IN THIS ISSUE

UNCTAD: Bleak projections for Global FDI flows in 2020

Civil Service College provides training on AML/CFT

Real Estate Bill 2020; Addressing the AML/CFT gaps

FSI: Empowering Women on Boards

Financial Crimes Division to address financial crime cases

Hon. Minister Mahen Seeruttun: “Government is serious in its fight against money laundering and terrorism and proliferation financing”


“Accordingly, there is a requirement for countries to constantly review their legal and other frameworks, to protect their jurisdictions from being used for illicit activities,” argued Minister Seeruttun. Emphasis was laid on strengthening the jurisdiction’s framework in the light of current challenges, namely the inclusion of Mauritius on the FATF list of ‘jurisdictions under increased monitoring’ and the EU list of ‘High Risk Third Countries’. “The drafting of a legislation on AML/CFT is indeed a complex exercise. My Ministry had the full support of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) when the Anti-Money Laundering and Combatting the Financing of Terrorism Act of May 2019 was being drafted.” he added. The ESAAMLG commended Mauritius for that piece of legislation and stated that it could serve as a model. Yet, at that time, the requirements for additional legal provisions, some of which have been proposed in the new Bill, could not be addressed for lack of local expertise. Government has demonstrated strong political will and determination to comply with international standards to combat money laundering and the financing of terrorism and proliferation by bringing fundamental changes to the AML/CFT legislative framework. The future generations to come must be secured. Investors and the international community must be reassured and the Government is committed in its fight against money laundering and terrorism and proliferation financing. This Bill is another step to reinforce our legal framework and thus consolidate our robust foundation to strengthen the effectiveness of our AML/CFT regime.
UNCTAD: Global FDI flows projected to decrease by 40% in 2020

The Global Investment Report 2020, published by the United Nations Conference on Trade and Development in June 2020, paints a bleak picture of investments for 2020. Global FDI flows are forecast to decrease by up to 40 per cent in 2020, from their 2019 value of $1.54 trillion. This would bring FDI below $1 trillion for the first time since 2005. This is largely explained by the impact of the COVID-19 pandemic, and subsequent sanitary lockdowns initiated across the globe. Both new greenfield investment project announcements and cross-border mergers and acquisitions (M&As) dropped by more than 50 per cent in the first months of 2020 compared with last year.

The COVID-19 crisis has had immediate effects on FDI and will have potentially lasting consequences. The sudden and simultaneous interaction of supply- and demand-side shocks, combined with policy reactions to the crisis around the world, is triggering a series of effects on FDI. The impact will be felt with exceptional vehemence in 2020 when the cumulative effect across all transmission mechanisms is strongest. The physical closure of places of business, manufacturing plants and construction sites to contain the spread of the virus causes immediate delays in the implementation of investment projects.

In relative terms, the projected fall is expected to be worse than the one experienced in the two years following the global financial crisis. At their lowest level ($1.2 trillion) then, in 2009, global FDI flows were some $300 billion higher than the bottom of the 2020 forecast. The downturn caused by the pandemic follows several years of negative or stagnant growth; as such it compounds a longer-term declining trend. The exogenous shock of the pandemic adds to the usual volatility of FDI.

It was, however, noted in the report that the impact, although severe everywhere, varies by region. Developing economies are expected to see the biggest fall in FDI because they rely more on investment in global value chain (GVC)-intensive and extractive industries, which have been severely hit, and because they are not able to put in place the same economic support measures as developed economies. FDI flows to Africa are forecast to fall by 25 to 40 per cent in 2020. The negative trend will be exacerbated by low commodity prices. In 2019, FDI flows to Africa already declined by 10 per cent to $45 billion. As per the UNCTAD, investment policy is a significant component of the pandemic response. Several multilateral groupings, including the G20, have issued declarations in support of international investment. More than 70 countries have taken measures either to mitigate the negative effect on FDI or to shield domestic industries from foreign takeovers. In the words of Mukhisa Kituyi, Secretary-General of UNCTAD, “large amounts of institutional capital looking for investment opportunities in global markets does not look for investment projects in manufacturing, but for value-creating projects in infrastructure, renewable energy, water and sanitation, food and agriculture, and health care.”

