



What compliance with all 40 FATF Recommendations means for Mauritius

As the Mauritius IFC achieves compliance with the FATF regulation – Recommendation 15 on New Technologies – it is clear that the jurisdiction has both demonstrated full adherence with global standards on the AML/CFT front as well as established itself as a pioneering regional economy by unfolding the path ahead for virtual assets and other such innovations in the FinTech space.

The last two years have been a rollercoaster ride for the Mauritius International Financial Centre (IFC), and the Eastern and South Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers meeting held on 02 September 2022 sets the stage for the jurisdiction to reflect on lessons learnt, as it successfully emerges from the shadow of the erstwhile listings to take its place in the sun as one of the few jurisdictions globally to comply with all 40 of the FATF Recommendations.

Indeed, it seems just a short while ago that the Mauritius financial services sector suffered a serious setback following the island economy's inclusion in the FATF list of jurisdictions under increased monitoring in February 2020. The Mauritius IFC sustained yet another blow when the EU mentioned the island economy in its list of high-risk third countries in May 2020 and the UK followed suit by including Mauritius in its April 2021 list of high-risk countries under the UK Money Laundering and Terrorist Financing (Amendment) (No. 3) (high-risk

countries) Regulations 2021.

Since then, Mauritius has come a long way, with the decisions of the FATF and UK Government to remove Mauritius from their respective lists in October and November 2021, the removal of Mauritius from the EU's list of high risk third countries as of 13 March 2022, and the FATF re-rating of the jurisdiction on 02 September 2022 which has placed Mauritius among the pioneering jurisdictions globally to be 'compliant' or 'largely compliant' with all 40 of the FATF recommendations.

Gordon Stuart, Managing Director at Accuro Trust (Mauritius) Ltd, explains that he was privileged to be one of the individuals selected to take part in the FATF's onsite inspection last year, and can attest to just how seriously the Government and the regulators regarded the FATF's visit to Mauritius.

"Rigorous is probably an understatement when it came to preparing for the onsite inspection by the FATF. We had daily meetings with the FSC in addition to regular meetings with the Bank of Mauritius, the Company Registrar, the Registrar of Associations and other interested parties. I strongly believe that we will not appear on the FATF list of jurisdictions for enhanced monitoring again as there is a firm commitment from both the regulators and the private sector to ensure that we remain compliant with all the FATF's requirements," he highlights.

For her part, Sangeetha Ramkelawon, Deputy CEO at BCP Bank Mauritius, emphasises, "It has been a collective effort of the financial services sector for Mauritius to be re-rated "Largely Compliant". This is a great achievement since as a country we have been able to demonstrate our capability as an IFC of repute, through various initiatives."

How the regulator has moved the needle on new technologies

So, what has it taken for the island to emerge from the shadows of the FATF, EU and UK lists, and successfully address the final FATF Recommendation – Recommendation 15 on New Technologies – in a short span of time, and that too against the backdrop of a pandemic?

Speaking recently at an event organised by IQ-EQ to celebrate 30 years of its existence as well as at the Mauritius IFC, the Minister of Financial Services and Good Governance, the Honourable Mahen Kumar Seeruttun, indicated that the challenges faced by the economy helped build the jurisdiction's resilience in responding to an increasingly liberalised market landscape, intense competition, rising international standards and regulations, economic downturn, FATF and EU listings and the COVID pandemic. "The trust and reputation which our country now enjoys, particularly since we ticked FATF's 40 Recommendations, positions Mauritius among the best performers in its league," he asserted.



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Moreover, as the Ministry of Financial Services and Good Governance notes in communique dated 02 September 2022 – on the heels of the 22nd ESAAMLG meeting – even before the publication of the Mutual Evaluation Report in September 2018, Mauritius had already embarked on an exercise to swiftly address the deficiencies identified in its AML/CFT legal framework so as to ensure compliance with all the FATF standards.

