

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 Sesungkur on BAI: “Government avoided a social crisis”



Mauritius has reiterated time and again its commitment to adhering to international laws and standards, contrary to the frivolous allegations made recently against the jurisdiction. It was along those lines that Hon. Dharmendar Sesungkur, Minister of Financial Services and Good Governance, held a press conference on 12 September 2019.

“The Government has brought about significant changes to the legal and regulatory framework in line with international best practices, yet we are still being subject to hostile attacks that stain our image on the international front. Our regimes are similar to those in place in International Financial Centres such as Hong Kong, Singapore and Luxembourg, yet we are the ones to bear the brunt of a smear campaign.” stated the Minister. He added that the contribution of the financial sector, estimated at around 12%, to GDP is proof of the importance of the sector in job creation, value creation and establishing new avenues for growth. Moreover, Mauritius has also been at the forefront of development of the African continent in partnership with

investors, with funds being directed towards significant projects of construction, road development, and infrastructural development, amongst others. Accusations that Mauritius is a tax haven and engages in illicit activities are dubious and remain unfounded, according to Minister Sesungkur.

He argued that the FATF has found no feature of harmful tax practices in the regimes in place, and are in conformity to international standards. In fact, the so-called ‘Mauritius Leaks’ articles published have had no impact on Mauritius IFC, which bears testimony to the resilience of our financial sector and diversity in the economy.

“Mauritius is now Compliant or Largely Compliant on a total of 35 Recommendations of the FATF, with 21 Recommendations having been reiterated recently.”

According to Minister Sesungkur, progress has been made in the context of reiterating of the Recommendations of the Financial Action Task Force (FATF). This shows that the country is progressing rapidly in tackling Money Laundering and Financing of Terrorism, and will ensure that Mauritius remains a trusted and secure International Financial Centre,” announced the Minister. He added the reforms undertaken were a necessary change to endorse Mauritius IFC in the international landscape,

IN THIS ISSUE

NRA: Propelling Mauritius as a trusted jurisdiction 2

ESAAMLG: 19 Technical Compliance Rating upgraded 4

IFREFI: Regulators unite to promote coordination 5

Showcasing our competitive edge to the world 7

FOREX; Policymakers change their stance 8

especially with regard to investors. Emphasis was also laid on the role of the Government in averting a social crisis that would have resulted from the crash of the British American Investment (BAI) Group. “If the Government had not stepped in to prevent the spill over effects of the crash of the BAI, the impact on Mauritians would have been disastrous, with the loss of jobs and the hard-earned money of fellow countrymen.” deplored the Minister. The latter also affirmed that the evidence clearly indicated wrongdoing on behalf of the group, with the nTan Report clearly stating that the BAI showed signs of extreme financial difficulties, and had channelled funds abroad which were unexplained. “The financial sector is on the right track and progressing rapidly, with the implementation of the Mauritius IFC Blueprint 2030 already mapped.” concluded the Minister.

NRA Report; Propelling Mauritius as a trusted jurisdiction

Minister Sesungkur proceeded to the launching of the National Money Laundering and Terrorist Financing Risk Assessment (NRA) Report on Thursday 29 August 2019 at the Labourdonnais Waterfront Hotel, Port Louis. Executives and high-ranking officers of several institutions, both public and private, attended the event, which also marked the launching of a video for promoting Mauritius as an International Financial Centre (IFC).

Recommendation 1 of the revised Recommendations of the Financial Action Task Force (FATF) requires all jurisdictions to assess their Money Laundering (ML) /Terrorism Financing (TF) risks and use the risk assessment results for effective implementation of anti-money laundering and combating terrorism financing measures to help mitigate the identified risks. This is Mauritius's first NRA, which bears testimony to the country's engagement in combatting money laundering and terrorism financing. This exercise was coordinated by the Ministry of Financial Services and Good Governance and the Financial Intelligence Unit. The NRA was conducted by relevant public and private stakeholders with the technical assistance of the World Bank.



