

# FINANCE InFocus

A monthly publication of the  
Ministry of Financial Services and Good Governance

## Vision

*Our vision is to transform Mauritius into a Centre of Excellence and promote wealth and good governance. We are driven by ethical behaviour, efficiency, honesty, trust, integrity and responsiveness in our quest for excellence within our operational and staff functions.*

## Minister: “Positive Outlook on all Economic Pillars”

The Budget 2019-2020 embodies an array of measures relevant to the socioeconomic direction taken by Mauritius, according to Hon. Dharmendar Sesunkur, Minister of Financial Services and Good Governance.

During the Budgetary Debates held on 14 June 2019 at the National Assembly, Minister Sesunkur expressed himself on the state of affairs of the economy and the future of the Financial Services sector : “The Prime Minister and Minister of Finance and Economic Development, Hon. Pravind Kumar Jugnauth, has successfully outlined relevant social and economic measures in the light of daunting challenges, which have led to some tough choices. Through the far-reaching Budget Speech, the policy stance adopted paves the way to ensuring modernisation and reform of an inclusive Mauritius.” stated the Minister. He also laid emphasis on the fact that the ‘human approach’ adopted clearly shows that the 2019-2020 Budget is in fact a holistic process which englobes a number of successive projects culminating in high economic growth and socioeconomic development. “The Budget opens doors to a wide range of new opportunities aimed at the wider cross-section of the population, and we should pride ourselves in our achievements. Building new avenues for growth and consolidating our pole position as the leading economy in Africa is imbibed in the document.”, added the latter. In order to achieve national goals,



Minister Sesunkur called for closer collaboration by all stakeholders which would lead to the fructification of these projects of national interest. He expressed his confidence in that the Budget would propel the economy forward, in line

**“The Budget opens doors to a wide range of new opportunities aimed at the wider cross-section of the population”**

with the positive performance displayed by the various economic pillars recently. Moreover, Minister Sesunkur also mentioned that forecasted outlooks on the main sectors remain positive, with growth expected in the following sectors : Tourism , Financial Services , Information and Communication Technology (ICT) and Construction. He also highlighted the numerous measures undertaken to transform the Financial Services sector. “Since December 2014, the Financial Services sector has undergone several reforms

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to ensure conformity and compliance with international standards and best practices. The objective has been to ensure that Mauritius International Financial Centre (IFC) continues to build its reputation as one of substance and good repute. Commitment in this regard has been demonstrated at the highest level, with the mapping of the Mauritius IFC Blueprint 2030 which paves the way forward to diversifying our product offering and building a thriving ecosystem to effectively tackle “challenges” affirmed the Minister. He concluded by stating that despite daunting challenges, unemployment rate has fallen beyond our expectations and Gross Domestic Product (GDP) per capita has risen considerably since 2010. The future looks promising, according to the Minister, with a positive outlook on all economic pillars.

## Budget Measures 2019-2020

### Excerpts on the Financial Sector

#### Expanding accessibility by

- establishing a new framework for fund administration and fund management;
- revamping the existing Special Purpose Fund regime to ease access to new markets; and
- FSC entering into an agreement with the Gujarat International Finance Tec-City to recognize Mauritian licensed funds and management companies as qualified to operate in the Gujarat jurisdiction.

#### Facilitating the conduct of business

To facilitate conduct of business in the sector, a 'single-window system' will be set up at the FSC to allow for submission of documents for financial services and global business applications.

#### Diversifying the product base by introducing

- new rules and an attractive tax regime to promote the development of the Real Estate Investment Trusts (REITs);
- an 'umbrella licence' for wealth management activities;
- a scheme for the headquartering of 'e-commerce' activities;
- a framework for Green Finance in line with the 'Marrakech Pledge' – a continental coalition of African Capital Markets Regulators and Exchanges committed to foster green financing on the continent; and
- a new trading platform at the Stock Exchange of Mauritius (SEM) to allow medium-sized profitable enterprises that do not qualify for listing on the official and DEM markets to raise capital and trade their shares.

#### To position Mauritius as a Fintech Hub, FSC will

- establish a regime for Robotics and AI enabled financial advisory services
- introduce a new licence for Fintech Service providers
- encourage self-regulation for Fintech activities in consultation with the United Nations Office on Drugs and Crime (UNODC)
- introduce the use of e-signatures and e-licences on a pilot basis
- create Crowdfunding as a new licensable activity.

