



Financial Services Commission
Mauritius

OVERVIEW ON CONSUMER PROTECTION

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 (FSA).

One of the FSC's objectives under the FSA is to promote public understanding of the financial system including awareness of the benefits and risks associated with different kinds of investment and to take measures for the better protection of consumers of financial services.

Consumer Education - Outreach Programme

The FSC believes that informed consumers make better financial decisions, and given the complexity of the financial services sector and in an effort to reach out and be more visible to the public, the FSC started its outreach programme in 2012.

To that effect the FSC launched the Consumer Education Roadshow in November 2012 in various parts of the island including Rodrigues. During the campaign, the FSC highlighted the importance for consumers of financial services and products to understand the risks and benefits, as well as the terms and conditions before investing. The FSC explained to the public the importance of verifying and ensuring that companies offering financial products and services are duly licensed and authorised by the FSC or the Bank of Mauritius (BOM).

Even prior to our Consumer Education campaign, the FSC already had a "complaint handling" mechanism in place as operated by Communication, Public Relations and Financial Literacy Unit. The role of the Unit is to ensure that the appropriate complaints procedure is followed in a timely and efficient manner, and to promote public understanding of the financial system and for a better protection of consumers of financial services.

Working with other stakeholders /Information Session for Public Officers on Consumer Education

The FSC also conducted an information session of public officers on consumer education on 25 January which was attended by 100 officers of the Citizens Advice Bureau and Social Welfare Centres. The FSC believes that this information session is important in the implementation of its consumer education strategy as public officers are the first interface with the public. The objective was to provide them with the necessary information they need to counsel public members who come to them with financial products-related issues.

Complaints Handling

Any complaint received by the FSC is treated in a confidential, objective, efficient and timely manner. If the complaint relates to a licensee, the FSC will initiate enforcement actions as per the FSA, which include the following:

- Request for information and facts gathering;
- Investigation

Based on the findings, the FSC has power to:

- (i) issue a private warning;
- (ii) issue direction
- (iii) issue a public censure;
- (iv) disqualify a licensee from holding a licence or a licence of a specified kind for a specified period;
- (v) in the case of an officer of a licensee, disqualify the officer from a specified office or position in a licensee for a specified period;
- (vi) impose an administrative penalty;
- (vii) suspend a licence; and
- (viii) revoke a licence.

With respect to a complaint lodged against any person/company who ought to be licensed under any relevant Acts, the FSC also has the power to:

- request for Information;
- carry out investigation or;
- refer the matter to the Director of Public Prosecution (DPP) / Police

It is an offence for a person/company to provide financial services/products other than banking without being licensed by the FSC.

Section 14 of the FSA provides:

(1) No person shall carry out, or hold himself out as carrying out, in Mauritius any financial services without a licence issued by the Commission.

(2) Any person who contravenes subsection (1) shall commit an offence and shall on conviction, be liable to a fine not exceeding one million rupees and to imprisonment for a term not exceeding 8 years.

Collaboration with other Regulators and Law Enforcement Agencies

One of the main functions of the FSC is to carry out investigation and take measures to suppress illegal, dishonourable, and improper practices in relation to any activity in the financial services sector. The FSC works in collaboration other regulators such the BOM and the Financial Intelligence Unit (FIU) and with other Law Enforcement Agencies such as the Police.

If the complaint received does not fall under the purview of the FSC, the complainant will be referred to the relevant Law Enforcement Agencies. In case of an alleged criminal offence by a person/company such matter is duly referred to the DPP/Commissioner of Police.

Protection of Investors (Funds as regulated by the FSC)

In order for investors to benefit from the inherent advantages of working as part of a group, Collective Investment Schemes (CIS) are used. CIS pools money amongst different persons known as 'investors' and usually a fund manager with specialist knowledge is appointed to invest the pooled money in a broad range of assets (equity, debt, real estate etc.) with the expectation of getting higher income or profit in the future while at the same time lowering/diversifying the risk exposure.

For protection of the investors, these schemes must be authorised by the FSC under the Securities Act 2005.

A CIS is a scheme constituted as a company, a trust, or any other legal entity prescribed or approved by the FSC.

Given that the value of a CIS is based on the value of the assets in which it has invested, there are valuation reports done at regular intervals and at the year end, the accounts of a CIS must also be audited by a licensed auditor.

The characteristics of a CIS are:

- (i) The investors' money which are collected are pooled together and invested in various assets such as shares, bonds, treasury bills, real property;
- (ii) The operation of the CIS must be based on the principle of diversification of risk. In other words, the CIS must not invest the money collected in a single asset;
- (iii) If the investor wishes to have his money back, the CIS is under the obligation to return to the investor his money;
- (iv) However, the money being returned to the investor will be based on the value of the CIS whereby the investor's capital may increase or fall in value. Thus, the CIS cannot promise a fixed rate of return to the investor; and
- (v) Only a regulated entity can be appointed by the CIS to manage the investors' money. The investors are not involved in the day to day operations of the CIS.

Customer Due Diligence Measures and Reporting Obligations

The FSC requires its licensees to implement effective customer due diligence measures, and risk profiling procedures when establishing business relationships, and on an on-going basis. While assessing the profile of a customer, it is a pre-requisite for licensees to understand the origin or provenance of funds or property underlying a business relationship with a customer. Therefore understanding the customer's source of funds/property and the customer's source of wealth is an important aspect of customer due diligence.

Where third party funding is involved, licensees must make further enquiries as to the relationship between the person providing the funds and the applicant. Pursuant to Section 14 of the Financial Intelligence and Anti Money Laundering Act (FIAMLA) 2002 and Section 6.4 of the FSC Code, licensees (as well as other financial institution such as banks) have the obligation to report any transaction which they believe may be a suspicious transaction (including complex, unusually large or patterns of transactions with no apparent economic or visible lawful purpose) to the FIU.

The FSC is committed to take the necessary measures for the protection of consumers of financial services and products.

Financial Services Commission
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FSC House, 54 Cybercity, Ebene, Republic of Mauritius
Tel: (230) 403 7000 Fax: (230) 467 7172
E-mail: fscmauritiu@intnet.mu, Website: www.fscmauritiu.org