A National Risk Assessment Working Group (NRAWG) was devised in this respect composing of all AML/CFT related stakeholders in Mauritius, including the Bank of Mauritius, the Financial Services Commission, the Mauritius Police Force, the Attorney General's Office and ICAC. The NRA is in fact a snapshot of the ML/FT activity, which also encompasses vulnerabilities and emerging threats. The

assessment was undertaken in regard to overall vulnerability, vulnerability by professions and sectors. The ML/TF risks of several sectors were assessed, such as the legal profession sector, the banking sector, the jewellery sector and the gambling sector. Mauritius has developed a National AML/CFT Strategy 2019-2022 to address the ML/TF risks, and the document sets out the various core themes that enhance the ability of Mauritius to prevent, detect and deter money laundering and the financing of terrorism.

The implementation of the Strategy has already begun, with the AML/CFT framework being revamped and amendments brought to several legislations. The completion of the NRA exercise will assist Mauritius in implementing a Risk-Based approach to combating Money Laundering and Terrorist Financing. The NRA demonstrates the commitment and willingness of Mauritius to tackle ML/TF in a more effective manner. Indeed, it will allow for limited resources to be deployed in a more effective manner

Launching of the NRA Report in pictures



ESAAMLG: 19 Technical Compliance Rating upgraded

The Minister of Financial Services and Good Governance, Hon Dharmendar Sesungrur, led a delegation to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers meeting which was held in the Kingdom of Eswatini. The delegation comprised representatives from the Ministry of Financial Services and Good Governance, the Attorney General's Office, the Corporate Business and Registration Department, the Registrar of Associations, the Financial Intelligence Unit, the Financial Services Commission, the Bank of Mauritius, the Independent Commission against Corruption, the Mauritius Revenue Authority, the Gambling Regulatory Authority, and the Mauritius Institute of Professional Accountants.

The delegation also attended the ESAAMLG 38th Task Force of Senior Officials Meeting from 01 to 05 September 2019, which preceded the Council of Ministers Meeting of 06 September. The Permanent Secretary of this Ministry, Dhanunjaye Gaoneadry, led the delegation to the Task Force of Senior Officials meetings.



More than 300 delegates from the 18 ESAAMLG Member Countries as well as representatives of Cooperating and Supporting Nations and Organisations, such as the Financial Action Task Force (FATF) Secretariat, the UK, the USA, the African Development Bank, the COMESA, the German Development Agency (GIZ), the IMF, the



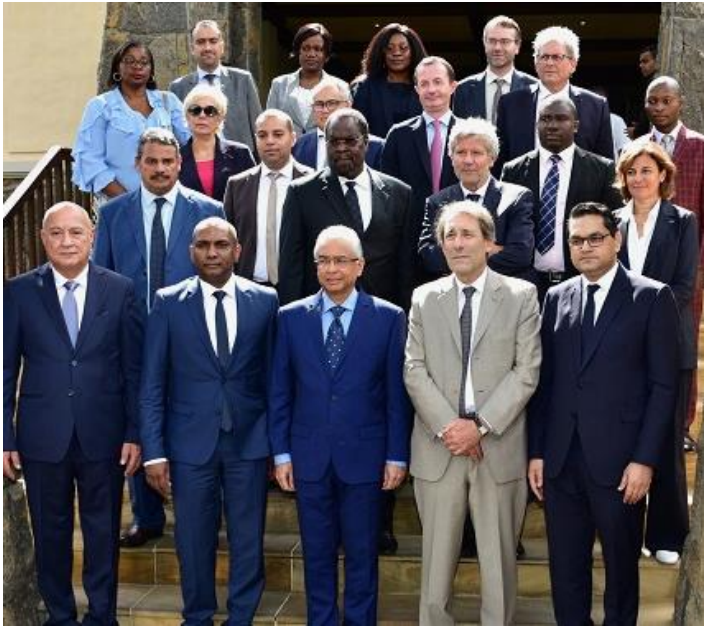
SADC, the United Nations Office on Drugs and Crime and the United Nations 1267 Sanctions Monitoring Team attended the meetings. The Vice-President of the FATF, Dr Marcus Pleyer, also attended the meetings.