The pandemic has led Investment Promotion Agencies (IPAs) to drastically lower their expectations for the attraction of new FDI projects. Their expectations for FDI flows had already been on a downward trajectory since 2016; they have now dropped precipitously. IPAs around the world expect that information and communication, food and beverage, agriculture and pharmaceuticals are more likely to still yield investment projects. Pharmaceuticals is not traditionally ranked high for investment prospects, but many IPAs now expect it to become more important.

Selected excerpts from the Global Investment Report 2020, published by UNCTAD, accessible on this link.
Hon Minister Seeruttun: “Accountants should take their gatekeeping responsibilities very seriously”

The Mauritius Institute of Professional Accountants (MIPA) was established in January 2005 under the Financial Reporting Act 2004 to regulate the accountancy profession, comprising Professional and Public Accountants in Mauritius. Membership in MIPA is mandatory for all qualified individuals in order to provide services relating to accounting, auditing, taxation, management consulting and financial management in Mauritius.

MIPA conducted a training workshop on “Accountants as frontliners in the fight against money laundering/terrorism financing” on 16 July 2020 at Hennessy Park Hotel, Ebene. The main topics of discussion during this workshop were changes in the Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) legislative framework; national risk assessment for the accounting profession; ML/TF risks and typologies; risk based approach to AML/CFT supervision and obligation and filing of Suspicious Transaction Reports (STRs).

The main objective of the training was to provide an overview of the AML/CFT obligations for Designated Non-Financial Businesses and Professions (DNFBPs) and to determine the right approach in identifying the potential risks that DNFBPs may be exposed to.

In his keynote address, the Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance stated that AML/CFT has today become an inherent part of the accountant’s obligations. “Gatekeepers”, “Frontliners” and “AML Watchdogs” are some of the terms being used to illustrate increasing expectations from the accounting profession to be an impartial godfather and protector. A complete ecosystem has been put together with distinct supervisors assigned to various components of DNFBPs. Criminals are shying away from banks to channel their illicit funds because of tougher regulations and controls and they are now turning towards the relatively lesser regulated non-financial businesses and professions. The inclusion of DNFBPs in the AML/CFT regime has accordingly become a high priority of international and domestic political agendas. In Mauritius, since May 2019, DNFBPs are subject to the same AML/CFT requirements and preventive measures as financial institutions regulated by the Bank of Mauritius (BoM) and the Financial Services Commission (FSC).

Hon Seeruttun stressed that our unfavourable listings by the FATF and the EU undoubtedly exert tremendous pressure on these supervisors to fulfil their new responsibilities and obligations. Accountants must have in place systems and controls capable of assessing risk, performing client due diligence, monitoring existing clients, keeping appropriate records and reporting suspicious transactions.

The Honourable Minister concluded by stating that “accountants should take their gatekeeping responsibilities very seriously and they are aware that they have a significant role to play in ensuring that their expertise and services are not used to further criminal activities, yet, we have seen both in Mauritius and abroad how, à leur insu, accountants are being used to unlock the very gates they are supposed to be guarding.”

He further expressed that capacity building initiatives such as the current one will go a long way in fostering a risk awareness and compliance culture which will act as the ‘firewall’ against money laundering and terrorist financing.
The Civil Service College Mauritius held a 3-day training on 21, 23 and 24 July 2020 on “Anti-Money Laundering and Combating Financing of Terrorism” for public officers who have responsibility for the development or implementation of Anti-Money Laundering policies/procedures.

The overall objective of this three-day training session aimed at providing participants with the necessary tools and know-how to understand the key concepts of money laundering and terrorism financing, its proliferation, and to have an insight of its impact on both the financial services sector and the economy. The trainees were exposed to the relevant legal and institutional frameworks to combat money laundering and terrorism financing as well as the role of the Financial Task Force (FATF) in AML-CFT. Moreover, those present were able to understand what are the legal and institutional frameworks in Mauritius to combat financial crimes.

The key features of the training were on the concepts of Money Laundering, Terrorist Financing and Proliferation, Negative effects of Money Laundering and financial crimes, Global, regional and domestic initiatives to combat money laundering and terrorist financing, Evolution of Mauritian AML-CFT Framework, Mauritian Chain of Responsibilities, Mutual Evaluation Reports – FATF and European Union Listings and challenges in AML-CFT.

