is fully aware and mindful that its capacity to regulate and supervise effectively depends heavily on the quality of its people. As such, attracting, growing and retaining top talent ranks high on the Commission's agenda. The core values of FSC Mauritius define how its people conduct themselves and how it conducts business. The staff of the Commission have embraced and live these values: Professionalism, Ethical Behaviour, Compliance with Rules and Teamwork.

The FSC Mauritius relies on its people's talent, enthusiasm, engagement and commitment to maintain the good repute of the Mauritius IFC.

Therefore, the Commission's engagement as an employer of choice is to create and foster a conducive professional work culture across the organisation whilst unleashing the potential of each and every staff.

The FSC Mauritius believes its people are engaged with it on a journey and for a purpose.

Attracting Talent

In order to ensure that the statutory and strategic objectives are met in an effective and efficient manner and also to better respond to ever increasing challenges and expectations from stakeholders, it is critical for the Commission to be adequately manned with the right mix of talent possessing

the right knowledge, skills, competencies and attitudes. Being an equal opportunity employer, the FSC Mauritius ensures fair and transparent recruitment and selection process through the use of competency-based methodologies with a view to recruit the best talent.

In order to deliver on its promises and in line with its Manpower Plan devised to determine the manpower needs, the Commission continued to attract talented people to the organisation during the year under review. The FSC Mauritius staff level was strengthened with the recruitment of 30 staff, including a senior executive as Advisor to the Chief Executive for securities surveillance and regulatory matters.

The FSC Mauritius believes and practices diversity and inclusiveness. The diverse and skilled workforce at the Commission, also includes employees with disabilities. Employing people with disabilities goes beyond corporate social responsibility and the minimum legal requirements. The FSC Mauritius recognises the business value of hiring people with disabilities and firmly believes that they can contribute significantly to improving the business of the Commission.

As at 31 December 2013, the staff workforce at the Commission, stood at 204 with a gender distribution of 57 per cent female and 43 per cent male employees. The movement of staff during the periods 2012 and 2013 is provided in the table below.

Table 31: Breakdown of Staff Movement (2012 – 2013)

Job Family*	New Recruits		Leavers		Number of Officers		
	2013	2012	2013	2012	2013	2012	2011
Executive	1	6	-	-	21	20	14
Technical	8	50	5	5	140	137	92
Administration & Support	3	-	-	1	43	40	41
Total	12	56	5	6	204	197	147

* including movements across Job Family

Source: Financial Services Commission, Mauritius

The Staff Turnover Rate for 2013 was 2.5 per cent compared to 2.8 per cent for the year 2012.

Total Rewards Approach

It is recognised that a reward system can affect organisational performance as well as motivation and retention of talent. Therefore, the FSC Mauritius ensures that the total rewards at the Commission is well crafted taking into consideration the organisational objectives as well as employee needs and preferences. The priorities remain on linking the reward system to business strategy, talent management strategy and organisational performance. This holistic approach, which incorporates all elements of rewards, both tangible and intangible, represents the backbone of the Employee Value Proposition.

Review of Salary and Terms and Conditions of Employment

The FSC Mauritius has a policy to review its Terms and Conditions of Employment at least once every three years with a view to ensure that its total rewards package is competitive compared to other similar organisations and to succeed in talent retention. During the year 2013, the services of an international Consultant were enlisted to carry out the review exercise.

Benchmarking with local and international counterparts had been carried out to ensure that the Commission is at par with market rates and consolidate its ability to attract the right talent. In addition, in line with the participatory approach that the FSC Mauritius embraces, all staff were given the opportunity to be heard. An online survey was administered to capture the views and suggestions of staff. Such feedback served as inputs to determine the underpinning principles of the review.

Performance Based Culture

The endeavour is to create and sustain FSC Mauritius into a High Performance Work Organisation and ultimately making the Commission a Great Place to Work. In order to make this happen, one of the strategic tools used is the PMS, which is aligned with the organisational vision, mission, values and strategic objectives. The well-structured performance management and reward system is geared towards building a performance and teamwork focused culture.

The Commission's PMS model is based on continuous

monitoring and feedback. For better monitoring of Organisational / Cluster Key Performance Indicators ('KPIs'), the monitoring mechanism has been further enhanced with a quarterly reporting by all clusters.

For the 3rd cycle of implementation of the PMS framework, the 360° feedback evaluation was extended to all staff. The objective was to lay emphasis on the importance of behavioural competencies and to foster an open culture for continuous performance improvement. The FSC Mauritius wants its staff to be aware that the Commission is mindful of the fact that "the ends do not justify the means" and that the "How" is as equally important as the "What".

In order to create greater differentiation for individual performance and recognise employees' discretionary effort, the performance related pay mechanism was revamped taking into consideration the organisational, cluster and individual performances. Enhanced emphasis on the individual performance enabled the Commission to effectively recognise and reward top performers.

The FSC Mauritius wants its people to feel that their hard work, contribution and engagement are highly valued and recognised through a fair, transparent and ethical reward strategy.

Capacity Building

The knowledge, skills, competencies and capabilities required at the FSC Mauritius are of an expert nature and relatively specialised which can only be acquired through experience, training, development and exposure. The FSC Mauritius, therefore, continues to develop its staff potential to the fullest by providing appropriate training and developmental opportunities both internationally and locally.

Being an Equal Opportunity employer, a well-defined framework and clear policies for capacity building are in place at the Commission. A participatory Competency Needs Assessment exercise with the Executive team is undertaken on a regular basis to ensure that the learning systems and strategies are aligned with regulatory and business needs. The training and developmental needs are identified using a three-tier approach, namely at the organisational, cluster and individual levels. Consequently, a structured Learning and Development Plan for the year is elaborated and implemented.

The Commission embraces a multi-fold approach for the conduct of its training programmes. These include a myriad of strategies as given in the table below.

For the year ended 31 December 2013, the average training contact hours per staff was 85 hours.

Table 32: Continuous Learning at the FSC Mauritius

Strategies		Types of Interventions
Training	In House	By: <ul style="list-style-type: none"> - Internal Resource persons - External Resource persons
	Local	By External Resource persons
	Overseas	Workshops / Conferences / Training Programmes / Exchange Programmes / Attachments
	Others	<ul style="list-style-type: none"> - E Learning / Distance Learning - Webinars - Audio Calls - Speakers' Series
On the Job	Self Help / Peer Sharing Experience Job Challenges – Job Rotation/ Enrichment Projects / Cross Functional Teams Communities of Practice (CoPs)	
Coaching & Mentoring		

Source: Financial Services Commission, Mauritius

Table 33: Summary of Training Sessions (2012-2013)

Types of Training	Number of Training Sessions		Contact Hours	
	2013	2012	2013	2012
In-House	86	91	12,138	10,633
• Leadership/ Management	3	21	1,225	4,176
• Peer to Peer	38	12	1,357	544
• Personal Development	5	7	188	1,140
• Technical	16	26	7,366	2,548
• Webinar	15	9	398	1,137
• Other	9	16	1,604	1,088
Local	77	59	2,545	1,278
Overseas	43	42	2,536	1,832
Total	206	192	17,219	13,743

Source: Financial Services Commission, Mauritius

Leadership Development

The FSC Mauritius continued to enhance leadership capabilities through its customised Leadership Development Programme ('LDP') and allocation of individual coach to participants.

A pool of internal coaches were identified and trained to be able to provide performance coaching to the LDP participants.

Following the successful completion of the LDP for the first batch, the programme was extended to a second cohort of emerging leaders. These staff had been newly promoted or recruited and it was considered vital to instil the desired leadership culture and enhance their behavioural competencies by exposing them to behavioural training and development opportunities.

FSC Mauritius Training Academy

To reinforce its commitment as a knowledge and learning organisation, the Commission has set up the FSC Mauritius Training Academy which has gained its recognition as a training institution by receiving the certificate of registration at the level of the relevant regulatory authority. In the same vein, several officers of the Commission have also been registered as qualified trainers in order to deliver training courses to staff as well as to the industry.

Coaching and Mentoring

Coaching and mentoring are amongst the effective tools used to assist in people development. The leaders at the FSC Mauritius provide on-going coaching and mentoring. They are visible and accessible whenever needed.

To better support its effort of sustaining a mentoring culture, the Commission officially launched its Mentoring Program on 20 September 2013. A pilot run was conducted for a batch of new recruits who were assigned a mentor. The Mentors were thoroughly briefed about their role and the importance of establishing a relationship of trust, mutual respect, understanding and guidance between them and their Mentee. As part of the mentoring framework, periodic evaluations and feedback between the Mentors and Mentees take place which entails identification of areas for improvement and taking corrective actions. The overall responsibility of managing the Mentoring Program rests with the HR Cluster.

Young Graduate Development Programme

As the financial services sector is one of the vital pillars of the Mauritian economy, the FSC Mauritius strongly believes that heavy investment in people to enhance the quality of competencies and to acquire skills to service the sector is of paramount importance. The Commission also recognises the need to remain proactive in order to face the challenges in this vibrant financial services sector environment. Therefore, with a view to ensure the availability of qualified and trained manpower to meet the forthcoming needs of the sector, the FSC Mauritius recruited a new batch of 19 young people for the year 2013 as part of its Young Graduate Development Programme ('YGDP').

The YGDP is a one-year programme open to final year students graduating from universities. It offers young graduates a unique opportunity to gain exposure to the financial services sector. These trainees are provided with structured on the job training and development opportunities to enhance their performance which translate into potential for progression and growth. They undergo job rotation for gaining maximum exposure to the various regulatory functions and a better appreciation of organisational issues. The trainees are also coached by experienced in-house specialists.

HRIS

Following the acquisition of the HRIS, which is an online fully integrated HR and Payroll solution, the payroll and a few HR functions were successfully implemented and operational. The system also catered for the implementation and calculation of Performance Bonus in line with the revamped PMS. Other modules such as Employee Self-Service, Training, and Recruitment amongst others, which will assist in meeting and responding to the HR challenges, are currently being developed.

Knowledge Management

The FSC Mauritius continued its endeavour to transform itself into a Knowledge Based Organisation. During the year under review, it reinforced its strategies and tools in the context of consolidating its Knowledge Management initiative.

The Intranet was continuously enhanced as a tool for communication and for the effective and timely dissemination of knowledge within the organisation. To enable a more effective collaboration and sharing of knowledge, a new collaborative platform is being worked upon.

With a view to deepen the knowledge of people within functional areas that require specialist knowledge, additional thematic Communities of Practice ('CoPs') were set up. These CoPs provide staff with a platform for sharing knowledge, experience and best practices.

Engaging Employees

The Commission acknowledges that the benefits of an engaged workforce are far reaching. One key to unlocking the full potential of a workforce is to be conscious of the organisational factors that drive employee engagement and address them to improve and sustain engagement. To this effect, an employee engagement survey was carried out at the Commission which elicited an encouraging participation rate.

ENCOURAGING BONDING AND CLOSER COLLABORATION

Among FSC Mauritius Leadership Team

During the year under review, the FSC Mauritius Leadership Team Retreat was held in September 2013. The retreat provided the participants the opportunity to (i) collectively make an assessment of the achievements made with particular emphasis on the barriers affecting performance; (ii) reflect on the strategies for the 2014 to 2016 Action Plan and (iii) sharpen their leadership skills while

enhancing the team spirit and bonding among the FSC Mauritius Leadership Team.

With our People

Annual Staff Workshop 2013

The Commission organises an annual staff workshop in order to ensure that there is a shared vision and understanding on a specific theme.

The theme chosen by Management for 2013 was "Reinforcing FSC Mauritius as a Great Place to Work" ('GPTW'). The objective of this workshop was to provide all staff a dedicated moment to collectively reflect on what is meant by a GPTW as well as the opportunity to voice out their expectations and how each one can contribute to make it happen.

Employee Welfare, Wellness and Work-Life Balance

The well-being of its people remains a priority at the Commission. To enhance the quality of work life of its people and help them harmonise work and personal commitments, the Commission reinforced its employee-oriented approach by providing a wide range of initiatives pertaining to staff welfare, wellness and work-life balance.

In its endeavour to promote and encourage fitness and a healthy lifestyle, the FSC Mauritius continues to provide staff with opportunities to engage in

FSC Mauritius wins 3 Awards at the HR Excellence Awards 2013

HR Excellence in Learning and Growth HR Excellence in Innovation in HR



HR Excellence in HR Leadership

The FSC Mauritius participated for the first time in the 2nd Edition of the HR Excellence Awards organised by the Human Resource Development Council.

At the HR Excellence Awards 2013 Ceremony which took place in October 2013, the FSC Mauritius was nominated in all 7 Standards in HR practices in which it had participated and won 2 Awards in the Public Sector Organisations Category:

- (1) HR Excellence in Learning and Growth
- (2) HR Excellence in Innovation in HR

The Head - Human Resources, Mrs Namita Jagarnath-Hardowar, had participated in the HR Leadership category and won the HR Excellence in HR Leadership award.

activities at no cost. Staff can take advantage of the well-equipped and fully subsidised in-house gym with a qualified fitness trainer; participate in weekly in-house zumba sessions delivered by a professional instructor; join in weekly walking trips; and play football matches organised by the FSC Mauritius Football Club amongst others.

In line with the policy to cater for the health and wellbeing of its people, a Healthy Eating Initiative was introduced by the Commission during the year. To launch this initiative, a nutritionist was invited to deliver a talk and sensitise staff on the importance of a balanced diet and tips on what can be done to instil healthy eating habits. A Weekly Fruit Day with free distribution of fruits to staff has been introduced as part of the Health Eating Initiative to cultivate and encourage the habit of eating fruits.

Employee Assistance Programmes

As part of the programme to promote wellness, the FSC Mauritius also provides employee assistance programmes in cases where it is perceived that the staff need special support and specialist advice or treatment. This is delivered through the services of a professional psychologist and/or internal counselling services as and when needed.

Celebrating Independence of Mauritius

The theme to mark the 45th Anniversary of the Independence of Mauritius at the Commission was around "Recognising our Local Talent". The FSC Mauritius Staff Welfare Club marked this milestone by organising several competitions for staff and their children. A staff get-together was also held on 11 March 2013.

Celebrating International Women's Day

The FSC Mauritius celebrated the International Women's Day by organising a workshop around the theme: "The Mauritian Woman as a pillar to our economic development: The Journey". In this context, a panel of women who have been involved in different economic / social sectors of the economy were invited as guest speakers to share their experience and perspectives.

With our Families

The FSC Mauritius is fully committed to ensure the wellbeing of its staff. It considers it essential to create and nurture a spirit of sharing and teambuilding within and beyond the workplace. This

is important in the Commission's quest to sustain the engagement of its staff with a view to reinforcing the sense of belonging to the Commission. In this context, an outing was organised for staff members and their families in November 2013 at Domaine de L'Etoile, Sebastopol.

Corporate Social Responsibility

With our Local Community

The FSC Mauritius recognises that it is part of a larger community and therefore must participate actively in supporting those in need. The staff of the Commission are very sensitive to this noble cause and they demonstrate high levels of social consciousness for such causes.

In order to demonstrate its engagement towards the community, the FSC Mauritius engaged in numerous activities during the year under review. Employees who participated in reaching out to the community gained a deep sense of giving; they demonstrated passion and dedication towards improving the lives of the needy ones.

Victims of Floods

The FSC Mauritius and its people have not remained insensible during the flash floods. Staff donated generously for the victims and the sum collected was equally matched by Management. The Corporate Social Responsibility ('CSR') Committee organised distribution of hot meals and drinks to some 500 victims of the floods in the areas of Canal Dayot, Pont Bourgeois, Sable Noir, Port Louis (La Poudriere Street) and Pailles.

Donation of Computer Labs

The purpose in engaging in CSR is also to assist children in their development. In this context, the FSC Mauritius set up computer labs for the children of Ecole St Antoine RCA in Goodlands and Ecole Ste Famille in Bois Marchand. The FSC Mauritius donated 20 Computers and 2 printer/scanners to the Junior Chamber International ('JCI') poverty alleviation Programme for Bois Marchand. This initiative allowed members of JCI to conduct IT courses for inhabitants of the region.

Donation to the Needy

The FSC Mauritius continued its commitment to help the needy of Bois Marchand by collaborating with the JCI of Port Louis in its fund raising

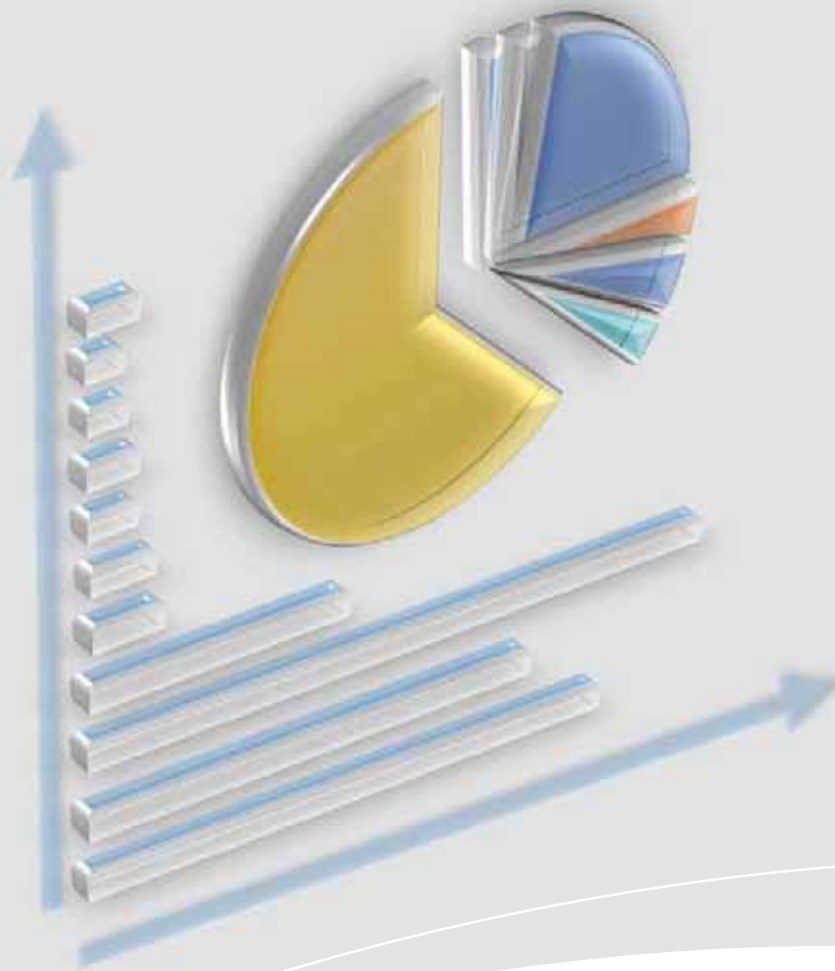
initiative aimed at alleviating poverty in that region by means of a Flea Market. Staff donated clothes, books, school materials and consumable goods for the flea market.

Annual Blood Donation Day

The FSC Mauritius CSR Committee is fully aware that blood saves life. It is an annual feature for the Commission to organise its Blood Donation Day. This is done in collaboration with the Blood Transfusion Services of the Ministry of Health and Quality of Life and the Blood Donors Association. Both staff and our partners from the industry, in the vicinity of Ebene, were invited to donate their blood in June 2013.

Financial Literacy for Secondary and Tertiary Students

Other activities are carried out as part of the CSR initiatives to raise awareness about the non-banking financial sector and global business and improve financial literacy. Several presentations are made to secondary and tertiary students. The Commission also participated in the Job Fair in Rodrigues to create awareness and provide career guidance to students, out school youth and job seekers.



2013 Highlights

Financial Services Commission
Mauritius

Financial Services Commission
Mauritius

Financial Services Commission
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Action Plan

The purpose of the Strategic Plan is to ensure a coordinated approach in respect of the monitoring the responsiveness of the organisation to the defined strategic objectives. Monitoring of individual and cluster workplans is carried out on an ongoing basis. A formal assessment and reporting is carried on a half yearly basis.

Traffic light system (Green - Complete, Amber - Work in Progress and Red - Not Started / Not Implemented) is used for ease of reference and monitoring of the Strategic Plan.

