

FINANCIAL SERVICES COMMISSION

GUIDELINES FOR MANAGEMENT COMPANIES

Global Business Division

GUIDELINES FOR MANAGEMENT COMPANIES

CONTENT

1. [Objective](#)
2. [Know your client](#)
3. [Obtaining of References](#)
4. [Handling of Client's Money and Assets](#)
5. [Conflicts of Interest](#)
6. [Declarations of Trust](#)
7. [Source of Funds](#)
8. [Provision of Directors](#)
9. [Control of Bank Accounts](#)
10. [Powers of Attorney](#)
11. [Management Agreements](#)
12. [Complaints](#)
13. [Compliance and Review](#)
14. [Financial Resources, Records and Reporting](#)
15. [Dealings with FSC](#)

1. Objective

- 1.1 The intention of these rules is to lay down a common set of standards for the guidance of all those involved in the formation, administration and of Global Business Companies conducting Qualified Global Businesses in the financial services sector. The intention is that by so doing, Management Companies will operate according to standards applicable to all, with the result that every operator in the sector may be confident that his competitors should also be applying them. Clients too should then be aware that the sector is regulated under a code which is designed for their protection as well as the protection of the reputation of Mauritius. With these principles in mind, the following is the code of conduct to which the FSC seeks adherence in dealings with clients, with Financial Services Commission (“FSC”) itself and between individual Management Companies.
- 1.2 These notes were originally issued under section 13 (b) of the Mauritius Offshore Business Activities Act 1992 (now repealed) and have been grand-fathered in order to apply to the administration and management of Global Business Companies (Category One) as defined by the Financial Services Development Act 2001. Persistent or flagrant violation of the code would lead to a review of the Management Company's ability to continue to hold a licence.

2. Know your client

- 2.1 It is the duty of a Management Company to know his client adequately. Before a new client is accepted, the Management Company should carry out vetting procedures on such owners, promoters, controllers, directors or shareholders of an applicant company as may be appropriate. In this context, a controller is defined as meaning in relation to a body corporate, a person who either alone or with any associate or associates, is entitled to exercise or control the voting power at any general meeting of that body corporate or another body corporate of which it is a subsidiary. A written record of the findings must be retained on file. Whenever possible, a copy of the material pages of the passports relating to identity and validity should be obtained, together with any further relevant documentation evidencing residence status. Management Companies should also seek from clients information about the circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfill its responsibilities to them. Unless requested, such details need not be disclosed to the FSC but should be retained on file for as long as the company remains a client of the Management Company.
- 2.2 It is not considered sufficient that an introduction by an overseas introducer, constitutes adequate vetting of clients unless the management company has knowledge of the quality of the work of the introducer and has specific confidence based on actual experience that the overseas introducer can be treated as a trusted professional source.
- 2.3 Clients appearing from an unsolicited source (e.g. press advertising) should be closely vetted before being allowed to proceed.
- 2.4 Deliberate concealment of a nominee structure by a Management Company will be regarded as a breach of the code and in repeated circumstances, a matter for disciplinary

action. Management Companies should seek to probe further where it is known or ought to be known that the structure proposed conceals a nominee arrangement.

- 2.5 However, there may be acceptable reasons on rare occasions for a company to be incorporated, and given its certificate initially, in the names of persons other than the true beneficial owners, with the objective of transferring the shares once the company has commenced operation. The circumstances envisaged where such a situation would be acceptable, would be when a company is being formed to undertake confidential and delicate negotiations and the names of the promoters must not be known. In such circumstances full disclosure of the proposals must be made and the FSC may be prepared to agree on a case by case basis to the company being formed in the nominee names, subject to assurances being given that the true beneficial owners will eventually be disclosed. Even then, the beneficial owners must eventually successfully pass the full due diligence procedures.