#### Ensuring Compliance with International Best Practices

- Tax Residency of Companies (The Income Tax Act will be amended)
- Reforms to the Tax Regime of Global Business Companies

#### Strengthening the regulatory framework and increasing investors' confidence

- a Financial Crime Commission will be set up to act as an apex body to ensure greater coordination and coherence among the various investigative agencies, including ICAC, the Financial Intelligence Unit (FIU) and the enforcement department of the Financial Services Commission (FSC).
- FSC will develop a financial data handling code of conduct to address cyber risks
- The BoM, FIU and FSC will introduce industry-wide Practice Notes with respect to handling clients' requests.

### Developing the Financial Services Sector

- Coordinated approach to Private Banking and Wealth Management Licensing
- Broadening the Network
- Head-Quartering of e-commerce activities in Mauritius
- Upgrading the Regulatory Sandbox Licence Framework

### The Banking Act 2004 will be amended to

- allow the BOM to consider applications for a banking licence from a subsidiary of a bank incorporated abroad;
- require directors to report any matter which comes to their knowledge which is against the Companies Act, including AML/CFT matters;
- make wilful default be an offence for which a borrower may face criminal proceedings;
- provide for the protection of whistle-blowers;
- provide every financial institution to put in place policies and procedures requiring their employees to disclose any interest in relation to any matter which they may have with the financial institution and not take part in any deliberation or decision-making process
- allow a financial institution to disclose information relating to risk-management functions as may be approved by the BOM.

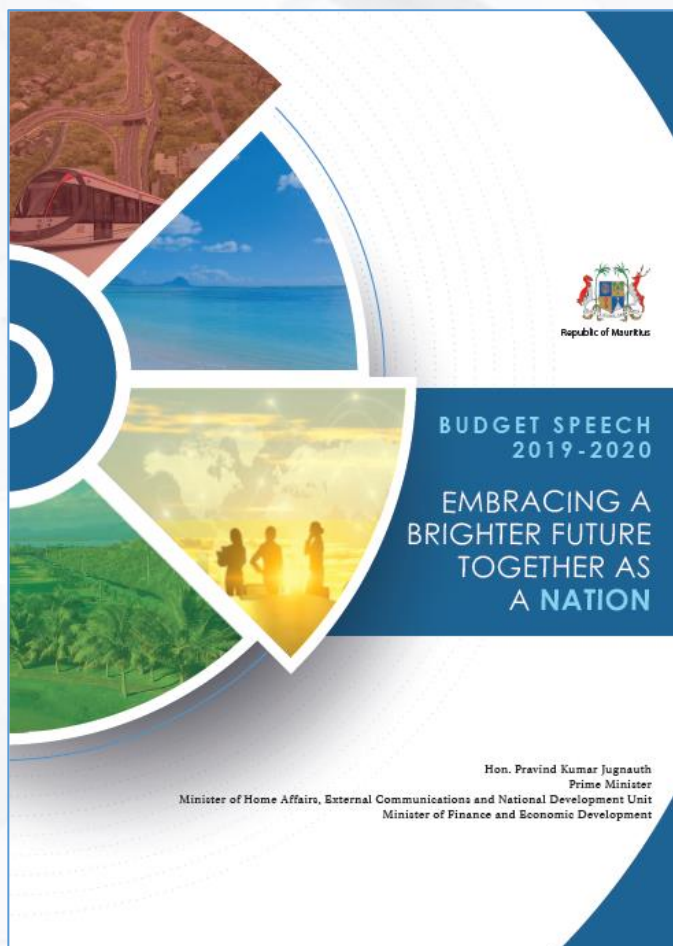
### The Bank of Mauritius Act 2004 will be amended to

- allow the BOM to provide facilities, including intra-day credit, to payment, clearing and settlement systems and their participants, to ensure the safety, soundness and efficiency of such systems
- provide that the Equal Opportunities Act will not apply to the BOM with respect to the appointment of consultants
- require the BOM to publish its report on monetary policy at least twice a year instead of at least once a year. The report will include a review of price and financial stability and an assessment of the policies
- provide greater clarity on the governance, reserves management, investment objectives and actual investment of the foreign exchange reserves
- provide for the BOM to determine the investment policy regarding the management of the official foreign reserves of Mauritius
- allow the BOM to appoint external parties to manage the official foreign exchange reserve on its behalf
- require the BOM to submit a report on the management of the official foreign exchange reserves to the Minister of Finance twice a year
- allow use of funds from the Special Reserve Fund for fiscal policy purposes as well
- allow crowdlending platforms to have access to and become participants of the Mauritius Credit Information Bureau (MCIB)
- allow the BOM to seek the collaboration and co-operation of the FSC and any other agency for the establishment of the Central KYC Registry.