STRATEGIC OBJECTIVE NO. 1 COMPETITIVE JURISDICTION			Status Dec 2012	Status Dec 2013
Turnaround Time	Review & Harmonise Licensing Criteria	Review of Licensing Conditions	•	•
		Issue of Guidelines (Limited Partnership / Foundations etc...)	•	•
	Reduce Licensing Processing Time	On-line submission of applications +	•	•
		Reduced response time from other clusters	•	•
		Tracking Systems of documents (bar coding etc.)	•	•
	Efficient and Effective response to queries	Time recording of response	•	•
Responsiveness	Develop metrics to assess service levels	Assess service levels: internal Perception Surveys	•	•
		Assess service levels: external Consumer Perception Surveys - Ongoing	•	•
		Implementation of Quality system	•	•

STRATEGIC OBJECTIVE NO. 1 COMPETITIVE JURISDICTION			Status Dec 2012	Status Dec 2013
International Benchmarking	Meet international standards & norms	Adherence to principles	●	●
		Implementation of OECD recommendations	●	●
		Submission of required data for Mauritius to graduate to SDDS	●	●
	Promote transparency through reinforced collaboration with foreign regulators & exchange of information	Ongoing negotiations for MoUs: Local	●	●
		Ongoing negotiations for MoUs: International	●	●
		MoU with IOSCO AMERC	●	●
		MMoU with IAIS	●	●
	Efficient mechanism for dealing with requests for information from counterparts	Manual of Procedures for exchange of information	●	●
	Re-inforce the position of Mauritius as an IFC - Increase visibility on regional & international fronts	Active participation in regional & international organisations (IOSCO - AMERC; SADC - CISNA; FSB - RCG)	●	●
	Effective Dissemination of statistics of the financial services & GB sectors	Publication of Annual Statistics Bulletin	●	●
		Website Update and Monthly Newsletter	●	●
	Develop a relevant cost basket	Comparison of Licence fees charged v/s service provided by Regulators - Ongoing	●	●
		Comparison of fees charged by service providers - Ongoing	●	●
		Comparison of fees charged by competitive jurisdictions - Ongoing	●	●

STRATEGIC OBJECTIVE NO. 2 - DEVELOPED & DIVERSIFIED			Status Dec 2012	Status Dec 2013
EFFECTIVE ENGAGEMENT MECHANISM - Assessing adequacy and Identifying Right Partners and Forums				
Local	Active engagement with Stakeholders and Others Industry Partners e.g. Association of Trust and Management Companies, Global Finance Mauritius, Insurers Association Brokers Association, Exchanges (GBOT, SEM)	Designated FSC Mauritius staff to participate in sub committees and meetings.	•	•
		Develop platform with regular meetings & set Agenda + measurement of targets achieved	•	•
	Partnering with Professional Association e.g- MIPA, CFA, IIM		•	•
	Regulators - BoM, FRC, FIU	Developing an official platform for discussions.	•	•
	Reinforced collaboration	Quarterly meetings of the FSC/BOM Joint Co-ordination Committee and Regular meetings of the sub-committees (Licensing, Supervision, Financial Stability, AML-CFT)	•	•
		Meeting with BOI to look at promotional / marketing strategy in respect of financial services	•	•
International	Reinforced collaboration with foreign counterparts	Signature of MoUs	•	•
	Active participation in regional initiatives	Conferences / meetings and Committees of SADC - CISNA, ESAAMLG, FSB -RCG, IOSCO AMERC	•	•
	Active participation at the level of International organisations IAIS / IOSCO / IOPS	Participation in Meetings ,Committees and Surveys	•	•
Financial Inclusion - Consumer Education / Financial Literacy	Promote financial literacy through educational programs/ initiative	Financial Literacy and Young Talent Competition	•	•
		Publication of Pamphlets	•	•
	Elaborate Framework for Consumer/ Investor Protection	Implementation of consumer education strategic plan	•	•
		FSC Roadshow / Outreach Programmes	•	•
		Framework for Complaints Handling Mechanism	•	•
Public Relations	Advertorials / Featured Articles / Media coverage		•	•

STRATEGIC OBJECTIVE NO. 2 - DEVELOPED & DIVERSIFIED			Status Dec 2012	Status Dec 2013
CAPACITY TO DEVELOP & IMPLEMENT NEW FRAMEWORKS				
International & Market development	Implementation of EU Directives on AIFMD & ESMA	Follow up on developments on the AIFMD, its impact on the MRU GB/FUND sector and make recommendations	●	●
	Implementation of RHQ Schemes	Work with industry in order to devise a proper scheme to be implemented in order to attract holding companies & international expertise in MRU to create substance	●	●
	Follow up on developments regarding the GAAR & Indian DTA	Follow up on developments on DTA by the Indian Government, its impact on the MRU GB sector and make recommendations	●	●
	Follow up on Phase II Determinations of Mauritius OECD Review Report	Follow up on continuous assessment of the Global Peer Review Forum of MRU	●	●
	Follow up & advise on the Implementation of FATCA	Assess and analyse the impact of FATCA on MRU & GB Sector and recommend course of action	●	●
	Africa Strategy	Identify right partners for devising the strategy	●	●
Competencies	Implement Competencies Framework for FSC Mauritius	Analyse the role and function and determine the basic requirements each staff grade should possess	●	●
		Analyse the role of each type of licensee and determine the basic requirements licensees should possess to be eligible for a licence	●	●
		Devise training plan if required	●	●

STRATEGIC OBJECTIVE NO. 2 - DEVELOPED & DIVERSIFIED			Status Dec 2012	Status Dec 2013
Rules & Guidelines	Rules	Issue of Rules under the FSA, the Securities Act, the Insurance Act & the Private Pension Schemes Act	●	●
	Issue of Guidelines & Practice Notes	To provide clarity on purpose of new laws, rules & regulations and procedures to be followed	●	●
	Update of GB Guide	Framework for GBC2/ Update of Chapter IV (Dealing with residents)	●	●
		Procedures for Restoration & Reinstatements/ Harmonisation of Codes	●	●
	Compliance with Code of Corporate Governance	Devise mechanism to improve compliance with Code	●	●
		Improving Disclosure of ownership and control	●	●
		Circular letter on Directorship	●	●
		Dealing with Management and Control	●	●

STRATEGIC OBJECTIVE NO. 3 - STABILITY			Status Dec 2012	Status Dec 2013
Risk Monitoring - Tracking & Reporting Systems	Harmonise risks identification basis in accordance with definitions set by international standards setting bodies/ international counterparts		●	●
	Create a comprehensive set of prudential & market-based ratios & embed within RBS questionnaire		●	●
	Daily Market Surveillance - CDS/SEM system		●	●
	Offsite Review	RBS	●	●
		Analysis and Review	●	●
	Mechanism for Intelligence Management		●	●

STRATEGIC OBJECTIVE NO. 3 - STABILITY			Status Dec 2012	Status Dec 2013
Risk Trigger Systems	Identify & develop early warning signals for supervisory actions in case of systemically important risk institutions		•	•
	Establish appropriate risk management frameworks to ensure timely & effective co-ordination of regulatory responses during unexpected contingency situations		•	•
	Develop risk matrices summarising the risk profiles (sectoral / macroeconomic levels)		•	•

Statistical Highlights

S.N.	Selected Economic Indicators	Unit	2010	2011	2012	2013
1	GDP at basic prices	MUR Million	265,217	285,280	302,616	323,239
2	GDP (Growth Rate) at basic prices	%	+4.2	+3.6	+3.4	+3.2
3	GDP (Growth Rate) (Exclusive of Sugar)	%	+4.4	+3.6	+3.5	+3.3
4	GDP at market prices	MUR Million	299,173	323,011	343,834	366,509
5	Gross National Income (GNI)					
	<i>at basic prices</i>	<i>MUR Million</i>	<i>268,819</i>	<i>286,118</i>	<i>303,737</i>	<i>323,668</i>
	<i>at market prices</i>	<i>MUR Million</i>	<i>302,775</i>	<i>323,849</i>	<i>344,955</i>	<i>366,938</i>
6	Gross National Income Per Capita					
	<i>at basic prices</i>	<i>MUR</i>	<i>209,816</i>	<i>222,428</i>	<i>235,190</i>	<i>249,630</i>
	<i>at market prices</i>	<i>MUR</i>	<i>236,319</i>	<i>251,760</i>	<i>267,106</i>	<i>283,001</i>
7	GDP Per Capita					
	<i>at basic prices</i>	<i>MUR</i>	<i>207,004</i>	<i>221,777</i>	<i>234,322</i>	<i>249,299</i>
	<i>at market prices</i>	<i>MUR</i>	<i>233,507</i>	<i>251,109</i>	<i>266,238</i>	<i>282,671</i>
8	Inflation Rate	%	2.9	6.5	3.9	3.5
9	Unemployment Rate	%	7.8	7.9	8.0	8.0
10	Gross National Saving (GNS)	MUR Million	46,475	46,774	49,583	46,812
11	Gross National Saving (GNS) as a % of GDP at market prices	%	15.5	14.5	14.4	12.8
12a	Foreign Direct Investment in Mauritius	MUR Million	13,948	9,456	12,669	
12b	Foreign Direct Investment in Mauritius by Financial and Insurance Activities	MUR Million	4,645	1,646	4,348	
13	Financial and Insurance Activities	MUR Million	26,854	28,965	31,263	32,799
	<i>Monetary intermediation</i>	<i>MUR Million</i>	<i>15,999</i>	<i>17,130</i>	<i>18,615</i>	<i>19,201</i>
	<i>Financial leasing and other credit granting</i>	<i>MUR Million</i>	<i>1,626</i>	<i>1,741</i>	<i>1,892</i>	<i>2,062</i>

S.N.	Selected Economic Indicators	Unit	2010	2011	2012	2013
	<i>Insurance, reinsurance and pension</i>	<i>MUR Million</i>	7,769	8,549	9,094	9,740
	<i>Other</i>	<i>MUR Million</i>	+1,460	1,545	1,662	1,796
14	Financial and Insurance Activities (Growth Rates)	%	+4.5	+5.6	+5.7	+5.4
	<i>Monetary Intermediation</i>	%	+4.4	+6.3	+6.3	+5.5
	<i>Financial leasing and other credit granting</i>	%	+5.6	+6.0	+6.0	+6.5
	<i>Insurance, reinsurance and pension</i>	%	+4.5	+4.5	+4.6	+4.9
	<i>Other</i>	%	+4.0	+3.7	+5.0	+5.4
15	Financial and Insurance Activities (Contribution to GDP)	%	10.1	10.2	10.3	10.1
	<i>Monetary Intermediation</i>	%	6.0	6.0	6.2	5.9
	<i>Financial leasing and other credit granting</i>	%	0.6	0.6	0.6	0.6
	<i>Insurance, reinsurance and pension</i>	%	2.9	3.0	3.0	3.1
	<i>Other</i>	%	0.6	0.6	0.5	0.6
16	Survey of Employment and Earnings*			303,870	304,937	305,694
	<i>Financial and Insurance Activities</i>		11,366	11,727	11,698	12,116
	<i>Of which:</i>					
	<i>Monetary Intermediation</i>		7,093	7,180	7,240	7,599
	<i>Financial leasing and other credit granting</i>		932	955	956	921
	<i>Insurance, reinsurance and pension funding</i>		2,420	2,548	2,446	2,510

* in large establishments

Financial Highlights

During the year under review, surplus of income over expenditure before exchange fluctuation gain and other comprehensive income amounted to MUR 595 million representing a growth of 1 per cent (MUR 8 million) over last year.

This net surplus dropped by MUR 25 million mainly on account of an exchange gain of MUR 10 million in 2013 as compared to a gain of MUR 87 million in 2012; and the recognition of MUR 35 million additional retirement benefits obligation following amendments in the related International Accounting Standards (IAS 19) as compared to MUR 2 million in 2012.

In line with the related amendments in the FSA, the Commission has provided for an amount of MUR 979 million as contribution to the Consolidated Fund.

Income Review

Fee income for the year amounted to MUR 836 million, a growth of MUR 99 million over the last year driven by increase in number of GBCs, volume of activities and reviews of fees and an increase in average exchange rate of the USD 1 to MUR 29.54 during 2012 to USD 1 to MUR 30.33 in 2013.

The average number of GBCs which paid their fees were 9,937 GBC1s and 11,034 GBC2s in 2013 as compared to 9,329 GBC1s and 10,776 GBC2s in 2012.

The increase in volume of activities in the insurance and Capital Market Sectors ranged from 20 per cent to 54 per cent.

Despite lower level of funds available for investments (due to higher contribution to the consolidated fund), Interest income reached MUR 58 million with an average yield during the year of 3.37 per cent per annum. The currency-wise mix of investments

was maintained and diversified in three different currencies in line with the risk management policies set by the Investment Committee.

Expenses Review

Operating expenses amounted to MUR 299 million comprising mainly of salaries and allowances. There was an overall increase of 28 per cent in staff costs in year 2013 compared to year 2012 following the recruitment of new staff members in line with the organisational needs analysis and the salary review exercise effective as from 01 January 2013.

General Reserve Fund and Contribution to Consolidated Fund

During the year 2013, the Sections in the FSA, relating to General Reserve Fund, were amended to the effect that the General Reserve Fund be brought down from MUR 750 million to MUR 400 million, and any excess be paid to the Consolidated Fund. Accordingly, an amount of MUR 979 million has been provided as contribution to the Consolidated Fund.

Total contribution to the Consolidated Fund amounted to MUR 4,155 million from 2001 to 2013 as follows:

Table 34: Contribution to Consolidated Fund

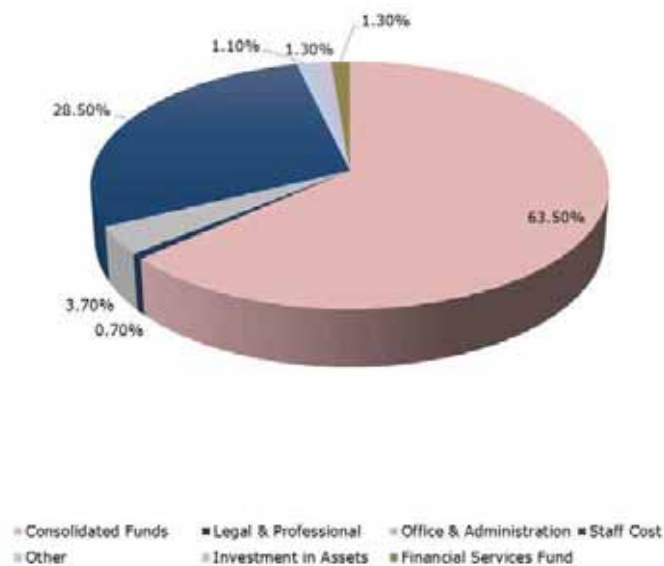
Year	MUR Million
2001	N/A
2002	0
2003	100
2004	60
2005	70
2006	90
2007	90
2008	120
2009	140
2010*	1,166
2011	496
2012	844
2013	979
TOTAL	4,155

*Contribution to the Consolidated Fund for 2010 is on a 18 months basis

Source: Financial Services Commission, Mauritius

The following pie chart provides an indication of the apportionment of the value addition during 2013.

Figure 16: Value Added Pie Chart for 2013



Source: Financial Services Commission, Mauritius



Statutory Reporting

Financial Services Commission
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Report of the Audit and Risk Committee

To the Board of
the Financial Services Commission

Preamble

As per the requirements of the Code of Corporate Governance for Mauritius, the Financial Services Commission has set up an Audit and Risk Committee whose responsibilities are described in the Terms of Reference as approved by the Board and the Audit and Risk Committee has been discharging its responsibilities according to the said Terms and Conditions.

Composition of the Audit and Risk Committee

The FSC's Audit and Risk Committee for the year 2013 comprises of three Non-Executive Board members namely Mr Raj Makoond (Chairperson), Mr Radhakrishna Chellapermal and Mr Sanjay Gopaul for the reporting year. The Secretary to the Board, Mr Ramanaidoo Sokappadu, also acts as Secretary to the Committee.

Meetings

During the year 2013, the Audit and Risk Committee held three meetings. The Audit and Risk Committee met with the external auditors. The internal auditor attended the meetings of the committee as and when required.

Responsibilities of the Audit and Risk Committee

The main responsibilities of the Audit and Risk Committee are:

- Monitoring the integrity of the FSC's financial statements;
- Reviewing with management and the external auditors, the adequacy and compliance of internal control systems;
- Monitoring and reviewing the internal audit function and considering regular reports from internal audit on internal financial controls, operations and risk management;
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment;
- Monitoring and reviewing the external auditors' independence, objectivity and effectiveness;
- Overseeing the operation of the policies on conflicts of interest and
- Ensuring that recommendations from external and internal audit, as approved by the Audit and Risk Committee and the Board, are followed upon and implemented.

Key Issues discussed in 2013 Meetings

During 2013, the Committee considered the following:

- The tendering policy for the provision of external audit service at the Commission was reviewed and a

new one was recommended.

- Follow up on the implementation of the ERP and HRIS systems at the Commission.
- Discussed with the external auditors on issues raised by the latter on the accounts 2012 and how to resolve these issues in the best interest of the Commission.
- Considered several reports submitted by the internal auditor.
- An IT audit was conducted to identify any weakness in the systems and measures were taken to address those weaknesses.



.....
R. Makoond
Chairperson



.....
R. Chellapermal
Member



.....
S. Gopaul
Member

30 April 2014

Report of the Corporate Governance Committee

To the Board of
the Financial Services Commission

Preamble

The Code of Corporate Governance for Mauritius (the “Code”) requires that Boards appoint a Corporate Governance Committee and to include in its terms of reference the key areas normally covered by a Nomination Committee and a Remuneration Committee or to ensure that the reporting requirements on Corporate Governance are in accordance with the principles of the Code.

Composition of the Corporate Governance Committee

The Corporate Governance Committee of the Commission (the “Committee”) for the financial year 2013 consisted of the Vice Chairperson, Ms Mary Anne Philips and two other members of the Board, namely, Mr Oliver Lew Kew Lin and Mr Manoj Appado. Mr Oliver Lew Kew Lin acted as Chairperson of the Corporate Governance Committee as from 31st January 2013 replacing Mr Raj Makoond. The Secretary to the Board, Mr Ramanaidoo Sokappadu acted as Secretary to the Committee.

Role of the Corporate Governance Committee

The objective of the Committee is to ensure that the Commission complies, as far as is applicable, to the Code. The Committee also ensures that necessary disclosures regarding conflicts of interests are made.

During the period under review, the Committee met on 2 occasions. Alternatively members of the Committee fulfilled their duties and communicated with each other and with the Compliance Officer through email.

The Commission has set up a mechanism to review compliance with the Code of Corporate Governance on a periodical basis and the Compliance Officer is required to report on the extent of compliance of the Commission to the Committee.

To the extent applicable, the Committee is satisfied that the Commission has met its disclosure requirements under the Code.

Management

The Commission is governed by a Board consisting of non-executive members (appointed in accordance with provisions laid down in Section 4 of the Financial Services Act 2007) while day to day management of the Commission is under the responsibility of the Chief Executive.

Attendance and remuneration of Board members

Board meeting is held at least once per month and is attended by the Chief Executive.

In addition to the Corporate Governance Committee, the Board has set up an Audit and Risk Committee, a Staff Committee and an Investment Committee.

The table below shows attendance to meetings of the Board and its Committees during the year 2013:

Members	Board Meeting	Corporate Governance Committee	Audit and Risk Committee	Staff Committee	Investment Committee
Number of Meetings	15	3	3	3	1
Mr M. Hein (Chairman)	12			3	1
Mrs M. A. Philips (Vice-Chairperson)	12	3		3	1
Mr Y.W.M Appado	15	2			
Mr R. Chellapermal	11		3		1
Mr S. Gopaul	11		3	3	
Mr O. Lew Kew Lin	14	3			
Mr R. Makoond	11		3		
In attendance:-					
Ms C. Ah-Hen (Chief Executive)	15/15	1/1	N/A	3/3	1/1

A profile of Board members and the Chief Executive can be found on pages 7 to 9 and page 22 of the Annual Report.

Board fees, salaries and allowances paid are shown in Note 16 of the Financial Statements.

Disclosures

- Mr M. Hein indirectly holds 1% of share in a GBC1 promoted by Omnicane Ltd, a reporting issuer.
- Mr O. Lew Kew Lin is director of companies which are related to Harel Mallac Ltd, a listed company which also has interest in a company holding a Management Licence.
- Mr R. Makoond is a Board member of Les Moulins to la Concorde Ltd which is a listed company.



.....
O. Lew Kew Lin
 Chairperson
 (Since 31 January 2013)



.....
M. A. Philips
 Member



.....
Y. W. M. Appado
 Member

30 April 2014

Board's Report 2013

The Board of the Financial Services Commission presents its report and the audited financial statements of the FSC for the year ended 31 December 2013.

Review of Activities

The FSC is an independent regulatory authority deemed to be established under the Financial Services Act 2007 to regulate the financial services sector other than banking, and global business. The FSC licences, regulates, monitors and supervises the conduct of business activities in the said sectors.

Statement of Board's Responsibilities in Respect to the Financial Statements

The Board of the FSC is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the FSC, its income and expenditure, and its cash flows for the period.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards i.e. the International Financial Reporting Standards ('IFRS') have been followed, and explained in the financial statements;
- prepare the financial statements on the going concern basis; and
- prepare the financial statements in accordance with the Financial Services Act 2007 and the Statutory Bodies (Accounts and Audit) Act 1972.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the FSC. The Board is also responsible for safeguarding the assets of the FSC, designing, implementing and maintaining effective internal controls relevant for the preparation and presentation of financial statements that are free from material misstatements.

The Board confirms that the Board has complied with the above requirements and the relevant statutes in so far as they relate to the preparation of the financial statements.



M. Hein
Chairperson



M. A. Philips
Vice-Chairperson

Approved by the Board of the FSC on 30 April 2014.

Independent Auditors' Report

To,

The Chairperson of the Board of
the Financial Services Commission, Mauritius

1. We have audited the accompanying Statement of Financial Position of the Financial Services Commission (the Commission) as at 31 December 2013, and also the Statement of Financial Performance, Statement of Changes in Fund and the Statement of Cash Flow for the year ended 31 December 2013, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.
2. These financial statements have been prepared in accordance with the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

3. Responsibilities of the Board of the Commission

The Board of the Commission is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, The Financial Services Act 2007, The Statutory Bodies (Accounts & Audit) Act 1972 and The Financial Reporting Act 2004. This responsibility inter alia includes complying with the relevant statutes, safeguarding the assets, designing, implementing and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

4. Responsibilities of the Auditors

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and report our opinion to you.

5. Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We planned and performed our audit so as to obtain the relevant information, explanations, and management representations and undertake examinations on test basis, which we considered necessary in order to provide us with sufficient and appropriate evidence to give reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6. Opinion

In our opinion, the financial statements on pages 161 to 189 present fairly in all material respects the financial position of the Commission as at 31 December 2013, the financial performance and cash flows of the Commission for the year ended 31 December 2013 in accordance with IFRS.

7. Report on the Other Legal and Regulatory Requirements

7.1 The Financial Services Act, 2007

In our opinion, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and in our opinion proper accounting records have been maintained;

In our opinion, and relying on Board representation and explanations to this effect, more particularly in respect of transfer of amounts to the General Reserve Fund, Financial Services Fund and the Consolidated Fund of the Government of Mauritius, and in respect of maintenance of balance of the General Reserve Fund the provisions of The Financial Services Act 2007 in so far as they relate to the accounts have been complied with;

7.2 The Statutory Bodies (Accounts and Audit) Act, 1972

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;

In our opinion, to the best of our information and according to the explanations given to us, the financial statements, give a true and fair view of the financial performance of the Commission for the year under audit and of its financial position as at 31 December 2013;

In our opinion, the provisions of the Statutory Bodies (Accounts and Audit) Act, 1972 in so far as they relate to the accounts have been complied with and no directions have been received from the Minister during the year under audit;

In our opinion, as far as could be ascertained from our examination of the financial statements submitted to us and relying on Board representation and explanations to this effect, no expenditure is incurred of an extravagant or wasteful nature, judged by normal commercial practice and prudence;

In our opinion, as far as could be ascertained from our examination of the financial statements and relying on Board representation and explanations to this effect, the Commission has been applying its resources and carrying out its operations fairly and economically.

7.3 The Financial Reporting Act, 2004

The directors are responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.4 of the Code of Corporate Governance for Mauritius. Our responsibility is to report on these disclosures.

In our opinion, as far as could be ascertained from our examination of the relevant records and *relying on Board representation and explanations to this effect*, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code of Corporate Governance for Mauritius.

7.4 The Public Procurement Act, 2006

The Commission is responsible for complying with the provisions of the Public Procurement Act, 2006.

In our opinion, based on test checks as considered appropriate and relying on Board representation and explanations to this effect, provisions of Part V of the Public Procurement Act, 2006, in regard to the bidding process, have been complied with.

For Chokshi & Chokshi
Chartered Accountants
Kemps Corner,
Mumbai, India
FRN 101872W
Licensed By FRC



Mitil Chokshi
Partner
M.No.47745
Date: 30th April 2014



Financial Statements

Financial Services Commission
Mauritius

Financial Services Commission
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Financial Services Commission
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Statement of Financial Position

As at 31 December 2013

	NOTE	2013 Rs	2012 (Restated) Rs
ASSETS			
Non-Current Assets			
Property, plant and equipment	6(a)	192,023,734	214,301,525
Intangible assets	6(b)	9,456,461	4,991,269
Assets held to maturity	7	314,070,644	316,284,759
Other financial assets	8	17,861,850	16,638,749
		533,412,689	552,216,302
Current Assets			
Receivables	9	37,345,436	47,076,604
Cash and bank balances	11	231,844,913	56,123,099
Bank deposits		1,157,909,614	1,489,561,900
		1,427,099,963	1,592,761,603
TOTAL ASSETS		1,960,512,652	2,144,977,905
LIABILITIES			
Current liabilities			
Payables	12	476,549,529	419,158,237
Contribution to the Consolidated Fund	1.2	979,126,617	844,259,198
		1,455,676,146	1,263,417,435
Non-Current liabilities			
Retirement Benefits Obligation	13	52,821,527	20,868,226
TOTAL LIABILITIES		1,508,497,673	1,284,285,661
NET ASSETS		452,014,979	860,692,243
REPRESENTED BY:			
General Fund		-	-
General Reserve Fund		400,000,000	820,086,251
Financial Services Fund		52,014,979	40,605,992
		452,014,979	860,692,243

Approved by the Board of the Commission on 30 April 2014

Signed on their behalf



R.M.M. Hein
Chairperson



M.A. Philips
Vice-Chairperson



C. Ah-Hen
Chief Executive

The accounting policies on pages 167 to 179 and the notes on pages 166 and 180 to 189 form an integral part of these financial statements.