3. Obtaining of References

- 3.1 Arising from the necessity of knowing the client is the requirement to obtain a reference which can be relied on. It is down to the skill and experience of the individual management company to judge whether the references, with which he has been supplied represent a balanced comment on the applicant's worth and if not, to probe further. The FSC reserves the right to refer back for further references where it considers it necessary to do so.
- 3.2 It is proposed that procedures for obtaining references be varied for applications made on behalf of well-known multinational companies, particularly those quoted on a stock exchange in their home country. The procedures may also be varied, after agreement between the FSC and the Management Company, where the applications are on behalf of lesser corporate clients and it is clear that the application is corporate and not personal to a director or major shareholder of that organisation. Where a company is of such calibre, it is not considered appropriate to seek references on the company itself or its directors. A better insight is likely to be obtained from the published accounts and appropriate promotional material produced by the company. The FSC may also ask for a letter from a director or senior responsible executive of the group that:
- (i) there is no objection to the use of the group's name or any derivation of it, and
 - (ii) there is agreement to the setting up of a subsidiary in Mauritius.
- 3.3 It would be helpful if documentation, establishing that the applicant merits the special procedure, be submitted to the FSC together with the application form and not as an item to be submitted later. If supporting information is not submitted at an early stage, it will be difficult to gauge whether the application merits the special procedure outlined.
- 3.4 It is to be emphasised that these amended procedures will not be available to private individuals applying on their own behalf, even when they are directors of major companies.
- 3.5 The object of establishing that an application is on behalf of a major corporate body is to enable the application to be placed before the Board of the FSC with the least possible delay so as to enable applicants of high repute to commence their operations with the minimum of formality.

- 3.6 The FSC would still carry out its own confidential vetting procedures on persons previously or currently subject to supervision by a regulatory body in another territory.

4. Handling of Client's Money and Assets

- 4.1 It is essential that all funds received from or on behalf of client companies, that do not represent an amount immediately due and payable to the Management Company, are paid into one or more segregated accounts kept solely for the purpose of handling client money. The bank should be requested to acknowledge in writing that the funds are not available for set off against any other account. Where funds received, on behalf of a particular client or clients, are regular, substantial or held for lengthy periods, those funds should be held in separate accounts designated in the name of the client company, and held to their credit on interest bearing terms for the benefit of the client company, unless the client instructs otherwise
- 4.2 Client accounts should be balanced and reconciled, as well as being agreed with the balances on the individual ledger accounts recording monies held on behalf of those clients, at intervals not exceeding two calendar months. Any errors should be rectified as soon as practicable after discovery.
- 4.3 All monies received which represent a mixture of client money and office money (for instance, a cheque which settles an outstanding fee as well as disbursements due immediately or later) should be paid initially into the client account and only the amount immediately due to the management company transferred to the office account. The only exception to this rule is that by concession, the FSC is prepared to allow in-payments which represent a mixture of fees and disbursements together with the FSC fees to be handled entirely through office account. This concession is extended only to sums representing the FSC fees in recognition of the costs of clearing which would otherwise be incurred, and is on the basis that the FSC fees are held for a month or less before being passed on to the FSC. Persistent failure to forward the FSC fees promptly will result in this concession being withdrawn. Client funds may not be allocated towards the payment of a fee due to the management company until such fee has been advised in writing and the client has agreed that it may be settled out of funds held. Where a client fails to respond to any communication relating to fees, allocation of funds held should only be made when it is reasonable to do so.
- 4.4 Interest accruing to the client account should, in the main, be for the benefit of the clients whose funds comprise the balance thereon, with the proviso that small or insignificant sums of interest (less than \$100 per client per half year) may accrue to the management company. Where interest accrues to an individual client, the rate at which such interest should be paid, to the client, should be at the lowest rate payable by the bank on balances of that particular account.
- 4.5 Any surplus arising by reason of the balances on client account being such as to result in the interest being paid at a rate above that actually payable to that client may be considered to accrue to the Management Company. Calculations of interest should be made at the same intervals as those of the bank at which the account is held and the surplus of interest due to the Management Company may be transferred out when such calculations have been completed.

4.6 Where a Management Company has control of or is otherwise responsible for assets belonging to a client, he shall arrange proper protection for them by way of segregation and identification of those assets or otherwise, in accordance with the responsibility he has accepted.

5. Conflicts of Interest

5.1 Management Companies should take reasonable steps to avoid a conflict of interest arising or, where conflicts arise, shall ensure fair treatment for all its clients by disclosure, internal rules of confidentiality, declining to act or otherwise.

5.2 Any Director, Shareholder or employee of a Management Company shall not unfairly place his interests above those of his client. Where a properly informed client would reasonably expect that the Management Company would place the client's interests above his own, the Management company shall live up to that expectation.

