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Development of the IFS Industry in Mauritius

6.1 Inception and early regulation of the IFS Industry in Mauritius

The intellectual origins of the international financial services (IFS) industry in Mauritius are perhaps traceable to 1972 when the Export Processing Zone (EPZ) was established with tax concessions and exemptions, an export orientation and prohibitions on domestic market access. The creation of the Offshore Financial Centre (OFC) 20 years later, applied the same ideas to financial services. Although it materialised in 1992, studies on establishing an OFC were carried out by the Bank of Mauritius (BoM) at the request of the Prime Minister's Office (PMO) a decade earlier. However, the idea went into limbo during the mid-1980s; perhaps because of the debt crisis engulfing the developing world at the time, and the salutary experience of the Seychelles with its OFC. The OFC came up again for public discussion in 1988/89 when the findings of a study commissioned from an international firm became available and, concomitantly, the domestic financial sector was overhauled under a reform programme.

The first offshore banking and management company licence was granted in 1990, and operated under a specially tailored tax regime. However, that experiment performed below expectations triggering a review that led to the establishment of the Mauritius Offshore Business Activities Authority (MOBAA), the predecessor of the present regulatory authority – the Financial Services Commission (FSC) – for the IFS regime. The motives and objectives for establishing the OFC under MOBAA were the same as for the EPZ, that is: (a) economic diversification; (b) inward transfer of know-how; (c) expansion of services exports beyond tourism; (d) high-value employment creation; and (e) smoothing the path for the eventual integration of Mauritius into the global financial system and economy. In setting up the offshore regime, particular attention was paid to protecting the domestic economy with a clear line being drawn between domestic and offshore activities – though such demarcation later proved to be partly illusory.

OFC operations were favoured with a more flexible operational and legal environment. They also had tax advantages that the authorities were anxious to prevent from spilling into the domestic economy, in order to preserve the integrity of public finances and prevent them from deteriorating. Offshore finance was defined as an activity carried out within Mauritius, but transacted with non-residents in non-Mauritian currency. In addition, an offshore entity registered in Mauritius could not 'deal or transact' with a Mauritian resident. In stipulating these conditions, the authorities

were concerned about the possibilities of leakage and other risks under a regime of exchange-control. They created an elaborate regulatory edifice within the Bank of Mauritius to ensure that the line between domestic and offshore business was not crossed.

During the 1990s, offshore business 'management companies' (MCs) were issued with a certificate of incorporation by the Registrar of Companies on the filing of the usual company registration documents. However, MOBAA was their regulator and licensor, issuing certificates authorising offshore operations only after scrutinising the qualifications of applicants. This two-step incorporation and authorisation process, which took time, was a bureaucratic irritant; it made Mauritius uncompetitive with other OFCs that were able to issue administrative approvals for entities to begin operating within 24 hours. This overlapping institutional and legal framework was thought necessary to prevent abuses of the OFC by **money launderers** and **arms-dealers** to which the statute made specific reference.

The bureaucratic approach to licensing and regulation of the IFS industry in Mauritius has been challenged by MCs since its inception in 1992. There has been continuing tension between the regulator and the industry to achieve a better balance between: (a) the need for sound supervision to ensure the integrity of the IFS industry and prevent the line between domestic and offshore operations from being crossed; and (b) for operational flexibility and user-friendliness. That tension has been heightened with the establishment of the FSC ten years later, with the ensuing avalanche of additional regulatory demands making the argument about more balanced and appropriate regulation as current and relevant as ever.

The creation of an IFS industry did not result in immediate demand for IFS in Mauritius from the global community. Mauritian firms did not have any domestic experience or capability in offering IFS to clientele from anywhere. The country opted to have its IFS industry develop indigenously and organically, rather than opening up to experienced exponents from abroad. In fairness, better known foreign corporate/bank providers of IFS had already established themselves in European 'offshore' jurisdictions (viz. Switzerland, Luxembourg, Liechtenstein and Monaco) and in Bermuda and the Caribbean (the Bahamas, the Cayman Islands etc.) to service their EU/US clientele. In Asia, OFCs like Singapore and Hong Kong had emerged rapidly to service clients from Japan and the Association of Southeast Asian Nations (ASEAN). At the time, South Africa was still a closed economy under apartheid with sanctions imposed on it. Established global providers of IFS were therefore uninterested in offering IFS out of Mauritius. There was no critical mass of clients from another geography that the country could tap.