Statement of Financial Performance

For the year ended 31 December 2013

	NOTE	2013 Rs	2012 (Restated) Rs
INCOME			
Fees	14	835,799,253	736,576,093
Interest	15	57,936,669	58,283,184
		893,735,922	794,859,277
OPERATING EXPENSES			
Salaries and allowances	16	197,518,016	132,923,601
Training and seminars	17	22,096,478	20,101,869
Legal and professional fees	18	5,911,951	5,942,009
Office and administrative expenses	19	33,029,798	22,985,201
Depreciation and amortisation	6(a), 6(b)	40,012,646	25,870,959
		298,568,889	207,823,639
SURPLUS OF INCOME OVER EXPENDI- TURE		595,167,033	587,035,638
Other comprehensive income	20	(34,801,634)	(2,328,409)
Exchange fluctuation gain		10,083,955	87,375,916
SURPLUS FOR THE YEAR		570,449,354	672,083,145

Approved by the Board of the Commission on 30 April 2014
Signed on their behalf



R.M.M. Hein
Chairperson



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Vice-Chairperson



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Chief Executive

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Statement of Changes in Funds

For the year ended 31 December 2013

	General Reserve Fund Rs	Financial Services Fund Rs	General Fund Rs	TOTAL Rs
Balance brought forward - 01 January 2013 as restated	820,086,251	40,605,992	-	860,692,243
Surplus of the year	-	-	570,449,354	570,449,354
Transfer from General Fund to the General Reserve Fund as per Section 82A(2) of The Financial Services Act, 2007.	28,522,468	-	(28,522,468)	-
Transfer from General Fund to the Financial Services Fund as per Section 82(6) of The Financial Services Act, 2007.	-	11,408,987	(11,408,987)	-
Proposed Contribution to the Consolidated Fund	(448,608,719)	-	(530,517,899)	(979,126,617)
At 31 December 2013	400,000,000	52,014,979	-	452,014,979

	General Reserve Fund Rs	Financial Services Fund Rs	General Fund Rs	TOTAL Rs
At 01 January 2012	1,033,769,739	27,737,100	-	1,061,506,839
Surplus for the year	-	-	673,968,836	673,968,836
Transfer from General Fund to the General Reserve Fund as per Section 82A(2) of The Financial Services Act, 2007.	28,698,442	-	(28,698,442)	-
Transfer from General Fund to the Financial Services Fund as per Section 82(6) of The Financial Services Act, 2007.	-	13,479,377	(13,479,377)	-
Proposed Contribution to Consolidated Fund	(212,468,181)	-	(631,791,017)	(844,259,198)
At 31 December 2012	850,000,000	41,216,477	-	891,216,477
Effect of changes in Retirement Benefit Obligations	(29,913,749)	(610,485)	-	(30,524,234)
At 31 December 2012 - as restated	820,086,251	40,605,992	-	860,692,243

*Approved by the Board of the Commission on 30 April 2014
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Statement of Cash Flows

For the year ended 31 December 2013

	NOTE	2013 Rs	2012 (Restated) Rs
Cash Flow from operating activities	21	703,309,077	705,667,252
Cash Flow from investing activities			
Acquisition of property, plant and equipment		(11,410,327)	(21,530,326)
Acquisition of intangible assets		(10,789,721)	(7,257,194)
Investment in Treasury Notes		-	(316,856,100)
Proceeds from disposal of property, plant and equipment		-	261,046
Net Cash used in investing activities		(22,200,048)	(345,382,574)
Cash flow from financing activities			
Contribution paid against retirement benefit obligation		(2,864,258)	(741,008)
Contribution to the Consolidated Fund		(844,259,198)	(496,301,391)
Net Cash used in financing activities		(847,123,456)	(497,042,399)
Net decrease in cash and cash equivalents		(166,014,427)	(136,757,721)
Cash and cash equivalents at the beginning of the year		1,545,684,999	1,595,066,804
Cash and cash equivalents at end of year		1,379,670,572	1,458,309,083

Cash and cash equivalents consist of cash in hand, balances with the bank in savings account and investments in fixed deposit.

Cash and cash equivalents included in the Cash Flow Statement comprise of

Cash and bank balances	11	231,844,913	56,123,099
Bank deposits		1,157,909,614	1,489,561,900
		1,389,754,527	1,545,684,999
Effect of exchange gain		(10,083,955)	(87,375,916)
		1,379,670,572	1,458,309,083

Approved by the Board of the Commission on 30 April 2014
Signed on their behalf



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The accounting policies on pages 167 to 179 and the notes on pages 166 and 180 to 189 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

1.1 Corporate information

The financial statements of the Commission for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board on 30 April 2014. The Financial Services Commission was established in Mauritius under the Financial Services Development Act 2001 on 1 August 2001 as an independent regulatory authority to regulate the non-banking financial services sector and the global business sector. With the enactment of the Financial Services Act 2007, the Commission is deemed to have been established under this Act.

The office of the Commission is located at FSC House, 54, Cybercity, Ebene, Republic of Mauritius, Indian Ocean.

1.2 Contribution to the Consolidated Fund of the Government of Mauritius

The Commission, being an independent regulatory authority, in terms of amendments to the Financial Services Act 2007 (FSA), is required to maintain its General Reserve Fund of stipulated amount (Rs.400 million represented by assets net of liabilities) to attain its objectives under Section 82 and Section 82A of the FSA:

- a) The Commission has created a General Fund into which all money received by the Commission has been accumulated, and out of which all payments required to be made including future charges and commitments, have been adjusted.
- b) The Commission allocates 2% from the audited surplus for the year determined in accordance with IFRS, from the General Fund to the Financial Services Fund at the end of every financial period.
- c) The Commission allocates 5% of the audited surplus for the year determined in accordance with IFRS, from the General Fund to the General Reserve Fund at the end of every financial period.
- d) The Commission has, after the allocations to the Financial Services Fund and the General Reserve Fund, provided for transfer of the remaining balance in the General Fund to the Consolidated Fund of the Government of Mauritius.

During the financial year the Commission has contributed Rs.844,259,198 towards the Consolidated Fund, and has made a further provision for the transfer of Rs.979,126,617 to the Consolidated Fund of the Government of Mauritius. The Commission has adopted early compliance of Section 82A(2A) by maintaining the balance of Rs.400 million as at 1 Jan 2014 though the requirement is from 1 July 2014. This has resulted in lowered balance of the General Reserve Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Presentation

The Commission has been excluded from the Part I of the Second Schedule to the Statutory Bodies (Accounts and Audit) Act in terms of the Government Notice number 210 of 2011 and hence is not required to prepare its financial statements in accordance with the International Public Sector Accounting Standard (IPSAS). Accordingly, the Commission has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These statements have been prepared on the historical cost basis, except for financial assets and liabilities. These financial statements are presented in Mauritian Rupee being the reporting currency and rounded off wherever appropriate. The accounting policies adopted for the current period are consistent with those of the previous financial year except that the Commission has adopted new/ revised standards and interpretations mandatory for financial years beginning on or after January 1, 2013.

2.2 Adoption of New and Revised International Financial Reporting Standards

In the current year, the Commission has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2013.

The Commission has adopted the following standards, revisions and interpretations as of January 1, 2013 to the extent applicable:

- **IAS 19 Employee Benefits** - The Commission has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

2.3 New and Revised IFRSs Applied with no Material Effect on the Financial Statement.

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **IAS 1 Presentation of Financial Statements** – Presentation of Items of Other Comprehensive Income
- **IFRS 7 Financial Instruments: Disclosures** – Offsetting Financial Assets and Financial Liabilities
- **IFRS 13 Fair Value Measurement** – Definition of fair value for financial reporting purpose

2.4 Amendments to IFRS

The Board has assessed the relevance of the standards, interpretations and amendments to existing standards that have been published and mandatory for accounting periods beginning on or after 01 January 2014 and which the Commission has not early adopted and concluded these will not have a significant impact on the financial statements for the year ended 31 December 2013.

- IFRS 1 'First-time adoption of International Financial Reporting Standards – Government Loans'
- IFRS 10 'Consolidated Financial Statements – on the basis of control'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 Separate Financial Statements
- IAS 28 'Investments in Associates'

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

2.5 Improvements to IFRSs

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 cycle and 2011-13 cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle and four issues addressed during the 2011-13 cycle. The amendments are effective for annual periods beginning on or after 1 July 2014. However, the Commission has not early adopted the same and concluded these will not have a significant impact on the financial statements for the year ended 31 December 2013.

Cycle 2010-2012

- IFRS 2: Definition of 'vesting condition'
- IFRS 3: Accounting for contingent consideration in a business combination
- IFRS 8: Aggregation of operating segments
- IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13: Short-term receivables and payables
- IAS 7: Interest paid that is capitalised
- IAS 16/IAS 38: Revaluation method—proportionate restatement of accumulated depreciation
- IAS 24: Key management personnel.

Cycle 2011-2013

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

2.6 Future Applicability

Standards issued but not yet effective up to the date of issuance of the Commission's financial statements are listed below. This listing of standards and interpretations issued are those that the Commission reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Commission intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduces new requirements for classifying and measuring financial assets. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. These amendments will become effective for annual periods beginning on or after 1 January 2015.

IFRS 12 Disclosure of Interests in Other Entities

The amendment requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. The amendment will become effective for annual periods beginning on or after 1 January 2014.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first time adopter International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both initial adoption of IFRS and in subsequent financial statements. This

amendment becomes effective for annual periods beginning on or after 1 January 2016.

IAS 19 Employee Benefits

The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a partial expedient if the amount of contributions is independent of the number of years of service, in that contributions, can but are not required, to be recognised, as a reduction in the service cost in the period in which the related service is rendered. This amendment becomes effective for annual periods beginning on or after 1 January 2014.

IAS 27 Separate Financial Statements

The amendment requires an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements or to only provide separate financial statements if all subsidiaries are unconsolidated. The amendment will become effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: (a) The meaning of 'currently has a legally enforceable right of set-off', (b) The application of simultaneous realization and settlement, (c) The offsetting of collateral amounts and (d) The unit of account for applying the offsetting requirements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets

The amendment had reduced the circumstances in which the recoverable amount of assets or cash generating units are required to be disclosed, and introduced an explicit requirements to disclose the discount rate used in determining impairment (or reversals) where recoverable amount is determined using their present value technique. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IAS 39 Financial Instruments: Recognition and Measurement

The amendment had clarified that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRIC 21 Levies

The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The interpretation becomes effective for annual periods beginning on or after 1 January 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3.1 Significant Accounting Policies

a) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Commission and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Fees from licensees

Revenues arising from processing, annual license, registration and brokerage, where no significant uncertainty as to its collectability exists, have been accounted on accrual basis.

Expenditure

All expenses have been accounted on accrual basis. Office rental payments termed operating lease are charged off on straight line basis over the lease period. Premium paid on Treasury Notes are amortized on straight line basis over the duration of the Treasury Notes.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest on bank deposit and treasury bills have been accounted for, on an accrual basis.

b) Pensions and other Post-Employment Benefits

Defined Benefit Scheme

The Commission contributes to a defined benefit plan for non-contractual employees, the assets of which are held independently and administered by an insurance company, taking account of the recommendations of independent qualified actuaries as per IAS 19, Employee Benefits.

Pension is payable to eligible employees upon retirement / death / termination of employees under provisions of the Statutory Bodies Pension Fund Act 1978 (as amended).

For defined pension benefit plans, the pension costs are assessed using the projected unit credit method. Actuarial gains and losses are charged to the Statement of Other Comprehensive Income. Current and Past service costs are recognised in the Statement of Financial Performance. Net interest is recognised in the statement of Financial Performance. The pension obligation is measured as the present value of the estimated future cash outflow using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is

restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined Contribution Scheme

Following changes brought to the Pension legislation, the Commission contributes to a Defined Contribution Scheme for its employees joining the Commission on a substantive post as from 1st January 2013.

c) Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition (date of recording). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the Statement of Financial Performance is also recognised in other comprehensive income or Statement of the Financial Performance, respectively).

d) Property, Plant and Equipment

All property, plant and equipment of the Commission are shown at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Where the carrying amount of an asset is greater than its recoverable amount, it is written down to its recoverable amount. Impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net realisable value or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus or deficit. Repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Building and leasehold rights are measured at fair value less accumulated depreciation on building and accumulated impairment losses, if any, recognized.

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life as follows: -

Item	%
Motor Vehicles	25
Furniture	20
Fixtures and fittings	10
Office Equipment	20
Computer Equipment	33.33
Building	30 years
Leasehold rights	30 years

The Commission reviews residual values of the properties for the purpose of depreciation calculations and impairment provisions. During the current year, a change in accounting estimate was undertaken for motor vehicles. The depreciation rate based on economic benefits derivation was applied at 25% instead of 20%. The prospective recognition of the effect of such change was accounted for. This resulted in change in the depreciation expense for the current and future periods by Rs.2,273,325.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Lease payment under an operating lease is recognized as an expense on straight-line basis over the lease term. The Commission has acquired leasehold rights effective from 11 February 2008 for an initial period of 30 years with an option for its renewal for a further period of 30 years over land on which the office building of the Commission is constructed.

f) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Financial Performance in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment. Whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of every three reporting periods. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Financial Performance in the expense category consistent with the function of the intangible assets.

Intangible assets are amortized over the estimated period of utilization not exceeding three years.

g) Financial Instruments – Initial Recognition and Subsequent Measurement

(i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Commission determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the Statement of Financial Performance. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation

or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Commission commits to purchase or sell the asset.

The Commission's financial assets include cash, short-term deposits, treasury note, fees receivables, staff loans and other receivables.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss

The Commission did not have any financial assets at fair value through profit or loss during the year 2013 and 2012.

The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Staff Loans and Fees Receivables

Staff loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the Statement of Financial Performance. The losses arising from impairment are recognized in the Statement of Financial Performance.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Commission has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR, less any provision for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the Statement of Financial Performance. The losses arising from impairment are recognized in the Statement of Financial Performance.

If the Commission was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale.

The Commission has the positive intent and ability to hold its investments in Treasury Notes as held-to-maturity investments for the reporting year.

Available-for-Sale Financial Investments

The Commission did not have any Available-for-sale financial investments during the year 2013 and 2012.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1. The rights to receive cash flows from the asset have expired
2. The Commission has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Commission has
 - (a) transferred substantially all the risks and rewards of the asset, or
 - (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Commission's continuing involvement in the asset. In that case, the Commission also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Commission has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Commission could be required to repay.

Impairment of Financial Assets

The Commission assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Commission first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Commission determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Commission. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Financial Performance.

(ii) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Commission determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

The Commission's financial liabilities consist of accounts payable and provision for contribution to the Consolidated Fund.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognized in the Statement of Financial Performance.

(iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts; and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(iv) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long

positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

h) Impairment of Non-Financial Assets

The Commission assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Commission estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Commission bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of five years.

For assets an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Commission estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at end of financial year individually, and when circumstances indicate that the carrying value may be impaired.

i) Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprises of cash at bank, cash in hand and bank deposits.

j) Provisions

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

The Commission has made excess provision of Rs.14.02 million for Retirement Benefits in addition

to SICOM actuarial valuation. The Commission believes that the assumptions and details provided by SICOM may not provide for the liabilities and hence pending clarifications from SICOM, provided for in excess by Rs.14.02 million.

k) Taxation

The Commission is exempt from payment of tax as per the provisions of the Income Tax Act 1995 (as amended).

l) Related Parties

Parties are considered related to the Commission if they have the ability, directly or indirectly, to exercise significant influence over the Commission in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

m) Comparatives

Comparative figures have been reclassified and restated to conform with the presentation of the current period.

3.2 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Commission's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur.

Pension Benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined at the minimum using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and provisions made are higher of the estimates or actuarial valuation using these assumptions.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

4. CONTINGENT LIABILITIES / COMMITMENTS

4.1 Contingent Liabilities

There are pending lawsuits against the Commission with claims estimated at Rs.170 million, excluding interests and costs (previous year- Rs.200 million). The Commission is of the view that the liabilities, if any, that may arise in future shall be appropriately dealt with in the year of settlement of the claims.

4.2 Financial Commitments

The Commission has approved, in principle, plans aimed at enhancing the tangible and intangible infrastructure commensurate with the scale of operations. The total amounts committed internally and externally till the 31st December 2013 is Rs.38,922,350.

4.3 Statutory Deposits of Insurance Companies not included in the Statement of Financial Position

Statutory security deposit certificates of insurance companies, amounting to Rs199,527,624 (previous year Rs322,427,624) are in the physical custody of the Commission in accordance with the Insurance Act 2005 and not included in the Statement of Financial Position.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include receivables, bank deposits, accounts payable denominated in foreign currency, and provision for contribution to the Consolidated Fund.

The sensitivity analyses in note 24 (a) and (b) relate to the positions as at 31 December in 2013 and 2012.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to financial assets and liabilities
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2013 and 2012.

5.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to the risk of changes in market interest rates relates primarily to the Commission's bank balances with floating interest rates. The Commission manages its interest rate risk by placing its excess funds in term-deposits with fixed interest rates.

5.3 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission's exposure to the risk of changes in foreign exchange rates relates primarily to the Commission's operating activities (when revenue or expense is denominated in a different currency from the Commission's functional currency) which includes the Commission's bank deposits.

5.4 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Commission is exposed to credit risk from its operating activities (primarily for fees receivables and staff loans) and from its financing activities, including deposits with banks and financial institutions.

Fees Receivable

Licensee credit risk is managed subject to the Commission's established policy, procedures and control relating to licensee credit risk management. Only cases where collectability is certain are accounted as fees receivable.

Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Commission in accordance with its investment policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Commission's Investment Committee on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

5.5 Liquidity Risk

The Commission monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Commission's objective is to maintain a balance between continuity of funding and flexibility by keeping a minimum float and investing any excess in short term deposits. The Commission has no debts, nor does it plan to raise debts in the foreseeable future.

5.6 Capital Risk Management

The Commission's objectives when managing its funds and reserves are to safeguard the Commission's ability to continue as a going concern. The FSA requires the Commission to maintain certain funds to serve different purposes.

5.7 Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Commission's performance to developments affecting a particular industry.

The Commission derives 90% (2012: 89%) of its income from the Global Business sector, and as such the concentration of risk is high around this sector. The Global Business sector is largely dependent on the International climate and Double Tax Avoidance treaties with certain prominent countries.

In line with its strategic plan, the Commission is taking various measures to further diversify the markets within the financial services sector, through increased partnership with emerging markets, in particular in other African jurisdictions. The Commission is also working with local stakeholders to further develop the local financial services market.

Moreover, various financial management control measures are being considered to ensure that the Commission is able to maintain its operational capabilities, should there be any substantial decrease in the activities of the Global Business sector.

6 (a) Property, plant and equipment

	MOTOR VEHICLE Rs	FURNITURE Rs	COMPUTER EQUIPMENT Rs	OFFICE EQUIPMENT Rs	BUILDING and LEASEHOLD RIGHTS Rs	FIXTURES & FITTINGS Rs	TOTAL Rs
COST							
At 1 January 2013	14,893,080	22,953,518	20,642,018	5,694,108	173,275,311	79,698,945	317,156,980
Purchases	4,927,266	1,010,978	770,660	3,295,268	-	1,406,155	11,410,327
Disposals	-	-	-	-	-	-	-
At 31 December 2013	19,820,346	23,964,496	21,412,678	8,989,376	173,275,311	81,105,100	328,567,307
DEPRECIATION							
At 1 January 2013	5,920,517	15,745,470	16,278,041	4,623,043	25,991,297	34,297,088	102,855,456
Charge for the year	6,858,864	2,358,774	2,724,044	1,200,450	8,663,765	11,882,220	33,688,117
Disposal adjustments	-	-	-	-	-	-	-
At 31 December 2013	12,779,381	18,104,244	19,002,085	5,823,493	34,655,062	46,179,308	136,543,573
NET BOOK VALUE							
At 31 December 2013	7,040,965	5,860,252	2,410,593	3,165,883	138,620,249	34,925,792	192,023,734
At 31 December 2012	8,972,563	7,208,048	4,363,977	1,071,065	147,284,014	45,401,857	214,301,524

Leasehold rights
Building

4,400,000
134,220,249
138,620,249

6 (b) Intangible Assets (see note below)

	2013	2012 (Restated)
	Rs	Rs
COST		
At January	33,876,957	26,619,763
Purchases	10,789,721	7,257,194
At 31 December	44,666,678	33,876,957
AMORTISATION		
At January	28,885,688	25,275,129
Charge for the year	6,324,529	3,610,559
At 31 December	35,210,217	28,885,688
NET BOOK VALUE		
At 31 December	9,456,461	4,991,269

Note: Intangible assets consists solely of acquired computer software

7 ASSETS HELD TO MATURITY

Treasury Notes	316,856,100	316,856,100
Less amortisation of premium on Treasury Notes	(2,785,456)	(571,341)
	314,070,644	316,284,759

8 OTHER FINANCIAL ASSETS

Staff loans, restated at fair value	(Note 10) 17,861,850	16,638,749
	17,861,850	16,638,749

9 RECEIVABLES

Fees receivable (unsecured and considered good)	14,780,195	14,050,338
Staff loans, receivable within one year, restated at fair value	(Note 10) 5,915,961	5,811,679
Other receivables	-	8,400
Prepayments	10,087,957	2,789,407
Accrued interest	6,561,323	24,416,780
	37,345,436	47,076,604

10 STAFF LOANS

	2013	2012 (Restated)
	Rs	Rs
Total staff loans at face value	30,977,453	29,407,519
Less adjustment for fair value	(8,083,799)	(9,202,330)
Interest adjustment, calculated on fair value	884,157	2,245,239
Balance at fair value	23,777,811	22,450,428
Shown as: -		
<i>Receivables</i>	(Note 9) 5,915,961	5,811,679
<i>Other financial assets</i>	(Note 8) 17,861,850	16,638,749
	23,777,811	22,450,428

The staff members of the Commission are granted loans at preferential rates as per the Commission's Salary Terms and Conditions. Types of staff loans are Housing Loan, Car Loan, Motorcycle / Autocycle Loan, Computer Loan and Multipurpose Loan.

Staff Loans - Secured

Secured staff loans consist of Housing Loan, Car Loan and Motorcycle / Autocycle Loan which are secured by way of inscription / lien on the property of the staff.

Staff Loans - Unsecured

Unsecured loans consists of Computer loan and Multipurpose Loan which are granted under personal guarantees.

Balances of Loans are as Follows:

<u>Secured</u>		
Total secured staff loans at face value	21,042,517	19,951,849
Less adjustment for fair value	(6,681,613)	(6,570,612)
Balance at fair value	14,360,904	13,381,237
<u>Unsecured</u>		
Total Unsecured Staff Loans at face value	9,934,938	9,455,671
Less adjustment for fair value	(518,029)	(386,480)
Balance at fair value	9,416,909	9,069,191

11 CASH AND BANK BALANCES

Cash in hand	12,985	24,127
Bank balances	231,831,928	56,098,972
	231,844,913	56,123,099

12 PAYABLES

	2013	2012 (Restated)
	Rs	Rs
Accruals	24,208,564	25,776,360
Other creditors and provisions	45,497,521	32,519,136
Deposit from Management Companies	19,946,338	11,220,508
Prepaid licence fees	386,897,106	349,642,203
	476,549,529	419,158,207

13 RETIREMENT BENEFITS OBLIGATION

The pension scheme is a defined benefit plan and is fully funded. The assets of the funded plan are held independently and administered by SICOM.