During the Certificate Award Ceremony, Hon Minister Seeruttun emphasised on the Government’s continued high level commitment to adhere to international standards in the fight against money laundering and terrorism financing. He further added that the unfavourable listing by the Financial Action Task Force with regard to AML/CFT has been a severe blow to our country and, untimely as well, in the aftermath of COVID-19 pandemic.

Although included in the EU Blacklist, Mauritius is taking this setback as an opportunity to correct deficiencies and reinforce the effectiveness of its regime. As the Mauritian International Financial Centre (MIFC) develops in scale and sophistication, it becomes increasingly visible under the radar of criminals who are constantly on the lookout for jurisdictions where they can launder and park their illicit funds.

The Minister also added that it is the responsibility of all of us from policy maker to regulator and operator to step up our vigilance and strengthen measures against those who seek to use our financial hub for illicit purposes.

The MIFC needs people to discern suspicious behaviours, to prioritise and escalate riskier customers, to spot new typologies, be vigilant in order to make the system effective. In this respect, the Ministry of Financial Services and Good Governance and the Financial Services Commission have recruited more specialists to strengthen the AML/CFT team.

The Financial Services Institute (FSI), which acts as a training arm at the Ministry, has, on its part, regularly rolled out specialist training courses for the industry and supervisors on Financial Crime Compliance. The training has been extended to Designated Non Financial Businesses and Professions spreading the net across professions and areas of activity beyond the financial services sector. A new partnership forged between the FSI and the Open University is currently working on establishing certification standards for Financial Crime Compliance training.

The Hon Minister concluded that Mauritius is going through a tough challenge to demonstrate to the FATF and the EU that it is well on course to pass the effectiveness and enforcement tests.
Hon. Mahen Seeruttun pointed out that the Government is making headway with the “Real Estate Agent Authority Bill” to fight against money laundering during his intervention in the National Assembly on 4th August 2020 on the Bill.

Undeniably, the real estate sector plays a crucial role in the Mauritian economy in providing high quality infrastructure to improve the quality of life to the Mauritian citizens. The development and construction of offices, commercial as well as residential buildings, create directly thousands of jobs. As such, the real estate sector makes significant contribution to the Mauritian economy. In fact, in 2019, Gross Domestic Fixed Capital Formation (GDFCF) in real estate activities amounted to Rs 34 bn; of which Foreign Direct Investment (FDI) in real estate was Rs 16.1 billion. The real estate sector contributes about 6.0% in the total GDP.

The Real Estate Agent Authority Bill 2020 provides for the establishment of a Real Estate Agent Authority in order to regulate and control the business activities of real estate agents, including business activities of land promoters and property developers in Mauritius.

**The overriding objectives of the Bill are to:**

- promote transparency, accountability and integrity in the real estate profession;
- protect and assist persons engaged in transactions with real estate agents; and
- assist in the detection and prevention of money laundering and terrorist financing, and other related matters.

The Real Estate sector is one of the categories of Designated Non-Financial Businesses and Professionals (DNFBPs) identified by the FATF as being particularly vulnerable to money laundering. Additionally, as a result of the Non-Citizen (Property Restriction) Act and the various schemes for foreigners to purchase property in Mauritius, the sector should be looked at from both a domestic and international perspective, each representing a different set of money laundering risks. Due to the value of real estate in Mauritius, the sector is mostly exposed to criminals who participate in criminal activities which generate high levels of proceeds of crime. Domestically, the sector is exposed to proceeds from criminal offences such as drug trafficking and fraud, two high proceed generating crimes which occur in Mauritius. On the international front, the nature of the predicate offence is more diverse, but they tend to centre around white collar crimes.

