NATIONAL MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT OF MAURITIUS

PUBLIC REPORT

MINISTRY OF FINANCIAL SERVICES AND GOOD GOVERNANCE

AUGUST 2019

Table of Contents

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(NRA REPORT)

PUBLIC REPORT

Foreword by Minister of Financial Services and Good Governance

Complying with international standards on combatting money laundering and terrorism financing is a conscious choice that this Government has made to consolidate the foundations of Mauritius as an International Financial Centre of excellence and integrity to enable it to sustain future developments, in line with Government Vision 2030.

The National Risk Assessment (NRA) was launched in January 2017 with the aim to identify, understand and assess the money laundering and terrorist financing risks faced by Mauritius. The completion of the NRA is a major accomplishment in our endeavours to fight money laundering and terrorism financing. It paves the way to the implementation of a risk-based approach to combatting money laundering and terrorism financing activities, thus making our authorities and financial institutions more effective in their efforts.Indeed, the results of this exercise allows us to articulate policies and strategies to address the risks identified and to allocate our resources to areas that have the greatest impact in the fight against financial crime.

The completion of the NRA could not have happened at more opportune time. We are now in the phase of implementing the recommended actions contained in the ESAAMLG Mutual Evaluation Report 2018. The findings of the NRA as well as the feedback from the Mutual Evaluation Report 2018 have formed the basis of a National Strategy 2019-2022 and a National Action Plan to guide the implementation of our actions to reinforce our AML/CFT framework over the next three years.

It is my hope that the outcomes of the NRA will provide valuable information to relevant public authorities,supervisory bodies and the private sector operators, to guide their efforts to address the operational challenges they face in tackling money laundering and terrorism financing as well as financial crimes generally. Government has been apprised of the results of the NRA and the National Strategy and Action Plan, devised from the findings.

I am happy to announce that the implementation of actions under our National Strategy and National Action Plan has already started. We have enacted new legislation and issued relevant regulations to give effect to the law. On the basis of the revamped legal framework, we have sought and obtained the technical compliance re-rating of 11 FATF Recommendations. The re-rating was endorsed by the FATF Global Network which comprises a network of over 190 countries across the globe.

This Government is leaving no stone unturned to foster a conducive environment for the financial services sector to prosper in a sustainable and ethical manner while at the same time buttressing its position as a competitive player in the global financial market. I am confident that the implementation of a risk-based approach to combatting money laundering and terrorism financing, combined with the support and synergy between the public and private sectors, will go a long way to ensure that Mauritius remains a clean, robust and internationally preferred jurisdiction for conducting financial services and other quality business activities.

Honourable Dharmendar Sesungkur
Minister of Financial Services and Good Governance
August 2019

Acronyms

ADSU	Anti-Drug and Smuggling Unit
AGO	Attorney-General's Office
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARID	Asset Recovery Investigative Division
BEC	Business Email Compromise
BEPS	Base Erosion and Profit Shifting
BoM	Bank of Mauritius
CbC	Country by Country
CBRD	Corporate and Business Registration Department
CCID	Central Criminal Investigation Division
CCU	Cooperative Credit Union
CDD	Customer Due Diligence
CEF	Closed-End Fund
CFT	Combating Terrorism Financing
CIS	Collective Investment Schemes
CRS	Common Reporting Standard
CSO	Central Statistics Office
CTU	Counter Terrorism Unit
DNFBPs	Designated Non-Financial Businesses and Professions
DPRK	Democratic People's Republic of Korea
DTAA	Double Taxation Avoidance Agreements
EDD	Enhanced Due Diligence
EEZ	Executive Economic Zone
ESAAMLG	Eastern and Southern Africa Anti Money Laundering Group
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FHTP	Forum on Harmful Tax Practices
FI	Financial Institution
FIAMLA	Financial Intelligence and Anti-Money Laundering Act
FIAMLR	Financial Intelligence and Anti-Money Laundering Regulations 2018
FIU	Financial Intelligence Unit
FRA	Financial Reporting Act
FRC	Financial Reporting Council
FSA	Financial Services Act 2007
FSC	Financial Services Commission
FUR	Follow-Up Report
FX dealer	Foreign Exchange Dealer
FY	Financial Year
GBC	Global Business Company
GDP	Gross Domestic Product
GRA	Gambling Regulatory Act
HNWI	High Net Worth Individual
IA05	Insurance Act 2005
ICAC	Independent Commission Against Corruption
IRSA	Integrity Reporting Services Agency
KYC	Know Your Customer
LEAs	Law Enforcement Agencies
MCAA	Multilateral Competent Authority Agreement
MCIB	Mauritius Credit Information Bureau

MER	Mutual Evaluation Report
MIPA	Mauritius Institute of Professional Accountants
ML	Money Laundering
ML/TF	Money Laundering/Terrorist Financing
MLA	Mutual Legal Assistance
MLI	Multilateral Convention
MLRO	Money Laundering Reporting Officer
MOC	Memorandum of Cooperation
MOU	Memorandum of Understanding
MPF	Mauritius Police Force
MRA	Mauritius Revenue Authority
MVTS	Money Value Transfer Services
NBDTI	Non-Bank Deposit Taking Institution
NGO	Non-Governmental Organisation
NRA	National Risk Assessment
NRAWG	National Risk Assessment Working Group
ODPP	Office of the Director of Public Prosecutions
OECD	Organisation for Economic Co-operation and Development
OFIs	Other Financial Institutions
PAOs	Professional Accountancy Organisations
PEPs	Politically Exposed Persons
PML	Professional Money Laundering
PPT	Principal Proposed Test
RBS	Risk Based Supervision
ROA	Registrar of Associations
RoC	Registrar of Companies
SA05	Securities Act 2005
SADC	South African Development Community
SARS	South African Revenue Services
SMS	Small and Medium Size businesses
STR	Suspicious Transaction Reporting
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCSPs	Trust and Company Service Providers
TF	Terrorism Financing
TIEAs	Tax Information Exchange Agreements
WB	World Bank
WG	Working Group

Executive Summary

This is Mauritius's first National Money Laundering and Terrorism Financing Risk Assessment (NRA). It comes at a pivotal time as the country, home to over 1.27 million people of different race, culture and faith living in a spirit of unity, mutual respect and tolerance, celebrated its 50 years of independence on 12 March 2018.

Mauritius is a major international finance centre in the Indian Ocean Region with an estimated total asset size of over US$ 618 billion[1] . The financial services sector is an important component of the Mauritian economy, contributing around 12.1% of the country's GDP, 15% to government tax revenue and employing around 13,000 persons directly and many more indirectly.

The financial sector is regulated and supervised by the Bank of Mauritius (BoM) and the Financial Services Commission (FSC). The sector is dominated by banks which held around 80% of total assets of the financial sector and contributed 278% of to GDP as at end-December 2018. Banks, non-bank deposit-taking institutions (NBDTIs) and cash dealers are licensed, supervised and regulated by the BoM.

In addition, the FSC is the integrated regulator for the non-banking financial services and global business sector. The FSC operates under, inter alia, the Financial Services Act 2007 (FSA), the Securities Act 2005 (SA05), the Insurance Act 2005 (IA05), and the Private Pension Schemes Act 2012 (PPSA). The FSC licenses, regulates, monitors and supervises the conduct of business activities in the non-banking services and the global business sector.

This National Risk Assessment (NRA) provides an opportunity as a key milestone in the development of Mauritius to take stock of progress and candidly assess challenges in understanding the real or potential risks the country faces in terms of money laundering (ML) or terrorist financing (TF).

Money laundering threatens our national, social and economic development and puts at-risk the 2023 trajectory to a high-income country. In addition, money laundering, whether real or perceived, is a reputational risk for Mauritius given that it is a global financial centre, a leading tourist destination and a country well-known for political stability, good governance and strong institutions.

The fight against money laundering and terrorist financing requires an approach and response that spans borders and crosses jurisdictions. Government organisations, law enforcement and intelligence agencies, the private sector, regional and international partners must work together, as one, to effectively combat this threat. Mauritius must have a strong and steadfast environment to thwart money laundering and terrorist financing. And yet Mauritius understands that these elements are part of a bigger chain; that the whole is greater than the sum of its parts. To that end, Mauritius is a strong proponent of regional integration and takes its regional responsibilities seriously. As a founding member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG),

[1] As at December 2017.

an inter-governmental organisation comprising eighteen member countries from Eastern and Southern Africa set up to combat money laundering in the region, Mauritius endorsed the revised international standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation issued by the Financial Action Task Force (FATF) in 2012.