The amounts recognised in Income Statement are as follows:

Current Service Cost	8,313,659	4,179,061
Employee Contributions	(5,105,290)	(3,034,059)
Fund Expenses	271,201	167,579
Interest expense / (income)	1,339,785	1,793,736

Total included in Staff Cost

4,819,355	3,106,317
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Actual return on plan assets

6,595,551	4,742,370
------------------	------------------

Movements in liability recognized in statement of financial position as determined by the actuarial valuation

Opening balance	20,868,226	19,723,543
Total staff costs as above	4,819,355	3,106,317
Actuarial reserves transferred in	(25,734)	-
Contributions paid by Commission	(7,657,879)	(4,551,089)
Amount Recognised in Other Comprehensive Income	34,817,559	2,589,455
As at the close of the year	52,821,527	20,868,226

Movements in the fair value of the plan assets in the current period were as follows:

At the start of the year	63,847,468	55,532,726
Expected return on plan assets	5,437,471	5,731,891
Asset gain / (loss)	1,158,079	(989,520)
Actuarial reserves transferred in	25,734	-
Contributions from the employer	7,657,879	4,551,089
Contributions from the employees	5,105,290	3,034,059
(Benefits paid + other outgo)	(4,547,071)	(4,012,776)
At close of the year	78,684,850	63,847,468

The Major Categories of Plan Assets, and the Expected Rate of Return at the Statement of Financial Position Date for Each Category, are as follows:

	2013	2012 (Restated)
	%	%
Government Securities and Cash	59.10	58.80
Loans	4.90	6.60
Local Equities	21.90	21.00
Overseas bonds and equities	13.40	12.80
Property	0.70	0.80
	100.00	100.00

Rates used for accounting purposes were

	%	%
<i>Discount Rate</i>	8.00	10.00
<i>Expected return on plan assets</i>	8.00	10.00
<i>Future Salary increases</i>	5.50	7.00
<i>Future Pension increases</i>	3.50	4.00

Defined Contribution Scheme

	Rs	Rs
Defined contribution scheme	169,258	-

14 FEES

Global Business	753,060,809	658,360,205
Brokerage	14,142,055	10,870,851
Non-banking financial institutions	68,596,389	67,345,037
	835,799,253	736,576,093

15 INTEREST

Treasury Notes	15,148,383	3,370,932
Bank Deposits	41,191,440	52,474,714
Staff Loans	1,596,846	2,437,538
	57,936,669	58,283,184

16 SALARIES AND ALLOWANCES

	2013	2012 (Restated)
	Rs	Rs
Staff salaries and allowances	147,699,071	105,197,608
Adjustment to staff cost due to restatement of staff loans at fair value	242,551	(822,483)
Pension contribution	11,218,872	6,140,376
Family Protection Scheme	3,811,298	2,021,452
National Savings Fund	699,228	780,281
Passage benefits	5,699,691	3,057,012
Board and committee fees	2,423,760	2,409,800
Travelling	17,547,262	10,138,260
Staff welfare	8,176,283	4,001,295
	197,518,016	132,923,601

Board Fees, Salaries and Allowances to Key Managerial Persons

Mr S. Lalloo, Chairperson (01 January 2012 to 18 March 2012)	Board Fees	-	120,000
Mr R.M.M. Hein, Chairperson (19 March 2012 to date)	Board Fees and Travelling Allowances	803,760	737,300
Ms M. Philips, Vice-Chairperson	Board Fees	300,000	300,000
Mr R. Chellapermal	Board Fees	240,000	240,000
Mr R. Makoond	Board Fees	240,000	240,000
Mr S. Gopaul	Board Fees	240,000	240,000
Mr O. Lew Kew Lin	Board Fees	240,000	240,000
Mr Y.W. Appado	Board Fees	240,000	240,000
Ms Clairette F.T. Ah-Hen, Chief Executive	Salaries and allowances	5,701,500	5,914,091

17 TRAINING AND SEMINARS

	2013	2012 (Restated)
	Rs	Rs
Overseas conferences and seminars	10,768,801	10,136,534
Local events	6,537,857	5,372,615
Staff training	4,789,820	4,592,720
	22,096,478	20,101,869

18 LEGAL AND PROFESSIONAL FEES

Auditor's fees	1,692,070	1,651,819
Professional advisory fees	4,219,881	4,290,190
	5,911,951	5,942,009

19 OFFICE AND ADMINISTRATIVE EXPENSES

Maintenance of office premises	4,009,777	148,434
Land lease	249,425	234,191
Insurance of office premises	816,964	564,961
Post, telephone, internet and fax charges	2,637,130	2,419,464
Electricity and water	3,429,940	2,988,007
Stationery	2,787,607	2,091,064
Subscription**	5,823,010	5,566,449
General office expenses	5,790,226	5,492,347
Amortisation of premium on Treasury Notes	2,214,114	571,342
Vehicle expenses	1,877,350	1,523,165
Advertising and publication	3,394,255	1,385,777
	33,029,798	22,985,201

**Includes membership fees for IAIS, IOPS, IFSB, IOSCO and software licenses

20 OTHER COMPREHENSIVE INCOME

Gain on disposal of the old assets	-	261,046
Other Income	15,925	-
Remeasurement of defined benefit obligation	(34,817,559)	(2,589,455)
	(34,801,634)	(2,328,409)

As per revised IAS 19 - Employee Benefits, remeasurements of the net defined benefit liability or asset is recognised immediately in 'Other Comprehensive income'. During the year, actuarial loss amounted to Rs34,817,559 arising mainly from increase in salaries coupled with a drop in actuarial valuation bases such as discount rate and expected rate of return on plan assets. In line with the revised IAS 19, 2012 figures have also been restated.

21 CASH FLOW FROM OPERATING ACTIVITIES

	2013	2012 (Restated)
	Rs	Rs
Surplus for the year	570,449,354	672,083,145
Adjustments for:		
Staff loans restated to fair value	8,083,799	9,202,330
Interest on staff loans restated to fair value	(884,157)	(2,245,239)
Gain on disposal of property, plant and equipment	-	(261,046)
Remeasurement of defined benefit obligation	34,817,559	1,885,691
Unrealised exchange (loss) / gain	(10,083,955)	(87,375,916)
Amortisation of premium on Treasury Notes	2,214,114	571,341
Depreciation and amortisation	40,012,646	25,870,959
Cash flow from operating activities, before working capital changes	644,609,360	619,731,265
Decrease / (increase) in fees receivable	(729,857)	1,106,137
Increase in staff loans	(8,527,054)	(8,575,858)
Decrease / (increase) in interest receivable	17,855,457	(13,204,420)
Decrease / (increase) in prepayments	(7,298,550)	4,178,299
Increase in accrued expenses and other payables	57,391,322	102,431,829
Net cash flow from operating activities	703,309,077	705,667,252

22 LIQUIDITY RISK

The liquidity risk with regard to outflows is limited to contribution to the Consolidated Fund and operative expenses. The outflows to the Consolidated Fund are matched with the corresponding bank deposits of maturities around the expected time of outflows. The outflows to operative expenses are matched with the corresponding licence fee income based on budget estimates. The surplus based on decisions of the Investment Committee, are invested with maturity profiles as at 31 December 2013.

Maturity profiles are as under:-

	Maturity	
	0 - 1 Year	> 1 year
Financial assets		
Receivables	37,345,436	17,861,850
Cash and bank balances	231,844,913	nil
Bank deposits	1,157,909,614	nil
Assets held to maturity	nil	316,856,100
Financial liabilities		
Payables	89,652,424	nil
Contribution to Consolidated Fund	979,126,617	nil

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

23 CREDIT RISKS

"In the normal course of business, the Commission is exposed to the credit risk from accounts receivable, loans to staff and transactions with banking institutions.

The Commission manages its exposure to credit risks as follows: -

- with regards to Accounts Receivable, credit risk is limited as the Commission is a regulatory body, and fees are charged in terms of the legislation;
- for staff loans, the Commission maintains control procedures and requests security when loan is granted to staff. For certain types of loans the security involves inscriptions on the property of the staff while for other loans personal guarantees are required; and
- for transactions with banking institutions, it holds bank balances and short term deposits with the State Bank of Mauritius Ltd, Mauritius Post and Cooperative Bank Ltd, The Mauritius Commercial Bank and SBI (Mauritius) Ltd. As such, the Commission mitigates the risks related to bank balances and deposits by keeping its funds in a wide spread of banks of a certain level of repute."

24 CURRENCY RISK AND EXCHANGE RISK

- "The Commission receives licence fees in US Dollars (USD). Consequently, the Commission is exposed to the risk that the exchange rate of the USD relative to the Mauritian Rupees (MUR) may change in a manner which has a material effect on the reported values of the Commission's licence fee income, which are denominated in USD.
- The Commission is exposed to currency risk as a result of conversion of foreign currency balances held in USD and NZD. The fund has been maintained in USD and NZD over the financial year. The exchange fluctuation of Rs. 10,083,955 has occurred mainly due to translation of the foreign currencies. During the year 2013, USD and NZD depreciated against MUR by 31 basis points and by 44 basis points, respectively. The exchange fluctuation for the year is as follows:"

	2013	2012
	Rs	(Restated)
		Rs
Translation Gain / (Loss)	(2,856,829)	70,100,287
Gain / (Loss) on sale of foreign currencies	8,052,005	17,237,032
Exchange gain on receipt and payments	4,888,779	38,597
Exchange fluctuation gain / (loss)	10,083,955	87,375,916

Currency profile is as under:-

	2013	2012	2013	2012
	Rs	(Restated)	%	(Restated)
		Rs		%
New Zealand Dollars	131,280,509	129,623,929	8	7
US Dollars	809,092,584	824,533,777	50	45
Indian Rupees	(1,812,472)	(1,800,000)	-	-
Mauritian Rupees	675,286,386	895,074,557	42	48
	1,613,847,008	1,847,432,263	100	100

The assessment of currency fluctuation are being reviewed by the Investment Committee from time to time.

24(a) Interest Rate Risk

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets whose interest rates periodically changes as per market rate. The following table demonstrates the sensitivity of the Commission's Surplus to interest rate changes, all other variables held constant:

	Change in Yield (basis point)	Effect on Surplus 2013 Rs	Effect on Surplus 2012 Rs
Bank Balances	+50	1,175,402	282,574
	-50	664,616	130,381

24(b) Foreign Currency Risk

The following table shows the sensitivity of the Commission's Funds to exchange rate changes, all other variables held constant:

	Change MUR exchange rate	Effect on Funds 2013 Rs	Effect on Funds 2012 Rs
Financial assets and liabilities	+50 cents	17,085,694	16,138,951
	-50 cents	(17,085,694)	(16,138,951)

26 RELATED PARTY TRANSACTIONS DISCLOSURE

Name of Key Management Personnel	Designation	Interest in related entities of self or family members	Transactions undertaken with interested entities by FSC during the year 2013
Ms C.Ah-Hen	Chief Executive	No	No
Mr Marc Hein	Chairperson	Yes ¹	No
Ms M.Philips	Vice Chairperson	No	No
Mr Y.W.M.Appado	Director	No	No
Mr R.Chellapermal	Director	No	No
Mr S.Gopaul	Director	No	No
Mr O.Lew Kew Lin	Director	Yes ²	No
Mr R.Makoond	Director	Yes ³	No

¹ Mr Marc Hein indirectly holds 1% of share in a GBC1 promoted by Omnicane Ltd. a reporting issuer.

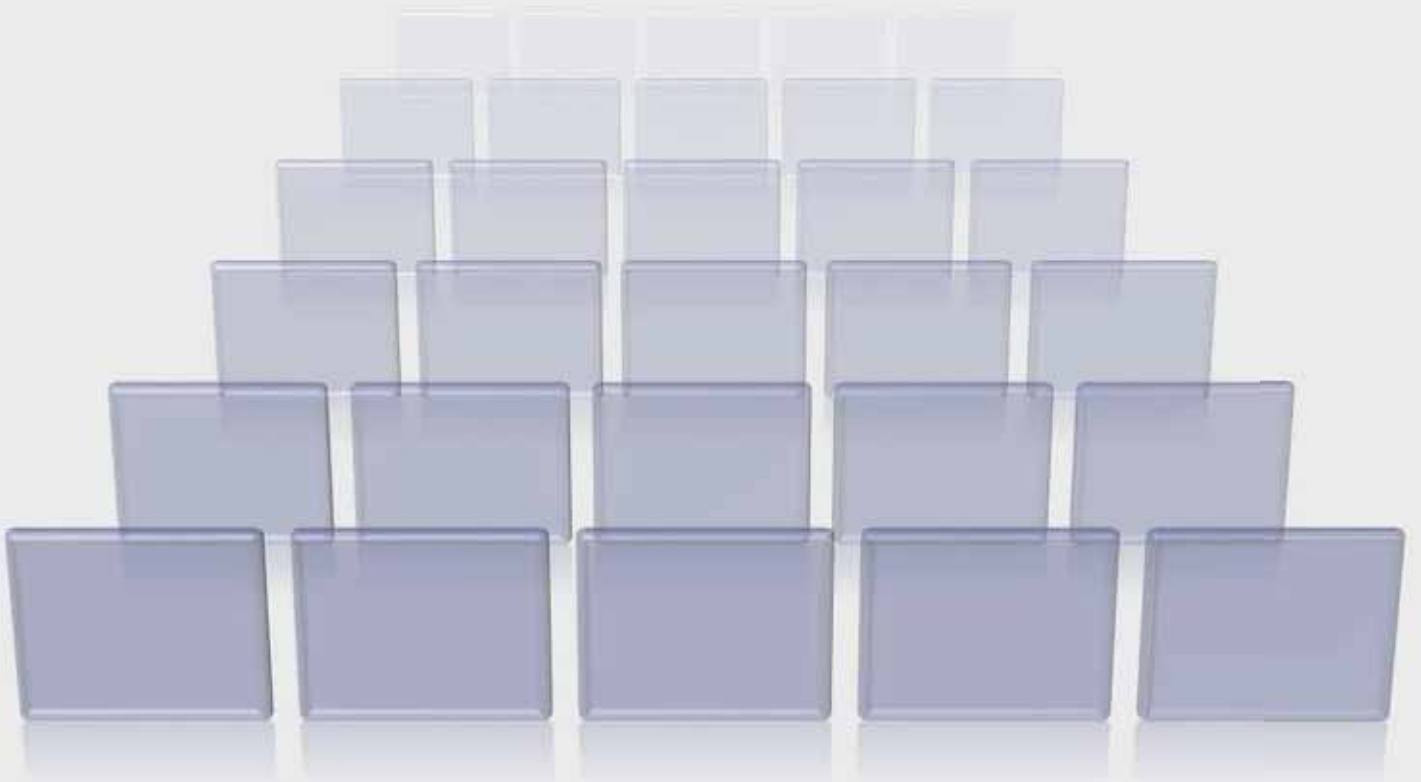
² Mr O. Lew Kew Lin is director of companies which are related to Harel Mallac Ltd, a listed company who also holds a company holding a Management licence

³ Mr R. Makoond is a Board member of Les Moulins de la Concorde Ltd which is a listed company.

These transactions have been undertaken at market quotations and are at arm's length price.

26 REPORTING CURRENCY

The Financial Statements have been presented in Mauritian rupees.



Appendices

Financial Services Commission
Mauritius

Financial Services Commission
Mauritius

Financial Services Commission
Mauritius

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Appendix 1: Market Trends in Securities

Figure 17: Evolution of SEMDEX - 2012/2013 (End Month)

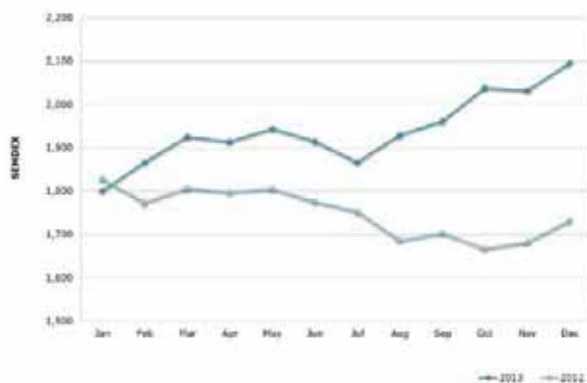


Figure 20: Evolution of DEMEX - 2012/2013 (End Month)

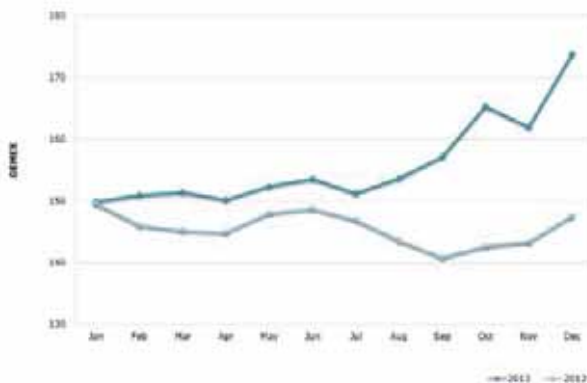


Figure 18: Evolution of SEM-7 - 2012/2013 (End Month)

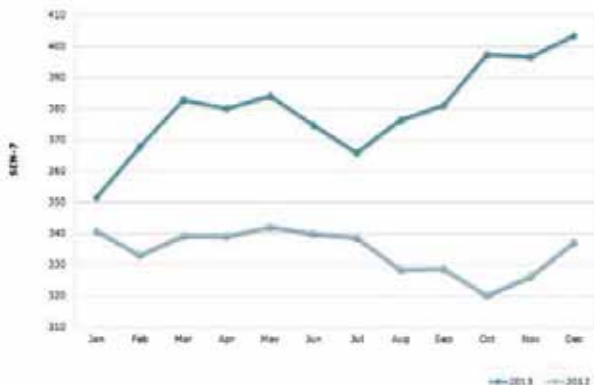


Figure 21: Evolution of DEMTRI (Rs. & \$) for 2012 & 2013 (End Month)

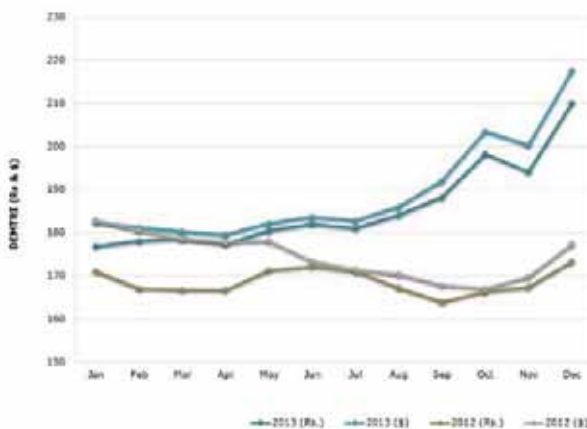


Figure 19: Evolution of SEMTRI (Rs. & \$) for 2012 & 2013 (End Month)

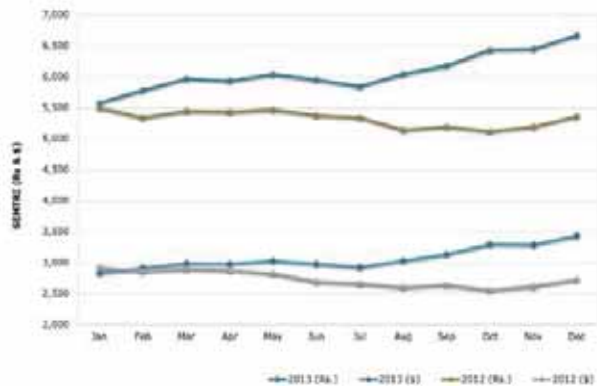
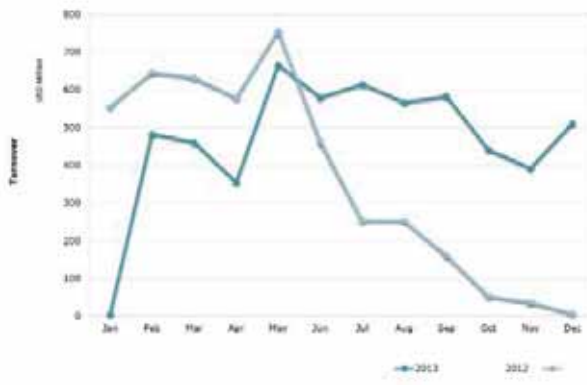


Figure 22: BAL - Total Turnover - 2012 & 2013



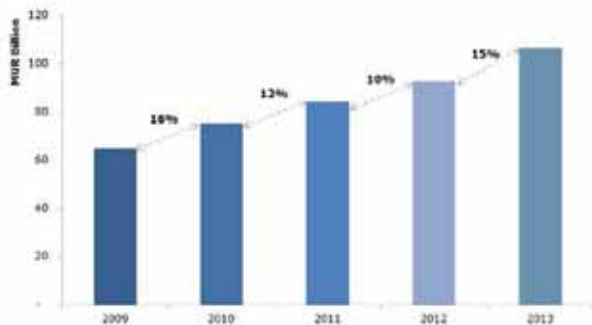
Source: Stock Exchange Of Mauritius Ltd. and Bourse Africa Limited

Appendix 2: Trends in Insurance

Long Term Insurance Business

During the year 2013, there were 7 licensed long term insurers. Value of assets includes managed pension. Assets of long term insurers grew at an average yearly rate of 13.3 per cent for the past five years.

Figure 23: Long Term Insurance Business – Value of Assets

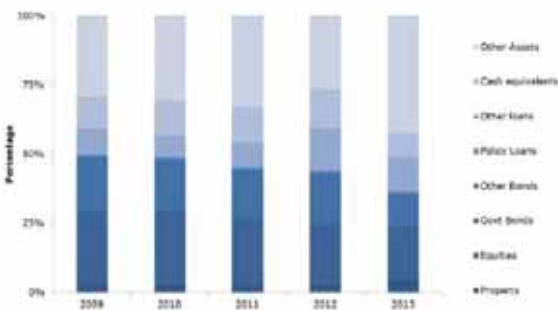


Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

The value of assets stood at MUR 106 billion for 2013 (MUR 93 billion for 2012).

Figure 24: Asset Mix by Type of Investments



Source: Financial Services Commission, Mauritius

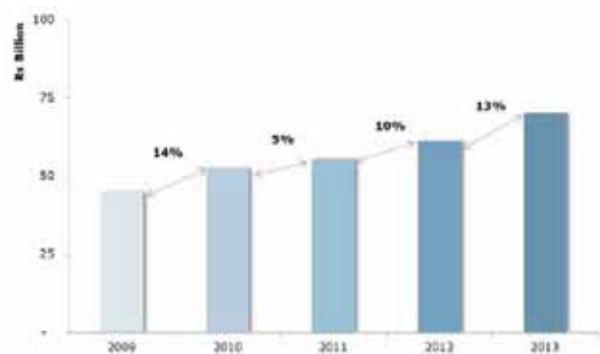
Please see Table 35 for detailed statistics.