The ESAAMLG meetings were important for Mauritius as the application for the technical compliance re-rating of 21 FATF Recommendations was considered by both bodies of the ESAAMLG. The Council of Ministers approved the recommendation of the Task Force for the upgrading of 19 technical compliance ratings out of the 21 applied for.

The post evaluation follow-up report of Mauritius will be submitted to the FATF Global Network for Quality and Consistency Review. Upon completion of the review process, the second follow up report of Mauritius reflecting Mauritius' progress and current level of technical compliance as endorsed by the FATF Global Network will be published on the ESAAMLG website.

ESAAMLG members took this opportunity to mark the 20 years of existence of the organisation since it was launched in Arusha, Tanzania in August 1999. A special report which highlights the major achievements of the organization was issued to commemorate this event.

IFREFI: Regulators unite to promote coordination



The opening ceremony of the 18th annual session of the Francophone Institute of Financial Regulation (IFREFI), inaugurated by the Honourable Pravind Kumar Jugnauth, Prime Minister of the Republic of Mauritius, was held on 04 September 2019 at the Westin Turtle Bay Resort & Spa. The event, bearing the theme "Growth and Sustainable Finance", was organized for the first time in Mauritius under the high patronage of the Financial Services Commission of Mauritius (FSC). Established in 2002 in Rabat, Morocco, IFREFI brings together the regulatory authorities of the financial markets that share the use of the French language.

Its main objective is to promote training, coordination and technical cooperation among its members as well as the study of any matter relating to financial regulation. The opening ceremony was attended by more than 200 participants, including delegates from IFREFI member countries, members of the diplomatic corps, members of the FSC Board of Directors, as well as key members of the Mauritian financial sector. The ceremony was marked by the inaugural address of Hon. Pravind Kumar Jugnauth who affirmed his determination to make Mauritius an International Financial Center anchored in sustainable finance. For Dr Renganaden Padayachy, Chairman of the FSC's Board of Directors, the use

of sustainable finance is an alternative to traditional investment products. He also stressed that the FSC as a regulator of non-bank financial services plays a crucial role in the implementation of a framework conducive to the growth of sustainable finance. In this sense, the Commission's mission is to support all stakeholders in this transition by putting in place the necessary ecosystem to enable green, inclusive and sustained growth.

From Paris for the occasion, Mr. Robert Ophèle, President of the AMF France, IFREFI Secretariat, states that "the fight against global warming climate change and the transition of our economic models call for the commitment of all. The French-speaking regulators, gathered within IFREFI and representing all the regions of the world, have a role to play in mobilizing finance in the service of sustainable development and ensure investor confidence.

The AMF, in its plan 2018-2022, has embarked on this path with market players. The 18th annual session of IFREFI was mainly marked by two major advancements. On one hand, cooperation between the member authorities has taken a step forward with the signing of a Memorandum of Understanding between the FSC and the CMA of Lebanon, signed by Mr. Harvesh Seegolam, Chief Executive of the FSC and Mr. Sami Saliba, Executive Member of the CMA College of Lebanon and Chairman-in-Office of IFREFI.

This Memorandum of Understanding will establish, inter-alia, a framework for cooperation, promote mutual assistance, strengthen technical capacities and facilitate the exchange of information between the two financial authorities in their respective operations in accordance with the legislation in force in the Member States of respective jurisdictions. On the other hand, a consensus among IFREFI members present, in favour of sustainable development, has emerged around three principles, namely, the mobilization of funds for projects integrating environmental, social and environmental criteria governance (ESG), the ability to arrow and evaluate socially responsible and, finally, the harmonization of standards at the international level.

Whistleblowing: Reporting hotline the most efficient way to detect fraud

The Mauritius Institute of Directors (MIOD) and Transparency Mauritius organized a workshop on Whistleblowing (a project funded by the United Nations Office on Drugs and Crimes) on 26 July 2019. The speaker was Mark Worth, Executive Director of the European Centre for Whistleblower Rights, who is one of the world's top experts on whistleblower policy and practice, and has held leadership positions in several international and regional whistle-blowing organisations. Mark Worth shared his experience regarding Whistle-blowing in private companies and also about their unique needs and circumstances.