5.3 Where a Management Company has a material interest in a transaction to be entered into with or for a client, or a relationship which gives rise to a conflict of interest in relation to such a transaction, the Management Company shall not knowingly either advise, deal or otherwise act in relation to that transaction or relationship unless he has:

(a) fairly disclosed that material interest or relationship, as the case may be to the client; or

(b) taken reasonable steps to ensure that neither the material interest nor relationship adversely affect the interests of the client.

5.4 A Management Company must take reasonable steps to ensure that neither he nor any of his employees or agents either offers to give or gives, or solicits or accepts any inducement that is likely to conflict with any duties owed to clients.

5.5 Where a barrister or lawyer is a director, an office bearer or an employee of a Management Company or receives a retainer from or acts as a consultant to a company with close association/common beneficial ownership with the Management Company then that barrister/lawyer so connected to Management Companies shall make full disclosure of their position when giving advice to potential clients.

5.6 Where a director or employee of a Management Company wishes to leave his or her employment, no soliciting of clients is to take place whilst still employed. The director or employee shall comply with the Management Companies requirements to settle all outstanding matters such as resignations from positions as director or secretary, signatory to bank accounts and matters of a similar routine.

6. Declarations of Trust

6.1 In order to protect the interests of beneficial owners, and to regularise the Management Company's relationship with his client, a declaration of trust should be executed whenever shares in the client company are held by the Management Company as nominee. The original signed copy should be held by the client with a copy retained on the Management Company's file. The document should record the names of the beneficial owner and the Management Company together with details of the Nominee Companies in whose name the client company is held. Share certificates should be prepared, approved for

transfer/allotment at a properly convened directors' meeting, signed and sealed. Use of blank signed transfers should be avoided. Apart from the fact that the signatory may no longer have the requisite powers when the transfer comes to be executed, the handing over of a blank transfer, especially if it is accompanied by the share certificates, results in the Management Company having no power to prevent an undisclosed sale or transfer of shares. It is to be recognised that there may be difficulties in explaining the basics of a trust to beneficial owners coming from civil law jurisdictions. Under such circumstances, and only if the beneficial owner insists, a transfer into the name of that owner may be executed. In all circumstances the company secretary must ensure that proper procedures relating to the transfers of shares are strictly observed.

7. Source of Funds

- 7.1 Enquiries should be made into the source and present investment of funds intended to be introduced into the applicant company, whether as fixed capital or lendings. Where such funds can be shown to be held by a bank in a jurisdiction with acceptable anti-money laundering regulations, enquiries may be reduced in scope. Management Companies should be cautious with applicants having accumulated wealth out of line with the nature of their work and general background. It is important for any financial services centre to be seen to be vigilant in controlling money laundering activities.
- 7.2 In this connection the concept of what comprises money laundering goes further than just drug related activities and embraces profits derived directly or indirectly from criminal activity or from an act of participation in criminal activity. The verification of the source of funds is an important feature in combating money laundering and it is important for the reputation of Mauritius as a financial services centre to be seen to be taking a firm stance against it.

8. Provision of Directors

- 8.1 Directorships should be undertaken solely on the basis that the persons providing such services are aware of the activities of the company on whose behalf they act, and stand responsible for them. The Companies Act makes it clear that a director must exercise his powers and discharge his duties honestly, in good faith and in the best interests of the company. The Act also requires a degree of care, diligence and skill that a reasonably prudent person would exercise in such circumstances. There is no room for any concept of "nominee directors" and if a management company is unable to satisfy himself as to the proposed activities and know that he will be kept fully informed of them, the appointment as director should not be accepted.
- 8.2 It should be ensured that the persons appointed as directors have sufficient skill and knowledge to carry out the duties expected of them and do so with independence of mind and judgment. Locally appointed directors must ensure they are comfortable with fellow board members and should ensure they either partake in all important decisions or have them reported to the board at regular intervals.