Insurers’ five-year average investment in government bonds and equities were 17 per cent and 24 per cent respectively. Most of the investments were into ‘Other Assets’, where the average for the last five years was at 32 per cent. There was a major jump in ‘other assets’ for the year 2013, 85 per cent, mainly explained by the fact that one insurer with a significant amount of money into managed pension businesses re-categorised the respective investments as ‘other assets’.

The FSC Mauritius, in the year 2013, amended the Solvency Rules to bring more clarity as regards concentration limits. It is therefore anticipated that the proportion of ‘other assets’ and ‘other loans’ would start shrinking in the future years, following the new amendments.

The life fund also increased over previous year to now reach MUR 70 billion (MUR 61 billion for 2012).

Figure 25: Value of Life fund



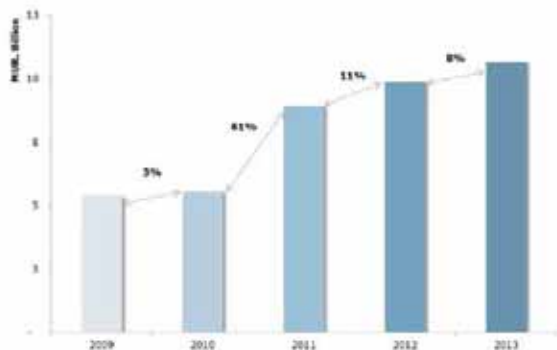
Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

The life fund has been increasing at an average rate of 10.5 per cent yearly, when compared to the past five years.

The capital and reserves position also showed continuous increase every year for the past five years, which could be interpreted as insurers taking a more prudent and committed approach to policy liabilities and reducing probability of insolvency. The five year average rate of increase was at 20.8 per cent yearly.

Figure 26: Value of Capital & Reserves



Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

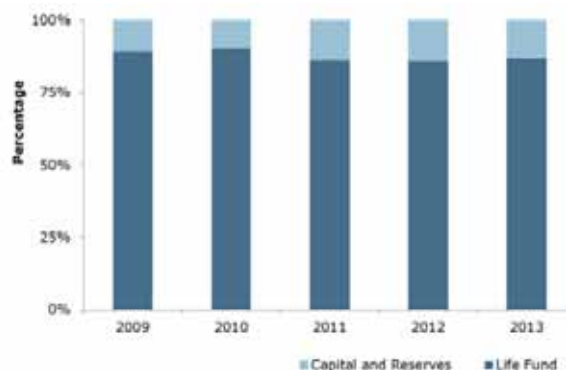
Post 2010, when composite insurers were no longer allowed to operate, a significant rise was observed in Capital and Reserves since long term insurers could no longer use shared capital and had to have their own capital. For the past three years, the capital and reserves have been growing at an average rate of 9.5 per cent yearly. The capital and reserves stood at MUR 11 billion for 2013 (MUR 10 billion for 2012).

The FSC Mauritius uses strong solvency rules whereby insurers are required to hold adequate reserves and assets. During 2013, the FSC Mauritius has further defined its rule in term of maximum permitted investments in related parties to reinforce the requirement for good quality and well diversified assets. It was noted that most long term insurers are, to a large extent, compliant to the Solvency Rules and adopt good risk management. A small number of insurers are under close and continuous monitoring to ensure they are brought up to a comfortable solvency level.

The percentage of Capital & Reserves to the Life Fund was 15 per cent for 2013 (16 per cent for 2012). The past five-year average stood at 14 per

cent and tends to remain fairly stable.

Figure 27: Composition of Liabilities, Life Fund and Capital & Reserves only

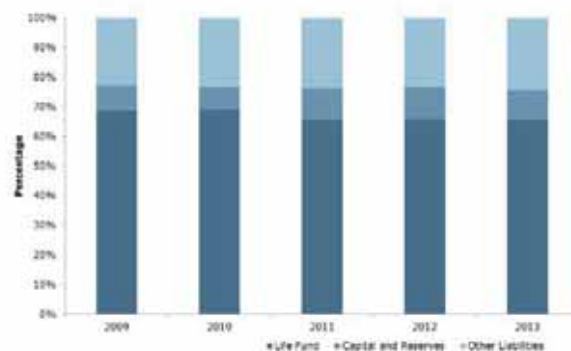


Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

One insurer has a significant amount of money in managed pension businesses giving rise to big percentage for 'other liabilities', when compared to the overall liabilities.

Figure 28: Composition of Liabilities

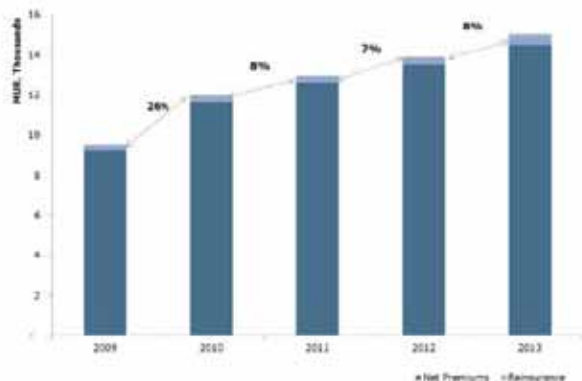


Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

Gross premiums increased to MUR 15 billion for 2013 (MUR 14 billion for 2012). Premiums have been rising for the past five years at an average yearly rate of 12.3 per cent. While there was a big jump of 26 per cent in year 2010, thereafter the premiums rose at a fairly constant rate.

Figure 29: Net Premiums and Reinsurance

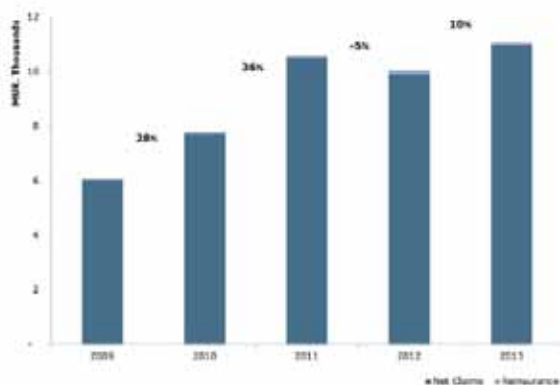


Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

Claims increased to MUR 11 billion for 2013 (MUR 10 billion for 2012). The average increase for the last five years has been at a rate of 17.3 per cent yearly. The year to year change in claims was however volatile due to the fact that rate of mortality and other contingencies are uncorrelated to any given year.

Figure 30: Net Claims and Reinsurance



Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

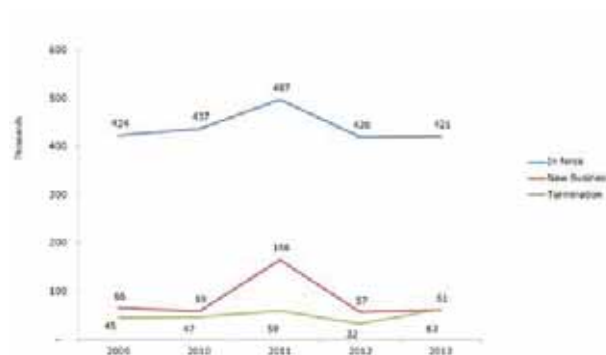
New policies increased from 56,951 in 2012 to 61,115 in 2013. In 2011, a marked increase was noted in the number of new policies. The average yearly rate of increase for the past five years was at 27.8 per cent.

Similarly, policies in force registered an annual rate of increase of 0.3 per cent for the past five years. Business in force stood at 420,998 for 2013

and 419,707 for 2012.

The FSC Mauritius observed that some insurers' policy data could not be reconciled with previous years and concerns were raised in actuarial reports. The FSC Mauritius considers good quality data as a very important exercise for actuarial valuations and will as such increase supervision in this respect.

Figure 31: Number of Policies, In-Force, New Business and Termination



Source: Financial Services Commission, Mauritius

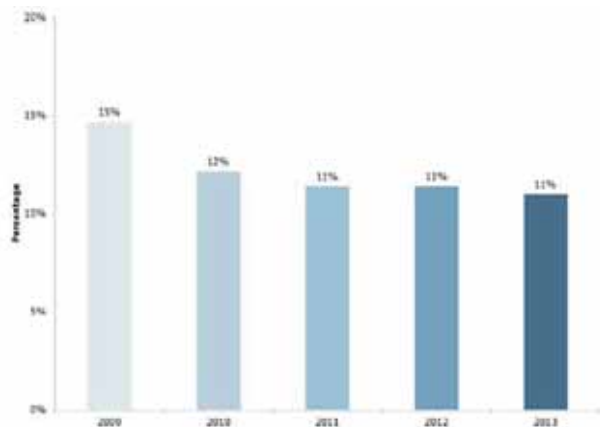
Please see Table 35 for detailed statistics.

Faced with global economic uncertainty and persistent low interest rates, some long term insurers revised their future bonus rate downwards. The FSC Mauritius will be considering the introduction of new requirements for disclosures, pre and prior sales, to with-profits policyholders. The FSC Mauritius will in addition, continue to ascertain that insurers make sure that any change in bonus rates are not to the detriment of policyholders' reasonable expectations and to ensure proper market conduct.

In line with furthering fair market conduct, the FSC Mauritius will launch a survey to collect data on the movement of policy numbers for the previous years. This will help to determine the persistency of products being sold and assess the different types of marketing strategies each insurer is adopting. The FSC Mauritius will also consider the viability of adopting the persistency rate assessment into the yearly supervisory framework.

Management expenses and Net commissions when compared to Gross premiums showed a rather stable position. Though, higher in 2009, it is now at a more stable and constant proportion of 11 per cent since 2011.

Figure 32: Management Expenses and Net Commissions



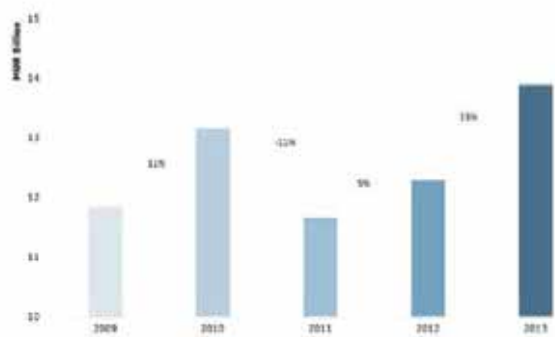
Source: Financial Services Commission, Mauritius

Please see Table 35 for detailed statistics.

General Insurance Business

During the year 2013, there were 12 insurers licensed to conduct general insurance business. The value of assets stood at MUR 13,888 million for 2013 (MUR 12,276 million for 2012) representing an increase of 13 per cent over the previous year. The five-year average rate of increase of assets was 5 per cent yearly.

Figure 33: Value of Assets

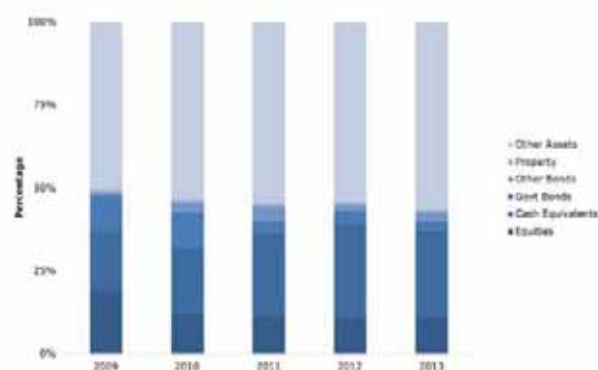


Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

For the past five years, the average proportion of assets in 'equities' and 'cash equivalents' was 13 per cent and 24 per cent respectively. A preference of 'cash equivalents' over 'equities' is observed since the five-year average rate of increase in equities was -7 per cent yearly, while that of cash equivalents was at 14 per cent.

Figure 34: Asset Mix by Type of Investments



Source: Financial Services Commission, Mauritius

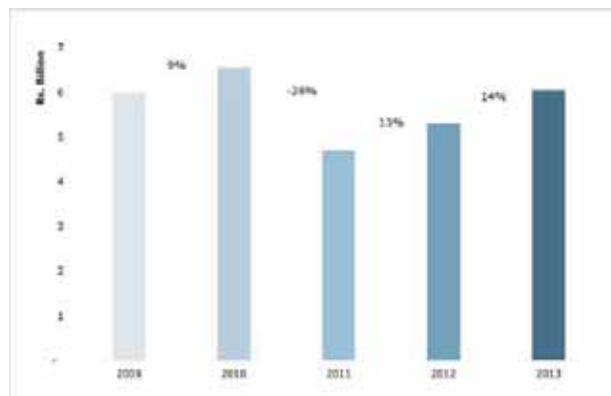
Please see Table 36 for detailed statistics.

Most of the assets were in 'other assets', averaging 54 per cent for the past five years. The major component of the 'other assets' was 'reinsurance receivable', which tantamount to the industry's heavy dependence on reinsurance for risk management.

Capital & Reserves increased to MUR 6,052 million in 2013 compared to MUR 5,291 million in 2012. The Capital & Reserves has been increasing at a yearly rate of 2 per cent, for the past five years. A 28 per cent decline was noted in 2011 which can be explained by the fact that many composites had to separate into two entities and allocate their own capital.

While most companies demonstrated above 150 per cent solvency ratio a small number of companies were below that level and are under continuous monitoring.

Figure 35: Capital & Reserves

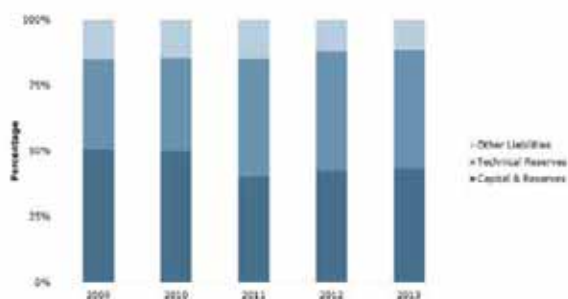


Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

In terms of the Composition of Liabilities, 'Capital & Reserves' is higher than 'Technical Reserves'. While 'Capital & Reserves' averaged 45 per cent of Total Liabilities for the past five years, 'Technical Reserves' averaged only 41 per cent. The FSC Mauritius would prefer to see stronger reserves than capital, and will thus consider increasing monitoring to verify if proper reserving techniques are being applied.

Figure 36: Composition of Liabilities



Source: Financial Services Commission, Mauritius

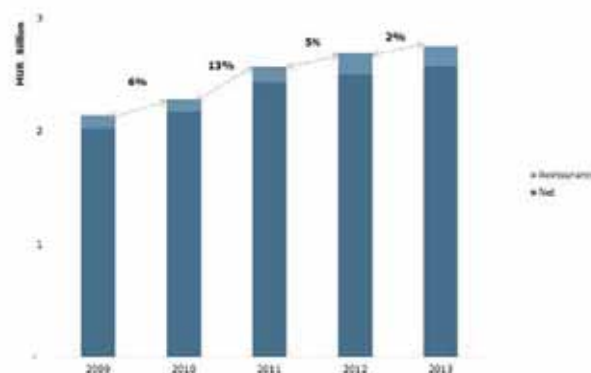
Please see Table 36 for detailed statistics.

Gross premiums for motor business stood at MUR 2,758 million in 2013 compared to MUR 2,698 in 2012 representing an increase of 2 per cent over the previous year. Gross Premiums for non-motor business stood at MUR 4,271 million in 2013 (MUR 3,485 in 2012), an increase of 23 per cent over 2012.

Motor premiums have been increasing at a five-year average rate of 6 per cent yearly whereas Non-motor premiums have been increasing at 9 per cent yearly for the past five years.

Figure 37 and Figure 38 reveal that non-motor business depend significantly on reinsurance and the proportion of reinsurance seems to be increasing every year.

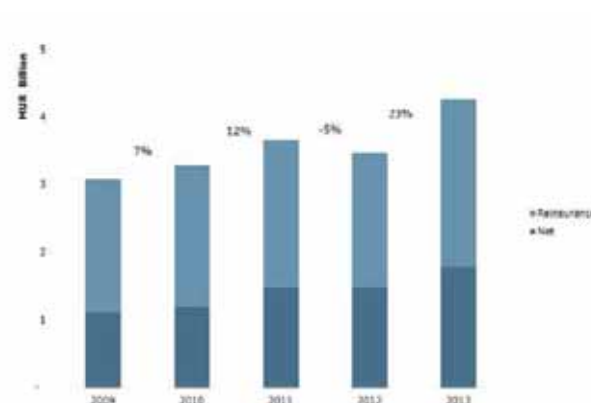
Figure 37: Net Premiums and Reinsurance, Motor only



Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

Figure 38: Net Premiums and Reinsurance, Non Motor



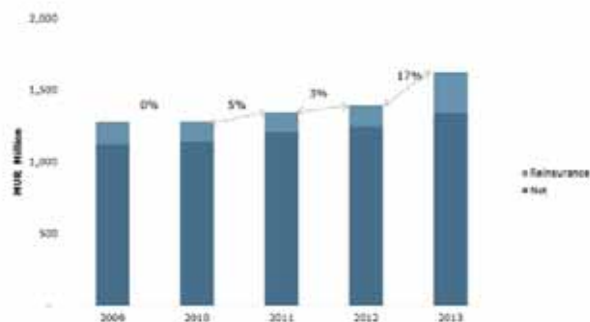
Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

Motor Gross claims for 2013 stood at MUR 1,629 million compared to MUR 1,395 million for 2012. Non-Motor gross claims amounted to MUR 2,621 million for 2013 (MUR 1,634 for 2012). It is revealed that non-motor claims were heavily reliant on reinsurance as compared to Motor claims.

The average five-year rate of increase for Motor claims was 6 per cent yearly whereas it was 27 per cent for non-motor businesses.

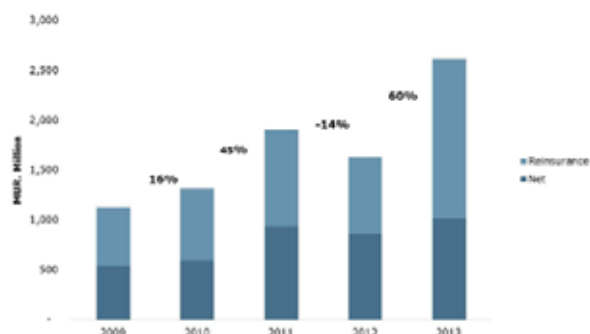
Figure 39: Net Claims and Reinsurance, Motor only



Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

Figure 40: Net Claims and Reinsurance, Non-Motor



Source: Financial Services Commission, Mauritius

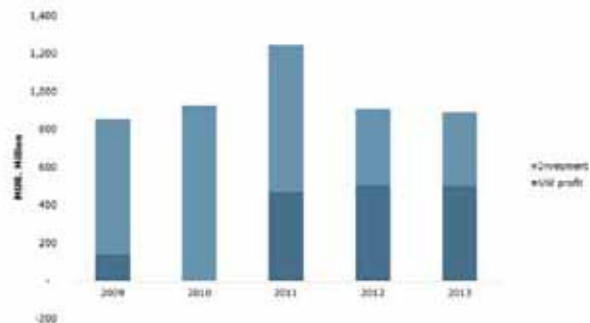
Please see Table 36 for detailed statistics.

Underwriting profits stood at MUR 503 million in 2013 (MUR 507 million in 2012), showing a decrease of 1 per cent over the previous year. Operating profits on the other hand, amounted to MUR 888 million in 2013 (MUR 909 million in 2012), representing a decrease of 2 per cent over 2012.

The underwriting profit has been fairly stable for the past three years but suffered a losses to MUR 1 million in 2010.

The yearly average rate of increase for the operating profits for the past five years has been at 3 per cent.

Figure 41: Underwriting Profit and Investments



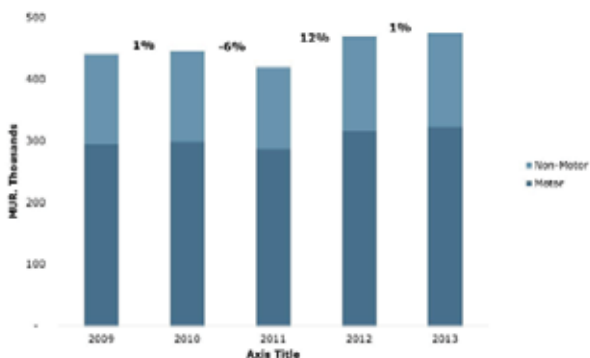
Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

The number of policies for motor business stood at 323,345 in 2013, higher than that 315,418 in 2012. On the other hand, the number of policies for non-motor business fell from 154,198 in 2012 to 151,779 in 2013.

The majority of general insurance business was under motor and averaged 68 per cent for the past five years, whereas non-motor averaged 32 per cent, out of total policies in-force.

Figure 42: Number of Policies, Motor and Non-Motor



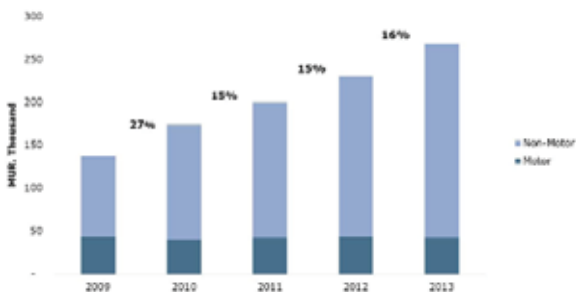
Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

The number of motor claims declined from 43,320 in 2012 to 42,494 in 2013. The number of non-motor claims rose from 186,635 in 2012 to 225,246 in 2013.

The majority of claims was under non-motor business averaging 78 per cent for the past five years, whereas the motor business averaged 22 per cent, of total claims.

Figure 43: Number of Claims, Motor and Non-Motor



Source: Financial Services Commission, Mauritius

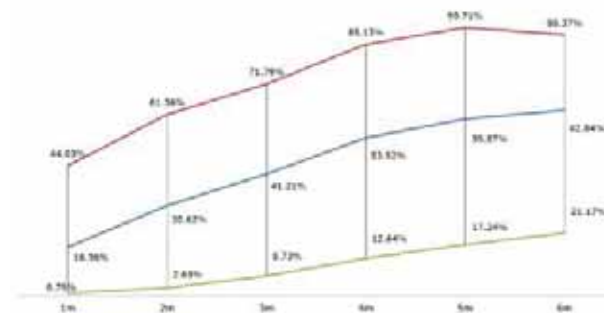
Please see Table 36 for detailed statistics.

After the unfortunate flash floods of 30 March 2013, the FSC Mauritius queried the general insurers in regards to claims payment. It was observed that on average 52 per cent of motor claims and 15 per cent of non-motor claims were settled within one month following the flash floods and that an average of 44 per cent of total motor claims and 65 per cent of total non-motor claims were recoverable from reinsurers.

The FSC Mauritius embarked on a one year project to survey insurers writing motor business in terms of their claims payment. The objective of the project was to analyse time taken by insurers to fully settle motor claims through a censored observation over a period of one year. The project is intended to run from July 2013 to June 2014.

An interim result for six month ending is displayed at figure below. It shows the rate at which motor claims are settled in the different months. For example, under six months an average of 65.8 per cent of claims reported in one month were already settled, whereas 88.4 per cent was the highest speed and 21.2 per cent the lowest.

Figure 44: Motor Claims: Settlement Speed



Source: Financial Services Commission, Mauritius

Please see Table 36 for detailed statistics.