Reciprocally, typical Organisation of Economic Co-operation and Development (OECD) clients for IFS would not come to Mauritius unless established firms were operating out of there. Extant offshore banks, even foreign bank branches, did not attract business, except for intra-bank, cross-border transactions aimed at achieving tax-efficiency. For a nascent OFC it was a Catch-22 situation. In other jurisdictions the local legal establishment had been at the forefront of offshore business development; but in Mauritius, legal practitioners kept aloof. They had neither the experience nor the

interest in offering IFS; their client base was primarily domestic. It was mainly local and foreign accounting firms, networked internationally and with access to global contacts and clients, who nurtured the incipient IFS industry at the outset. They were ready when Mauritius' OFC was catalysed by the signing of the Mauritius treaty with India on the avoidance of double taxation in 1992. That treaty provided the main gateway for offshore investments into India and placed Mauritius on the global map as a legitimate OFC.

6.2 Development of the Mauritian IFS industry during 1992–98

During the period 1992–98, Mauritius was among the fastest growing OFCs in the developing world, building up its reputation as a treaty jurisdiction for channelling investments from clients in India, China and South Africa to the rest of the world. Despite tailored incentive regimes being created for attracting specialised offshore activities, such as ship registration and management, aircraft leasing and other similar industry-specific, cross-border financial arrangements, Mauritius was unsuccessful in attracting a share of these global activities away from established centres like Liberia (for ship registration). The most important attraction of Mauritius became its double taxation treaties with third countries. Administering (rather than actively portfolio managing) global investment funds benefiting from tax reductions/exemptions under these treaty arrangements became the mainstay of the Mauritian IFS industry. As a result of a requirement that investment funds in Mauritius had to have a local administrator and a cash custodian, some local expertise developed within Mauritian firms for investment funds administration.

Such funds focused mainly on investment in listed and exchange-traded securities of neighbouring emerging markets and developed markets. However, the offshore financial services offered by Mauritian MCs also involved direct investment through special purpose vehicles (SPVs) and joint ventures by Indian and ASEAN clients in China, South Africa and Indonesia.

Apart from these services, aimed at the corporate market for IFS, Mauritius has attracted a small share of the Indian market for private wealth management undertaken by portfolio managers on behalf of high net-worth individuals (HNWIs), but with the proceeds parked in Mauritius and administered by MCs. In many other Commonwealth OFCs, tax-exempt trusts have been the favoured vehicles for managing private wealth. However, in Mauritius the trust industry did not take off because it had no history of trust law application. For that reason, there was an absence of lawyers trained in trust law and local accounting firms had no experience in that arena either.

At the same time, there was no world-class global fund or asset manager located in Mauritius with real-time access to global market information and direct trading ability on the world's principal securities markets. But many HNWIs (mainly from India) were content to hold their portfolio investments in equities and bonds held by passive investment companies that benefited from advantageous tax treatment. This explains the rapid growth of licensed offshore companies from 2,000 in 1992 when the industry

was set up, to 8,000 in 1998. Of these, the overwhelming majority were tax exempt and not reliant on treaty provisions. At the time of writing there were over 26,000 such global business licensees, although not all of them are completely tax exempt.

Though tax treaties were the foundations supporting the IFS industry in Mauritius, local MCs had to compete with other OFCs as well as financial centres in home jurisdictions for business generated by such treaties. That competition led them to expand their knowledge-base by recruiting from abroad, sending their staff for training/secondment to foreign firms and investing in continuing programmes of on-the-job training and professional development of their human resources.

Better, more tax-efficient use of tax treaties was also made in designing outward Mauritian foreign direct investment in Africa and the Indian Ocean, e.g. in Madagascar and Mozambique. Financial engineering and structuring by Mauritian MCs and banks has become more sophisticated, as IFS knowledge has spilled over to the local capital market. Local investment fund products have become more effective and asset management techniques have improved considerably. The rules of the Stock Exchange of Mauritius (SEM) have been revised to encourage offshore fund listing. SEM is working towards adopting new London Stock Exchange listing rules.

Offshore vs. domestic financial market demarcation

The strict demarcation between onshore and offshore jurisdictions has been stretched regularly since 1998, as more Mauritian companies and professionals began to demand the same tax benefits as those granted to non-residents. The IFS industry has been pressing the government to migrate from a dual (offshore-onshore) tax regime towards a single, low-tax regime and to relax supervisory rules to enable the industry to conquer new markets, sharpen its global profile and increase its global market share. The argument for a single tax regime has the added attraction of averting the kind of opprobrium and over-intrusive attention from OECD (on exchange of tax information and harmful tax practices) that a dual tax regime inevitably attracts. Dual regimes often seem to home countries (especially in the high-tax environments of OECD countries) to be designed to exploit inter-jurisdictional tax arbitrage opportunities created artificially at their expense.