National Risk Assessment

The NRA of Mauritius was carried using the National Money Laundering and Terrorism Financing Risk Assessment Tool developed and provided by the World Bank. The main objective of the assessment was to devise an effective risk-based AML/CFT regime through an efficient allocation of resources and the adoption of measures which will prevent or mitigate ML and TF on the basis of identified risks. For that purpose, the following factors were assessed:

a) the scale and characteristics of the proceeds of criminal activities from both internal and external sources;
b) the scale and characteristics of terrorism financing in Mauritius;
c) the weaknesses or gaps in Mauritius's ability to combat ML and TF; and
d) the ML weaknesses or gaps arising from the financial services sector as well as designated non-financial businesses and professions (DNFBPs) in the country.

In accordance with the World Bank model, Mauritius established a NRA Working Group (NRAWG) composed of all Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) related stakeholders in Mauritius. The NRA teams established within the NRAWG used the World Bank methodology to assess and rate the ML/TF threats and vulnerabilities at national and sectorial level. The NRAWG benefitted from World Bank-facilitated workshops and technical advice facilitated by the World Bank. The NRAWG comprised of representatives from law enforcement, security and intelligence agencies, financial and DNFBP regulatory bodies, the Independent Commission Against Corruption, the Financial Intelligence Unit, the University of Mauritius and the private sector. These consultations provided important data, information, trends, reflections and recommendations for the NRA.

Mauritius recently underwent a mutual evaluation of its anti-money laundering (AML) and combatting the financing of terrorism (CFT) systems and procedures using the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. The mutual evaluation was conducted by the ESAAMLG, and its findings have helped inform this NRA exercise.

Mauritius has ensured that the scope of the NRA exercise includes a thorough analysis of both external and internal sources of ML/TF risks. The NRA took account of both internal and external data sources, including Mutual Evaluation Report (2018) of Mauritius; FATF typologies, International reports (e.g.: IMF reports, Transparency International Report, Financial Secrecy Index, Afro barometer Index, US Trafficking in Persons Report, U.S. Department of State - Crime and Safety Report, Global Terrorism Index, EU Commission Reports etc.); and Press Articles (e.g.: Paradise and Panama papers).In addition, the recent Commission of Inquiry on Drug Trafficking, the Commission of Inquiry on Horse Racing, local press reports, information gathered during focus group discussions with private/public sector representatives and survey results were also used as sources of information.

The NRA exercise was launched in early 2017 and presented various challenges, including legal impediments which required legislative amendments in July 2018. Moreover, all AML/CFT agencies involved in the exercise did not keep detailed AML/CFT statistics. As such, information requested for the assessment was not readily available and the agencies were faced with the problem of retrieving data from their existing system to meet the NRA Methodology requirements within the limited time allocated. This assessment is a snapshot in time (based on data collected for the period 2014 to 2017), presenting a picture of ML/TF activity, the overall country vulnerability, vulnerability by professions and sectors as well as emerging threats. It also identifies and recommends necessary actions needed to strengthen the means, process, system and strategies for preventing and/or mitigating ML and TF risks.

Key Findings

The Overall Money Laundering Risk

The overall ML risk for Mauritius is Medium-High. This is a product of the national ML threat which is Medium-High and the national ML vulnerability which has a rating of Medium-High.

Money Laundering Threat

Given its unique and strategic location in the Southern Indian Ocean, Mauritius is intimately tied to developments in both sub-Saharan Africa and South Asia, and is as such bound to face both domestic and external ML threats. Furthermore, given that Mauritius is an international financial centre, it is also exposed to external threats from the rest of world.

Domestically, the NRA findings show that the main proceeds generating crimes in Mauritius are drug trafficking, fraud, illegal bookmaking, high value larcenies, tax crimes and corruption.The external threat mainly emanates from proceeds of crime derived from fraud (including tax fraud) and corruption committed outside of Mauritius. In most detected ML cases, funds are moved through the financial services sector in Mauritius as a transit destination either by the criminals themselves or through the use of professional money launderers. The professional money launderers can be foreign based or locally based.

National Vulnerability

The overall national ML vulnerability rating is Medium-High. This rating is influenced by an overall national combatting ability which is rated Medium-Low, mostly as a result of the absence of formal risk-based AML/CFT policies, as well as other shortcomings. Key weaknesses in the national ability of authorities to combat ML include lack of resources of authorities in charge of investigating ML offences and asset recovery, the absence of a national strategy and insufficient national coordination/cooperation.The prosecution of ML cases faces considerable delay due to the number of pending cases.

It must be highlighted that a National AML/CFT policy which will take into account the results of the NRA,has been endorsed by the National Committee on AML/CFT. Numerous actions have already been taken to combat ML, including the implementation of a risk based approach by the financial sector regulators, setting up of a task force to enhance coordination and cooperation among LEAs with respect to combatting drug trafficking (which is the top most proceeds generating offence). In addition, various committees have been set up under the National Committee on AML/CFT to foster coordination among all stakeholders, to identify and address capacity building needs and improve effectiveness. This report will assist the authorities in Mauritius to fully implement a risk-based approach to reduce our vulnerability by improving our ability to combat ML.

Sector ML Vulnerability

The second factor influencing the overall national ML vulnerability rating is the overall sector vulnerability which is rated Medium-High due to a high vulnerability rating in the Gambling, Real Estate, Jewelry sectors and a Medium-High vulnerability rating in Trust and Company Service Provider sector, Securities sector, Legal Professions, and Other Financial Institutions under supervision of FSC respectively.

A snapshot of the overall ML and TF vulnerability, threat and risk ratings is outlined below:

	Vulnerability Rating	**Threat Rating**	**ML Risk Rating**
Money Laundering	**Medium-High**	**Medium-High**	**Medium-High**
Terrorism Financing	**Medium High**	**Medium-Low**	**Medium**
ML Sector Ratings			
Gambling Sector	High	High	High
Trust and Company Service Providers	Medium-High	High	High
Securities Sector	Medium-High	Medium-High	Medium-High
Banking Sector	Medium	High	Medium-High
Other Financial Institutions – under BoM Supervision	Medium	High	Medium-High
Legal professions (Law Firms/Barristers/Notaries/Attorneys)	Medium-High	Medium	Medium-High
Real estate Sector	High	Medium	Medium-High
Jewellery Sector	High	Medium	Medium-High
Insurance Sector	Medium	Medium-Low	Medium
Accountancy Sector (Accountants/Auditors)	Medium	Medium	Medium
Other Financial Institutions – under FSC Supervision	Medium-High	Medium-Low	Medium
Other Financial Institutions – Credit Unions	Medium-Low	Medium-Low	Medium-Low

The Overall Terrorist Financing Risk

Mauritius values its peace and stability. It was ranked 20th in the world and 1st in Sub-Saharan Africa on the 2018 Global Peace *Index* and it is the top-ranking country in overall governance in Africa according to the Mo Ibrahim Index of African Governance (IIAG) 2018. There is general international consensus that the country is a relatively safe place with no reported terrorist attack. On the 2017 Global Terrorism Index, Mauritius obtained a GTI score of zero (0) with no terrorist incident.

The overall TF risk for Mauritius is Medium. This is a product of the national TF threat which is Medium-Low and the national TF vulnerability which has a rating of Medium-High.

Next Steps

The NRA has highlighted priority focus areas for Mauritius. To this end, Mauritius has developed a National AML/CFT Strategy 2019-2022 to address the ML/TF risks as well as the feedback received from the Mutual Evaluation Report 2018. The National Strategy sets out the approach which Mauritius will use to tackle ML and TF risks over the next three years.

The National Strategy comprises eight core themes that enhance the ability of Mauritius to prevent, detect and deter ML and TF. The eight core strategic themes and their objectives are set out below:

	Strategic Theme	Objective
1.	Strengthening the AML/CFT Legal and Regulatory Framework	To establish a comprehensive legal and regulatory framework that is consistent with international standards and which is effective in mitigating ML and TF risks.
2.	Implementing a comprehensive risk-based supervision framework	To develop and apply an effective risk based supervisory framework for financial institutions, DNFBPs and non-profit organisations. To supervise and monitor financial institutions and DNFBPs to ensure their effective assessment and management of ML/TF risk and compliance with AML/CFT preventive measures. In particular, the Gambling and TCSP sectors as top priorities, followed by the banking, securities, real estate and jewellery sectors.
3.	Strengthening the process by which the ML/TF threats are detected and disrupted, criminals are prosecuted and illegal proceeds are confiscated.	To ensure that ML and TF offences are investigated and offenders are sanctioned and deprived of illicit proceeds.
4.	Enhancing national co-ordination and cooperation.	To facilitate policy formulation, exchange of information and operational coordination between national competent authorities to effectively combat money laundering and the financing of terrorism and proliferation.
5.	Consolidating capacity building, training and awareness raising programs.	To ensure that all stakeholders in the public and private sectors understand and are fully capable of fulfilling their AML/CFT obligations.
6.	Enhancing transparency of legal persons and arrangements.	To prevent the misuse of legal persons and arrangements for ML and TF, and ensure that information on their beneficial ownership is available to competent authorities without impediments.
7.	Implementing an effective AML/CFT data collection system.	To assess and continuously improve the effectiveness of the AML/CFT system.
8.	Enhancing regional and international cooperation.	To provide the widest range of international cooperation in an expeditious and efficient manner.