Long Term and General Insurance Business

The FSC Mauritius with the collaboration of the World Bank, is about to embark on a project spanning over 18 months. The supervisory tools will be assessed and upgraded where required. The risk management framework and assessment will be reviewed and insurers will be required to properly and adequately record the same and eventually transpose it into their solvency model.

In due course, the industry will be consulted and informed about expectations from them.

Insurance Intermediaries

An exercise to update the records of Insurance Brokers, Agents and Salespersons in early 2013. It consisted of ensuring that the records of the FSC Mauritius tallied with those of the Insurance Brokers and Insurance Companies in respect of their Agents and Salespersons. After liaising with the licensees, discrepancies in the Commission's records were sorted out, and the updated records for Insurance Brokers and Agents were posted on the FSC Mauritius website. The list of Insurance Salespersons is projected to be posted in 2014.

As at December 2013, there were 25 Brokers and 285 Insurance Agents. The number of Salespersons was almost 1,700.

During 2013, there were several complaints from the public and insurance companies accusing certain Insurance Agents of issuing fake policy certificates. The FSC Mauritius duly conducted investigations on the premises of those agents and where necessary the matter was referred to the police.

TABLE 35: Long Term Insurance Business Figures

	2009	2010	2011	2012	2013	Average
Assets (MUR Million)	64,947	75,380	84,244	92,640	106,428	84,728
% Change in Assets		16%	12%	10%	15%	13%
Asset Mix:						
Property (MUR Million)	2,041	2,107	1,863	2,428	5,039	2,696
% Change		3%	-12%	30%	108%	32%
% of Total Assets	3%	3%	2%	3%	5%	3%
Equities (MUR Million)	16,941	19,938	20,671	20,349	19,952	19,570
% Change		18%	4%	-2%	-2%	4%
% of Total Assets	26%	26%	25%	22%	19%	24%
Govt Bonds (MUR Million)	12,618	13,714	14,371	16,869	12,415	13,998
% Change		9%	5%	17%	-26%	1%
% of Total Assets	19%	18%	17%	18%	12%	17%
Other Bonds	405	589	998	584	908	697
% Change		45%	69%	-41%	55%	32%
% of Total Assets	1%	1%	1%	1%	1%	1%
Policy Loans	427	471	490	514	560	492
% Change		10%	4%	5%	9%	7%
% of Total Assets	1%	1%	1%	1%	1%	1%
Other loans	5,837	5,964	7,331	14,090	13,315	9,308
% Change		2%	23%	92%	-6%	28%
% of Total Assets	9%	8%	9%	15%	13%	11%
Cash equivalents	7,805	9,439	10,813	13,416	9,046	10,104
% Change		21%	15%	24%	-33%	7%
% of Total Assets	12%	13%	13%	14%	9%	12%
Other Assets	18,873	23,157	27,707	24,388	45,192	27,863
% Change		23%	20%	-12%	85%	29%
% of Total Assets	29%	31%	33%	26%	42%	32%
Life Fund	44,762	52,280	55,320	61,167	69,999	56,706
% Change in Life Fund		14%	5%	10%	13%	11%

	2009	2010	2011	2012	2013	Average
Capital and Reserves	5,336	5,507	8,882	9,855	10,636	8,043
% Change in C & R		3%	61%	11%	8%	21%
Other Liabilities	14,849	17,593	20,042	21,618	25,793	19,979
% Change of C&R to Life Fund	12%	11%	16%	16%	15%	14%
Net Premiums	9,237	11,654	12,643	13,538	14,497	12,314
Reinsurance	273	309	311	360	530	356
Gross Premiums	9,510	11,963	12,953	13,898	15,027	12,670
% Change in Gross Premiums		26%	8%	7%	8%	12%
Net Claims	6,010	7,711	10,511	9,894	10,983	9,022
Reinsurance	81	76	73	156	73	92
Gross Claims	6,091	7,787	10,584	10,050	11,056	9,114
% Change in Gross Claims		28%	36%	-5%	10%	17%
Number of policies:						
In force	424	437	497	420	421	
% Change in In Force		3%	14%	-16%	0%	
New Business	66	59	166	57	61	
% Change in In New Business		-11%	181%	-66%	7%	
Termination	45	47	59	32	63	
% Change in In Termination		4%	27%	-46%	96%	
Management Expenses and Net Commissions						
Expenses as a % of Premiums	15%	12%	11%	11%	11%	

TABLE 36: General Insurance Business Figures

	2009	2010	2011	2012	2013	Average
Assets	11,839	13,158	11,659	12,276	13,888	12,564
% Change in Assets		11%	-11%	5%	13%	5%
Asset Mix:						
Equities	2,193	1,566	1,333	1,312	1,544	1,590
% Change in Equities		-29%	-15%	-2%	18%	-7%
% Change of Total Assets	19%	12%	11%	11%	11%	13%

	2009	2010	2011	2012	2013	Average
Cash Equivalents	2,150	2,645	2,924	3,496	3,579	2,959
% Change in Cash Equivalents		23%	11%	20%	2%	14%
% Change of Total Assets	18%	20%	25%	28%	26%	24%
Govt Bonds	1,317	1,387	404	478	409	799
% Change in Cash Equivalents		5%	-71%	18%	-15%	-15%
% Change of Total Assets	11%	11%	3%	4%	3%	6%
Other Bonds	105	406	510	207	386	323
% Change in Other Bonds		285%	26%	-59%	86%	84%
% Change of Total Assets	1%	3%	4%	2%	3%	3%
Property	114	140	125	131	138	130
% Change in Property		22%	-10%	5%	5%	5%
% Change of Total Assets	1%	1%	1%	1%	1%	1%
Other Assets	5,959	7,014	6,363	6,651	7,833	6,764
% Change in Other Assets		18%	-9%	5%	18%	8%
% Change of Total Assets	50%	53%	55%	54%	56%	54%
Capital & Reserves	5,992	6,551	4,698	5,291	6,052	5,717
% Change		9%	-28%	13%	14%	2%
% Change of Total Liabilities	51%	50%	40%	43%	44%	45%
Technical Reserves	4,037	4,688	5,218	5,585	6,213	5,148
% Change		16%	11%	7%	11%	11%
% Change of Total Liabilities	34%	36%	45%	45%	45%	41%
Other Liabilities	1,810	1,920	1,743	1,497	1,623	1,719
% Change		6%	-9%	-14%	8%	-2%
% Change of Total Liabilities	15%	15%	15%	12%	12%	14%
Premiums:						
Net	3,145	3,369	3,928	4,002	4,363	3,761
Reinsurance	2,091	2,206	2,319	2,182	2,667	2,293
Gross	5,235	5,575	6,247	6,183	7,029	6,054

	2009	2010	2011	2012	2013	Average
% Change in Gross Premiums		6%	12%	-1%	14%	8%
Claims:						
Net	1,672	1,738	2,150	2,112	2,368	2,008
Reinsurance	709	823	1,100	961	1,775	1,074
Gross	2,381	2,561	3,250	3,073	4,143	3,082
% Change in Gross Claims		8%	27%	-5%	35%	16%
Premiums – Motor						
Net	2,032	2,178	2,442	2,510	2,581	2,348
Reinsurance	118	105	134	189	177	145
Gross	2,150	2,283	2,576	2,698	2,758	2,493
% Change in Gross Premiums		6%	13%	5%	2%	6%
Claims – Motor						
Net	1,129	1,146	1,211	1,250	1,344	1,216
Reinsurance	156	142	140	144	285	173
Gross	1,285	1,288	1,351	1,395	1,629	1,390
% Change in Gross Claims		0%	5%	3%	17%	6%
Premiums – Non-motor						
Net	1,113	1,191	1,486	1,492	1,782	1,413
Reinsurance	1,972	2,101	2,185	1,993	2,489	2,148
Gross	3,085	3,292	3,671	3,485	4,271	3,561
% Change in Gross Premiums		7%	12%	-5%	23%	9%
Claims – Non-motor						
Net	543	592	940	862	1,023	792
Reinsurance	590	719	966	772	1,598	929
Gross	1,133	1,311	1,906	1,634	2,621	1,721
% Change in Gross Claims		16%	45%	-14%	60%	27%
UW profit	139	1	466	507	503	323
% Change in UW profit		-101%	45533%	9%	-1%	11360%
Investment	718	927	780	402	385	642
Operating profit	856	926	1,246	909	888	965
% Change in Operating profit		8%	35%	-27%	-2%	3%

	2009	2010	2011	2012	2013	Average
Number of policies:						
Motor	294	299	287	315	323	304
% Change		1%	-4%	10%	3%	2%
% Change of Total	67%	67%	69%	67%	68%	68%
Non-Motor	146	148	132	154	152	146
% Change		1%	-10%	17%	-2%	1%
% Change of Total	33%	33%	31%	33%	32%	32%
Total	440	446	420	470	475	450
% Change		1%	-6%	12%	1%	2%
Number of Claims:						
Motor	44	40	42	43	42	42
% Change		-8%	6%	2%	-2%	-1%
% Change of Total	32%	23%	21%	19%	16%	22%
Non-Motor	94	134	157	187	225	159
% Change		43%	18%	19%	21%	25%
% Change of Total	68%	77%	79%	81%	84%	78%
Total	137	174	200	230	268	202
% Change		27%	15%	15%	16%	18%

Appendix 3: Changes in Legislations

New Regulations

Regulations	Amendment / Purpose	Date into force
Securities (Instruments) Regulations 2013	Regulation 2 provides that, for the purpose of Section 2 of SA, "securities", in relation to an instrument, means an Exchange Traded fund. The purpose of the Regulations is to extend the definition of "securities" provided in Section 2 of SA to include ETFs.	22 June 2013
The Stock Exchange (Brokerage Fee for Debentures) Regulations 1999	Revoked and replaced by the Securities (Brokerage Fees for Debentures) Rules 2013.	

Amendments to Regulations

Regulations	Amendment / Purpose	Date into force
Insurance (Amendment) Regulations 2013	Regulation 3(3) of the Insurance Regulations 2007 was amended to provide that Regulation 3(1) shall not apply to insurance contracts providing for export credit insurance. It should be noted that Regulation 3(1) provides that no person shall enter into an insurance contract with an insurer not registered or licensed in Mauritius, purporting to cover risks relating to an asset situated in Mauritius, except where the Commission is satisfied that given the circumstances and nature of the relevant risks, it would not be appropriate to do so.	28 March 2013
The Securities (Collective Investment Schemes and Closed- End Funds) (Amendment) Regulations 2013	Regulation 6 of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 ('CIS Regulations') was amended so as to allow other types of body corporate, over and above companies, to apply for CIS Manager licences.	10 August 2013
The Securities (Collective Investment Schemes and Closed-End Funds) (Amendment No. 2) Regulations 2013	Regulation 68 of the CIS Regulations was amended so as to include a provision granting the power to the Commission to exempt a Collective Investment Scheme from Regulations 68 (2) and 68 (3) for instances not captured under the existing Regulation 68(4) of the CIS Regulations.	05 October 2013

Regulations	Amendment / Purpose	Date into force		
<p>The Protected Cell Companies (Amendment of Schedule) Regulations 2013</p>	<p>The Protected Cell Companies Act 1999 was amended in the Schedule by deleting the item “External Insurance Business” and its corresponding entry and replacing it by the following item and its corresponding entry:</p> <table border="1" data-bbox="488 354 1180 621"> <tr> <td data-bbox="488 354 651 621">Insurance business</td> <td data-bbox="651 354 1180 621"> <p>Corporation engaged in insurance business, including external insurance business and captive insurance business under the Insurance Act.</p> <p>Restriction: Subject to a Category 1 Global Business Licence issued under the Financial Services Act and to a licence issued under the Insurance Act.</p> </td> </tr> </table> <p>Following this amendment, Category 1 Global Business Corporations structured as Protected Cell Companies may hold Long-Term Insurance Business licences, General Insurance Business licences, External Insurance Business licences or Professional Reinsurer licences under the IA. Moreover, just like other GBC1s, they will be able to deal with residents of Mauritius subject to meeting the requirements of the FSA and such terms and conditions as the FSC Mauritius may determine.</p> <p>This amendment is in line with the object of the FSC Mauritius to study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation and with the policy adopted by the Government in 2010 and 2012 when amending the FSA to enable GBC1s to deal with residents.</p>	Insurance business	<p>Corporation engaged in insurance business, including external insurance business and captive insurance business under the Insurance Act.</p> <p>Restriction: Subject to a Category 1 Global Business Licence issued under the Financial Services Act and to a licence issued under the Insurance Act.</p>	<p>31 August 2013</p>
Insurance business	<p>Corporation engaged in insurance business, including external insurance business and captive insurance business under the Insurance Act.</p> <p>Restriction: Subject to a Category 1 Global Business Licence issued under the Financial Services Act and to a licence issued under the Insurance Act.</p>			

New Rules

Rules	Amendment / Purpose	Date into force
<p>Financial Services (Special Purpose Fund) Rules 2013</p>	<p>The Rules provide that FSC Mauritius may, on application, approve a scheme as a special purpose fund if:</p> <ul style="list-style-type: none"> (i) the purpose of the scheme is to conduct investment solely in countries which do not have a tax arrangement with Mauritius; (ii) the purpose of the scheme is to invest mainly in securities whose returns will be exempted from taxation; or (iii) all the beneficial owners of the scheme are pension schemes or other persons entitled to tax exemption. <p>Such approval may be subject to such conditions as the FSC Mauritius considers necessary. The FSC Mauritius shall not approve a scheme holding a Global Business Licence as a Special Purpose Fund.</p>	<p>01 June 2013</p>

Rules	Amendment / Purpose	Date into force
Financial Services (Administrative Penalties) Rules 2013	The purpose of these new FSC Rules is to impose administrative penalties on licensees who fail to comply with a specific legal obligation. The FSC Rules provide for the amount of administrative penalty to be levied for each business day of non-compliance.	01 January 2014 <i>was deferred to 01 April 2014</i>
Securities (Investment by Foreign Investors) Rules 2013	The Stock Exchange (Investment by Foreign Investors) Rules 1994 were revoked by the Securities (Investment by Foreign Investors) (Revocation) Rule 2013. The new FSC Rules were made with respect to the requirement to seek the prior written consent of the FSC Mauritius where, as a result of an investment in securities, 15 per cent or more of the voting capital of a Mauritian sugar company would be held by foreign investors.	01 April 2013
Securities (Brokerage Fees for Exchange Traded Funds on Foreign Underlyings) Rules 2013	The purpose of the Rules is to provide for the levy of brokerage fee on transactions pertaining to Exchange Traded Funds on foreign underlyings.	15 July 2013
The Securities (Recognition of Remote Custodians) Rules 2013	The purpose of these new Rules is to empower the FSC Mauritius to recognize remote custodians.	19 October 2013
The Securities (Brokerage Fees for Turnaround Trades) Rules 2013	The purpose of these new Rules is to provide for the brokerage fees to be paid by any person who enters into a transaction in respect of turnaround trades on the SEM.	12 December 2013
The Securities (Brokerage Fees for Debentures) Rules 2013	The purpose of the Rules is to provide for the brokerage fees to be paid by any person who enters into a transaction in respect of debentures on the SEM.	01 January 2014
The Private Pension Schemes (Investment) Rules 2013	The purpose of these Rules is to protect the interests of the beneficiaries of a private pension scheme and also to ensure the soundness of the financial services sector in Mauritius.	31 January 2014
The Private Pension Schemes (Technical Funding Requirement) Rules 2013	The purpose of these Rules is to protect the interests of beneficiaries of private pension schemes and to ensure the soundness of the financial services sector in Mauritius.	31 January 2014

Amendments to Rules

Rules	Amendment / Purpose	Date into force
Financial Services (Consolidated Licensing and Fees) (Amendment) Rules 2013	The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended to add two new categories of licences which can now be issued by the FSC Mauritius namely Global Headquarters Administration and Global Treasury Activities. The purpose was to encourage the setting up of companies providing global headquarters administration and global treasury activities in Mauritius and to review the fees of certain licensees and MCs.	15 March 2013
	These Rules provide for new categories of licences with respect to Foreign Investment Dealers trading on SEM. The Rules also caters for the fees which will be applicable to those licensees.	12 December 2013
Insurance (Long-Term Insurance Business Solvency) (Amendment) Rules 2013 and Insurance (General Insurance Business Solvency) (Amendment) Rules 2013	<p>In order for our jurisdiction to be line with international standards, Section 12 of the Insurance (Long-Term Insurance Business Solvency) Rules 2007 and Section 7 of the Insurance (General Insurance Business Solvency) Rules 2007 were amended to clarify that the aggregate value of investments of an insurer in one or more of its related companies shall not exceed 10 per cent of the assets of the insurer.</p> <p>The amendment Rules also provide that the word "investment", for the purposes of Section 12 and Section 7 of the respective Rules, means any kind of investment including investment in the form of receivables, deposits or loans.</p> <p>Following the coming into operation of the amendment Rules, any insurer who does not meet the requirements imposed shall take such measures as may be necessary to comply with them by 30 June 2014.</p>	01 July 2013
The Securities (Disclosure Obligations of Reporting Issuers) (Amendment) Rules 2013	<p>Rule 8 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 was amended in order to reduce the cost of reporting issuers when publishing their quarterly reports.</p> <p>Hence, as from 31 March 2013, reporting issuers have to publish their quarterly reports in only one local newspaper having a wide circulation.</p>	31 March 2013
The Securities (Disclosure Obligations of Reporting Issuers) (Amendment No. 2) Rules 2013	The Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 were amended to provide for the filing with the FSC Mauritius and the securities exchange each month of a list of foreign investments transactions returns, including the name of the foreign investor, the name of the investment dealer, the date of the transaction and the price.	01 April 2013
Securities (Licensing) (Amendment) Rules 2013	Amendments were made to the Securities (Licensing) Rules 2007 to provide clearly that any sale or purchase by or on behalf of an investor of securities in Mauritian companies listed on a securities exchange should be carried out through an investment dealer.	01 April 2013

Rules	Amendment / Purpose	Date into force
The Private Pension Scheme (Governance) (Amendment) Rules 2013	The Private Pension Schemes (Governance) Rules 2012 were amended so as to enable service providers who are promoting private pension schemes to appoint such number of persons as they think fit to act as members of the governing body of the scheme provided that such appointment is in compliance with Section 24 of the FSA, Rules 5(2) and 5(3) of the Private Pension Schemes (Governance) Rules 2012 and with any provision of the constitutive documents of the private pension scheme.	21 December 2013

Amendments to Guide

Guide	Amendment / Purpose
The Guide to Global Business	<p>The amendments brought to the Guide to Global Business in 2013 require GBC1s to have more presence in Mauritius. Hence, in addition to the existing requirements, other conditions will be considered by the FSC Mauritius in determining whether a GBC1 is being managed and controlled from Mauritius. These new conditions include having office premises or holding assets in Mauritius, employing Mauritian staff or using the services of local service providers.</p> <p>GBC1s have until 01 January 2015 to comply with the new requirements.</p>

Circulars Issued

Circular	Amendment / Purpose
Circular Letter on Financial Services (Administrative Penalties) Rules 2013	<p>FSC Mauritius issued a Circular letter on 23 December 2013 to inform its licensees that, following a decision of its Board, the Financial Services (Administrative Penalties) Rules 2013 would be effective as from 31 March 2014.</p> <p>FSC Mauritius also reminded its licensees that Rule 3 (1) of the Financial Services (Administrative Penalties) Rules 2013 provides for the imposition of administrative penalties for non-compliance with a legal obligation specified in the Schedule of the said Rules including filing of returns and reports.</p>
Circular Letter CL140613: Payment of Fees	Circular letter dated 14 June 2013 was issued by FSC Mauritius to provide guidance to all licensees and registered/authorized/approved persons on the payment of their respective annual licence fees for the period running from 01 July 2013 to 30 June 2014. The Circular letter reminded the intended recipients of the deadline for payment of their annual fees, the accepted modes of payment and the need to submit Remittance Advices together with the payments.
Circular Letter and FAQ on directors' duties and obligations under the law	The FSC Mauritius has issued a Circular letter and FAQ on 28 March 2013 to remind directors of all its licensees and reporting issuers of their duties and obligations under the Law. It is to note that the Chief Executive has the power under the FSA to direct any person to comply with any of the principles and practices of corporate governance laid down in the Code of Corporate Governance issued under the Financial Reporting Act.

Appendix 4: Infrastructures

(a) The Market Infrastructure in Mauritius is divided into three components namely:

1. Securities Exchange which is an organized market place whereby buyers and sellers agree on the terms, as per the rules of the Securities Exchange, to trade securities transactions – purchases and sales of securities.

- Licensed under Section 9 of the Securities Act 2005 (SA) ;
- Two Securities Exchanges – The SEM & BAL (Previously Global Board of Trade Ltd);
- Market Intermediaries – Investment Dealers who are Members of the Exchanges and Issuers

2. Trading Securities System which is the platform (physical, electronic or otherwise) whereby the conduct of transactions takes place. The system is designed to match buy and sell orders.

- Licensed under Section 11 of the SA;
- E.g SEMATS (SEM Automatic Trading System).

3. Clearing & Settlement Facilities provides the services of depositing, clearing & settlement of securities transactions.

- Licensed under Section 10 of the SA;
- Two Clearing & Settlement Facilities – Central Depository & Settlement Co Ltd (CDS) & Bourse Africa Clear Ltd;
- Participants

(b) The framework to regulate the Market Infrastructure is based on best international practices/norms such as IOSCO Principles. These Principles are set in accordance with the recommendations of G-20 and the Financial Stability Board (FSB). The Securities Act 2005 which is the main Act governing the Capital

Markets in Mauritius is based on these Principles. The Act aims to align to the three objectives of IOSCO which are: 1) Investors Protection, 2) Ensuring fair, efficient and transparent Markets and 3) Reducing Systemic Risk.

The table below indicates the degree of regulatory compliance in respect to Market Infrastructure as per the relevant IOSCO Principles.

Principles	Details	Relevant Act
16-18	For Issuers	SA Part VI, Securities (Disclosure Obligations of Reporting Issuers) and Securities (Public Offers) Rules 2007 and Listing Rules of SEM)
29-32	For Market Intermediaries	SA Part III (Sub Part D & F), FSA and Securities (Licensing) Rules 2007
33-38	For Secondary Markets	Securities (Licensing) Rules 2007

Appendix 5: Stakeholder Confidence

MoUs & MMoUs

The growing global activities of our financial firms have necessitated putting in place formal mechanism of supervisory co-operation and information exchange with host supervisors for effective cross-border consolidated supervision.

In 2013, the FSC Mauritius has signed several Memoranda of Understanding (MoUs) and Multilateral Memoranda of Understanding (MMoUs). The aims of these MoUs/ MMoUs are mainly to:

- (i) consolidate supervision of cross-border operations of financial institutions;
- (ii) reinforce collaboration amongst institutions in the fight against crime, Money Laundering and Financing of Terrorism; and
- (iii) define mechanisms to share information in accordance with international standards.

Even in the absence of an MoU/MMoU, the FSC Mauritius is empowered to exchange information under section 83 and 87 of the Financial Services Act with any public sector agency, foreign supervisory institution, law enforcement agency or international organization, to assist them in discharging their functions, provided that the recipient authorities are subject to adequate confidentiality provisions.