Following the meeting of the ESAAMLG Council of Ministers on 02 September 2022, the official release by the Financial Services Commission unfolds the steps that have allowed Mauritius to achieve this impressive turnaround:

- The Virtual Assets and Initial Token Offerings (VAITOS) Act, which is the regulatory framework to strengthen the oversight and help improve transparency of virtual asset transactions;
- Issuance of Rules under the VAITOS on Capital and Other Financial Requirements, Client Disclosure, Custody of Client Assets, Cybersecurity, Publication of Advertisements, Risk Management, Statutory Returns and Travel

- Rule; and
- Issuance of the AML/CFT Guidance Notes for Virtual Asset Service Providers (VASPs) & Issuers of Initial Token Offerings.

As is clear from the above, one of the foremost steps to take Mauritius to the next level in terms of global standards in the AML/CFT arena has been the implementation of the Virtual Asset and Initial Token Offering Services (VAITOS) Act. Enacted on 07 February 2022, this significant legislation has made the island economy a regional pioneer in crypto compliance by regulating VASPs, and helped cement its status as a jurisdiction of substance.

The FSC communique dated 05 September 2022 concludes on this note: "The compliance of Mauritius with the FATF Recommendations is testimony to our commitment in being a transparent jurisdiction in the global financial services landscape and reaffirms our position as a prominent investment destination. The FSC will continue to protect the integrity of the virtual assets eco-system with a view to uphold the reputation of Mauritius as a robust and credible jurisdiction."

For its part, the Ministry communique underscores the commitment of the local authorities to take the AML/CFT framework to the next level, noting that: "With the highest level of political commitment and under the leadership of the Honourable Prime Minister, the Mauritian Authorities are committed to undertake all the necessary measures to sustain the reforms and to continuously build a robust regime in the fight against money laundering, terrorism and proliferation financing."

Banking on new innovations in financial services

In a post-COVID era, it is clear that the face of banking has been transformed forever, and Mauritius is no stranger to the digital banking revolution.

Here, Sangeetha Ramkelawon points out that the re-rating of Mauritius in respect of the FATF Recommendation 15 sets the stage for the banking sector to open up to new markets, improve operational efficiency and reduce costs by embracing new opportunities through innovation while at the same time ensuring compliance with international standards and requirements. "The banking industry particularly welcomes the virtual asset activities and distributed ledger technology solutions which are now being covered under



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comprehensive frameworks through the enactment of the relevant legislations," she emphasises.

For his part, Mathieu Mandeng, CEO of Standard Chartered Bank, Mauritius, echoes Sangeetha's views, noting that the growth around virtual assets has been exponential in the last few years and

COMPLIANCE

Mauritius as an IFC has laid the foundation to manage the AML/CFT risks associated with virtual assets through the enactment of various laws.

"In addition, the jurisdiction has undergone a Money Laundering / Terrorist Financing Risk Assessment of Virtual assets and Virtual asset service providers to identify, assess and understand the ML/TF risks associated with Virtual assets. The risk assessment provides the basis for implementing a risk-based approach to ensure that appropriate measures are put in place to manage the ML/TF risks identified," he avers.

Sangeetha Ramkelawon concurs that the implementation of the AML/CFT Framework has already begun, but cautions that there is no one-size-fits-all solution, hence "such implementation should continue to be driven through well-crafted polices, taking into consideration the specificities of each country and its strategy as an IFC. Therefore, the framework must respond to the realities of the ML/TF risk environment from a holistic perspective."

Stage set for global business sector to turn 30 in style

With Mauritius celebrating 30 years of its global business sector this year, it is most pertinent to consider the significance of the FATF visit and the following favourable assessment for this external-facing industry that felt the impact of the erstwhile listing the most. Indeed, in a world where there is ever-increasing scrutiny from investors, the FATF classification is widely considered as a bellwether for investor sentiments around a jurisdiction, and can make or break an IFC's reputation.