Implementation of the National Strategy has already started and is expected to be completed by 2022. In particular, Mauritius has revamped its AML/CFT framework with amendments brought to the Financial Intelligence and Anti-Money Laundering Act (2002) (FIAMLA) and other relevant enactments by the Finance (Miscellaneous Provisions) Act 2018 and the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Act 2019, and the enactment of the United Nations (Financial Prohibitions, Travel Ban and Arms Embargo) Sanctions Act 2019. The National AML/CFT Strategy has been endorsed by Cabinet and the National Committee for Anti-Money Laundering and Combatting Financing of Terrorism.

Conclusion

The NRA exercise has provided Mauritius an opportunity to consolidate national coordination amongst all relevant government agencies. The results of this NRA together with the recommended actions contained in the Mutual Evaluation Report 2018 have served as the foundation of a detailed National Action Plan that cuts across all sectors and segments in the country, providing the resiliency and collective strength necessary to combat ML and TF. The country needs to sustain the momentum created through the NRA exercise to finalise and implement the National Action Plan.

Chapter 1: Introduction and Context

The Republic of Mauritius is a group of islands and archipelagos in the Indian Ocean comprising Mauritius, Rodrigues, Agalega, Tromelin, Cargados Carajos (Saint Brandon) and the Chagos Archipelago, including Diego Garcia. Located off the east coast of Madagascar and the south-east African coast, the main island, Mauritius is 1,864 sq km and is home to around 1.3 27 million inhabitants of Indian, African, European and Chinese descent. Its nearest neighbour is the French island of Réunion. The official language of the island is English. French is extensively used and Creole is widely spoken. Asian languages also form part of the linguistic mosaic.

Mauritius is the top-ranking country in overall governance in Africa according to the Mo Ibrahim Index of African Governance (IIAG) 2018. Its political system is based on the Westminster type democracy with the Prime Minister as Head of the Government. The President, who is the Head of State, and the Vice President are elected by Parliament every five years. Since it gained independence in 1968, Mauritius has had an excellent record of peaceful transition of power with free and fair elections taking place on a regular basis.

Mauritius has a mixed legal system which draws its legal principles from both the British Common Law and the French Civil Law traditions. The country has a single-structured judicial system consisting of two parts - the Supreme Court and Subordinate Courts. The Supreme Court has unlimited jurisdiction to hear and determine civil and criminal proceedings. In addition, the Court has full power and jurisdiction to hear and determine all appeals, whether civil or criminal. However, the decisions of its appellate division are in turn subject to appeal to the Judicial Committee of the Privy Council (United Kingdom) which is the ultimate court of appeal. The Subordinate courts consist of the Intermediate Court, the Industrial Court, the District Courts, the Bail and Remand Court and the Court of Rodrigues.

Mauritius is considered as one of the safest countries in Africa. The total number of cases reported to the Police (which include overall offences and other occurrences) in 2017 was 364,904. Around 16% of the overall offences reported were linked to crimes (2%) and misdemeanors (14%), while the remaining 84% were contraventions linked to road traffic offences. The crime rate per 1,000 of population stood at 5.1 in 2017.

Despite the country's isolation from major world markets, Mauritius had a remarkable and successful economic transformation from a low-income, agriculturally-based economy to a diversified, upper middle-income economy with growing industrial, financial, services and tourist sectors. Real GDP growth was 4% in 2017. The main drivers of growth were the services sector, especially finance, and the trade and accommodation services which benefitted from a buoyant tourism sector.

Mauritius is a major international finance centre in the Indian Ocean Region with an estimated total asset size of over US$ 618 billion . The financial services sector is an important component of the Mauritian economy, contributing around 12.1% of the country's GDP, 15% to government tax revenue and employing around 13,000 persons directly and many more indirectly.

The financial sector is regulated and supervised by the Bank of Mauritius (BoM) and the Financial Services Commission (FSC). The sector is dominated by banks which held around 80% of total assets of the financial sector and contributed 278% ofto GDP as at end-December 2018. Banks, non-bank deposit-taking institutions (NBDTIs) and cash dealers are licensed, supervised and regulated by the BoM.

[2] As at December 2017.

In addition, the FSC is the integrated regulator for the non-banking financial services and global business sector. The FSC operates under, *inter alia*, the Financial Services Act 2007 (FSA), the Securities Act 2005 (SA05), the Insurance Act 2005 (IA05), and the Private Pension Schemes Act 2012 (PPSA). The FSC licenses, regulates, monitors and supervises the conduct of business activities in the non-banking services and the global business sector.

Mauritius is a member of several regional and international bodies such as the United Nations, the Commonwealth of Nations, the African Union, the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the ESAAMLG.

Chapter 2: AML/CFT Legislative and Operational Framework

The FIAMLA established a National Committee for Anti-Money Laundering and Combating the Financing of Terrorism which is chaired by the Financial Secretary. Its membership is drawn from various key government agencies, including the Prime Minister's office, the Attorney General's Office, the Office of the Director of Public Prosecutions, the Financial Intelligence Unit, the BoM, the FSC, the Commissioner of Police, the Mauritius Revenue Authority and the Independent Commission Against Corruption. Functions of the National Committee include assessing the effectiveness of policies and measures to combat Money Laundering and the financing of terrorism and proliferation and, making recommendations on policy reforms.

Overview of the Legal & Institutional Framework

Mauritius has established various agencies which administer and oversee various areas of the AML/CFT regime. Some of them are as follows:

(a) Ministry of Financial Services and Good Governance: oversees implementation of AML/CFT activities and coordinates national AML/CFT legislative, administrative and policy reforms.

(b) Ministry of Foreign Affairs, Regional Integration and International Trade: is responsible for managing the country's diplomatic relations with other countries and international organizations. This mandate includes political, economic, and social/cultural relations. The Ministry is responsible for sharing information with relevant stakeholders (The Prime Minister's Office, BoM, FSC, Financial Intelligence Unit etc.) on the United Nations Security Council sanctions list. The Ministry is also involved in signing MoUs' and agreements with different countries with a view to increasing international cooperation.

(c) The Attorney General's Office: is responsible for registration and supervision of law firms, foreign law firms, joint law ventures and foreign lawyers.

(d) The Office of the Director of Public Prosecutions (ODPP): is the authority which makes the decision on whether or not to prosecute any criminal offence, including any ML/TF offence in Mauritius.

(e) Bank of Mauritius: is the AML/CFT supervisory body for the banks, non-bank deposit taking institutions and cash dealers. It issues Guidance Notes, guidelines and instructions for this sector and has powers under the FIAMLA, the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 (UN Sanctions Act) and the Banking Act to take regulatory sanctions for any breach of the FIAMLA, the UN Sanctions Act and guidelines issued by its licensed entities.

(f) Financial Services Commission: is the integrated regulator and the AML/CFT supervisory body for the non-bank financial institutions. The FSC is mandated under the FSA to administer inter alia, the SA05, the IA05 and the Private Pension Schemes Act 2012 which provide the legal framework to license, regulate, monitor and supervise the conduct of business activities in these sectors. As mandated under the FIAMLA, the FSC has issued a Code on the Prevention of Money Laundering and Terrorist Financing that applies to its licensees. It has powers under the

FIAMLA, the UN Sanctions Act and the FSA to take regulatory sanctions against its licensees for non-compliance with AML/CFT requirements.

(g) Gambling Regulatory Authority (GRA): is the licensing authority and designated AML/CFT regulatory body for the gambling sector.

(h) Police: As a law enforcement agency, the Police through its various specialized divisions investigates suspected ML and TF cases. This enables the gathering of admissible evidence for any prosecution which may follow.

(i) Financial Intelligence Unit (FIU): established under FIAMLA, serves as a central agency for receiving, requesting, analysing and disseminating information concerning suspected proceeds of crime from ML and TF. It is also the supervisory body for AML/CFT in relation to the attorneys, barristers, notaries, real estate and jewellery sectors.

(j) Independent Commission Against Corruption (ICAC): Its core function is to investigate and prosecute corruption and ML. It is also mandated to investigate TF as a predicate offence of ML. The ICAC starts investigations based on reports and information from government agencies and other sources. It also may start an investigation on its own initiative.

