Financial Services Commission
Mauritius

Stock Exchange of Mauritius Ltd – CONFERENCE

'Internationalising the SEM, Creating substance and Capitalising on Africa's potential"

Speech by Miss Clairette Ah-Hen
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The Honorable Xavier Luc Duval, Vice-Prime Minister and Minister of Finance & Economic Development
Mr Marc Hein, Chairperson, FSC and Board Members of FSC
Mr Raj Tapesar, Vice- Chairman, SEM Ltd and Board Members of SEM
Mr Sunil Benimadhu ,The Chief Executive of SEM
Members of SEM
Distinguished guests,
Ladies & Gentlemen

A very Good Afternoon to all of you!

I am delighted to be among your midst today to address you at this conference to mark the recent initiatives taken by SEM to further ***internationalise the Exchange***, providing global companies with tools to ***create more substance as well as capitalize on Africa's potential.***

You will all agree with me that this afternoon is another opportunity for us, as stakeholders of the Financial Community, to reflect on the consolidation of Mauritius as an International Financial Centre of substance and a transparent and safe place to conduct financial services activities.

The drive for internationalisation of exchanges resulted from cross-information flows that underpin market activity and the infrastructure that allows market participants to act upon this information. Investment decisions are increasingly being made on a global rather than a national basis. Thus, timely and accurate information is becoming crucial to investors' decisions. Maintaining the domestic infrastructure is an immense challenge for any policy authority but connectedness across borders is an even more daunting challenge.

In recent years the pace of change has been particularly rapid. The influx of new technology has led to trading becoming even faster and more dependent on computers. The combination of new market participants and growth of new trading strategies have led to the growing internationalisation of markets with most financial impacts knowing no frontiers. The implications in one market - one jurisdiction - can lead to an instant domino effect, impacting the markets in different parts of the world.

We would all agree that the cascades of events, which led to the global financial crisis, have accumulated enormous losses of wealth worldwide. The lessons learnt from the crisis have shown that there is a strong need for continuous review of our financial architecture and a need to promote higher standards of market conduct which encourage efficient and well-functioning markets.

The growing internationalisation of markets combined with changes to regulatory structures in the post-crisis environment mean that, in practice, most key policy and strategic supervisory issues are determined internationally. A purely national response is no longer feasible or appropriate, as policy in all key areas is now determined supra-nationally. Policy makers have called for and engaged in a series of reforms.

- IOSCO, the International Organisation for Securities Commissions has revised and reviewed its Principles bringing them to 38 after taking into consideration factors such as systemic risks. IOSCO is continuously encouraging all its members to sign in the IOSCO MMOU for the exchange and sharing of information. Those who are not on the Appendix A signatories list as of 1 January 2013 will be put on a watch-list.

- The OECD has put forward principles of corporate governance highlighting rights of shareholders, greater disclosure, transparency and fair treatment of all shareholders; and has recognised Mauritius as a Jurisdiction compliant with OECD standards.

- Leaders of G20 have emphasized on the enforcement of high degree of financial transparency and exchange of information while the FSB has reviewed the requirements from jurisdiction in the monitoring of cross border transactions to ensure financial stability.

The amount of current work streams mean we have increased resources devoted to dealing with our overseas counterparts and multi-lateral bodies. We must now negotiate and use our influence to obtain desirable regulatory outcomes in the region of Africa and elsewhere, working alongside the Ministry of Finance and Economic Development, the Bank of Mauritius and other stakeholders.

The participation of the FSC and Mauritius on the Regional Consultative Group of the Financial Stability Board reinforces our commitment for regional cooperation in minimizing systemic risks and preserving the integrity of Mauritius financial system.

In the same line, we are gradually witnessing a trend in respect of 'innovation' which has become one of the buzz words. Innovations can take various forms, such as new products, new business models and entrants, new trading strategies and venues, and new technologies. Financial innovation acts as a hallmark of a vibrant financial system. It should therefore be encouraged and facilitated where it has the potential to improve the efficiency of the markets or to bring useful products and new participants to the market.

I am pleased to mention that locally, SEM and FSC are meeting regularly for discussion to keep pace with new developments. Over the past months, the SEM has brought several innovations to scale up its activities by offering additional products to investors. The FSC, in its role as the Regulator, had had the opportunity to discuss with SEM its different projects and has granted its approval for the revamping of the Listing Rules in respect of the

(i) listing of Specialist Companies and Specialist debt instruments;
(ii) amendments to align with the Securities (Collective Investment Schemes and closed-end funds) Regulations 2008 and to set the operation framework for Global Business schemes and Specialised funds;
(iii) conditions for listing in respect of depositary receipts and
(iv) the listing provisions for Mineral Companies.

Given the international nature of some of these new market players/participants, which SEM is contemplating with the above changes – whether overseas companies/groups setting up Mauritian subsidiaries, or Mauritian entities expanding through overseas ventures or global business funds investing in Africa, such as mining companies engaged on the African continent – it is necessary to maintain the good repute of all by ensuring consistent oversight of cross-border groups. This requires effective cooperation and information sharing by regulatory agencies in Africa and more widely.

The FSC has been an active and trusted player in Africa and we'll continue to engage intensively at all levels, ranging from being the Vice-chair of the CISNA (Committee of Insurance, Securities and Non-Banking Financial Authorities - SADC committee of regulators for non-banking) to chairing Sub-Committees to coordinate and look at detailed aspects of capital markets regulation and related market conduct issues. At the level of IOSCO AMERC which is the Regional Committee for Africa and Middle East countries, we participate actively to share views and experiences with other jurisdictions. Indeed, we had the opportunity to host the 26th AMERC Meeting and Conference last year. Our participation and objective is to balance the promotion of harmonised and coordinated standards across Africa, by effectively supervising market infrastructure providers and markets that are usually delivered best locally.

We do recognise that SEM has to continuously explore new mechanisms and offer additional financial innovative instruments/products to investors so that the latter can diversify their portfolio of investments. There is currently greater competition between infrastructure providers and new market entrants obviously wish to be up and running as soon as possible. This places greater demands on the FSC regarding our service standards and efficiency in processing regulatory requests.

The FSC is committed to providing an efficient licensing process while ensuring that high and consistent service standards extend beyond the entry process, as providers may require regulatory approval or non-objection to innovations which are essential for their commercial success.

The internationalisation of exchanges is accompanied by a plethora of economic opportunities but it simultaneously poses a challenge to policymakers. Indeed, regulators do not hinder market development but must ensure that market discipline is maintained whilst preserving the good repute of the jurisdiction.

It is equally important to provide for investor awareness and protection and to implement appropriate mechanisms to prevent any risks, which financial innovation may cause.

We note that SEM is additionally proposing to introduce the trading and clearing of Contracts for Difference on foreign underlying stocks and indices. I am sure that these incentives will open our jurisdiction to the rest of the world by tapping on the Mauritian platform for investment in Africa and enhance our visibility on the international architecture.

I shall conclude by wishing the SEM well in its endeavours.

Thank you.