Against this backdrop, the FATF's final seal of approval on the jurisdiction's ability to compete in a technology-fuelled financial services arena has meant that international investors now perceive Mauritius as an economy that is not just operating with the highest norms and standards of international regulations itself, but is also setting standards for others in the region to emulate and aspire towards.

Gordon Stuart states that achieving compliance with 40 out of 40 FATF Recommendations is an enormous milestone and something that has only been achieved by a handful of countries. "I believe that we are the only African country to have achieved this milestone, which shows Mauritius' commitment to being a reputable jurisdiction. Investors can take comfort in using Mauritius as a destination of choice as being on the FATF and EU white lists makes doing



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Regional Managing Director of IQ-EQ

business much easier as other countries recognise that we have the necessary checks and balances in place," he underlines.

Roshan Nathoo, Managing Director of Rogers Capital Corporate Services, reiterates that, as Mauritius

celebrates 30 years of its global business sector, a 'key aspect of such resilience and success is the fact that the jurisdiction has always strived to remain relevant to the international business and financial services community in general with new and innovative products. The recent VCC Act and the Virtual Asset and Initial Token Offering Services Act 2021 are bold new legislations that aim to ensure that we continue to offer modern and sophisticated products to our ever diverse and growing client base.'

He soberingly mentions however that such new products come with AML/CFT challenges which must be identified prior to their launch. At the same time, he highlights that the island economy's compliance with the FATF 15 Recommendation is a clear nod by the global compliance behemoth that Mauritius understands the risks and challenges posed by such new and innovative technologies and is well positioned to manage and mitigate such risks.

For his part, Sridhar Nagarajan, Regional Managing Director of IQ-EQ, concurs with Roshan Nathoo's assessment, expressing the belief that, going forward, fund jurisdictions will predominantly be rated on the strength of their AML/CFT regulatory framework – and also notes that the application of such a framework will be as important as how robust the framework is. "In that context, the listing and the way we got out of it, is a blessing in disguise, as it has placed the jurisdiction in a position of strength with a best-in-class AML/CFT regulatory framework. Of course, a lot of credit must go to the Government authorities, regulators and operators, including those who supported it," he emphasises.

Framework for digital economy in place: What next?

All in all, looking at the impressive slew of legislations adopted recently, it is clear that the Mauritius IFC is going strong in the innovative technologies space and positioning itself well for a digital-first future. With new initiatives including the recent passage of the VCC Act on 15 April 2022, the VAITOS Act implemented earlier this year, and the forthcoming legislation on Structured Investment-Linked Insurance Business, the regulatory framework is well in place for the jurisdiction to take a

regionally pioneering stance.

For the way forward, Roshan Nathoo emphasises that while a robust AML/ CFT framework has already been put in place by the Mauritius IFC, the focus should now be on strict compliance with the legislation and the monitoring of such compliance by the regulators. "A balance should be struck between maintaining our commercial and business friendly appeal as a



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financial services centre whilst at the same time promoting and implementing the highest standards of compliance in accordance with international AML / CFT norms," he concludes.

Mathieu Mandeng agrees with Roshan Nathoo's appraisal that the rapid evolution of ML/TF risks imposes on the jurisdiction the need to constantly stay abreast with the latest standards, concluding on the note that "Mauritius needs to keep up to date with the latest international standards and ensure that the local requirements follow those standards. ML/TF risks evolve rapidly, and the jurisdiction needs to keep up to speed with the new and emerging risks."

In her parting words, Sangeetha Ramkelawon asserts that Mauritius as an IFC should continue aligning itself to international recommended best practices with consistent updates to the legal framework and signals that capacity building holds the key to the future of the jurisdiction. "We need to gear up to ensure that we stay ahead of the digital disruptions and revolutions by attracting and building on digital talents and experts across the industry. Capacity building is key and we need to work towards getting it right together with stakeholders, including regulators. Another key aspect rests on the effectiveness of the statutory and regulatory requirements which should be tangible," she avers.