



## FREQUENTLY ASKED QUESTIONS (FAQs)

### (FAQ280313)

#### Company Directorship

##### 1. Number of directorships

**Q. *What would be considered as a reasonable number of directorships***

- A. FSC have procedures in place for considering whether the current directors or proposed directors have the capacity and are/will be able to perform their duties in accordance with the law and regulatory requirements. These procedures are followed upon the receipt of an application for a new licence, on the renewal of an existing licence or on approval/ notification of appointments of new directors.

When a director serves on multiple boards, it is important that the director ensures that sufficient time and attention is given to the affairs of each board he/she serves on. The FSC considers the different categories of companies (nature and complexity of the business the company operates in, whether the company is part of a group) on which the director is serving, whether the director serves in a non-executive or executive capacity, whether he/she is a member of board committees as well as whether he / she has the support of suitably qualified and experienced support staff to assist him / her in the performance of his / her duties.

Based on the present business environment, records and statistics available, the number of directorship considered reasonable should not exceed a total number of 200 companies.

##### 2. Demonstration of Time Commitment

- Q. *The circular mentions that “when a director serves on multiple boards, he/she is expected ensure that sufficient time and attention is given to the affairs of each board he/she serves on and that the director must to be able to demonstrate that he / she is will be able to devote sufficient time”, how does the director demonstrate that his / her time commitment?***

- A. There are various ways to go about demonstrating time commitment. The FSC will give due consideration to matters raised by directors, licensees and reporting issuers on a case by case basis.

A logical approach could be to first consider the number of working days in a year (say, on average 220 days) and number of working hours available per day (say, on average 8 hours per working day). Thus:

- a professional director (assuming he also has to devote time to personal commitment and other activities) can spend around 4 hours per day, on average, on his duties as director (this gives a total of 880 (220x4) hours per annum)
- a director in full time employment (assuming he devotes 40 hours per week to his work as a full-time employee) can spend 2 hours a day on his duties as director (this gives a total of 440 (220x2) hours per annum.)

Different categories of companies, depending on the nature and complexity of the business the company operates in, will impose different time requirement on Directors. Therefore the number of board meetings, board committees and time to prepare these meetings will vary.

Examples of such companies are: investment holding companies, actively trading companies, fund management companies or companies which meet the criteria of reporting issuer as per the Securities Act.

As example, Table 1 gives an indication of the number of hours a director is required to spend on these tasks.

**Table 1**

<b>Category of company</b>	<b>Average No. of Board meetings per company per year</b>	<b>Time required for Preparation and Board meetings</b>	<b>Expected Total hours per year per company</b>
<b>Investment Holding</b>	3	4 hours	12
<b>Active Trading or Funds or Reporting Issuers</b>	10	5 hours	50

Based on the above assumptions and information in table 1, the number of companies a person may serve as director can be calculated.

Table 2 below provides an indication of the number of companies on which a director may serve:

**Table 2**

Category of Company	Professional Director		Director in full time employment	
		No. of companies		No. of companies
Investment Holding	880/12=	73	440/12=	37
Active Trading or Funds or Reporting Issuers	880/50=	18	440/50=	9

It is to be noted that should a person spends most of his time working, let's say 330 days per year and 12 hours per day instead of 8 (one and a half times the number of days in the example), then the number of companies on which a director may serve will increase. The FSC will give due consideration to such matters, if raised, by directors, licensees and reporting issuers on a case by case basis.

### 3. Number of Directorship for Different Categories of Companies

**Q. Other than the available time to prepare and attend meetings, what are the other factors which the director may consider in order to determine whether he is performing his functions properly and is sufficiently involved in the control and management of the companies.**

A. One approach would be to consider the different types / categories of companies on which the person is serving as a Director. Issues that may be considered in this case are:

- size, nature and complexity of business of the company, such as whether the company is an investment holding company or is an active trading company or a services related company or an active fund; and
- other factors such as whether the company is part of a group, i.e. how the group is structured, policy issues considered and types of decisions made at board level.

Furthermore, another important factor which may be considered is the availability of suitably qualified and experienced support staff to perform the preparatory work that would assist the director in the performance of his duties. Thus, in case of availability of support staff, the number of companies on which a director may serve will increase and even double, as assumed and shown Table 3 below:

**Table 3**

<b>Category of Company</b>	<b>Professional Director</b>		<b>Director in full time employment</b>	
		<b>No. of companies</b>		<b>No. of companies</b>
<b>Investment Holding</b>	73 x 2=	<b>146</b>	37 x 2=	<b>74</b>
<b>Active Trading or Funds or Reporting Issuers</b>	18 x 2=	<b>36</b>	9 x 2=	<b>18</b>

The Financial Services Commission (FSC) is the independent regulator of financial services other than banking and Global Business in Mauritius. The FSC's regulatory mandate is to license, monitor, and supervise the conduct of business activities in line with the internationally recognised principles and standards under the legal framework of the Financial Services Act 2007.

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