9. Control of Bank Accounts

- 9.1 When it is necessary for a company to open and operate a bank account it is already accepted that such account should be with a Mauritius bank. There may be good reason for an account opened on behalf of a financial services company to be operated by persons

other than its directors. Where this becomes necessary, it should be ensured that the person who operates the accounts is accountable to the board. Accordingly, accounts opened on behalf of client companies must be under the control or supervision of the directors and the resident directors should ensure that if the account is operated by one or more of the non-resident directors then a copy of the statement is forwarded to the directors and examined locally by them on a regular basis, particularly if the account is opened by or on behalf of the beneficial owner (or his chosen nominee). Accounts opened by means of a Power of Attorney or through authorised signatory procedures are particularly vulnerable to abuse. In some jurisdictions, banks subsequently refuse to accept the instructions of directors to close accounts which have been opened on behalf of authorised signatories, even though it was on the instructions of the directors that the accounts were originally opened.

10. Powers of Attorney

- 10.1 Powers of Attorney must be strictly controlled so that they permit specific transactions only, are limited by time and preferably given to professional advisers. The grant to beneficial owners (not appointed directors) of unlimited power is highly dangerous, in that the directors have no idea of the actions taken by the grantee and immediately lose control of the company. If a bank account is opened and put into operation without a requirement that statements be forwarded to the company, there is little chance that the directors will know of its existence, much less the actual transactions passing through. If it is necessary to arrange the completion of a transaction in another territory, the safest and most satisfactory way to arrange this is to grant a power to a lawyer or other professional intermediary which permits only the completion of that particular transaction within a particular timescale.

11. Management Agreements

- 11.1 Management Agreements, signed by both parties, should be entered into between the promoter/beneficial owner of any Global Business Company and its Management Company. The agreement should define the role of that Management Company, the services he has contracted to provide, the fees to be charged and set out any restrictions on those services. Management Companies may find it useful to specify, in the Agreement, the obligations of the client to disclose important information and otherwise to act fairly in his relations with the Management Company, including an undertaking not to represent the company without authority. It is important, particularly where the Management Company is closely associated with a legal or accounting firm, that it is made clear that the services provided are only those set out in the agreement and services of a general professional nature are not included. It is desirable that the fees to be charged are either stated in the agreement, or covered by way of reference to the current scale of charges, details of which should be given to the client and updated from time to time. The document should record the circumstances under which shares, held in a nominee capacity, may be dealt with or disposed of and in which the Management Company may decline to continue to offer nominee services. Reference should also be made to the terms on which the Agreement may be terminated, including an outline of the required procedures, the length of notice to be given and any termination charges payable. Provision should be included for the Management Company to be able to submit his resignation, with power to appoint the beneficial owner as director in his place. Such a power would not be exercised lightly since the company would no longer be eligible for financial services status, but should be included none the less to protect the Management Company in the event of non payment of fees or discovery of unsatisfactory behaviour.

- 11.2 Where a client company is to be transferred from one Management Company to another, the appropriate transfer procedures should be undertaken without undue delay. Resignations of existing directors should be placed with the company's papers and the notices filed with the FSC for passing to the Registrar of Companies. The actual minute accepting the resignations is probably best left to the new Management Company to deal with so that new directors may be appointed in the speediest and most convenient manner. The FSC would not seek to lay down hard and fast procedures as these will vary between one Management Company and another. Suffice it to say that, however it is handled, the transfer should be carried in a way that is in the client's best interests.
- 11.3 Where a client passes from one Management Company to another, care should be taken to ensure that papers which are the property of the client are passed to the new Management Company even if copies are retained by the Management Company retiring. The new Management Company is duty bound to undertake his own due diligence procedures.

12. Complaints

- 12.1 A Management Company must have procedures to ensure the proper handling of complaints from clients relating to its compliance to the regulatory system and prompt remedial action are taken on those complaints that are justified. Where the complaint is not promptly remedied the client must be advised of any further avenue open to him for redress under the regulatory system including the possibility of a complaint direct to the FSC, or appealing to the FSC if he has not obtained redress.
- 12.2 In the event of it being necessary for the FSC to appoint an investigator in order to review the complaint, the Management Company is obliged to cooperate with the investigator.

13. Compliance and Review

- 13.1 It goes without saying that the client company's statutory records comprising the members register and minute books of directors' and shareholders' meetings, should be up to date at all times. Annual accounts as required by the FSC should be submitted as soon as possible after signature and this may also be an opportune moment to consider whether any fees are still due to the FSC. The opportunity should also be taken to review the file to ensure that the company's activities are those for which it was originally formed. If there are changes it should be confirmed that they have been advised to the FSC and that any conditions placed on the licence have been complied with.
- 13.2 Management Companies should observe high standards of integrity and fair dealing in the conduct of their clients' business and shall fulfill their obligations with due skill care and diligence. This means that a quality and effective service should be provided and it should be ensured that:
- (a) clients files are kept in proper and secure conditions, and
 - (b) confidentiality is ensured by controlling access to clients' files and precautions are taken to ensure that employees do not use confidential information to their own advantage or disclose it to the press or public.