(k) Enforcement Authority (Asset Recovery Investigative Division): This body has the power to restrain and confiscate assets which a re reasonably suspected to be proceeds of crime, instrumentalities and terrorist property. The Asset Recovery Investigative Division (ARID) operates under the authority of the FIU.

(l) The Financial Reporting Council (FRC): is responsible for registration and supervision of auditors for AML/CFT compliance.

(m) Mauritius Institute of Professional Accountants (MIPA): is responsible for the registration and AML/CFT supervision of accountants.

Recent Developments

Mauritius is a founding member of the ESAAMLG, which is an inter-governmental organisation comprising eighteen member countries from Eastern and Southern Africa, set up in 1999 to combat ML in the region.

As a member of the ESAAMLG, Mauritius endorsed the revised international standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation issued by the Financial Action Task Force (FATF) in February 2012. Mauritius recently underwent a mutual evaluation of its AML/CFT systems and procedures using the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems adopted by the FATF in February 2013. The mutual evaluation was conducted by the ESAAMLG. The process started in October 2016 and was completed with the publication of the Mauritius Mutual Evaluation Report (MER) in September 2018. The MER has highlighted the areas of weaknesses in the AML/CFT legal and institutional framework. When conducting the risk assessment exercise, where relevant, due consideration has been given to the findings of the MER.

Following the discussion and adoption of the MER, Mauritius was placed under the ESAAMLG enhanced follow-up process. Mauritius, therefore, has to report bi-annually on the progress it is making in implementing the recommended actions contained in the MER. It should be noted that Mauritius started the process of reviewing and strengthening its existing AML/CFT framework before the publication of its MER in September 2018.

In July 2018, Mauritius brought a number of amendments to its AML/CFT framework through the Finance (Miscellaneous Provisions) Act 2018, Act 11 of 2018. This Act was gazetted on 9 August 2018 in Government Gazette 71 of 2018. Amongst others, the following enactments were amended:

- Financial Intelligence and Anti-Money Laundering Act
- Bank of Mauritius Act;
- Banking Act;
- Financial Services Act;
- Customs Act;
- Biological and Toxin Weapons Convention Act;
- Chemical Weapons Convention Act;
- Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indis criminate Effects Act 2018;
- Gambling Regulatory Authority Act;
- Prevention of Corruption Act;
- Prevention of Terrorism Act; and
- Registration of Associations Act.

In addition, a new set of regulations namely, the Financial Intelligence and Anti-Money Laundering Regulations 2018 (FIAML Regulations 2018) were promulgated on 28 September 2018 (GN 108 of 2018) and became effective on 01 October 2018. The Regulations 2018 revoked the Financial Intelligence and Anti-Money Laundering Regulations 2003. The FIAML Regulations were amended by the FIAML (Amendment) Regulations 2018 (GN 122 of 2018).

It must be highlighted that the FIAMLA and the FIAML Regulations 2018 set out preventive measures that apply to all financial institutions and Designated Non-Financial Businesses and Professions.

Previously, the legal and regulatory frameworks relating to AML/CFT preventive measures in Mauritius were set out in the FIAMLA, Financial Intelligence and Anti-Money Laundering Regulations 2003, Bank of Mauritius Guidance Notes on AML/CFT (BoM GNs) and Code on the Prevention of Money Laundering and Terrorist Financing (FSC Code), Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Accountants, Auditors and Members Firms, Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Agents in Land, Land Promoter and Property Developer, Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Dealer under the Jewellery Act, Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Persons Licensed to Operate a Casino, Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Law Firm, Foreign Law Firm, Joint Law Firm and Foreign Lawyer and Guidelines on the Measures for Prevention of Money Laundering and Countering the Financing of Terrorism for Barrister, Attorney and Notaries.

On the basis of the progress made since the publication of the MER, Mauritius sought the technical compliance re-ratings for Recommendations 9, 10, 12, 13, 14, 15, 16, 17, 18, 22, 27 and 32. The application for re-rating was successful for 11 Recommendations. There was no re-rating for Recommendation 32. The First Follow-Up report (FUR) of Mauritius was published on 24 May 2019.The technical compliance ratings of the MER and FUR are summarized in the table below:

	R1	**R2**	**R3**	**R4**	**R5**	**R6**	**R7**	**R8**	**R9**	**R10**
MER	NC	PC	LC	LC	PC	NC	NC	NC	PC	NC
FUR									C	LC
	R11	**R12**	**R13**	**R14**	**R15**	**R16**	**R17**	**R18**	**R19**	**R20**
MER	LC	PC	NC	PC	NC	NC	NC	PC	PC	C
FUR		C	C	C	PC	LC	C	C		
	R21	**R22**	**R23**	**R24**	**R25**	**R26**	**R27**	**R28**	**R29**	**R30**
MER	PC	NC	NC	NC	PC	PC	LC	NC	LC	C
FUR		LC					C			
	R31	**R32**	**R33**	**R34**	**R35**	**R36**	**R37**	**R38**	**R39**	**R40**
MER	C	PC	PC	LC	PC	LC	LC	LC	LC	LC

Ratings of the MER and First Application for Re-rating

To address the remaining technical compliance deficiencies two new pieces of legislation were adopted by the National Assembly on 21 May 2019, namely, the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019, Act 8 of 2019, and the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2019 (AML/CFT Act), Act 9 of 2019. The Acts were gazetted on 29 May 2019 in Government Gazette 53 of 2019. Both Acts came into operation on the date that they were gazetted, that is, 29 May 2019.

The UN Sanctions Act enables Mauritius to implement the restrictive measures under all the current United Nations Sanctions regimes, including the Al-Qaida and ISIL (Daesh),1988, Iran and DPRK sanctions regimes and United Security Council Resolution 1373 (2001). Mauritius has sought the re-rating of Recommendations 6 and 7. The application for re-rating will be considered by the ESAAMLG at its meetings in September 2019.

The AML/CFT Act provides for amendments to various pieces of legislations set out hereunder, to address technical compliance deficiencies identified in the MER:

- Asset Recovery Act,
- Bank of Mauritius Act
- Banking Act
- Civil Status Act
- Companies Act
- Convention for the Suppression of the Financing of Terrorism Act
- Criminal Code
- Customs Act
- Financial Intelligence and Anti-Money Laundering Act
- Financial Reporting Act
- Financial Services Act
- Immigration Act
- Law Practitioners Act
- Prevention of Terrorism Act
- Registration of Associations Act
- Trusts Act
- Registration of Associations Regulations 1979
- Financial Intelligence and Anti-Money Laundering Regulations 2018

On the basis of the amendments brought to the above-mentioned enactments, the technical compliance re-rating of Recommendations 1,2, 3, 4, 5, 10,15,16,19,21,22, 23,24, 25,26,28, 29, 32, 33 and 35 has been sought. The application for re-rating will be considered by the ESAAMLG at its meetings in September 2019.

Chapter 3: NRA Risk Assessment Methodology

The chapter outlines the methodology used for conducting the NRA of Mauritius. It provides an overview of the general structure of the World Bank tool, its application in the Mauritian context and the data collection process.

Key Concepts and Terms

For the purpose of assessing ML/TF risk at national level, risk is regarded as a function of three factors: threat, vulnerability and consequence.