More relaxed regulation would theoretically attract a greater number of company incorporations. Rules requiring more substantive value-addition and employment in Mauritius, along with closer regulatory oversight, were traditionally thought to be indispensable in strengthening the capability of domestic firms. However, these rules are now viewed with suspicion under the World Trade Organization (WTO) regime for global trade in financial services and are seen to be unacceptably protectionist in nature. Such rules are also seen by potential foreign investors in the financial services industry to be an antediluvian deterrent restricting operational choice and flexibility.

Types of offshore entities/licensees

There are two forms of company incorporation in the Mauritian offshore sector:

- **Offshore companies** with regular company law features, qualifying for tax-treaty access but being subject to domestic tax. Mauritian residents investing abroad are allowed to set up or to hold a shareholding interest in such companies; and
- **International companies** that are exempt from taxation and are more flexible and relaxed than mainstream companies.

Trust settlements are open to foreign nationals when they have no Mauritian resident beneficiaries and no assets in Mauritius. **Partnerships** are rarely used. Special legislation for **protected cell companies** has been adopted to house 'fund-of-funds' structures, multi-class funds and the captive **insurance** business. Mauritius has not attracted much offshore insurance or reinsurance business, except for some from South Africa. To accommodate the needs of a wide variety of global clientele, tax rules now provide for myriad tax structuring possibilities. A voluntary option is available that allows offshore companies to choose a rate of tax along a scale from 0 per cent to 35 per cent.

One of the hallmarks of the Mauritian IFS industry was total protection of confidentiality, safe-guarded by legislation that prevented information relating to offshore clients from being disclosed, except by court order on specified grounds of suspected money laundering and arms-dealing. However, that legislation did not bar domestic regulators from conducting investigations and exchanging information with their foreign counterparts. Nor did it prevent foreign authorities from obtaining rogatory commissions or other forms of permission for disclosure of information on local MCs and offshore or international companies.

The Mauritian IFS industry is now well established. However, Mauritius has not yet attracted well-known foreign firms in the global investment or advisory business. Nor has it attracted well-known international law firms with global corporate and HNWI advisory practices. IFS space has been left uncontested to local MCs with comparatively limited global experience and few international connections, especially as far as OECD clientele are concerned. This may be because the Mauritian authorities have, until 2006, been inherently protectionist in practice. They have raised a number of invisible barriers, such as being excessively bureaucratic in granting operating licenses, and not granting resident visas to managers and staff of foreign firms quickly and easily. The general complaint of foreign firms seeking to locate in Mauritius is that the jurisdiction is far more protectionist in practice than it is in theory and much more so than its legislation suggests. For that reason, despite its rapid growth during 1992–98, the Mauritius IFS industry continues to suffer from: (a) geographic concentration risk in its dependency on clients from India, Indonesia, Greater China and Africa; and (b) excessive functional risk in being dependent on a limited range of products and services.

6.3 Post-1998 developments affecting the Mauritian IFS industry and its regulation

Growth of the IFS industry in Mauritius stalled when the OECD released its report on *Harmful Tax Competition* in April 1998. That report passed part of the burden of solving a problem created by OECD countries themselves onto OFCs. Since then, OFCs like Mauritius have been under constant pressure from the Financial Action Task Force (FATF), the OECD, international financial institutions (IFIs), and the G7's Financial Stability Forum (FSF) to improve the transparency and accountability of their operations. The accompanying threat of blacklisting, and applying sanctions to, jurisdictions deemed non-compliant with OECD demands, has stretched the limits of international relations. Institutions and countries with asymmetric power have browbeaten, quite unreasonably, many small jurisdictions without countervailing power into submission on questionable grounds.

Fear of being blacklisted, with an ensuing loss of credibility and reputation, has prompted a number of OFCs around the world into taking disproportionately drastic measures. OECD countries seem particularly concerned about the proliferation of smaller OFCs offering services based on confidentiality (perhaps, in part, because of the competition offered to their own financial services industries in global financial centres such as London). OFCs have been automatically, and in most cases quite wrongly, equated with the facilitation of money-laundering and providing a safe-haven for illicit tax-evading capital flows. It is interesting to note that upon release of the *Harmful Tax Competition* report, Luxembourg and Switzerland, two OECD members, objected to the bank secrecy and confidentiality provisions contained therein. After all, their financial services industries had been based on providing those two rights. However, these countries were not included in the 'tax haven' list, while non-OECD jurisdictions were faced with that stigma.