- 13.3 Where Management Companies undertake the calculation of prices at which securities are to be issued, redeemed or otherwise dealt in, or to determine the subscription prices, they should ensure that they have the means and skill to satisfy this obligation.
- 13.4 Management Companies should be aware of, and strict in observing conditions placed by the FSC on their own licence.

14. Financial Resources, Records and Reporting

- 14.1 A Management Company must at all times ensure that it has available the amount and type of financial resources necessary to conduct its business. It must ensure that it maintains adequate accounting records and must prepare and submit such reports as are required by the FSC (including audited annual accounts) in a timely manner.
- 14.2 A Management Company's records:
- (a) must be up to date and must disclose, with reasonable accuracy, at any time, the company's financial position at that time,
 - (b) must enable the company to demonstrate the company's ability to comply with its financial resource requirements, and
 - (c) must provide the information:
 - (i) which the company needs to prepare such the financial statements and periodical reports as may be required by the FSC, and
 - (ii) which the Management Company's auditor needs to form an opinion on any statements of the company on which the auditor is required to report.
- 14.3 A Management Company must ensure that its internal controls are adequate for the size, nature and complexity of its activities.
- 14.4 Where additional reports are required by the FSC on an "ad hoc" basis, Management Companies should endeavour to comply with the requirement to the best of their ability in a timely fashion.
- 14.5 A Management Company must notify the FSC immediately it becomes aware that it is in breach of, or that it expects shortly to be in breach of any of the core rules on financial resources, records and reporting or internal controls and systems.
- 14.6 It should be understood that all original documents and certificates/licences (Global Business Licence, signed Memorandum and Articles or Constitutions, Certificate of Incorporation, etc.) are to be kept at the registered office and not sent to the client. If it is necessary for the beneficial owners to have official copies, notarised or certified true copies may be issued.
- 14.7 In the event of a Management Company wishing or being forced to cease the conduct of company formation and management business or to merge with or take over another

business whether licensed or not, the FSC is to be informed at the earliest opportunity and the requisite permission obtained. Where a Management Company is to cease conducting such business, the interests of the clients are paramount. Handover to another licensed Management Company acceptable to the FSC is to be arranged in an orderly fashion and only with the specific permission of the beneficial owner or his properly appointed representative. The client is to be given the opportunity of appointing a different Management Company should he wish to do so. Only in the event of their being no response within a reasonable period of time to a request for authority to transfer, should any changes be made without prior permission.

15. Dealings with FSC

Management Companies are duty bound to deal with the FSC in an open and cooperative manner and keep the FSC promptly informed of any matter that might reasonably be expected to be disclosed to it. In particular:-

- (a) Except as may be approved by the FSC, all applications for Global Business Licence should be made through duly licensed Management Companies.
- (b) Save with the express approval of the FSC, the registered office of Global Business Company must not be at an address other than that of one of the Management Companies. The Management Company shall be responsible for client awareness of their legal obligations and the conditions attached to their clients' licence.

Management Companies may allow associated companies under their direct control to act as Secretary provided that:

- (i) they provide the FSC with the assurance that the company providing such services is able to exercise the same degree of skill, care and diligence as would be expected from the Management Company itself;
 - (ii) the associate is authorised under sec 164 of the Companies Act 2001 to act as Corporate Secretary. Additionally, if the associate will be an entity other than a Management Company, then formal permission should be obtained from the FSC under sec 21 of the FSD Act 2001 for it to deal with residents.
- (c) Any change of Management Company as Secretary or local representative should be notified by both the outgoing and the incoming Management Company.
 - (d) Where the payment of fees to be made through Management Companies who would hold the FSC's fees in their Clients' Monies Account, Management Companies should ensure that settlement of these fees be made within 15 days of the issue of the Licence or its renewal.
 - (e) Management Companies would not be allowed to be indebted towards the FSC, for more than 30 days, in respect of the processing and first annual fees