The objectives of the workshop were to initiate the creation of a culture of Good Governance and Ethics that encourages whistleblowing, to gain knowledge on best practices on Whistleblowing, to advocate for the adoption of a Whistleblowing law in Mauritius and to help in the setting up of a Whistleblowing Policy in an organisation. Mark Worth stated that there should be legal protection

from retaliation. In addition, the latter proposed to have coverage for employees and workers at all levels, ranging from manager to intern. They should especially be protected access to internal and external disclosure channels and hotlines such that they feel secured while reporting any wrong doing. It has been noted that companies with reporting hotlines are much more likely to detect fraud around 47% as compared to others. The speaker added that telephone hotlines are the most commonly used reporting tool and thus, there is an urge to create multiple reporting channels.

Mark Worth affirmed having come across many whistleblowers whose grievances were not taken into consideration and ended up having psychological problems. Consequently, he proposed that there is a need to listen to them and actions should be taken accordingly. He therefore advocated for the proper legal and regulatory framework to be established for Whistleblowers.

Video on Mauritius IFC; Showcasing our competitive edge to the world

With a view to promote the financial sector on an international landscape and demonstrate the achievements of Mauritius as an International Financial Centre, the Economic Development Board with the Ministry of Financial Services and Good Governance appointed a service provider for the production a high-quality, investor-oriented promotional video on the various attributes of the jurisdiction.

The objectives of the promotional video are to increase the visibility of the Mauritius IFC as well as consolidate the image of country as an ethical and reputable jurisdiction of substance. The video also reinstates the value addition and dynamism which the sector will bring to the Mauritian economy in terms of exponential investment, growing contribution to GDP and employment creation. It also emphasises on the role of the Mauritius IFC in driving quality foreign investments in developing countries by significantly contributing to the increase in prosperity, quality of life and poverty alleviation. The promotional video highlights the strategies to be implemented, initiatives to be taken and innovation to be brought in the different segments of the financial eco-system for the Mauritius IFC to reach its next phase of development. The objective of this promotional video is to connect with our targeted audience and various stakeholders of the Mauritius



International Financial Centre (IFC), at both local and international level, including but not limited to actual and potential investors using the Mauritius IFC, Non-Governmental Organisations, Promotion Agencies and the global population in general.

The video is expected to be displayed on different devices including large screen projection during international conferences, digital screens, television sets, social medias and even on international flights. The promotional video was officially launched on 30 August 2019 at the Labourdonnais Waterfront Hotel by Minister Sesungkur.

Volatility of Currencies; Policymakers change their stance



The US Dollar

An escalating trade war between the U.S. and China not surprisingly hammered world stock markets in August 2019 giving a lift to safe-haven currencies like the Japanese yen, the Swiss Franc and the U.S. Dollar. The USD's safe haven properties have actually been on display for several months now as the world's reserve currency continued to appreciate despite America's declining yield advantage

Rates are indeed going down in the U.S. with markets expecting the Federal Reserve to cut interest rates further to stave off the threat of a U.S. recession. An inverted yield curve — i.e. 10-year Treasury yield below 3-month rates and 2-year yields — has alarmed investors, but so has manufacturing index which fell in contraction territory for the first time in three years. While the manufacturing slump does not mean that the U.S. is heading for recession, the Fed will take some insurance by cutting rates 50 basis points before end 2019.

There is a drastic shift in thinking by world policymakers, away from growth-restraining policies such as protectionism towards growth-enhancing measures including major fiscal stimulus and reforms. The U.S.-China trade war whose damage on the world economy could prompt a rethink by trade negotiators from both countries. If that happens before year end, risk taking could make a comeback, lifting commodity prices and taking steam out of the U.S. dollar. As such, it is rational to expect the dollar to weaken over the near term.

The Pound Sterling

The UK economy is not performing any better, with real GDP contracting in the second quarter of 2019 for the first time since 2012. Brexit-related uncertainties continue to restrain growth.