Harmful tax competition

The OECD report on *Harmful Tax Competition* was published with the aim of countering tax practices deemed harmful to the interests of high-tax OECD economies. The report took a prejudiced view of tax competition and set out criteria for identifying tax havens. These included, inter alia, a nil or nominal tax regime, legalisation of entities with no substantial business activity, lack of transparency and no or little provision for exchange of tax information.

In May 2000, the Mauritian government made a set of commitments to eliminate tax practices deemed harmful by the OECD Fiscal Committee. It committed to a programme of tax information exchange, transparency, the elimination of provisions aimed at attracting offshore businesses with no substantial domestic activities and to phasing out any practice deemed harmful by end-2005. In parallel, changes were made to remove the ring-fencing of the offshore sector. From 1998 onwards, offshore companies were deemed 'incentive companies' taxed at a flat rate of 15 per cent. By applying

reciprocal foreign tax credit rules, however, this effective rate of tax could be brought down to 3 per cent. The final list of 'tax havens' published by the OECD on 26 June 2000 contained 35 jurisdictions. Mauritius was removed from the list for having committed to eliminating harmful tax practices. The OECD has since monitored Mauritius' compliance with commitments and conducted surveys to check adherence with its principles of international taxation. Mauritius was given 'participating partner' status at the Global Tax Forum after its commitment to the OECD process in 2000.

The Financial Stability Forum (FSF) report on OFCs

The report of the FSF Working Group on Offshore Centres (2000)[1] contained a list of OFCs categorised in accordance with G7 perceptions of each in terms of their quality of regulation/supervision, degree of co-operation with other jurisdictions and compliance with international standards. Category I included jurisdictions perceived as having supervision of a high quality. Category II included OFCs with procedures for good supervision in place, but weak implementation. Category III jurisdictions were defined as having supervision of a low quality, with little or no attempt to meet international norms. The classification of Mauritius in the third category led to an official protest by the government. Desperate steps were taken to meet the highest international standards at considerable financial and political cost. In particular, FSF was criticised because it had not given Mauritius an opportunity to make any representations on the findings of its Working Group on OFCs. The Mauritius government made forceful attempts to be removed from the third category without success, in spite of a favourable FSAP assessment on its banking and anti-money laundering regulation.

The FATF NCCT list

To avoid being blacklisted by the FATF, Mauritius pushed through a series of measures, tightened disclosure requirements of offshore companies and reduced its protection of confidentiality. The February 2000 FATF report on *Non Co-operative Countries or Territories* established procedures and criteria for identifying jurisdictions that failed to co-operate in implementing effective anti-money laundering (AML) regimes. To compel compliance, FATF compiled a list of non-co-operative countries or territories (the infamous NCCT list) that failed to meet its criteria for 'co-operation'. When Mauritius enacted its Economic Crime and Anti-Money Laundering (ECAML) Act of 2000, the FATF excluded Mauritius from the NCCT list. The ECAML Act (forerunner to the Financial Intelligence and Anti-Money Laundering Act of 2002) consolidated existing legislation on AML measures, although certain concerns regarding the identity of directors and beneficial owners of offshore trusts were raised.

By 2002, reacting to pressure from international bodies, Mauritius breached the legitimate long-term expectations of its IFS industry and offshore clientele by reneging on earlier promises and drastically curtailing tax privileges provided to registered offshore entities. It whittled down confidentiality protection, increased regulatory scrutiny and imposed substantially heightened, extremely costly, compliance requirements over the

IFS and domestic financial services industries. Government policy was to: (a) avoid confrontation with IFIs, FATF and the OECD on offshore financial centre issues; (b) make externally mandated changes at any cost, short of closing down the IFS industry altogether; and (c) implement the international standards and core principles set out in the modules of the IMF/FSF Compendium, regardless of whether they were contextually appropriate to Mauritius. That policy begs the question as to whether government made the correct trade-off in accommodating the extraordinary and inappropriate demands of international agencies, while risking the IFS industry's business competitiveness. The conclusions of this study provide an answer to that question.

