

**Speech of Ms Clairette Ah-Hen, FSC Chief Executive and guest speaker to the
launch of “Sharia Share Dealing Service”**

by UMEX Capital Markets Group and LCF

at ‘La Canelle- Domaine Les Pailles’ on Tuesday 22nd January 2013

Members of UMEX and LCF,

Distinguished guests,

Ladies and Gentlemen,

Good morning,

I am honoured to be addressing you today in my capacity as Chief Executive of the Financial Services Commission.

The launch of the “*Sharia* Share Dealing Service” by LCF and UMEX Capital Market Group comes as an opportune moment for Mauritius. Many of you would know and agree that we are increasingly progressing in various areas as an International Financial Centre. Last month itself, I gave a speech during the “**International Arbitration Workshop for Financial Professionals**” at FSC House where I shared a message not too dissimilar to this one today.

Our democratic set up where stability and the rule of law prevail and our strategic geographical location, combined with the fact that we are bilingual, if not trilingual, make Mauritius a centre of reference relating to business and investment activities for Africa, Asia (India and China) and Europe.

As you are already aware Mauritius has embarked on the “African Adventure”. Since last year, the authorities and operators have been working towards making Mauritius one of the major investment platforms / gateways into Africa. Our high ranking in terms of competitiveness, investment climate and governance makes us a trustworthy jurisdiction which inspires investors’ confidence.

From Ghana in the west, to Ethiopia in the east and to Mozambique in the south, Africa's economies are growing at an even faster pace than those in almost any other region of the world. Although severe income disparities persist on the continent, a middle class in Africa is fast emerging and African countries are shifting away from being aid-dependant to increasing trade and investment ties with the world. *The Economist* reports that trade between Africa and the world has increased by 200 per cent. China's trade with Africa reached \$166 billion in 2011, according to Chinese statistics. Over the last decade, economic linkages with the Middle East, in particular, has grown significantly.

With Africa's population set to double to 2 billion in 40 years, huge opportunities exist in Africa. A substantial number of the continent's citizens are Muslims and this large population needs to be served. So far for only the Northern part of the continent, which is the natural franchise of the Middle Eastern Islamic finance industry, has seen the enabling regulatory environment being created. Islamic finance industry is still in its infancy across Sub Saharan Africa.

Strong economic growth in the continent, coupled with human resource development and the promotion of private sector, is expected to boost economic activity in the region which, in turn, will increase demand for more inclusive financial services. The presence of a large unbanked Muslim population, as well as Muslims who would prefer a choice aligned to their faith, offers a tremendous potential for the growth of the Islamic banking and finance industry in the African markets.

As Africa becomes an increasingly attractive destination for investments that are *Sharia* compliant, the onus is on you, the Islamic finance industry leaders and financial institutions to tap into this tremendous potential. The road won't be an easy one and the industry must overcome certain challenges which include lack of *Sharia* compliant investment vehicles, fragile legal and regulatory frameworks and most importantly the lack of awareness by the majority of consumers.

Mauritius may well be the answer to providing Islamic Finance into Africa. The flexibility of our Legal and Regulatory framework allows for the development and expansion of Islamic financial services as well as being compatible with the key financial laws prevailing in the major developed countries (Europe, America...).

On our side, the FSC has been active in the licensing of new and key service providers which are adequately equipped to service a range of local and overseas clients. The FSC is in the process of signing a MOU with the European Securities Market Authority (ESMA) in connection with the AIFM Directive which will bring Mauritius at par in terms of recognition, with other signatory countries and will represent convenient access of our alternative investment funds and funds providers in the Euro zone area.

Yesterday, IOSCO published its final Report on Suitability Requirements for Distribution of Complex Financial Products which covers principles focusing on customer protections – namely, adoption and application of appropriate policies and procedures when distributing these products, requirements to act honestly, fairly and professionally, taking reasonable steps to manage or mitigate conflicts of interest and clearly disclosing the risks involved. This report also deals with information which is to be communicated in a fair, comprehensible and balanced manner as well as suitability protections for advisory services which is to be consistent with such customer's experience, knowledge, investment objectives, risk appetite and capacity for loss. The FSC will expect these same principles enunciated by IOSCO to be applicable to Islamic products and other investment products. The Compliance function and internal suitability policies and procedures by LCF and UMEX as well as supervision and enforcement by FSC in order to protect customers and enhance market integrity will remain of primary importance.

Furthermore, your choice to operate with UMEX and its strategic partner, LCF Securities Ltd for the African Region to provide global financial investment services that are *sharia* and ethical compliant, can only be an advantageous move.

Of course, this is not only because LCF Securities Ltd is licensed as an Investment Dealer (Full Service Dealer excluding Underwriting), pursuant to Section 29 of the Securities Act 2005 by the FSC since 23 April 2012, but also because of its main authorised activities, which are:

- a. To act as an intermediary in the execution of securities transactions on behalf of other persons;

- b. To give investment advice which is ancillary to the normal course of its business activities; and
- c. To manage portfolio of clients.

You, through trading on the UMEX platform, will be able to have access to *sharia* compliant companies listed on the global exchange. This, in turn, may give you an exposure to trading in over 30 countries and in over 10,000 *sharia* compliant equities. UMEX, through this Mauritian alliance, may well fulfil its aim to bring top class service to Africa.

On another note, the platform offered by UMEX is an indication of the market development which evidences the increasing client needs for new financial products and investment avenues. The success of UMEX and LCF in this area will indeed increase the attractiveness of the Mauritius Securities Market and its position as an International Financial Centre in the Africa region by providing a ‘one-stop shop’ for local and foreign investors wishing to invest in *sharia* compliant products.

I am encouraged to see that in terms of Islamic Finance (the products and electronic trading platforms UMEX and LCF are offering to this niche market) are on the same page as the FSC and share our vision for Africa.

To UMEX and LCF, I wish you a good launch and a successful trading life. To you, participants at this workshop today, I wish you enlightening and fruitful deliberation.

Thank you for your attention.

Clairette Ah-Hen

22 January 2013.