### The Financial Reporting Act will be amended to

- provide for a representative of the Ministry of Financial Services and Good Governance to be a member of the Financial Reporting Council;
- require every licensed auditor to comply with relevant regulations issued by the Financial Intelligence Unit; and
- impose a fine not exceeding Rs5 million where a licensed auditor or an audit firm has breached the Financial Reporting Act or any rule, code, guidelines or standards relating to auditing issued by the Financial Reporting Council.





### **The Financial Services Act will be amended to allow for the following**

- Reinforce the role of the Financial Services Commission (FSC) as an independent financial regulator in the non-banking sector
- An application for review no longer has to be in the form and manner approved by the FSC
- A new framework for fund administration and management
- Mauritian licensed funds and management companies to operate in the Gujarat jurisdiction
- The existing Special Purpose Fund regime will be restored to ease access to new markets
- FSC will regulate crowdfunding, Fintech Service Provider and Robotic Advisory Services
- Introduction of e-signatures and e-licenses on a pilot basis
- provide for the Financial Services Fund to transfer Rs100 million to the Consolidated Fund
- Remit any balance in the General Reserve Fund in excess of Rs100 million as at 1st July 2019 to the Consolidated Fund.

### **The Ombudsperson for Financial Services Act will be amended to**

- ease procedures for making a complaint;
- allow the Ombudsperson or any officers of his office to make on-site visits in a financial institution to ensure that guidelines, instructions or other requirements imposed by the Ombudsperson are being complied with;
- provide for any person to lodge a complaint in writing with the Ombudsperson in the case of a non-receipt of a decision from the Financial Institution within 10 days from the date of the written representation;
- allow any person aggrieved by the decision of the Ombudsperson to apply to the Supreme Court for a judicial review of the decision or award within 21 days;
- Provide for the Ombudsperson to compound any offence committed by a person under the Act with the consent of the Director of Public Prosecutions where the person agrees in writing to pay such amount.

### **The Securities Act will be amended to**

- clarify that an acquisition is significant when the value of the asset is at least 10% of the net assets of the reporting issuer;
- allow for an investigation to be conducted under Section 44A of the Financial Services Act relating to Special Investigations;
- provide for the authorisation of agents of investment dealers
- provide for the authorisation and supervision of Real Estate Investment Trusts.

## NPQC Awards 2019: Rewarding Efficiency and Productivity

The National Productivity and Quality Convention 2019 (NPQC 2019), organised by the National Productivity and Competitiveness Council (NPCC), culminated in an Award Ceremony organised at BalACLava on 31 May 2019, where Minister Sesunskur delivered a keynote address. The Award Ceremony witnessed the participation of more than 350 delegates from public and private organisations. A total of 106 projects related to productivity and quality improvement were submitted to the NPQC for evaluation and assessment.

In fact, this rally of 106 businesses stood united in this challenge despite diversity of missions, products, services and markets. The Grand Winners will have the opportunity to participate in the 2019 International Convention on Quality Control Circles (ICQCC) to be held in Tokyo in September 2019. The event will be organized by the Union of Japanese Scientists and Engineers (UJSE) under the theme 'Creating a Brighter Future Through Total Quality Management and Quality Circle Activities'. It is worth mentioning that the Embassy of Japan in Mauritius was the honorary partner of the NPQC 2019, and the Ambassador, H.E. Yoshiharu Kato, graced the event with his presence.

Minister laid emphasis on the fact that the relentless pursuit of better standards of quality and higher levels of productivity echoes well with the governance philosophy of this Government. A range of reforms and initiatives have been introduced in recent years to enhance productivity and competitiveness, which includes the adoption of the Business Facilitation Act, finalisation of the Financial Sector Blueprint, and programmes to support youth skill development, small-scale entrepreneurs and female labour force participation. The rationale behind this award ceremony was to recognize and celebrate exceptional performance, which bears testimony to the commitment of this Ministry and the NPCC to give support to the business



community in order to reinforce our country's competitiveness to propel the economy forward. The event was held to celebrate the spirit of innovation and resourcefulness as well as the spirit of brotherhood which galvanized participants. Minister Sesunskur added that "the NPQC is a wonderful opportunity for us to come together, exchange ideas and best practices so that we can all benefit and improve our respective organizations and ultimately our country".