Major regulatory developments occurred after the report of the Steering Committee on Financial Services Sector Reform in Mauritius (February 2001)[2]. That report recommended: (a) regulatory and industry consolidation and integration of the financial services sector; (b) establishment of the Financial Services Commission (FSC) as a unified regulator for all non-bank financial institutions (NBFIs) and for licensing global business entities (formerly known as **offshore** entities); and (c) adopting a functional, rather than product-based, approach to regulation. The FSC was supposed to be the first stepping stone towards having a single regulator for all financial services and was intended to bring about eventual integration of offshore and domestic financial services.

Previously, the regulation/supervision of financial services and institutions was fragmented, with responsibility being spread across different institutions. In addition to its responsibility for the conduct of monetary policy, the Bank of Mauritius (BoM) had responsibility for the supervision of banks. Insurance companies and brokers were regulated and supervised by the Controller of Insurance, located in the Ministry of Finance. The stock exchange and securities market were regulated by the Stock Exchange Commission (SEC), while the burgeoning offshore sector was regulated by the Mauritius Offshore Business Activities Authority (MOBAA).

Owing to this fragmented approach to regulation, some key financial service providers escaped regulatory oversight by falling between the cracks. Effectively unregulated entities included, inter alia, leasing companies, commercial credit institutions, pension funds, asset management companies and investment advisory services. Moreover, the legislative foundations for regulation and supervision were rarely updated in a timely manner. In many areas, current law inhibited supervisory authorities from taking timely action to prevent financial entities from becoming illiquid, insolvent or engaging in malpractices. The industry impression was that supervisory authorities were vulnerable to inappropriate political pressure exerted to prevent them from taking necessary actions, in order to protect privileged private interests. Because regulation was product-based and sector-based, the patchwork regulatory framework supporting it was ill-equipped to deal with rapid changes sweeping through the financial services industry worldwide. Growing linkages between banking, insurance and securities activities, coming together under the umbrella of large, complex financial holding companies on the one hand, and the proliferation of hybrid financial products and derivates on the

other, posed a serious challenge to a fragmented group of regulators, especially against the backdrop of ongoing globalisation and the development of e-commerce.

Under evolving circumstances, the Steering Committee found that segregation between domestic and offshore business activities was no longer sustainable. The division created too much opportunity for arbitrage and led to misperceptions at the international level of how the system operated in Mauritius. The artificial division continued to be challenged by the OECD, FATF and the IFIs. More importantly, the Committee viewed such segregation as a handicap to the future development of the financial services industry in Mauritius. Its recommendation was to abolish the country's OFC and repeal the International Companies Act. That was intended not as a condemnation of the prevailing offshore regime, which had been quite successful until 1998, but as suggestive of the approach that needed to be taken to respond to changing global circumstances triggered by the OECD's 1998 broadside and subsequent developments.

It was thought that the establishment of a unified regulator for financial services, applying the highest international standards, would go some way toward alleviating external perceptions about regulatory gaps and shortcomings in Mauritius. A two-phase process was envisaged. The first was the establishment of the Financial Services Commission (FSC) as a single regulator for all non-bank financial institutions. It subsumed the SEC, MOBAA and the Insurance Division of the Ministry of Finance under a single regulatory umbrella. The creation of the FSC was also intended to facilitate smooth integration of the onshore and offshore regimes. The promotional functions of MOBAA were devolved to a Financial Services Promotion Agency. The second phase involved the FSC merging with the regulatory part of the BoM, to form a single regulator for all financial services. With the FSC being established in 2001, the first phase was completed. However, the second phase appears to have been dropped from official consciousness.

Since 2001, there has been a veritable tsunami of legislative changes governing financial services in Mauritius. Major subsequent enactments include: (a) The Companies Act of 2001; (b) The Financial Services Development (FSD) Act of 2001; and (c) The Trusts Act of 2001. The Insurance Act of 1987 and the Stock Exchange Act of 1988 were maintained until 2005 and administered by the FSC. This arrangement was kept in place until the enactment of further special legislation to consolidate the regulatory framework and harmonise the regulatory approach[3].

The new Companies Act eliminates ring fencing between the offshore and domestic sector by providing for incorporating both domestic and offshore companies under a single piece of legislation, with the incorporation process being streamlined. The Companies Act of 2001 repealed the International Companies Act of 1995, while the FSD Act repealed the Mauritius Offshore Business Activities Act of 1992, which had provided the legal regime for offshore companies.