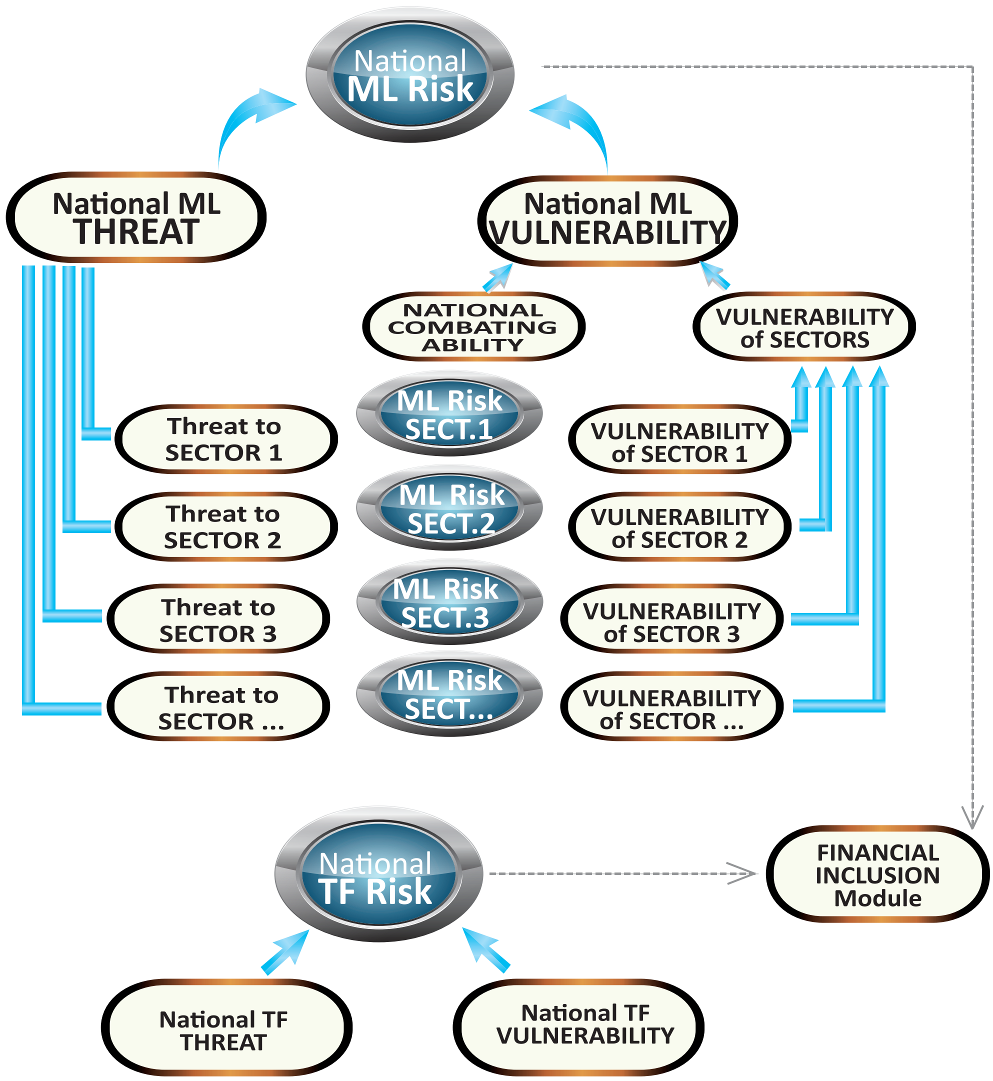
- Threats relate the actions taken by criminals to abuse the financial system to facilitate ML or TF
- Vulnerabilities are the weaknesses or gaps that can be exploited by the threat or that may support or facilitate its activities.
- Consequences are the impact or harm that ML or TF may cause and includes the effect of the underlying criminal and terrorist activity. The assessment of consequences is included in the assessment of threats and vulnerabilities as opposed to being treated as a separate independent factor.

The General Structure of the NRA Tool

In terms of the NRA World Bank tool, the ML/TF risks are assessed based on the following nine excel-based and interrelated modules:

	Description of the Module	Outcome of the Module
Module 1	ML Threat Assessment	▪ Overall ML Threat Rating
Module 2	ML National Vulnerability Assessment	▪ Overall ML National Vulnerability Rating
Module 3	Banking Sector ML Vulnerability Assessment	▪ Banking Sector ML Vulnerability Rating
Module 4	Securities Sector ML Vulnerability Assessment	▪ Securities Sector ML Vulnerability Rating
Module 5	Insurance Sector Vulnerability Assessment	▪ Insurance Sector Vulnerability Rating
Module 6	Vulnerability of Other Financial Institutions Assessment	▪ Other Financial Institutions Vulnerability Rating
Module 7	Vulnerability of Designated Non-Financial Businesses and Professions Assessment	▪ Designated Non-Financial Businesses and Professions Vulnerability Rating
Module 8	Terrorism Financing Risk Assessment	▪ Terrorism Financing Risk Rating ▪ Terrorism Financing Threat Rating ▪ Terrorism Financing Vulnerability Rating
Module 9	Financial Inclusion Product Risk	▪ Financial Inclusion Product Risk

The assessment of national ML threats (assessed under one module) focuses on understanding the type of predicate offences which pose an internal and external ML threat to the assessed jurisdiction as well as the threat associated to each sector under assessment. Alternatively, the national vulnerability assesses the national combatting ability (assessed under one module) and overall sectorial vulnerability of the country (assessed under five modules). While the national combatting ability relates to the defense and reaction mechanisms available for combatting ML, the sectorial vulnerability assesses the ML vulnerability of the banking sector, the securities sector, the insurance sector, other financial institutions (OFIs) as well as designated non-financial businesses and professions (DNFBPs).



General Structure of the World Bank NRA Tool

The TF risk assessment module identifies the main terrorist financing threats as well as assesses vulnerability in terms of TF controls and country context factors.

The Financial Inclusion module assesses the ML/TF risks in relation to any financially inclusive product/service.

The NRA Tool in the Mauritian Context

Since Mauritius is among the countries with the highest level of financial inclusion in the Southern African Development Community (SADC)[3], the ML/TF risk assessment arising from financial inclusion products was excluded from the present exercise.

[3]Mauritius had the highest level of financial inclusion in the Southern African Development Community (SADC), with 90 percent of adults aged 18 years and above having access to financial services, according to the FinScope Consumer Mauritius 2014 survey. Generally, 85% of the adult population is banked, 49% use a formal non-bank product, and 26% use informal products and services. Currently, 10% of the adults are financially excluded.

Moreover, given the significance of the Trust and Company Service Providers (TCSPs) to the Mauritian economy, a TCSP Sector Vulnerability Assessment Team was established in addition to the DNFPB Vulnerability Assessment Team.

Establishment of the National Risk Assessment Working Group (NRAWG)

In accordance with the World Bank model, Mauritius established a NRA Working Group (NRAWG) composed of all AML/CFT related stakeholders in Mauritius. The group was divided into 8 teams (2 national teams and 6 sector teams), with each team handling a separate module of the tool. The composition of the NRA Working Group is as follows:

Teams	Team Composition
Threat Assessment Team	▪ Financial Intelligence ▪ Independent Commission Against Corruption ▪ Mauritius Police Force ▪ Mauritius Revenue Authority-Tax department ▪ Mauritius Revenue Authority-Customs ▪ Asset Recovery Investigative Division ▪ Counter Terrorism Unit ▪ Attorney General's Office ▪ Office of the Director of Public Prosecutions ▪ Ministry of Foreign Affairs ▪ Bank of Mauritius ▪ Registrar of Associations ▪ University of Mauritius ▪ Statistics Mauritius
National Vulnerability Assessment Team	▪ Independent Commission Against Corruption ▪ Financial Intelligence ▪ Mauritius Police Force ▪ Mauritius Revenue Authority-Tax department ▪ Mauritius Revenue Authority-Customs ▪ Asset Recovery Investigative Division ▪ Counter Terrorism Unit ▪ Attorney General's Office ▪ Office of the Director of Public Prosecutions ▪ University of Mauritius ▪ Registrar of Companies ▪ Financial Services Commission
Banking Sector Vulnerability Assessment Team	▪ Bank of Mauritius ▪ Financial Intelligence Unit ▪ University of Mauritius ▪ Representatives from the Banking Sector ▪ Mauritius Bankers Association
Securities Sector Vulnerability Assessment Team	▪ Financial Services Commission ▪ Financial Intelligence Unit ▪ Representatives from the Securities Sector
Insurance Sector Vulnerability Assessment Team	▪ Financial Services Commission ▪ Financial Intelligence Unit ▪ Representatives from the Insurance Sector
Other Financial Institutions (OFIs) Vulnerability Assessment Team	▪ Financial Services Commission ▪ Bank of Mauritius ▪ Registrar of Cooperatives ▪ Financial Intelligence Unit ▪ Representatives from the Private Sector
DNFBPs Vulnerability Assessment Team	▪ Mauritius Revenue Authority ▪ Gambling Regulatory Authority ▪ Attorney General's Office ▪ Financial Reporting Council ▪ Mauritius Institute of Professional Accountants ▪ Assay Office ▪ University of Mauritius ▪ Financial Intelligence Unit
TCSPs Vulnerability Assessment Team	▪ Financial Services Commission ▪ Financial Intelligence Unit ▪ Representatives from the Private Sector

Assessing Money Laundering and Terrorist Financing Risks

ML/TF Threat and National Vulnerability Assessment

Threat and national vulnerability are the two main factors impacting on the overall ML and TF risks at the national level.

ML and TF Threat Assessment

The threat assessment was based on the assumption that ML threat is a function of "proceeds of crimes". As such, statistics and information on proceeds-generating crimes committed within the jurisdiction, as well as on ML cases for the period 2014-2017 were gathered. The collected data was used to establish which predicate offence is most prevalent and how the ML threat materializes within different sectors. The ML cross-border threat relating to the laundering of proceeds of crime committed outside Mauritius and the laundering of domestically generated proceeds of crime in other jurisdictions were also examined.