Ultimately, the Minister encouraged the NPCC to continue with their productivity and competitiveness enhancement programmes whether through education campaigns, dissemination of publications, establishment of national awards or promoting the adoption of best practices. The Ministry is currently working in close collaboration with the NPCC to ensure that the Productivity Movement in Mauritius progresses from awareness stage to action stage across every sector of the economy. He quoted that "Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort,"

### *The six Grand Winners of the Convention in three different categories were as follows:*

<b>Small &amp; Medium private enterprises including micro enterprises</b>	Neel Trading & Facilities Ltd
	SS Business School Ltd
<b>Large private enterprises</b>	Phoenix Beverages Ltd
	Natec Medical Ltd
<b>Government bodies/parastatals/registered associations</b>	Rajiv Gandhi Science Centre
	Employees Welfare Fund



## International Fiscal Association (IFA) Conference 2019: Bridging Africa to Asia



The 13<sup>th</sup> edition of the Asia/Africa Conference of the International Fiscal Association (IFA) was held on 09 and 10 May 2019 at the Sofitel Mauritius L'Imperial Resort & Spa Hotel in Flic en Flac. In its 13<sup>th</sup> year, the IFA-Mauritius Conference is the only international tax conference of its kind helping to bridge Africa and Asia.

This year, the conference focused on two major topics directly related to Base Erosion and Profit Sharing (BEPS), notably “BEPs Action 5: The substance conundrum” and “BEPs Action 1: Would consensus be reached?”.

“The 2019 edition of the IFA conference welcomed approximately 35 stakeholders in the field of taxation and brought together over a hundred delegates from Europe, India, United States, Australia and of course from Mauritius,” stated Rajesh Ramlooll SC, President of the Mauritian branch of IFA and Chairman of this conference. The opening ceremony took place in the presence of Minister Sesungkur, who addressed the audience. In his address, the Minister stated that Government is committed, through global initiatives and collaborative partnerships such as the IFA, to address the challenges of a digital economy so that Mauritius remains a great place to work, play and grow businesses. He further said that the local Financial Services sector is presently being revamped, and key changes have been brought to the legal as well as the regulatory framework. This policy, he added, paves the way to building its reputation as a jurisdiction of substance and as a springboard for the investors throughout the world. To this end, a Blueprint has been drawn to outline the strategy of Mauritius as an International Financial Centre which will ensure compliance with the best international norms and standards set up by the OECD, he further stated. Other high calibre speakers such as Rajesh Ramlooll and

Prof. Robert J. Danon gave their point of view on the world of taxation and international finance which are becoming more and more extensive when it is about the “Digital Service Tax” or the “Data is the new Oil”.

Other speakers included Belema Obuoforibo, Director of IBFD (Netherlands) and Professor Roy Rohatgi, Conference Advisor and Director of the Foundation for International Taxation (India). It should be noted that the participants watched a speech by Murray Clayton, IFA Central President Chairman, who was unable to travel to Mauritius.

The two-day conference sought to help in bringing experts on the same platform to exchange views and agree on a combined and coherent action to avoid double or over-taxation. Inputs collected will contribute to devise better policies so as to create the appropriate ecosystem to allow legitimate ambitions of businesses and individuals to thrive and flourish.

The IFA conference targeted mainly professionals in the tax and financial sector, through panel discussions and presentations. Other topics of news mentioned, amongst others, included Blockchain implementation, a two-year retrospective: What next after the crypto cash crash; POEM: Is it still born concept? MLI Implementation Challenges; Post-BEPS tax reforms in Mauritius: Private wealth and family offices; Video introduction by Prof. Philip Baker (UK) - why should Mauritius evolve towards servicing HNWIs; Dispute resolution; Africa Center: the positive contribution of IFCs. The organizers took the opportunity to launch Prof Roy Rohatgi's new book “Roy Rohatgi on International Taxation,”, a copy of which was given to the Minister.



## Training Programme on Gender Mainstreaming

The Ministry of Gender Equality, Child Development and Family Welfare, together with the Ministry of Financial Services and Good Governance, organised a two-day Capacity Building Programme on Gender Mainstreaming. The training programme was held on 17 and 24 May 2019. The objectives of the workshop were to provide insights on fundamental human rights instruments concerning women's rights and gender equality; endow participants with an understanding of the gender concept and gender mainstreaming strategies to enable participants to identify gender issues and adopt gender sensitive approaches in relation to financial services and good governance. The audience comprised of officers from this Ministry and the different entities falling under the purview of this Ministry, such as the Financial Services Commission, NPCC, SICOM and National Insurance Company.