As such, additional stimulus from the Bank of England is becoming more likely. According to the BoE, the anticipation of Brexit has reduced investment in the UK by about 11% since the June 2016 referendum and hence lowered productivity growth. The British pound, which has lost roughly 20% against the USD since June 2016, will remain under pressure as long as those uncertainties are not dealt with by UK policymakers. BoE Governor Mark Carney has made clear the central bank will allow markets to decide the value of the pound and refrain from supporting the currency unless there are “extreme circumstances with respect to market functioning”. As such, if there is a hard Brexit, the pound is likely to fall further



The Pound sterling traded lower at an average of US\$ 1.2149 in August 2019 compared to an average of US\$1.2486 in July 2019 and an average of US\$ 1.2671 in June 2019.

Recent developments in the UK parliament will bring encouragement to holders of the Pound Sterling. Parliament has voted against a “no deal Brexit” and asked new Prime Minister Boris Johnson to delay the official date of exit from the European Union (currently slated for 31 October 2019). The situation is still in a state of flux and there is a possibility of early elections. But the probability of a hard Brexit has been significantly reduced, something that could rekindle investor appetite for sterling-denominated assets. These political developments could also have speculators reduce their massive short positions, amplifying any upward movement for GBP-USD in the coming months.

Mauritius tops African Continent as strongest performing wealth market

The AfrAsia Bank Africa Wealth Report, published annually by the Afrasia Bank, provides a review of the wealth sector in Africa, including High Net Worth Individuals' (HNWIs) market and wealth management insights across the continent.

According to this report, total wealth held in Africa currently amounts to around USD 2.2 trillion, of which 42 per cent was held by 140,000 HNWI's on the African Continent. South Africa tops the chart of the wealthiest countries in the continent followed by Egypt and Nigeria. The report projects a 35% rise in total private wealth held on the continent over the next 10 years reaching USD 3.0 trillion by 2028. Mauritius, Ghana, Rwanda and Uganda are set to emerge as the strongest performing wealth markets in Africa during this period. Mauritius has the highest level of wealth per capita of USD31,000 topping the list, followed by South Africa with a per capita wealth of USD11,450 and Namibia occupying the third place with USD 9,400. The number of High Net Worth Individuals (HNWIs) coming to Mauritius has now attained 4,400 compared to 1,800 in the previous decade.

The performance of Mauritius is remarkable as it ranks as the second fastest growing wealth market worldwide, recording wealth growth of 124% between 2008-2018. Mauritius also features among the list of the fastest growing wealth markets by 2028. The key factors contributing to this wealth growth include: security and safety, strong ownership rights, strong economic growth, a well-developed banking system, ease of investment and low tax rates. The performance of Mauritius is remarkable as it ranks as the second fastest growing wealth market



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According to the 2019 Global Wealth Migration Review, the total private wealth held worldwide as at December 2018 stands to approximately USD 204 trillion. The United States of America (USA) tops the chart of the wealthiest countries in the world followed by China and Japan. The report also confirms that global wealth is expected to rise by 43% over the next decade reaching USD 291 trillion by 2028. This will be driven mostly by the strong growth in Asia influenced by countries such as Vietnam, India and China.

THE EURO **Continued from Pg7*

The European Central Bank signaled that additional stimulus was to be delivered in September 2019 in an attempt at boosting a eurozone economy. The Euro zone's GDP in Q2 was just 1.1% above year ago levels, the weakest year-on-year figure since 2013. Inflation, not surprisingly, remains mild and well below the ECB's 2% target, something that is motivating the central bank to act more forcefully. The Euro traded at an average of US\$ 1.1125 in August 2019 compared to an average of US\$1.1227 in July 2019 and an average of US\$ 1.1289 in

June 2019. One can expect more of the same when Christine Lagarde replaces Mario Draghi at the helm of the European Central Bank in November 2019 to support the ECB's past policies. In light of weaker-than-expected economic performance in the eurozone and higher likelihood of major stimulus by the ECB in September, the end-of-year target for EUR-USD will hover around 1.12. Even that lower target, however, would look optimistic if the U.S. opts to act on its threat to impose import tariffs on European autos in Q4.