The Bill addresses the AML/CFT gaps for the regulation of the real estate profession. Additionally, it provides for better structure and substance to the real estate profession itself by ensuring that only suitable persons are able to act as agents. In turn, it is expected that knowledge of AML/CFT shall be enhanced and that agents as DNFBPs shall be empowered to take all necessary measures to protect their businesses and the sector as a whole against money laundering and terrorist financing abuses.
FSI: Empowering Women on Boards

The first batch of ‘Incubator for Women Empowerment on Board’ was scheduled for March 2020 but due to the COVID-19 lockdown, it was postponed to 22 to 26 June 2020. The Incubation sessions were organised in collaboration with the Financial Services Institute (FSI) and the first batch was dedicated to women who are current Board Members. The award ceremony was held on the 26 June 2020 and was graced by the presence of the Hon Minister, Mahen Seeruttun.

In his speech, the Minister expressed his satisfaction that although the programme was organized within a short delay, a favourable response was received from Permanent Secretaries, Deputy PS, and Assistant PS from various Ministries and Boards. He mentioned that despite our best efforts, we still have a long way to go as underrepresentation of women on Boards is still a sore reality and our work is far from finished. He added that we should put in more effort to bridge this gap and this mission needs constant nourishing and multi-stakeholder engagement. The Minister made an appeal to the heads of organizations present to use their good offices to help support the Ministry’s endeavours in that direction.

The Incubation sessions were held at the FSI. The first batch had nearly 40 women participants mainly from the public sector. Experts in the field were appointed to guide and train the participants. The FSI received a positive feedback from the participants, whether in terms of course content, delivery or trainer engagement. Many women have been appointed on Boards and assigned the duties and responsibilities of Board members without any training or guidance on their role as such. The Incubator has given the participants the opportunity to learn new things, especially with regard to the responsibilities of Board Directors, and share anecdotes/past training experience with other women in similar positions.

For women Board members, it is often the scenario of a lone wolf (or wolverine) against the pack. However, upon completion of the training, the participants from the first batch showed that they did not go empty handed, they came out of this more prepared, stronger and more empowered in their role.

The Incubation sessions have been very fruitful for the participants. More Incubator sessions will be forthcoming in view of the high interest shown in such training by Ministries/Departments and also of the positive feedback obtained from participants of the first batch. The next batch will comprise both men and women.

Financial Crimes Division to address financial crime cases

The setting up of the Financial Crimes Division of the Supreme Court and the Financial Crimes Division of the Intermediate Court have been rendered necessary with a view to ensuring that financial crime cases are dealt with expeditiously, thereby ensuring further compliance with recommended international best practices of the Financial Action Task Force standards.

The Financial Crimes Division of the Supreme Court will, in addition, have jurisdiction to hear and determine any other matter under any enactment which is connected or ancillary to a financial crime offence.

The Courts (Amendment) Bill No X of 2020 was introduced in the National Assembly on 13 July 2020. The main objective of this Bill is to amend the Courts Act for:

(a) the setting up, within the Supreme Court, of a Financial Crimes Division and a Land Division;

(b) the setting up, within the Intermediate Court, of a Financial Crimes Division; and

(c) enabling the Chief Justice to set up, within the Supreme Court and the Intermediate Court, such other divisions as he thinks fit for the despatch of civil business and criminal business.

(Cont'd pg 7)
Facing the job crisis - Employment Outlook 2020

The latest OECD report on the Employment Outlook 2020 focuses on worker security and the COVID-19 crisis. The report highlights the severe restrictions to social and economic life that most OECD countries have had to take to slow the spread of the virus, which prevented the collapse of health care systems and helped to avoid deaths. Between the last quarter of 2019 and the second quarter of 2020, OECD-wide GDP is projected to have fallen by almost 15%. In the first three months of the COVID-19 crisis, in OECD countries, hours worked fell 10 times more than in the first three months of the 2008-09 global financial crisis. The Report outlines some of the critical decisions that countries will have to make: Decisions on how, and at what speed to manage a return to economic and social activity, while keeping workers safe: Decisions on how to scale back job retention schemes without prematurely removing support where it is still needed.

As such, governments in the OECD countries have implemented packages of measures to support people and companies and to cushion the impact of the crisis, which have often been impressive in their scale and speed. Some countries provided unemployment benefits and made them more accessible. Some countries expanded access to, or the generosity of, paid sick leave. Many countries have eased companies’ access to short-time work schemes, making them more widely available (in particular to small and medium-sized enterprises) and generous while lowering conditionality requirements. Many countries have also stepped up means-tested assistance of last resort, introduced new ad-hoc cash transfers, and provided direct support to those who lost their livelihoods.