To assess ML threats, the offences under the Mauritian law were mapped on the FATF designated categories of offences. Given that it is the first NRA of Mauritius, all the designated categories were assessed. For the purpose of the analysis, only proceeds-generating cases were considered.

The ML threat associated with each category of offences was rated from low to high, based on:

	High ML Threat	Medium ML Threat	Low ML Threat
Likelihood	High number of crimes - reported, investigated, prosecuted and convicted cases	Average number of crimes - reported, investigated, prosecuted and convicted cases	Low number or no crimes - reported, investigated, prosecuted and convicted cases
Capacity of Criminals	Criminals' sophistication is extensive, network is well established and criminals have significant resources to support complex, long-term, sustainable and large-scale ML operations.	Criminals have some elements of sophistication and resources are limited to conduct simple ML operations.	Criminals' sophistication to conduct ML operations is very limited. Criminals' ML activity focuses on immediate placement or integration of proceeds of crime for personal use. Actors rely mostly on their personal resources and network is nonexistent.
Scope of ML Activity	Criminals use multiple sectors and sophisticated means to move cash domestically and abroad, thereby ensuring they maintain a high ability to move funds and distance proceeds of crimes from its source.	Criminals use a limited number of sectors and means to move domestically with limited ability to move funds and distance proceeds of crimes from its source (e.g., sectors of limited size, offering limited products, correspondents, etc.).	Criminals use one sector domestically or just basic means to move cash domestically.
Estimated Proceeds of crimes	$ over 1 million	$ hundreds of thousands	$ under thousands
Information exchanged domestically and internationally	High number of: - disseminations sent by the FIU to relevant competent authorities and overseas FIUs; - requests received by FIU from competent authorities and overseas FIUs; and - requests for Mutual Legal Assistance	Average number of: - disseminations sent by the FIU to relevant competent authorities and overseas FIUs; - requests received by FIU from competent authorities and overseas FIUs; and - requests for Mutual Legal Assistance	Low number of: - disseminations sent by the FIU to relevant competent authorities and overseas FIUs; - requests received by FIU from competent authorities and overseas FIUs; and - requests for Mutual Legal Assistance

After careful examination of the World Bank templates with each relevant authority, the templates were modified where necessary to better capture the indicators required for the assessment.

The extent of the terrorism financing threat in Mauritius was based on the sources of terrorist threats as well as the direction of terrorism financing funds, the sources and channels that are being used for terrorism financing. The terrorism threat assessment was based on enforcement and intelligence data, as well as related financial information.

National ML and TF Vulnerability Assessment

The National ML Vulnerability of a country assesses the vulnerability of a country to ML offences. The level of national ML vulnerability of a country depends on the level of overall sectorial ML vulnerability and the national ability of the country to combat ML. The overall ML vulnerability assesses the overall vulnerability of the sectors under assessment (i.e., banking, insurance, securities, OFIs, TCSPs and each DNFBP subsector) to ML offences. The country's ability to combat ML at a national level assesses the ability of a country to prosecute and penalise instances of ML offences and to forfeit the proceeds and instrumentalities of crime.

TF Vulnerability on the other hand assessed the strength of the controls that are in place to detect and counter TF.

Sector Team Assessment

The main objective of sector teams is to determine the residual ML vulnerability ratings of the sectors under assessment, namely:

- Banking Sector
- Securities Sector
- Insurance Sector
- Other Financial Institutions (OFI):
    - OFIs under the supervision of the BoM
    - OFIs under the supervision of the FSC
    - Cooperative Credit Unions
- Trust and Company Service Providers (TCSPs)
- Designated Non-Financial Businesses and Professions (DNFBPs) commonly referred to as 'Members of a relevant business or profession' in Mauritius
    - Gambling sector
    - Legal Sector (Law Firms, Barristers, Attorneys and Notaries)
    - Accountancy sector (Accountants and Auditors)
    - Real Estate Sector
    - Jewellery Sector

The residual ML vulnerability rating takes into account the effect of controls (General AML Controls) on the inherent vulnerability associated with the products/sub-sectors of the sector under review.

General AML controls are assessed at sector level and relate to the strength (in terms of quality and effectiveness) of AML controls.

Inherent vulnerability variables, on the other hand, consider specific features and users of products/sub-sectors under assessment.

Data Collection Process and Sources of Information

The period over which the information was collected was 2014-2017. The table below shows the information sources which were used to complete the assessment:

Teams	Sources of Information – Examples
Threat Assessment Team	▪ Data/Statistics from the FIU, Police, ICAC, ARID, Mauritius Revenue Authority (Tax and Customs departments), Attorney General's Office ▪ Intelligence ▪ Focus group discussions with relevant competent authorities ▪ Local and international reports ▪ Local and international press articles ▪ Open source information
National Vulnerability Assessment Team	▪ Data/Statistics from the FIU, Police, ICAC, ARID, Mauritius Revenue Authority (Tax and Customs departments), Attorney General's Office ▪ Intelligence ▪ Focus group discussions with relevant competent authorities ▪ Local and international reports ▪ Local and international press articles
Banking Sector Vulnerability Assessment Team	▪ Data/Statistics from the BoM ▪ Information gathered from surveys administered to Banks ▪ Focus group discussion with survey respondents ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports
Securities Sector Vulnerability Assessment Team	▪ Data/Statistics from the FSC ▪ Information gathered from surveys administered to Investment Dealers, Investment Advisers and CIS Managers ▪ Focus group discussion with key industry representatives ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports
Insurance Sector Vulnerability Assessment Team	▪ Data/Statistics from the FSC ▪ Information gathered from surveys administered to Insurance Companies and Insurance Brokers ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports
Other Financial Institutions (OFIs) Vulnerability Assessment Team	▪ Data/Statistics from the FSC/BoM/Registrar of Cooperatives ▪ Information gathered from surveys administered to BoM licencees ▪ Information gathered from surveys administered to FSC licencees ▪ Focus group discussions with BoM licenceesunder the OFI category ▪ Focus group discussion with FSC licencees under the OFI category ▪ Focus group discussion with Cooperative Credit Unions ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports

DNFMPs Vulnerability Assessment Team	▪ Data/Statistics from the relevant licensing authorities and AML/CFT Regulators ▪ Focus group discussions with Gambling sector operators ▪ Focus group discussion with the Bar Council representative ▪ Focus group discussion with the Chamber of Notaries representative ▪ Focus group discussion with the Mauritius Law Society representative ▪ Focus group discussion with Law firm representatives ▪ Focus group discussion with accountants/auditors ▪ Focus group discussion with auditors ▪ Focus group discussion with jewelers ▪ Focus group discussion with real estate agents ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports ▪ Open Source information
TCSPs Vulnerability Assessment Team	▪ Data/Statistics from the FSC ▪ Information gathered from surveys administered to Management Companies; ▪ Focus group with FSC staff; ▪ Focus group discussions with key industry representatives ▪ Data/Statistics from operational agencies ▪ Focus group discussions with operational agencies ▪ Local and International reports

The National Risk Assessment Process

The NRA process involved the following stages:

(a) The first stage included a three-day workshop in January 2017 to introduce the NRA concepts and the World Bank NRA tool;

(b) The second stage required the working group members to collect missing data identified during the initial workshop and draft an initial group reports;

(c) An intermediate workshop was held on 13th November 2018 in collaboration with the World Bank team to take stock of the progress made and provide additional guidance as needed;

(d) Three follow-up workshops were organized in January, February and March 2019 to further discuss the findings of the different NRA teams; and

(e) The final stage of the NRA process included a three-day workshop held from 7-9 June 2019. This workshop provided a venue for a final review of the NRA report and the way forward.

Users of the ML/TF Risk Assessment

The users of the ML/TF risk assessments are:

a) Policy makers to formulate national AML/CFT policies which are risk-based.

b) Intelligence agencies and Law Enforcement Authorities

c) Supervisory bodies

d) Financial institutions and members of a relevant profession or business (DNFBPs)

e) Non-Profit Organizations

f) International bodies

g) The Public

Limitations and Challenges

- **General absence of AML/CFT data collection system:** All AML/CFT agencies involved in the exercise did not keep detailed AML/CFT statistics. As such, information requested for the present assessment was not readily available and the agencies were faced with the problem of retrieving data from their existing system to meet the module requirements within the limited time allocated.

  In addition, the length of the AML/CFT operational chain made it challenging to track specific reports. However, where specific data could not be obtained, teams organized focus group discussions with relevant stakeholders to make an informed judgment.

- **Information Sharing:** While some institutions were reluctant to share information because of confidentiality reasons, others had to obtain official clearance before releasing the data. Appropriate legal amendments were made to resolve this issue.

