Driving Sustainable Business
- Sustainability of our Offshore Sector

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Chief Executive, FSC
Date: 22 June 2012
AGENDA

1. Introduction
2. Landscape
3. Challenges
4. Survey
5. Opportunities
6. Conclusion
INTRODUCTION

- Sustainability of our Offshore Sector

- Financial, Social, Environmental risks and opportunities
- Resilience over time – can survive shocks
- Meet customer needs and be profitable
- How enterprises are innovating and adapting
- Employees achieve sustainable performance
Mauritius – IFC?

Ingredients for sustainability

• The Offshore Financial Sector is an important engine of national growth. For more sustainability, the sector must have the following:
  – Strong institutional structures and systems developed to support the Global Business Sector
  – A modern legal framework developed and constantly updated
  – International Marketing Strategies – Adopt marketing techniques to attract investors
  – Crackdown on illicit activities
  – Exchange of Information – MOUs, MMOUs
LANDSCAPE
A complex World

- In 1800 there were one billion people
- It took 130 years to add the second billion
- 30 years later the third billion was added
- It took 15 years to add the fourth billion
- 12 years later, the fifth billion was added
- 11 years later, there were six billion people
## Mauritius in Key Rankings

<table>
<thead>
<tr>
<th>Index</th>
<th>Global Rank (Mauritius)</th>
<th>Africa Rank (Mauritius)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Performance Index 2010</td>
<td>6 out of 163</td>
<td>1st</td>
</tr>
<tr>
<td>Heritage Foundation Index of Economic Freedom 2012</td>
<td>8 out of 184</td>
<td>1st</td>
</tr>
<tr>
<td>Forbes Survey of Best Countries for Business 2011</td>
<td>19 out of 134</td>
<td>1st</td>
</tr>
<tr>
<td>World Bank Ease of Doing Business 2012</td>
<td>23 out of 183</td>
<td>1st</td>
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<tr>
<td>Democracy Index 2010</td>
<td>24 out of 167</td>
<td>1st</td>
</tr>
<tr>
<td>Knowledge Economy Index 2012</td>
<td>62 out of 146</td>
<td>1st</td>
</tr>
<tr>
<td>International Property Rights Index 2012</td>
<td>40 out of 130</td>
<td>3rd</td>
</tr>
<tr>
<td>Mo Ibrahim Index of African Governance 2011</td>
<td>N/A</td>
<td>1st</td>
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</tbody>
</table>
Mauritius International Financial Centre

- Expertise in Global Business - Pool of Qualified Professionals
- Sound Regulatory Framework and Diversified products
- Ethics and Corporate Governance
- Competitive Operation Cost & Business Friendly Environment
- Communication Network & High Internet Connectivity
Legal and Regulatory Framework

Financial Services Sector
Mauritius

Financial Services Commission
Regulator for all non-banking institutions

Bank of Mauritius
Regulator for banking activities

Global Business
Insurance
Capital Markets
Banks

Enabling Laws
- Financial Services Act
- Securities Act
- Insurance Act
- Limited Partnership Act
- Foundation
Global Business – Legal Entities

- Private and Public Companies
  (Companies limited by shares, guarantee or both)
- Limited Life Companies (LLCs)
- Partnerships
- Trusts
- Protected Cell Companies (PCCs)
- Foundations
## Contribution to GDP of Financial Intermediation

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Intermediation</td>
<td>10.4</td>
<td>10.0</td>
<td>10.1</td>
<td>10.2</td>
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<tr>
<td><strong>Insurance</strong></td>
<td>2.9</td>
<td>2.9</td>
<td>3.0</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Banks</strong></td>
<td>6.1</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

*Forecast

*Source: Statistics Mauritius – National Accounts March 2012*
CHALLENGES
Double Tax Treaties

- Mauritius enjoys preferential ties
- Mauritius has built its financial sector on DTA’s?
- This is presently being impacted heavily by
  - The global downturn
  - Abuse of treaties by some companies and individuals
- India announced that it will apply the GAAR– General Anti Avoidance Rule - on investors who are abusing the DTA
Crisis India faces
Economic and Currency “Mismanagement”
Global Business 2012: India Challenge

[Image: Cartoon of a man holding a document titled "White Paper on Black Money"]
Euro Area Crisis – threat to financial stability
Excessive fiscal tightening in rich nations
Financial Services Commission Mauritius

**International**
- International Standards Setters – IOSCO, IAIS, IOPS
- International Taxation Reforms
- OECD, G20 decisions, FSB (Financial Stability)
- Maintaining our Competitive Edge

**Regional**
- Emerging IFC’s (Competition)
- Competitive Products
- Specificities => SADC, COMESA >AU; COI >IOR
- Harmonisation of norms and standards

**Within Mauritius**
- Competencies => Expertise = Knowledge, skills
  => Respond to needs of market
- Market = Global Business => Substance
  => Local; Inclusive
- Conduct = Confidence, Trust, Reliability
SURVEY
### What we are seeing in the market space