Financial Crimes Division to address financial crime cases (Cont’d from Pg 6)

In his speech, the Hon. Mahen Seeruttun, Minister of Financial Services and Good Governance stated that the Bill will undoubtedly address some of the strategic deficiencies pointed out by the Financial Action Task Force (FATF). He further informed that Mauritius has been included in the FATF list of jurisdictions under Increased Monitoring and on the EU list of High Risk third countries as regards AML/CFT. The listing is based on the fact that part of the country’s AML/CFT system, including the prosecution of ML/TF offences before courts, has specific deficiencies.

The Hon. Minister reiterated that establishing specialized divisions for financial crime offences in Mauritius will significantly contribute in reducing the time taken for Money Laundering and Terrorist Financing cases to be resolved. It is expected that by clearly focusing the jurisdiction of Financial Crimes Divisions, Money Laundering, Terrorist Financing and offences will be dealt with in a far more expeditious and effective manner. Indeed, with these new Divisions, all the other financial crimes provided under the Financial Intelligence and Anti Money Laundering Act (FIAMLA) will now be determined separately from other criminal cases.
Gender gaps remain significant around the world—both with respect to opportunities and outcomes. Whether these are legal restrictions or barriers in access to education, health and financial services; women do not fully participate in the global economy. Moreover, women have borne the brunt of the economic disruption caused by the COVID-19 pandemic. In America, despite making up less than half of the workforce, they accounted for 55% of jobs lost in April 2020. In Britain mothers are one-and-a-half times as likely as fathers to have lost or quit their jobs during lockdown, according to the Institute for Fiscal Studies, a UK-based think-tank.

Gender equality is important in its own right. Development is a process of expanding freedoms equally for all people—male and female. Closing the gap in well-being between males and females is as much a part of development as is reducing income poverty. Greater gender equality also enhances economic efficiency and improves other development outcomes. Unequal or unfair treatment can marginalize women and hinder their participation as productive individuals contributing to society and the economy in invaluable ways. Policymakers can use their positions to design policies that help women and girls access what they need for a fulfilling life—including education, health services, safe transportation, legal protection against harassment, finance, and flexible working arrangements.

A recent IMF research paper shows that increasing financial inclusion, of both women and men, lifts economic growth. This research also shows that having more women in leadership positions leads to greater financial stability, lower levels of non-performing loans, and higher profits. Banks with a higher share of women on their boards were more stable in 2008, when the Global Financial Crisis hit. One reason for this performance is clear: greater diversity means more diverse views, which helps avoid group-think and leads to better decision making.

Women make up almost half of the world’s working-age population of nearly 5 billion people. But only about 50 percent of those women participate in the labor force, compared with 80 percent of men. Furthermore, in both the formal and the informal sector, women doing the same work and having the same level of education earn less than their male counterparts. Among those who do work, few rise to senior positions or start their own businesses. Women also shoulder a higher share of unpaid work within the family, including childcare and domestic tasks, which can limit their opportunity to engage in paid work and constrain their options when they do.

Drawing on macroeconomic, sectoral, and firm-level data, a recent IMF study suggests that men and women complement each other in the workplace in terms of different skills and perspectives, including different attitudes towards risk and collaboration. As a result, increasing women’s employment boosts growth and incomes more than previously estimated. The study also shows that increasing women’s labor force participation produces large gains in economic welfare, which account for changes in consumption goods, home production, and leisure time; these gains exceed 20 percent in South Asia and the Middle East and North Africa.

Increasing gender diversity on boards in the financial sector is associated with stronger financial outcomes, reduced risk, and enhanced resilience. Evidence also suggests that enhanced gender diversity on boards is associated with greater bank stability, reduced conflict, and greater focus on transparency and ethics. Policymakers, governments, and corporations now recognize the benefits for economic growth and development of giving women equal opportunities. They are seeking to improve their policies and practices in this area and reduce barriers to gender equality. In conclusion, as we work to empower women in the global economy, as we strive to make more room for them in the boardroom, let us not forget that the fight for equality and dignity should begin right here, where we live and work.