In accord with a global proclivity for indulging in palliative euphemisms, the FSD Act introduced the term 'global business' and expunged the term 'offshore' from the statute

books. The Trusts Act of 2001 repealed the Trust Act of 1989 and the Offshore Trust Act of 1992. It added to the *Code Civil Mauricien* in order to integrate the fiduciary concept into domestic law. Broadly speaking, the Trusts Act of 2001 extended features previously available to offshore trusts to all trusts created under the Act, with certain limitations on trusts set up by a Mauritian resident.

The distinction between domestic and offshore banks was removed under the Banking Act of 2004 and replaced by a two-tier licensing regime. Class A licences authorised banks to conduct domestic banking and open branches in Mauritius. Class B licences authorised banks to transact with non-residents and deal in currencies other than Mauritian currency[4]. This was the first step towards fuller integration, to be achieved through a single licence for domestic banking and for dealing with non-residents and global businesses. The distinction between the lines of business is, however, relevant for the purposes of tax treatment of income generated under either head.

The supervisory regime for global business has changed from 'registration' to 'licensing' with the name-change supposedly heralding closer monitoring of permitted activities in that area. Two kinds of global business companies (GBCs) are provided for; viz. Category 1 (GBC-1) and Category 2 (GBC-2) both drawing on the Companies Act of 2001. A GBC-1 license is issued to a corporation that carries on prescribed activities within Mauritius. It can transact with non-residents in currencies other than Mauritian currency and is subject to Mauritian corporation tax. As a resident of Mauritius, it can avail of the benefits of tax treaties entered into by Mauritius with other countries. GBC-1 licensees are subject to annual reporting requirements under the FSD Act. A GBC-2 license is issued to a private company that conducts approved global business only with non-residents and only in currencies other than Mauritian currency. A GBC-2 licensee is non-resident and tax exempt. Therefore, a GBC-2 company cannot avail of the benefits of the tax treaties entered into by Mauritius. GBC-2s are not subject to reporting obligations.

The enactment of the FSD Act was to be the first stepping stone towards meeting international standards and aims at improved supervision of the sector as a whole. The Act was to be a building block for eventually embracing other specialised pieces of legislation covering various financial services. In 2005, the Insurance Act and the Securities Act were passed by Parliament with a view to modernising the approach to regulation in both sectors respectively and to adopting international best practices and standards of regulation. Both these statutes provide for domestic and global business in their respective sectors under the same unified legislation. At the time of writing, the FSD Act was in the process of being revamped and amended to: provide for more comprehensive enforcement powers of the FSC; establish a right of appeal against its decisions and the imposition of penalties; and require greater transparency on the part of the regulator in explaining its decisions. At the time of writing, the relevant pieces of legislation had not yet come into force.

Financial Sector Assessment Program

In 2002–2003, a joint IMF-World Bank mission reported – in the context of the Financial Sector Assessment Program on the Observance of Standards and Codes for the FATF 40 Recommendations and 8 Special Recommendations on Terrorist Financing – that Mauritius had made significant progress in implementing a comprehensive AML/CFT regime. The mission took account of the efforts of the Mauritian Government to enhance the AML/CFT legal and enforcement framework by introducing major new legislation, including the Dangerous Drugs Act of 2000, the Financial Services Development Act of 2001, the Prevention of Corruption Act of 2002, the Prevention of Terrorism Act of 2002 and the Financial Intelligence and Anti-Money Laundering Act of 2002. The mission found that enactment of these laws represented key advances in bringing Mauritius toward full compliance with international standards, although it identified a few areas where further effort needed to be made. Accordingly, it recommended: (i) modifying confidentiality provisions that hampered information-sharing on suspected money laundering cases between supervisory authorities and the Financial Intelligence Unit (FIU); (ii) expanding the scope and focus of AML/CFT reviews during onsite inspection of financial institutions in line with the guidelines issued by the supervisory authorities; and (iii) better co-ordination of law enforcement efforts. The mission also recommended that financial institutions should: strengthen internal AML/CFT programmes by developing adequate internal policy/procedure frameworks to reflect guidelines issued by the supervisory bodies; increase compliance testing; and ensure that front line and compliance staff receive adequate training. These recommendations were implemented immediately with supervisory bodies over-emphasising AML/CFT in monitoring their licensed population.

Notes

1. Financial Stability Forum (2000).
2. Government of Mauritius/Ministry of Finance & Economic Development (2001).
3. The Securities and Insurance Acts were enacted in 2005. Legislation on Pension Funds and Trust & Corporate Service Providers were in the pipeline at the time of writing.
4. The Class A and Class B terminology was subsequently replaced by the Category 1 and Category 2 Banking License by the Finance Act 2002, without there being any substantive change in the regime.