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<tbody>
<tr>
<td>5. Leadership culture/ tone at the top</td>
<td>5. Cost optimization</td>
<td>5. Government restrictions, regulations, and reporting requirements</td>
<td>5. Improving business processes</td>
</tr>
</tbody>
</table>

**CEO Innovation strategies include: (1) Apply new technologies (product, process, information, etc.); (2) foster entrepreneurship, innovation and appropriate risk taking; (3) Engage in strategic alliances with customers, suppliers/business partners; (4) find, engage and incentivize relevant talent; (5) change business model**
Top 10 Risks

- Prolonged slowdown in global economies and increased cost pressures
- Failure to safeguard information and data
- Regulatory complexity, change and additional requirements of laws and regulations
- Political action or uncertainty in varied geographies
- Inability to retain, develop or attract key talent
- Unexpected natural or operational catastrophes
- High dependence on vendors and suppliers
- Unsuccessful integration of business combinations
- Inability to forecast customer demand for new products & services
- Inability to compete against the capacity, quality and price offered by competitors
OPPORTUNITIES
Developing the global business

• Why attract international businesses of substance and financial services companies?
  – Employment
  – Economic development

How
• Enhancing transparency and the financial regulatory environment and regime
• Meeting international standards
• Improving investor and client confidence
• Competitive = efficient = creates value
Threats <=> Opportunities

- Resilience over time
- Can Survive Shocks
- Flexibility and Diversification
- Substance
- Harmonisation of Rules
- Regulations
- Acknowledging and Harnessing Our Strengths
OPPORTUNITIES
- Competitive advantages of the regulatory regime

• Financial *regulation* (quality, quantity, probity, approach, reputation and cost) has to be world class.

• FSC
  – Risk based regulator = Internationally accepted supervisory tool
  – International memberships and recognition

• Business Friendly:-
  – ease and speed of registering and obtaining licenses
  – ease and speed of obtaining information and advice
  – Value-added Financial Services
OPPORTUNITIES - Insurance

• Opportunities
  – The increased Asia (India and China) and Africa economic interaction created more opportunities
    • for the insurance of goods and the ships, despite the Indian Ocean piracy problems;
    • to be captured by insurance companies in Mauritius - whether globally owned multinational or regional insurance companies created for this segment or local companies working jointly with international ones.
  – New products dealing with catastrophic risk, cyclone risk and weather (climate change).

• Challenges
  – However, for this to work, tax advantages are not enough, there is a need for other operational reasons.
  – We need to be able to provide expertise – like actuaries and risk analysts, either ‘local’ or ‘imported’
OPPORTUNITIES - Risk Management

• Mauritius has an Exchange dealing with Derivatives Trading (GBOT).

• This platform provides tremendous opportunities for diversification of risks since derivatives instruments – when used with all appropriate internal control and safeguards – may assist Corporates in managing currency, interest rate, duration, and country risk; as well as hedge against market movements in either direction.

• Still we have few traders / corporate in Mauritius.

• Our training institutions are not providing the valuable incubation site for innovating financial products one would expect to find in an IFC.
OPPORTUNITIES – For x Financial Engineering (Capital markets & investments):

• Mauritius lacks:
  1. a universe of investment banks with sufficient experience and credibility;
  2. a sufficiently large universe of private firms that engender M&A activity on a significant scale; and
  3. the necessary experience (and skills) to make high value activities viable,

• To make Africa-related activity sustainable, need to make strategic investments in developing a credible knowledge base and operating capacity across the continent.
OPPORTUNITIES
- Accounting & Business Support Services Outsourcing

• Need to establish a global reputation/clientele

• Significant constraints:
  – a limited ability to scale up operations quickly in terms of staff numbers
  – insufficient skills in the right areas resulting from a mismatch in human resources between what the educational system produces and the labour market demands;
  – high connectivity costs coupled with a lack of service reliability standards
OPPORTUNITIES
- Mauritius as an Outsourcing Gateway to Africa:
  
  • Membership in a number of regional arrangements (e.g. COMESA, SADC, the Francophonie, the ACP states, the Commonwealth, the Indian Ocean Rim, AU, etc.).
  
  • How to convert that ‘notion’ into practical reality?
    – Intra-regional investment and trade in Africa is miniscule.
    – Mauritius’ connectivity to Africa is probably worse than Nairobi and Johannesburg.
    – Dubai has better air and shipping connections to African capitals than Mauritius.
    – Asian and EU citizens may feel more comfortable culturally living in Mauritius!
CONCLUSION
Mauritius – Star and Key of the Indian Ocean?

• STAR
  – celestial body visible points of light
  – One who is highly celebrated in a field or profession
  – Outstanding or famous, especially in performing something

• KEY
  – open a lock or door
  – piece of information that controls the operation
  – A guide, a tool
Disclaimer

Financial Services Commission
Mauritius
THANK YOU
FOR YOUR ATTENTION