FSC Mauritius Becomes Signatory to the IAIS Multilateral Memorandum of Understanding

The FSC Mauritius has signed the International Association of Insurance Supervisors (IAIS) MMoU on 23 December 2013. The IAIS MMoU provides a global framework for mutual cooperation and information exchange between insurance supervisors which has gained importance with the increasing integration of financial markets and the growing number of internationally active insurance companies. After undertaking a rigorous assessment of the Mauritius insurance regulatory

framework, the High Level Committee of the IAIS agreed to accept the FSC Mauritius as a signatory to the IAIS MMoU. The signature of the IAIS MMoU is also a significant development for the Mauritius jurisdiction, as it will enable the FSC Mauritius to exchange supervisory information with other insurance supervisors, hence strengthening the effectiveness of cross-border supervision of insurance and reinsurance companies.

Memorandum of Understanding

1. IOSCO Africa Middle East Regional Committee (AMERC) Memorandum of Understanding

AMERC members acknowledge the importance of supervisory cooperation and wish to commit themselves to cooperating in matters beyond enforcement. Supervisory cooperation recognised the need to exchange general and more specific information about matters of regulatory concern, technical expertise, surveillance and investor education and sharing of information related to systemic risks.

As a signatory to the IOSCO MMoU and with the view to further intensify cooperation between African counterparts, the FSC Mauritius signed the IOSCO AMERC Regional MOU on 18 September 2013 during the IOSCO Annual Conference 2013. The MoU is another testimony to reaffirm the FSC Mauritius' commitment to exchange information and enhance mutual co-operation amongst AMERC members.

2. Memoranda of Understanding under the Global Supervisory Cooperation on Alternative Funds

On 17 July 2013, the FSC Mauritius signed bilateral cooperation agreements with 23 European Union and European Economic Area Member States,

relating to the supervision of hedge funds, private equity and real estate funds under the Alternative Investment Fund Managers' Directive (AIFMD). The European Securities and Markets Authority (ESMA) negotiated the agreements on behalf of security regulators of all EU Member States and European Economic Area countries.

The AIFMD is an EU Directive which came into force on 22 July 2013. The Directive primarily introduces a number of requirements with the objectives to:

- a) create a comprehensive and effective regulatory and supervisory framework for Alternative Investment Fund Managers "AIFMs";
- b) enhance the transparency of the activities of these AIFMs and their funds (broadly categorised as non-harmonised funds/ Alternative Investment Funds "AIFs" in the form of hedge funds, private equity funds and real estate funds amongst others) towards investors and public authorities and;
- c) improve the macro-prudential oversight of the sector in the EU.

These co-operation agreements are a key element in allowing EU securities regulators to supervise efficiently the way non-EU AIFMs comply with the rules of the AIFMD, and are a pre-condition in allowing non-EU AIFMs access to EU markets or to perform fund management activities on behalf of EU managers. These agreements will apply to non-EU fund managers that manage or market AIFs in the EU and to EU fund managers that manage or market AIFs in third countries. The agreements also cover co-operation in the cross-border supervision of depositaries and AIFMs' delegates.

3. Memorandum of Understanding with Capital Market Development Authority, Maldives

The FSC Mauritius and the Capital Market Development Authority (CMDA), Maldives signed a MOU on 16 January 2013. The MoU provides for a framework in respect of mutual assistance and exchange of information between the two institutions. Through this MOU, the two authorities have agreed to work closely in examining the possibility of entering into strategic alliances between the capital markets of the two countries, which may include cooperation in cross listing and cross trading. The FSC Mauritius and CMDA, Maldives intend to work together to identify and address the training and technical assistance required to facilitate the development of the

regulatory framework for securities, futures and other related investment products markets both in Maldives and Mauritius.

List of MMoUs/MoUs

Multilateral Memorandum of Understanding (MMoU)	
1.	International Organization of Securities Commission (IOSCO)
2.	International Association of Insurance Supervisors (IAIS)
3.	SADC - Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA)
Memorandum of Understanding (MoU)	
Regional MoU	
1.	South Asian Securities Regulators Forum
2.	IOSCO Africa Middle East Regional Committee
International Authorities	
1.	Capital Markets Authority of Uganda
2.	Central Bank of Lesotho
3.	Financial Services Board, Republic of South Africa
4.	Insurance Supervisory Department of Tanzania
5.	Namibia Financial Institutions Supervisory Authority
6.	Pensions and Insurance Authority of Zambia
7.	Reserve Bank of Malawi
8.	Securities and Exchange Commission of Zambia
9.	Guernsey Financial Services Commission
10.	Isle of Man Financial Supervision Commission
11.	Jersey Financial Services Commission
12.	Labuan Financial Services Authority
13.	Malta Financial Services Authority
14.	Securities and Exchange Board of India
15.	Securities and Exchange Commission, Nigeria
16.	Capital Markets Authority, Kenya
17.	Non-Bank Financial Institutions Regulatory Authority of Botswana
18.	Cyprus Securities and Exchange Commission
19.	Capital Market Development Authority of Maldives

Memorandum of Understanding (MoU)	
Local Authorities	
1.	Bank of Mauritius
2.	Financial Intelligence Unit
3.	Mauritius Revenue Authority
4.	Competition Commission Mauritius
5.	Financial Reporting Council
6.	Statistics Mauritius
MOUs (relating to the supervision of AIFMD entities) with European Union (EU)/European Economic Area (EEA) Securities Regulators	
1.	Financial Services and Markets Authority, Belgium
2.	Financial Supervision Commission, Bulgaria
3.	Cyprus Securities and Exchange Commission, Cyprus
4.	Czech National Bank, Czech Republic
5.	Finanstilsynet, Denmark
6.	Estonian Financial Supervision Authority, Estonia
7.	Hellenic Capital Market Commission, Greece
8.	Pénzügyi Szervezetek Állami Felügyelete, Hungary
9.	Fjármálaeftirlitið, Iceland
10.	Central Bank of Ireland, Ireland
11.	Finanšu un kapitāla tirgus komisija, Latvia
12.	Finanzmarktaufsicht, Liechtenstein
13.	Bank of Lithuania, Lithuania
14.	Commission de Surveillance du Secteur Financier, Luxembourg
15.	Malta Financial Services Authority, Malta
16.	Autoriteit Financiële Markten, The Netherlands
17.	Finanstilsynet, Norway
18.	Polish Financial Supervision Authority, Poland
19.	Comissão do Mercado de Valores Mobiliários, Portugal
20.	Romanian Financial Supervisory Authority, Romania
21.	Národná banka Slovenska, Slovak Republic
22.	Finansinspektionen, Sweden
23.	Financial Conduct Authority, United Kingdom

1. Alternative Investment Managers' Directive (AIFMD)

The Directive on Alternative Investment Fund Managers (AIFMs) came into force on 22 July 2013 with objectives to (1) to create a

comprehensive and effective regulatory and supervisory framework for AIFMs (2) to enhance the transparency of the activities of these AIFMs and their funds (broadly categorised as non-harmonized funds/Alternative Investment Funds "AIFs" in the form of hedge funds, private equity funds and real estate funds amongst others) towards investors and public authorities and (3) to improve the macro-prudential oversight of the sector in the EU.

The Directive applies to AIFMs established in EU Member States, but also to non-EU AIFMs that manage or market AIFs in the EU, subject to a number of conditions amongst others the (1) Private Placement Regime and the (2) Passport Regime. Funds registered with the FSC in Mauritius that meet any of these criteria were going to be impacted.

As from the date of enactment, non-EU AIFMs would be first allowed to continue manage and market in the EU under the private placement regime and henceforth under the passport regime. Both instances are subject to cooperation agreements (on and above the above-mentioned technical requirements) being in place between the country of the AIF, the country of the AIFM and the EU Member State(s) where the fund is being marketed. The cooperation agreements are in the form of a bilateral MoU to be signed between the third country AIF/AIFM and the EU Member States.

The provisions of the MoU were centrally negotiated by ESMA (on behalf of the EU Member States). For the FSC- led by the Policy team, this meant year long collaborations between the two authorities as well as consultations with our local industry. The FSC formally launched an industry consultation on the topic in February 2013 to gauge the understanding of all players which are allegedly going to be impacted by the Directive as well as to gather the necessary information in view of adopting the best strategy towards the Directive.

With the actual supervision of the fund managers lying with the national securities regulators, each authority decides with which non-EU authorities it will sign the MOU. They include the exchange of information, cross-border on-site visits and mutual assistance in the enforcement of respective supervisory laws. The arrangements also cover co-operation in the cross border supervision of depositaries

and fund managers' delegates. In this respect 23 EU Member States agreed to sign an MoU with the FSC Mauritius.

Appendix 6: List of Meetings and Conferences

International and Regional Meetings Held Overseas

Date	Theme	Country
Attended by Ms Clairette AH-HEN, Chief Executive		
07 February	Financial Stability Regional Consultative Group Meeting for Sub-Saharan Africa	Nairobi, Kenya
04 – 05 April	India-Mauritius Double Taxation Avoidance Convention DTAC	New Delhi, India
03 – 06 June	IOSCO C1 Meeting	Paris, France
07 June	11th Workshop on Pensions, Insurance and Savings	Paris, France
13 – 14 June	Annual Global Regulators Workshop	London, United Kingdom
15 – 19 September	38th IOSCO Annual Conference	Kirchberg, Luxembourg
19 – 21 December	4th Emerging Markets Finance Conference	Mumbai, India
Attended by Mr Marc HEIN, Chairperson of the Board		
15 – 16 July	Round Table on Mauritius at the IVCA Conclave 2013 – Private Equity and Venture Capital: Innovation in Challenging Times	New Delhi, India
05 - 07 December	FIT Conference	India

Date	Theme	Country	Officers	Position
18 - 20 March	CISNA Strategic Planning and Performance Review Meeting 2013	Malawi	Mr Neil MOHINDRA	Head - Policy
22 March	Presentation to IAIS Executive committee	Switzerland	Ms Veena MOLOYE	Head - Executive Office
08 - 12 April	25th ESAAMLG Task Force of Senior Officials Meeting	Tanzania	Ms Komala NARRAINEN	Lead Examiner - Surveillance Investment Funds & Intermediaries
			Mr Bhushan JOMADAR	Senior Analyst - Enforcement
03 - 06 June	IOSCO Committee 1	Paris, France	Ms Bharatee BHOLAH-BISSONAUTH	Manager - Surveillance Insurance & Pensions
03 - 05 June	IOPS Technical & Executive Committee	Paris, France	Ms Trisha DULLOO	Lead Examiner - Surveillance Insurance & Pensions
			Mr Ajmal BURTHUN	Acting Lead Analyst - Legal
05 - 07 June	5th Meeting of the Committee on Trade in Services	Uganda	Ms Meenakshi BAPPOO	Senior Analyst - Policy
01 - 05 July	SADC Financial Services Forum & 19th TNT Services Meeting	Johannesburg, South Africa	Ms Brinda HARJAN	Manager - Executive Office
02 - 05 September	ESAAMLG Task Force Meeting	Namibia	Ms Komala NARRAINEN	Lead Examiner - Surveillance Investment Funds & Intermediaries
			Mr Bhushan JOMADAR	Senior Analyst - Enforcement
15 - 19 September	26th IOSCO Conference	Luxembourg	Ms Rinasha APPAVOO	Analyst - International Cooperation and External Relations
			Mr Ashveer SEEBORUTH	Lead Analyst - Enforcement
30 September - 04 October	31st CISNA Meeting	Namibia	Mr Neil MOHINDRA	Head - Policy
			Mr Warren VARDIN	Head - Surveillance Capital Markets
			Ms Brinda HARJAN	Manager - Executive Office

Regional and National Meetings held in Mauritius

Date	Theme	No of Participants
27 March	Task Force Consultation of COMESA Regulations	1
08 - 10 April	National Consultations on Mauritius - Preparation for SADC Services Negotiations	1
13 -14 May	Deliberations on the 3rd Commonwealth Regional Conference for Heads of Anti-Corruption Agencies	1
17 June	Meeting on Private Sector Engagement in the Fight Against Corruption	2
21 August	Meeting in Employee Engagement Survey	2
22 August	Launching of the Claritas Investment Certificate	2
18 November	Celebrating Statistical Day	1

Appendix 7: Capacity Building

Overseas Conferences, Training, Seminars and Workshops

Date	Theme	Country	Officers	Position
23 - 24 January	2nd Annual Innovation in HR Congress: Leading Change for the Future Workplace	Singapore	Mr Sundeep SEEWOONARAIN	Lead Analyst - Human Resources
			Ms Neely CALLEECHARAN	Senior Analyst - Human Resources
04 - 08 February	Malta Course on Insurance Regulation & Supervision	Malta	Ms Yashika PURUSRAM	Senior Examiner - Licensing
11 - 15 February	Comprehensive International Program on Securities Market Operations, Surveillance and Risk Management	Mumbai, India	Ms Gaitree MATTAPULLUT	Lead Examiner - Surveillance Capital Markets
			Ms Ganesh BUNDHOO	Examiner - Surveillance Investment Funds & Intermediaries
09 - 11 April	FSI Seminar on Improving the Resilience of Insurers in a Changing Financial World	Switzerland	Ms Sarojini VEERAMAH-SUMPUATH	Senior Examiner - Surveillance Insurance & Pensions
			Ms Safwana BHOYROO	Examiner - Surveillance Insurance & Pensions
08 - 09 May	Asia Tax Forum: Measuring Progress Towards Creating Competitive Tax Rules	Singapore	Ms Leena DOMAN BRETTE	Lead Analyst - Market & Technical Development
			Ms Khemalini HURDOWAR	Head - Legal
12 - 17 May	7th Regional Leadership Programme for Securities Regulators	Singapore	Ms Komala NARRAINEN	Lead Examiner - Surveillance Investment Funds & Intermediaries
			Ms Priya BOOTNA	Senior Examiner - Surveillance Global Business
23 - 25 May	HR Summit 2013: Role of HR in Building Leadership	Mumbai, India	Ms Namita JAGARNATH-HARDOWAR	Head - Human Resources

Date	Theme	Country	Officers	Position
05 - 06 June	Annual Anti-Bribery and Corruption Forum	London, United Kingdom	Mr Vikash DOONGOOR	Head - Surveillance Global Business
			Mr Mangalraj NEMCHAND	Acting Senior Analyst - Legal
06 - 07 June	11th Workshop on Pensions, Insurance and Savings	Paris, France	Ms Trisha DULLOO	Lead Examiner - Surveillance Insurance & Pensions
			Mr Ajmal BURTHUN	Acting Lead Analyst - Legal
13 - 14 June	Annual Global Regulators Workshop	London, United Kingdom	Mr Ashveer SEEBORUTH	Lead Analyst - Enforcement
			Mr Ahmad LALLMAHOMED	Lead Examiner - Surveillance Global Business
24 - 25 June	Forensic Accounting: Fraud Detection and Control Strategies	Dubai	Mr Shyam HEMRAZ	Lead Examiner - Surveillance Global Business
			Mr Renganaden PATCHAY	Lead Examiner - Surveillance Global Business
			Mr Saoud BOOLAKY	Senior Examiner - Surveillance Global Business
			Mr Vikash TOYNOO	Senior Examiner - Surveillance Investment Funds & Intermediaries
14 - 19 July	FSI 9th International Insurance Supervision Seminar on Core Supervisory Issues	Switzerland	Ms Carine ARLANDA	Acting Senior Analyst - Legal
14 - 26 July	Big Challenges, Real Solutions - The Small Countries Financial Management Programme	United Kingdom	Ms Veena MOLOYE	Head - Executive Office
21 - 26 July	Toronto Centre International Program for Insurance and Pensions Supervisors: Being Prepared for Uncertain Times- How to Learn from Others' Experiences	Toronto, Canada	Mr Warren VARDIN	Head - Surveillance Capital Markets
			Ms Bharatee BHOLAH-BISSONAUTH	Manager - Surveillance Insurance & Pensions
29 July - 09 August	Macro-Fiscal Surveillance	Austria	Ms Teenoosha BOYJOO	Senior Analyst - Financial Stability, Research and Economics
05 - 06 August	CISNA Micro Insurance Forum	South Africa	Ms Sweety SOONY	Senior Examiner - Licensing

Date	Theme	Country	Officers	Position
05 - 08 August	Macroprudential Surveillance	Pretoria, South Africa	Mr Shakeel RAMEAD	Senior Examiner - Surveillance Capital Markets
			Ms Parvatee HEEATUN	Examiner - Surveillance Global Business
			Mr Harry MOHITH	Senior Analyst - Statistics
19 - 20 August	The Art for Successful Crisis Management	Malaysia	Ms Asha GOPEE	Senior Analyst - Communications
			Mr Amit RAMJEET	Lead Analyst - Communications
19 - 30 August	Financial Services Board Familiarisation and Training Programme	Pretoria, South Africa	Ms Vyasha RAMASAWMY	Lead Examiner - Surveillance Capital Markets
			Ms Pristy THARANEE	Senior Examiner - Licensing
			Mr Deerajen RAMASAWMY	Executive - Statistics
			Ms Vijayata DUSORUTH	Manager - Communications
01 - 08 September	31st Symposium on Economic Crime	United Kingdom	Ms Charlene LOUIS	Head - Licensing
04 - 05 September	Strengthening Pension Systems in the African Region Through Effective Supervision.	Kenya	Ms Charisma JAWAHEER ROOPUN	Executive - Surveillance Insurance & Pensions
			Ms Trisha DULLOO	Lead Examiner - Surveillance Insurance & Pensions
12 - 13 September	Alfi Global Distribution Conference	Luxembourg	Mr Jasraj HURDOWAR	Lead Examiner - Surveillance Capital Markets
			Mr Gamal BALLAM	Executive - Financial Stability, Research and Economics
18 - 19 September	Simplified Strategic Planning	Malaysia	Mr Vishal PUSRAM	Head - Finance
23 - 27 September	APEC Regional Seminar on Supervision and Surveillance of Market Intermediaries	Sri Lanka	Ms Jawaira SUBRATTY	Examiner - Surveillance Capital Markets
			Mr Shameem FAKEERMAHAMOOD	Examiner - Licensing

Date	Theme	Country	Officers	Position
24 -27 September	Risk Based Supervisory Review and Reporting	Zambia	Ms Om-Lata AUJEET	Examiner - Surveillance Insurance & Pensions
			Ms Yashika PURUSRAM	Senior Examiner - Licensing
30 September - 04 October	Crisis Preparedness in Interconnected Markets	Sweden	Mr Raj OREE	Head - Surveillance Insurance & Pensions
			Ms Meenakshi BAPPOO	Senior Analyst - International Cooperation and External Relations
22 - 26 October	IOSCO Seminar on "Future Challenges in Securities Regulation and Practical Solutions for Meeting those Challenges	Madrid, Spain	Ms Deeya HAZAREESING	Acting Senior Analyst - Legal
			Ms Medhavini SOOBHUG	Examiner - Surveillance Capital Markets
23 - 25 October	The Trade Perspective in Services Regulation	South Africa	Ms Brinda HARJAN	Manager - Executive Office
04 - 06 November	OECD/IOPS Global Forum on Private Pensions	Seoul, South Korea	Ms Trisha DULLOO	Lead Examiner - Surveillance Insurance & Pensions
06 - 07 November	5th Annual Talent Management Asia 2013 Congress	Singapore	Ms Sandiah TEELWAH – BEETUL	Manager - Human Resources
			Ms Priyam DIGUMBER	Senior Analyst - Human Resources
26 - 28 November	Hay Group International Conference on 'Leading Transformation'	Shanghai, China	Ms Namita JAGARNATH- HARDOWAR	Head - Human Resources
27 - 29 November	UK Financial Conduct Authority's International Regulators' Seminar 2013	United Kingdom	Mr Vishwadeo SEEBALUCK	Head - Surveillance Investment Funds & Intermediaries
			Mr Bhushan JOMADAR	Senior Analyst - Enforcement
05 - 07 December	FIT Conference	India	Ms Leena DOMAN BRETTE	Lead Analyst - Market & Technical Development

Local Conferences, Training, Seminars, Workshops and Talks

Date	Theme	No of Participants
28 January	Workshop on 'Le principe de Non-Cumul des Responsabilités Délictuelle et Contractuelle - Application de ce principe par la Jurisprudence Mauricienne'	1
06 February	Accountancy for Lawyers	2
18 - 19 February	Mauritius International Knowledge Investment Forum 2013	3
19 February - 15 July	ICAEW Diploma in IFRSs	1
22 February	Conference in Investing in Africa	6
04 March	Forum for New Recruits to Commemorate Law Day 2013: Rights, Roles and responsibilities of Public Officials under the Prevention of Corruption Act 2002 for Effective Service Delivery	5
07 March	Workshop on Investment Opportunities for Pension Funds in Africa	2
08 March	Workshop on Defences in Defamation cases under French Law	1
15 March	Workshop on Defences in Defamation cases under English Law	1
18 March	Conference in Leadership and Personal Growth	13
18 March	Workshop on New Legislations of COMESA Regulations	1
19 March	Workshop on Crisis Management, Disaster Recovery & Business Continuity Planning	3
20 March	Workshop on 'Is it Time to Abolish Hearsay in Criminal Cases? Debate'	1
21 - 22 March	Conference in IAS/IFRS	6
22 March	Workshop on Defences in Defamation Cases Mauritian Case Law	1
03 April	Workshop on Dealing with Tax Investigations and Appeals	1
09 - 10 April	Conference in 'Mauritius: Africa's Leading Wealth Management Centre'	7
10 April	Seminar in Roles and Responsibilities of the Company Secretary Among Turbulent Governance Issues	4
15 - 19 April	Ethics Officer Certification Programme	2
15 - 18 April	Workshop on Essential SNA - Building the Basics	2
April, May , June	Training in Installation, Maintenance and Repair of Air Conditioners	3
22-26 April	Training in 'Advanced Microsoft Excel 2007'	2
27 April	Workshop on Making IT Easy to Do Business	2

Date	Theme	No of Participants
02 - 03 May	Seminar on Insurance Crime / Fraud Detection	3
07 May	Training in Learning Need Analysis	2
14 - 16 May	Business Continuity Management Programme	1
15 May	Conference in Tax Developments in the African and Asian Region	3
16 - 17 May	7th Asia/Africa IFA Conference	4
27 - 28 May	Workshop on International Etiquette and Protocol Excellence	4
31 May	Conference on "The New Pension Landscape: Making it Work"	2
14 June	Workshop on Tides of Change	2
18, 20, 25 & 27 June	Mastermind Group Study	5
20 June	Workshop on Targeted Attacks and Mitigation	1
22 - 24 July	Workshop on Quality Management	1
24 - 25 July	Training in Enhancing Productivity through Improved Communication	4
06 - 07 August	Seminar on Occupational Safety and Health	2
06 & 13 August	Training in the Professional Executive Secretary and Personal Assistant	2
14 August	Conference in FATCA: Implications for Non-Banking Institutions	2
14 August	Workshop on Corporate Sustainability	4
21 - 23 August	Seminar in Winning with Leasing-Management Strategies for Success	1
23, 30 August & 06 September	Training in Bid Evaluation	2
29 - 30 August	Training in Adobe Photoshop	2
04 September	Clean Business Forum	1
3, 11 & 16 September	Workshop on Bid Evaluation	1
12 - 13 September	Private Equity Conference	5
12 - 13 September	Workshop on Effective use of ICTs for Disaster Management	1
19, 24, 25, 26 September, 01 & 02 October	Training in Effective Communication and Telephone Skills	11