- ML and TF activities are generally concealed. As such, the sources of information used to assess ML and TF risks consisted of a combination of statistics, case studies and expert judgment from LEAs, supervisory authorities and the private sector operators.

Chapter 4: Money Laundering Threats

Introduction

Based on the extent of predicate crimes (internal and external), the magnitude of proceeds (where available) and the criminals' ML capacity (criminal knowledge, skills, expertise, networks and resources for ML), it was determined that the ML threat to Mauritius comes from both internal sources – i.e. laundering of proceeds from offences committed domestically - and external sources - i.e. laundering of proceeds from offences committed abroad. However, given the significant incoming and outgoing flow through the Mauritian financial system, the level of external ML threat (**High**) to Mauritius is assessed to be greater than the level of internal ML threat (**Medium**). The overall level of ML threat is therefore rated **MEDIUM-HIGH**.

Domestic Money Laundering Threats

The money laundering offence under section 3 of the FIAMLA refers to 'the proceeds of any crime'. To encapsulate the widest range of predicate offences, the definition of 'crime' in the FIAMLA encompasses both crimes and misdemeanours as defined in the Criminal Code (sections 4 and 5 of the Criminal Code). 'Crime' under the FIAMLA also includes an activity, an act or omission carried outside Mauritius and which, had it taken place in the country, would have constituted a crime. The overall crime rate in Mauritius is low, with only 16% of the overall reported offences in 2017 being linked to crimes (2%) and misdemeanours (14%). The remaining 84% were contraventions, the majority of which were related to road traffic offences[4].

In terms of ML investigations, both the ICAC and the Police (through the Anti-Drug and Smuggling Unit and the Central Criminal Investigation Division), can investigate ML cases. From 2014 to 2017, the total number of ML cases investigated by the ICAC and Police stood at 711. As reported in the 2018 MER of Mauritius, the ICAC investigated most of the money laundering cases while the Police focused mostly on predicate offences investigations. Indeed, only 4% of the total ML investigations were conducted by the Police and the remaining 96% by the ICAC. A total of 69 ML cases were lodged before court[5] and 41 ML convictions[6] were secured during the same period. 56 persons were convicted in relation to ML offences during the period under review.

Of the 711 ML investigations, 94% related to domestic predicate offences. Only 5% of ML investigations concerned predicate offences committed in both Mauritius and foreign jurisdictions. The remaining 1% of the 2014-2017 investigations related to cases where the predicate offences were committed in foreign jurisdictions. The low level of ML investigations relating to external predicate offences is mostly explained by the fact that (i) insufficient evidence is available to warrant an application for Mutual Legal Assistance and obtain information from foreign jurisdictions on details of any offence committed abroad, (ii) lack of cooperation from foreign

[4] Source:Digest of Crime, Justice and Security Statistics - 2017

[5] The total number of ML cases lodged before court during the period of assessment (irrespective of when investigations started).

[6] The number of ML convictions during the period of assessment (irrespective of when investigations and prosecutions started).

jurisdictions to obtain information on the predicate offence and (iii) the length of procedures in applying for MLA and obtaining information from foreign Central Authorities. Very often, where the ML investigation has already been conducted in the jurisdiction where the perpetrators are located, that foreign jurisdiction will often not cooperate with Mauritian authorities. As such, investigations into foreign associated predicate offences and money laundering offences remain low.

The majority of cases where the predicate offence is external, is in relation to Global Business Companies, with the most recurrent alleged offences being fraud (including tax-related fraud). It has been observed that, in general, management companies conduct proper KYC/CDD procedures. However, the KYC/CDD procedure is mostly documentary in nature and the possibility of fabricating documents for filing purposes still exist. In addition, the majority of transactions within the Global Business sector are non-face-to-face in nature, rendering the investigations and prosecutions of money laundering and its predicate offences difficult as the perpetrators are outside Mauritius.

It should be noted that in ML cases where investigations cannot be conducted in Mauritius, the Mauritian authorities readily exchange information with the jurisdiction(s) where the suspect is located to enable ML investigation overseas.

'Illicit drug trafficking' and *'fraud'* emerged among the most significant domestic predicate offences whether at investigation, prosecution or conviction stage. Limitation of payment in cash in breach of section 5 of FIAMLA, where payment in cash in excess of Rs 500, 000 (around US$ 15,000) has been made, topped the ML convictions. It should be noted here that the limitation in payment does not necessarily involve money emanating from tainted origins[7].

It is important to note that there are no specific criminal offences in Mauritian law relating to the FATF designated category of 'Participation in an organized criminal group and racketeering'. However, such criminal activities are captured under the 'Conspiracy' offence and the offence of 'association of malefactor' (sections 188 and 189 of the Criminal Code). Organised crime in Mauritius is predominantly associated with the provision of illicit services and goods, namely drug trafficking[8] and high-value robbery offences[9].

Predicate Offences identified as High Money Laundering Threats

Illicit trafficking in narcotic drugs and psychotropic substances

Mauritius has been experiencing a serious drug use and trafficking problem since the 1980s. This proliferation has benefitted from the development of extensive air and sea networks to the African continent, Asia, Europe and Madagascar. The main drugs prevalent in the country are cannabis, heroin, subutex, synthetic drugs, hashish, cocaine and psychotropic substances. Mauritius is mostly an end-user destination for drugs. It would appear that the increased vigilance around the Balkan route following the start of the Syrian Civil war has led drug trafficking networks to use the Southern Route along the east African coast in order to supply the European and North-American markets. The observed increase in heroin and synthetic cannabinoids and the decline in cannabis seems to indicate a trend in recent years where traffickers appear to focus their efforts on drugs that generate higher amounts of proceeds.

[7] Case of Beezadhur v The Independent Commission Against Corruption & Anor [2013 PRV 83].
[8] See analysis on Drug Trafficking for more details.
[9] See analysis on Theft for more details.

The number of reported 'drug dealing' cases from 2014 to 2017 was 1,929 and the number of cases resulting in convictions stood at 1,675.., 1,679 persons were arrested during the period under review. The value of drugs seized, which stemmed mostly from heroin followed by cannabis, synthetic drugs, methamphetamine and buprenorphine, was Rs 3,403,700,777 (around US$ 102m). The level of sophistication observed in drug trafficking cases is usually very high. In that respect, organised criminal groups are commonly associated with trafficking in narcotic drugs and psychotropic substances in Mauritius. Drug trafficking networks include suppliers, financiers, smugglers, wholesalers and retailers, all operating as a well-oiled machine in order to distribute the drugs to the end consumer in all parts of the country. According to the Commission of Inquiry on Drug Trafficking (2018), drug traffickers also have networks comprising of prison/police officers, customs officers, pharmacists, complacent doctors, bookmakers, casino owners, money changers and lawyers.

The number of ML investigations where drug trafficking was alleged to be the predicate offence was 146 for the period 2014-2017. The number of ML prosecutions and convictions were respectively 18 and 12. With seized proceeds amounting to Rs 79,452,296 (around US$ 2.4m)[10] and confiscations valued at around Rs 5,148,823 (around US$ 154,400)[11] , the estimated proceeds of crime generated from 'drug dealing' is very high. The observed pattern shows that, in a large number of cases, profits made from drug trafficking go towards personal spending. The Mauritian drug traffickers tend to spend lavishly on consumable goods such as electronics, car rentals, overseas trips, night outs at restaurants and nightclubs and hotel stays and more recently in jewellery. This type of *'lifestyle laundering'* allows the trafficker to live far beyond his means, without putting the proceeds into tangible assets, the purchase of which would facilitate detection by the authorities.

Otherwise, traffickers and their accomplices launder money through gambling in land-based casinos and gaming houses, at the race course and the purchase of bloodstock and mostly through unlicensed money changers. Money is also laundered through the purchase of high-class vehicles, powerful motorcycles, immoveable properties, cash-intensive businesses and speedboats some in the name of bogus trading companies or *"prête-noms"*.

- ML Investigations following the publication of the report of the Commission of Inquiry on Drug Trafficking

Following the publication of the report of the Commission of Inquiry on Drug Trafficking in July 2018, a task force was set up by the Ministerial Committee in August 2018 to initiate ML investigations into the findings/recommendations of the report. The Task Force, which is chaired by the Director General of the ICAC, comprises major stakeholders involved in the fight against ML namely, the Mauritius Police Force, the Financial Intelligence Unit, the Mauritius Revenue Authority, the Asset Recovery Investigative Division, the Integrity Reporting Services Agency, the Attorney General's Office and the Mauritius Prison Services. Parallel financial investigations have been subsequently initiated based on drug dealing matters identified in the report.