The speaker on the first day was Mrs Mohini Bali, Head of the Gender Unit at the Ministry of Gender Equality, Child Development and Family Welfare. She introduced the subject by painting a brief picture on the history of Women's Rights as Human Rights, which dates as far back as in June 1945 when the Charter of United Nations was signed by 50 of its original Member States. Thereafter, on 24 October 1945, the treaty entered into force after being ratified by five permanent members of the Security Council (China, Russia, USA, United Kingdom and France). The second day of the seminar was conducted by Dr Winnifred Osimbo-Lichuma, an international Consultant and Gender Expert, who elaborated on the concept of Gender Mainstreaming which is defined as a process whereby attention to gender equality is integrated into an organisation's policy analysis and planning as well as

monitoring and assessment, thereby giving the content and direction of these practices at institutional level. The setting up of a strategy was proposed for making the concerns and experiences of both men and women as an integral dimension of the design, implementation, monitoring and evaluation of policies and programs in all political, economic and social spheres. The workshop was an interactive session where all participants were involved in question and answer sessions, presentations of group work followed by discussions and culminated in identifying gender issues in relation to the financial services and good governance domains. At the end of the seminar, a certificate of participation was issued by this Ministry to each participant.

### Sex

refers to the biological characteristics that differentiate a man and a woman while Gender refers to the social attributes and opportunities associated with being male and female and the relationships between women and men, girls and boys, as well as the relations between women and those between men. These attributes, opportunities and relationships are socially constructed and are learned through socialization processes.

### Gender Equality

means that the rights, responsibilities and opportunities of individuals will not depend on whether they are born male or female. Equality does not mean "the same as" – promotion of gender equality does not mean that women and men will become the same. Gender Equity takes into consideration their different needs and aspirations, being fair to both sexes. Equity is essential to attain equality.



## Setting the Appropriate Regulatory Approach to Financial Reporting in Africa



The second African Forum of Independent Accounting & Auditing Regulators (AFIAAR) Meeting, hosted by the Financial Reporting Council (FRC), was held in Balaclava, Mauritius on 22 May 2019. AFIAAR, formed in March 2018, is a Pan-African forum of audit and accounting regulators representing 11 countries. The Forum was established to align member institutions under one African voice regarding auditing oversight and accounting standards, and to support African audit and accounting organisations to collaborate for building capacity. Member countries include Botswana, Ethiopia, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, South Africa, Zambia and Zimbabwe. The conference entitled “Attracting investment through good governance and restoring confidence in audit and accounting”, was opened by Minister Sesungkur.

He conveyed his appreciation on being present at the Forum and stated that he will give his support for the development of AFIAAR which is in the early phase of its evolution. The Minister stated that the reasons for audit failures have been inadequate reporting and inherent weaknesses in self-regulation and there have been intense discussions globally on what should be the appropriate regulatory approach to financial reporting. In fact, ever since the great financial debacle, which rocked the US and virally spread across continents, Governments and financial services regulators have been actively regulating and taking bold steps to boost public confidence and maintain the stability of their capital markets. The Minister further added that even Mauritius has set up independent audit regulators to keep a close eye on the quality and rigour of the financial reporting and auditing landscape. Standards are being constantly upgraded in conformity with best international norms and practices. This measure will act as a deterrent and enhance standards of accountability in the profession.

Furthermore, to improve the inspection process of the FRC, it will be mandatory for licensed auditors to keep information in electronic format which will improve the accuracy and reliability of data. The Minister also emphasized on the importance of AFIAAR to improve audit quality of our regional bloc, which is vital for the sustainable growth of Africa. He is confident that this grouping of audit regulators will branch out to many other African states in no time as they undertake outreach efforts and communicate their vision. He has no doubt that, in the not-so-distant future, AFIAAR will become a leading regional organisation furthering the interests of the profession on audit matters. He believes that, for the next Forum, there will be many more members who will join the group. The imperative is to create a stronger voice for Africa. In this context, more credibility and trust will be displayed to international investors to come to Africa.



The African Continent needs robust regulators in the financial sector to enhance investor confidence and ensure the security as well as the stability for global investment into Africa and African economies. In order to strengthen audit quality and regulation, the FRC has introduced mandatory audit firm rotation for listed entities to address concerns with respect to excessively long tenures and auditor independence. As from 1 January 2020, audit firms will be required to comply with this new requirement in the law thereby taking our jurisdiction closer to good governance principles and international best practice. The FRC has been empowered to henceforth impose financial penalties on both individual auditors and audit firms.