Date	Theme	No of Participants
23 - 24 September	Workshop on HR Metrics	2
26 September	Workshop on Training and Employment of Disabled Persons Act (Amended 2012)	1
30 September-02 October	Africa Tax and Business Symposium	2
14 - 18 October	Training in Advanced Microsoft Excel 2007	2
16 - 18 October	Workshop on Trade in Services and the Promotion of Trade Integration	2
16 October	Masterclass- How Can HR have More Impact on Business?	10
17 - 18 October	International HRD Conference 2013	10
17 - 18 October	International Conference on Africa Rising: Governance for Sustainability	1
04 - 15 November	Training Economic Policies for Financial Stability	2
11, 13 & 15 November	Workshop on Promoting Employee Involvement through Quality Circles and Suggestion Schemes	5
12 November	Forum in Private Equity Valuation	2
15 November	Workshop on Public Procurement System	1
18 - 29 November	Training in Financial Market Analysis	2
29 November	Workshop on Procurement and Supply	2
29 November	Conference in Competition Compliance	1
29 - 30 November	Bar Conference 2013	1
02 December	Workshop on Computer Security Day 2013	2
02 – 06 December	Training in Reserve Assets Measurement	1
09 December	Seminar on General Insurance Reserving	2

In-House Training

Date	Topic	No of Participants
09 - 10 January	Induction Training Programme	19
29 January	Workshop on "Reinforcing FSC as a Great Place to Work"	193
30 - 31 January	Training in Image Management	45
31 January	Speaker Series on "How Financial Regulation Should Manifest itself in Banks & Financial Institutions"	133
18 February	Webinar on "Waves of Reforms & Oceans of Opportunities"	37
22 February	Presentation on "European Financial Crime"	44
27 February	Talk on "Joint FSC/ATMC on UN Targeted Financial Solutions"	72
01 March	Presentation on "Corporate Governance Issues Related to Securities Firms "	40
05 March	Webinar on "Impact of International Business Community-focus on Fund Industry"	50
15 March	Presentation on "Insurance Regulation and Supervision"	16
21 March	Presentation on "Implementation of a Quality Management System at the FSC"	195
26 March	Training in Quality Management System	21
29 March	Presentation on "Securities Market Operations, Surveillance and Risk Management "	26
04 April	Training in "Visio-QMS Implementation"	34
12 April	Speakers' Series on "Corporate Governance"	194
26 April	Presentation on "Market Conduct for Insurance Regulators/ Supervisors"	29
30 April	Training in " The Cyrup Case: Is it Unique?"	54
03 May	Presentation on "Value Added Business- the Right Way to Manage Risk"	28
20 - 21 May	Induction Training Programme	8
15 May	Presentation on "Improving the Resilience of Insurers in a Changing Financial World"	26
16 May	Training in "QMS: Implementation at the Commission"	33
17 May	Presentation on "Procurement Process"	35
24 May	Presentation on "Investor Protection: Investor Education, Corporate Governance and Sanctions for Market Abuse"	30
24 May	Presentation on 'Fraud for Internal Audit'	26

Date	Topic	No of Participants
26 May - 08 June 28 June - 04 July	Training Programme in "Standard Defensive Driving"	9
29 May	Workshop on "Austerity and its Impact on an Economy"	70
05 June	Webinar on "Investigation Interview"	15
10 June	Webinar on "Establishing baseline"	14
28 June	Webinar on "Interview Questions Types"	21
11 June	Talk on "Twin Peaks Financial Regulation in South Africa & Update of Prudential Insurance Regulation in South Africa ("SAM") and Kenya"	25
14 June	Presentation on "Microinsurance"	45
21 June	Presentation on "Trading Book Issues and Market Infrastructure"	28
25 June	Sensitisation Talk on "Blood Donation"	200
28 June	Presentation on "Leadership Programme for Securities Regulators"	50
03 July	Webinar on "Interview Questions Types"	16
10 July	Webinar on "Telephone Interview"	12
11 July	Presentation on "Anti Bribery and Corruption"	45
17 July	Webinar on "Putting it All Together"	16
17 July	Training in Attitude	52
18 July	Presentation on "Taxation"	40
22 July	Workshop on "Recent International Tax Development "	130
24 July	Focus Group Discussion on "Recent International Tax Development "	30
24 July	Webinar on "Investigation Interview Preparation"	15
25 July	Presentation on "Pensions, Insurance and Savings"	30
31 July	Training in "Building a Credible Financial Services Market"	100
5-8 August	Workshop on "Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecutions of Securities Fraud and Abuse"	120
01 August	Presentation on "360 Degree Feedback"	146
02 August	ACC Training Session on IFRS	22
14 August	Webinar on "Establishing Baseline and Building Rapport"	15
15 August	Presentation on "Good Practices for Governance of Pension Supervisory "	35
22 August	Presentation on "Risk Based Solvency Framework"	20
23 August	ACC Training Session	21

Date	Topic	No of Participants
28 August	Webinar on " Detecting Deception"	15
29 August	Presentation on "International Protocol"	30
04 September	Webinar on "Interview Type Question"	15
05 September	Presentation on "Macro Financial"	20
06 September	ACC Training on "IFRS 13"	39
11 September	Masterclass on "Excellence in Private Equity"	20
12 September	Presentation on "Macro Prudential Surveillance"	30
18 September	Webinar on "Telephone Interview"	15
19 September	Presentation on "Micro-Insurance"	30
25 September	Webinar on "Putting it All Together"	15
26 September	Presentation on "Crisis Management"	28
02 October	Training in "Advanced Excel"	56
03 October	Workshop on "Business Continuity and Disaster Recovery Management"	20
07 - 08 October	Workshop on "Corporate Bond Market Outreach Programme"	22
10 October	Presentation on "Macro Prudential Surveillance"	19
30 October	Webinar on "Macro Prudential Policy"	11
14, 15 & 16 November	Leadership Development Programme - FSC and Me	25
22 November	Training in "Effective Regulatory Supervision "	100
26 November	Presentation on "Lloyd's of London's Structure"	30
28 November	Training in "Commodities - Derivative trading"	40
29 November	Workshop on the "New Group Accounting Standards (IFRS 10 and 11)"	20
10 December	Workshop on Effective Communication Skills	25
16 - 18 December	Leadership Development Programme - Leading at FSC	25

Appendix 8: Milestones

The FSC Mauritius has been very active in the regulatory arena in the recent years. Many projects under the previous plans were successfully completed. This warrants a reflection of the major milestones achieved in the past three years under the Strategic Plan 2011-2013.

The past accomplishments also pave the way for the direction the FSC Mauritius has to take in order to achieve its vision. The main realisations since 2011 are listed by theme in the table below:

Policy and Legislation	
Achievements 2011 to 2013	<ul style="list-style-type: none"> • New Acts: Limited Partnership Act, Foundations Act, Private Pensions Schemes Act
	<ul style="list-style-type: none"> • Amendments to FSA <ul style="list-style-type: none"> - Request information from Global Business Companies - New activities regulated by the FSC Mauritius (Global headquarter administration) - Protection of consumers of financial services - Increasing substance in Mauritius - Powers of FSC Mauritius reinforced
	<ul style="list-style-type: none"> • Amendments to Insurance Act <ul style="list-style-type: none"> - Review the automatic lapsing of the registration of insurance salespersons
	<ul style="list-style-type: none"> • Amendments to Securities Act <ul style="list-style-type: none"> - To enable the FSC Mauritius to obtain information in relation to securities and securities transactions from unregulated persons - Widen the scope of 'associate' - Recognition of remote participants and remote custodians
	<ul style="list-style-type: none"> • Amendments to Trusts Act <ul style="list-style-type: none"> - Non-charitable trusts also be allowed to have a perpetual duration - Enhance record keeping requirements of trustees
	<ul style="list-style-type: none"> • Regulations and Rules Amended accordingly
	<ul style="list-style-type: none"> • New Codes and Guides: <ul style="list-style-type: none"> - Guide to Global Business - Code on the prevention of Money Laundering and Combating Terrorist Financing
	<ul style="list-style-type: none"> • New licenses: 27 new MCs; 5,968 new Global Business Companies

Policy and Legislation	
Achievements 2011 to 2013	<ul style="list-style-type: none"> • Increase in Investments into Africa – Diversification of Markets
	<ul style="list-style-type: none"> • Reviewed Processes
	<ul style="list-style-type: none"> • Streamlined Licensing Procedures – Defined in Guide to GB
	<ul style="list-style-type: none"> • Collaboration with Local Stakeholders
	<ul style="list-style-type: none"> - BoM (Contribute to BoM Financial Stability Reports + amendments to FSC-BoM MoU)
	<ul style="list-style-type: none"> - Industry Partnership
	<ul style="list-style-type: none"> • Surveys and Publications
	<ul style="list-style-type: none"> - On the average 8 surveys annually leading to the publication of the statistical bulletin and contribution to publications of other institutions.

International Relations	
Achievements 2011 to 2013	<ul style="list-style-type: none"> • Regional and International Collaboration
	<ul style="list-style-type: none"> - MMoU: IOSCO MMoU signatory
	<ul style="list-style-type: none"> - Regional MoU: IOSCO AMERC
	<ul style="list-style-type: none"> - MoUs with 23 European Financial Regulators under the AIFMD
	<ul style="list-style-type: none"> - 8 Bilateral MoUs signed (Local – 3 & International - 5)
	<ul style="list-style-type: none"> - Attachments programmes (2011 - 1, 2012 – 4 & 2013 - 9)
	<ul style="list-style-type: none"> - Participate in discussion relating to FATCA
	<ul style="list-style-type: none"> - GAAR – part of Joint Working Group
	<ul style="list-style-type: none"> • Participation on Regional and International Fora:
	<ul style="list-style-type: none"> - Regional (SADC CISNA, AMERC, FSC RCG, ESAAMLG)
	<ul style="list-style-type: none"> - International (IAIS, IOSCO, IOPS)
	<ul style="list-style-type: none"> • Subscription to IMF SDDS
	<ul style="list-style-type: none"> • Active member of IOSCO C1
	<ul style="list-style-type: none"> • Held Vice Chair of CISNA through the Chief Executive from 2011 - 2013

Supervision and Enforcement

Achievements 2011 to 2013	<ul style="list-style-type: none"> • Supervision - Review Risk-Based Supervision for Better Offsite Supervision
	<ul style="list-style-type: none"> • Inspections and Investigations <ul style="list-style-type: none"> - Capital Markets: 34 (2012 – 6 & 2013 – 28); - Investment Funds and Intermediaries: 45 (2012 – 21 & 2013 – 24); - Insurance & Pensions: 38; and - Global Business: 274 (2011 – 8, 2012 – 171 & 2013 – 95).
	<ul style="list-style-type: none"> • Circular Letters Issued
	<ul style="list-style-type: none"> • Assessments <ul style="list-style-type: none"> - IOSCO (self-assessment) - IAIS - SADC Assessment of New IAIS ICPs: 16 largely observed, 8 observed and 2 partly observed - IOPS (self-assessment)
	<ul style="list-style-type: none"> • Transfer of Existing Pension Schemes following the PPSA
	<ul style="list-style-type: none"> • Enforcement – Separate Enforcement from Legal and reinforced the unit <ul style="list-style-type: none"> - Action taken include: Inquiries; Alerts issued; Disciplinary Actions taken; Licenses revoked/suspended and other disciplinary actions.
	<ul style="list-style-type: none"> • Request for Information <ul style="list-style-type: none"> - 2011 – 109 requests attended (70 International and 39 Local) - 2012 – 126 requests attended (81 International and 45 Local) - 2013 – 293 requests attended (103 International and 190 Local)*
	<ul style="list-style-type: none"> • Tax Residence Certificates: 6,458 TRCs - 861 issued and 5,597 renewed

* The 293 request represented 431 cases (132 International and 299 Local).

Recognition and Awards

Achievements 2011 to 2013	<ul style="list-style-type: none"> • Awarded the “Most Innovative Capital Market Regulator of the Year Award” by Africa Investor in 2012, for the second time.
	<ul style="list-style-type: none"> • Human Resource Development Council Award 2013 <ul style="list-style-type: none"> - HR Excellence in Learning and Growth - HR Excellence in Innovation in HR - HR Excellence in HR Leadership award (Awarded to the Head of HR, Ms Namita Jagarnath-Hardowar)

Financial Literacy and Community Outreach	
Achievements 2011 to 2013	<ul style="list-style-type: none"> • Consumer education programme including Roadshows, Talks etc.
	<ul style="list-style-type: none"> • Publications: Brochures, Booklets, Investor Alerts, Frequently Asked Questions (FAQs) etc.
	<ul style="list-style-type: none"> • Talk on radio and television & Video Clips
	<ul style="list-style-type: none"> • Fair Conduct
	<ul style="list-style-type: none"> - Consultation on Proficiency Standards for Insurance Brokers
	<ul style="list-style-type: none"> - Consultation for Guidelines for Marketing and Advertising
	<ul style="list-style-type: none"> • Regular Newsletters to Stakeholders
	<ul style="list-style-type: none"> • Consultation/communication with stakeholder: Industry updates, Workshops & Conferences
	<ul style="list-style-type: none"> • Youth: Young Talent Competition & Young Graduate Development Programme
	<ul style="list-style-type: none"> • Improved complaints handling:
	<ul style="list-style-type: none"> - 2012 – 178
	<ul style="list-style-type: none"> - 2013 – 305

Internal	
Achievements 2011 to 2013	<ul style="list-style-type: none"> • People:
	<ul style="list-style-type: none"> - Performance Management System for HPWO
	<ul style="list-style-type: none"> - Capacity Building: New recruitments, Training – Overseas, Local and In-house
	<ul style="list-style-type: none"> - Competency Needs Assessment for Learning and Development Plan
	<ul style="list-style-type: none"> - New thematic Communities of Practice – Knowledge Management
	<ul style="list-style-type: none"> - Employee welfare, wellness and work life balance
	<ul style="list-style-type: none"> - HRIS – integrated HR and payroll solution
	<ul style="list-style-type: none"> • Information Technology and Administration
	<ul style="list-style-type: none"> - Business continuity management and disaster recovery
	<ul style="list-style-type: none"> - KYC software on Politically Exposed Persons
	<ul style="list-style-type: none"> - Round-the-clock security; fire alarm and detection system
	<ul style="list-style-type: none"> - Clean desk policy
	<ul style="list-style-type: none"> - Implemented ERP, an integrated information system
	<ul style="list-style-type: none"> - Electronic documents for improved responsiveness and go-green policy
	<ul style="list-style-type: none"> - IT Security – training in ISO/IEC 27001
	<ul style="list-style-type: none"> - Website: Online application and Events management facilities

List of Tables

- Table 1: Strategic Theme - Quality
- Table 2: Strategic Theme - International Engagement
- Table 3: Strategic Theme - Conduct
- Table 4: Strategic Theme - Anticipation
- Table 5: Figures for Market Caps and SEMDEX
- Table 6: Overview of the performance of the BAL in the different segments for 2012 & 2013
- Table 7: Domestic Investment Dealers and Advisers – as at 31st December
- Table 8: Licences by Type
- Table 9: Trends in Long Term Insurance Business
- Table 10: Trends in General Insurance Business
- Table 11: Private pension industry at a glance
- Table 12: Number of Licensees (Second Schedule of the FSA) 2011-2013
- Table 13: Summary of financial results of Management Companies (inclusive of Corporate Trustees) (2009-2013)
- Table 14: Number of licensed Non-Banking Financial Institutions
- Table 15: Highlights of Changes
- Table 16: Response to RBS Cycle by Corporate Service Providers
- Table 17: Onsite Visits under the Capital Markets
- Table 18: Onsite Visits under IFI
- Table 19: Onsite Visits under Insurance
- Table 20: Onsite Visits in 2013 in Respect of Request of Governing Body for Authorisation to Administer Scheme
- Table 21: Onsite Visits under Global Business
- Table 22: Exemptions Granted as at 2013
- Table 23: Changes to Composite Insurers Business Following Insurance Act
- Table 24: Types of Licensees on the FSC Mauritius Public Register
- Table 25: Enforcement Action by Type

Table 26: Regulation - expanding scope of monitoring

Table 27: Information Exchanged over the Years

Table 28: List of 2013 FSC Mauritius Publications

Table 29: Complaints under Insurance in 2013

Table 30: Publications Related to Consumer Education and Financial Literacy

Table 31: Breakdown of Staff Movement (2012 – 2013)

Table 32: Continuous Learning at the FSC Mauritius

Table 33: Summary of Training Sessions (2012 - 2013)

Table 34: Contribution to Consolidated Fund

Table 35: Long Term Insurance Business Figures

Table 36: General Insurance Business Figures

List of Figures

- Figure 1: Strategic Plan 2011-2013
- Figure 2: Strategic Theme - Quality
- Figure 3: Strategic Theme - International Engagement
- Figure 4: Strategic Theme - Conduct
- Figure 5: Strategic Theme - Anticipation
- Figure 6: Performance of Mauritius
- Figure 7: FSC Mauritius Regulatory Approach
- Figure 8: Number of New Global Business Companies
- Figure 9: Spread of Investments - Global Business
- Figure 10: Supervision
- Figure 11: Inspections on MCs during 2013
- Figure 12: Disciplinary Proceedings
- Figure 13: Complaints by Type received at the FSC Mauritius in 2013
- Figure 14: Calendar of Activities for the year 2013
- Figure 15: First Consumer Education Poster
- Figure 16: Value Added Pie Chart for 2013
- Figure 17: Evolution OF SEMDEX - 2012/2013(End Month)
- Figure 18: Evolution of SEM-7 - 2012/2013 (End Month)
- Figure 19: Evolution of SEMTRI (Rs. & \$) for 2012 & 2013 (End Month)
- Figure 20: Evolution of DEMEX - 2012/2013 (End Month)
- Figure 21: Evolution of DEMTRI (Rs. & \$) for 2012 & 2013 (End Month)
- Figure 22: BAL - Total Turnover - 2012 & 2013
- Figure 23: Long Term Insurance Business – Value of Assets
- Figure 24: Asset Mix by Type of Investments
- Figure 25: Value of Life fund
- Figure 26: Value of Capital & Reserves
- Figure 27: Composition of Liabilities, Life Fund and Capital & Reserves only
- Figure 28: Composition of Liabilities

Figure 29: Net Premiums and Reinsurance

Figure 30: Net Claims and Reinsurance

Figure 31: Number of policies, in-force, new business and Termination

Figure 32: Management Expenses and Net Commissions

Figure 33: Value of Assets

Figure 34: Asset Mix by type of Investments

Figure 35: Capital & Reserves

Figure 36: Composition of Liabilities

Figure 37: Net Premiums and Reinsurance, Motor only

Figure 38: Net Premiums and Reinsurance, Non Motor

Figure 39: Net Claims and Reinsurance, Motor only

Figure 40: Net Claims and Reinsurance, Non-Motor

Figure 41: Underwriting Profit and Investments

Figure 42: Number of Policies, Motor and Non-Motor

Figure 43: Number of Claims, Motor and Non-Motor

Figure 44: Motor Claims: Settlement Speed

List of Acronyms and Abbreviations

AER	- Administration and Enterprise Risk Management
AIFs	- Alternative Investment Funds
AIFMs	- Alternative Investment Fund Managers
AIFMD	- Alternative Investment Fund Managers Directive
AMERC	- Africa Middle-East Regional Committee
AML/CFT	- Anti-Money Laundering and Combating of Financial Terrorism
ATS	- Automated Trading System
BAL	- Bourse Africa Limited
BCM	- Business Continuity Management
BoM	- Bank of Mauritius
BoP	- Balance of Payments
CDIS	- Coordinated Direct Investment Survey
CDS	- Central Depository & Settlement Co. Ltd
CEF	- Closed-End Funds
CFDs	- Contracts For Differences
CIS	- Collective Investment Schemes
CISNA	- Committee for Insurance, Securities and Non-Banking financial Authorities
CoPs	- Communities of Practice
CSR	- Corporate Social Responsibility
CT	- Corporate Trustees
DEM	- Development & Enterprise Market
DR	- Disaster Recovery
DTAA	- Double Taxation Avoidance Agreement
EC	- Enforcement Committee
ECDPM	- European Centre for Development Policy Management
EDMS	- Electronic Document Management System
EIR	- Effective Interest Rate
ESAAMLG	- Eastern and Southern African Anti-Money Laundering Group
ESMA	- European Securities and Markets Authority
ERP	- Enterprise Resource Planning
ETF	- Exchange Traded Funds
EU/EEA	- European Union/ European Economic Area

FALS	- Foreign Assets and Liabilities Survey
FATCA	- Foreign Account Tax Compliance Act
FAR	- Fixed Asset Register
FAQs	- Frequently Asked Questions
FDI	- Foreign Direct Investment
FFI	- Foreign Financial Institutions
FSA	- Financial Services Act 2007
FSAP	- Financial Sector Assessment Program
FSB	- Financial Stability Board
FSB RCG	- Financial Stability Board Regional Consultative Group
FSCC	- Financial Services Consultative Council
FSC Mauritius	- Financial Services Commission, Mauritius
FSR	- Financial Stability Reports
FRC	- Financial Reporting Council
FTIL	- Financial Technologies (India) Limited
GAAR	- General Anti-Avoidance Rule
GBC1s	- Category 1 Global Business Company
GBC2s	- Category 2 Global Business Company
GBOT	- Global Board of Trade Ltd
GDP	- Gross Domestic Product
GNS	- Gross National Saving
GPTW	- Great Place To Work
HRIS	- Human Resources Information System
IA	- Insurance Act 2005
IAIS	- International Association of Insurance Supervisors
IASB	- International Accounting Standards Board
IAS	- International Accounting Standards
ICPs	- Insurance Core Principles
IFRS	- International Financial Reporting Standards
IFRIC	- International Financial Reporting Interpretations Committee
IFC	- International Financial Centre
IMD	- Insurance Mediation Directive
IMF	- International Monetary Fund
IMT	- Incident Management Team
IFI	- Investment Funds and Intermediaries
IRS	- Internal Revenue Service
IOPS	- International Organisation of Pension Supervisors
IOSCO	- International Organization of Securities Commissions
JCC	- Joint Coordination Committee
JCI	- Junior Chamber International

JEC	- Joint Economic Council
KYC	- Know your customer
KPIs	- Key Performance Indicators
LDP	- Leadership Development Programme
MCs	- Management Companies
MAD	- Market Abuse Directive
MIFID	- Markets in Financial Instruments Directive
MMoU	- Multilateral Memorandum of Understanding
MoU	- Memorandum of Understanding
MUR	- Mauritian Rupee
MRA	- Mauritius Revenue Authority
MVIAC	- Motor Vehicle Insurance Arbitration Committee
OECD	- Organisation for Economic Co-operation and Development
OTC	- Over-The-Counter
PMS	- Performance Management System
PPO	- Procurement Policy Office
PPSA	- Private Pension Schemes Act 2012
QMS	- Quality Management System
Q&A	- Questions & Answers
RBS	- Risk Based Supervision
SA	- Securities Act 2005
SADC	- Southern African Development Community
SDDS	- Special Data Dissemination Standards
SEM	- Stock Exchange of Mauritius Ltd.
SROs	- Self-Regulatory Organizations
TRC	- Tax Residence Certificate
UNSC	- United Nations Security Council
USD	- US Dollars
YDDP	- Young Graduate Development Programme
YTC	- Young Talent Competition
WEO	- World Economic Outlook

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