The ML threat associated to the illicit trafficking in narcotic drugs and psychotropic substances is therefore **HIGH**.

[10] The possibility of double counting might exist here.
[11] Source: ARID and Supreme Court.

Fraud
There is no specific definition of fraud in Mauritian legislation. However, there are several offences under our Criminal Code and other specific legislations which are related to fraud such as: swindling, embezzlement, embezzlement by persons in receipt of wages, issuing cheques without provision, electronic fraud and forgery. There were 4,069 reported cases under the fraud category for the period 2014-2017, and the number of convicted cases for the same period was 1,421.

The level of sophistication in most fraud cases is regarded as medium to high. An increase in the number of attempted business email compromise ('BEC') cases has been noted in Mauritius (attempts to hack emails or penetrate other accounts to fraudulently transfer funds were observed). Other fraud cases involving social media where victims were contacted by fraudsters and duped into transferring funds to them were also observed[12].

It is noteworthy that WhatsApp and other social media platforms were used in the commission of these fraudulent activities. Most of these cases, especially those related to hacking of accounts, involve a high degree of sophistication requiring strong knowledge of information technology and strong skills at social engineering. The value of the proceeds associated with fraud cases for the period under review was Rs 542.95 m (around US$ 16.1m) with the highest proceeds generated by electronic fraud, swindling and embezzlement cases.

With seized proceeds of Rs 89,977,280 (around US$ 2.7m)[13] and confiscated proceeds of Rs 43,500,927 (around US$ 1.3m) for the period 2014-2017, the estimated total amount of proceeds of crimes generated from fraud cases is considered very high. It should be noted that the figures in relation to proceeds seized exclude an alleged case of fraud involving a major financial group on the basis that the case in question was an exceptionally rare occurrence and its inclusion would distort the statistics and would not present a true picture of the inherent threat facing the Mauritian jurisdiction regarding the predicate offence of *'fraud'*.

The number of ML investigations where fraud was identified as a predicate offence was 75. The number of ML prosecutions and convictions were respectively 31 and 9. Given the proceeds generated (and considering any undetected or unreported cases) from fraud, it is evident that it is an important predicate offence for money laundering in Mauritius. Based on the above, the threat for ML associated with fraud is considered **HIGH**.

Illegal Bookmaking
Bookmaking in Mauritius involves the taking of bets on horse racing and football. Bookmaking on horse racing is confined to local events, whereas football bookmaking involves matches outside Mauritius. The Commission of Inquiry on Horse Racing in Mauritius (2015) Report mentions of a flourishing illegal betting market that exists in the country. The restrictive elements of the betting market, coupled with the 10% tax on all bets, is the main reason for illegal betting. The fact that bookmakers are only allowed to take cash bets is the principal reason for illegal betting. The number of investigations in relation to illegal betting for the period under review was 24 (with proceeds totaling Rs 3,498,124 – equivalent to US$ 104,800) while the number of cases lodged before court stood at 11, with 3 convictions.

[12] During the period from January 2018 to January 2019, the FIU received 94 STRs on cases related to advanced fee fraud, romance scam and business email compromises.
[13] The possibility of double counting might exist here.

According to the Commission, the turnover of the illegal market may be as much as, or greater than that of the legal market. On the basis of the declared turnover for operators offering bets on local racing, which was at Rs 5,640 bn (around US$ 161m) for the period July 2017 to June 2018, the size of the illegal market is believed to be very significant.

Given that dealing in betting is done mainly in cash and anonymously (there is no need to disclose one's identity), the nature of illegal bookmaking poses a significant ML threat since large proceeds can be generated within a short period of time. In terms of ML cases, illegal bookmaking between 2014 to 2017 accounted for 21 investigations with regards to ML investigations. It should be noted that the authorities are well aware of the issues associated with the gambling sector and measures are being taken to introduce stricter limits and controls on cash betting. The ML threat associated with the offence of illegal bookmaking is therefore rated **HIGH**.

Predicate Offences identified as Medium-High Money Laundering Threats

Robbery or Theft (Larceny)

For the period 2014-2017, the number of larceny cases reported was 41,522 and the number of investigations initiated in the same period was 38,872. Additionally, 20,622 cases were detected and 15,624 cases were lodged for prosecution in the same period. Simple larceny accounted for more than 79% of the total reported cases as opposed to larceny with aggravating circumstances which amounted to 21% only.

The majority of simple larceny cases are crimes of opportunity, often driven by drug addiction. As such, these offences do not present a high degree of sophistication. However, a minority of cases, particularly cases of larceny with aggravating circumstances, involve organised gangs. These cases mostly concern armed robberies or burglaries of business premises (often financial institutions or filling stations) and homes. In these cases, the level of sophistication is more complex as the crime often involves the use of weapons and tools, assistance from insiders, the use of getaway vehicles (often stolen), and so on.

The overall estimated proeeds generated from larceny cases is viewed as very high (valued at Rs 2,503,594,512 - around US$ 75m). In a majority of cases, proceeds generated from larceny are not recoverable as the perpetrators tend to spend the proceeds as soon as they are obtained. The proceeds from individual cases are usually quite low in terms of amount and are usually spent on expensive consumable items and lifestyle expenses.

While the number of identified ML cases having larceny as a predicate offence is low with 7 investigations and no prosecution or conviction for 2014-2017, the increasing trend regarding high value larcenies is quite significant. During the period under review, the proceeds generated from larceny cases involving sums greater than Rs 500,000 (around US$ 15,000)[14] were valued at Rs 1,192,445,150 (around US$ 35.8m), represented about half the value of the proceeds generated by larceny. As at date, the ML investigations have been completed and have not established all the elements for any predicate offence.

In these high value larceny cases, it seems unlikely that the perpetrators would simply spend all the proceeds on consumable items. It therefore follows that these proceeds must be laundered locally. The increasing trend regarding high value larcenies is quite significant. The ML threat associated to larceny is therefore **MEDIUM-HIGH**.

[14] The number of high value larceny cases was 323 out of 41,522 for the period under review.

Tax Crimes
Mauritius has a self-assessment system whereby the taxpayer has to compute his tax liability, submit his return and pay the tax accordingly. Mauritius has the highest online filing rate in Africa, which demonstrates a culture of compliance. The role of the Mauritius Revenue Authority (MRA) is to verify the accuracy of the returns and to ensure that persons resident in Mauritius account and pay tax on their income including income from foreign source remitted in Mauritius and non-residents are taxed on income derived from sources in Mauritius.

Tax evasion is the illegal practice of not paying taxes deliberately, not reporting income deliberately, reporting expenses not legally allowed, or deliberately not paying taxes owed. According to the MRA, the understatement of tax may be due to one of the following reasons: genuine errors, wrong understanding of law, difference of opinion, willful neglect or intent to evade tax. To recover tax not remitted by taxpayers the MRA has recourse to three types of action, namely assessment, investigation and prosecution. For the period 2014 to June 2017, a total of 22,303 notice of assessments were issued to non-compliant resident taxpayers with respect to a total assessed amount of Rs 20,028,630,000 (around US$ 572,3m).

The MRA's Fiscal Investigation Department is responsible for conducting investigation into suspected cases of tax evasion. For an effective investigation the department gathers information from various sources. In FY 2017/18, 290 investigations were completed and the tax yield per investigation stood at Rs 2.85m (around US$ 82,500) as compared to 304 investigations yielding Rs 1.50m (around US$ 41,200) per investigation in FY 2016/17[15]. Cases are also referred for prosecution where offences have been established under the revenue laws. During July 2017- June 2018, the MRA lodged 39 cases for prosecution in relation to tax evasion. Similarly, over the same period, the Court gave its decision in 55 cases with a total fine amounting to Rs 10.5 million (around US$ 303,914).

It should be noted that the values indicated above encompass both cases of suspected tax evasion and cases involving a genuine misunderstanding of the revenue laws by taxpayers. It is therefore difficult to accurately determine the exact proportion of the value of proceeds emanating from deliberate tax evasion.

In addition, despite the high values mentioned above, the revenue collection system adopted by the Mauritius Revenue Authority appears to be effective, as evidenced by the constantly increasing amount of revenue collected over the years.

The number of ML investigations linked to tax evasion for the period 2014-2017 stood at 15. However, given the value of the proceeds associated with the investigations carried out into suspected cases of tax evasion, the ML threat associated to this predicate offence is rated **MEDIUM-HIGH**.

Predicate Offences identified as Medium Money Laundering Threats

Corruption

Based on the perceived levels of public sector corruption, the Transparency International (2018) Corruption Perceptions Index ranked Mauritius 56th out of 180 countries assessed (with a score of 51 compared to an average regional score of 32 which is considered as highly corrupted).

[15]Source: Mauritius Revenue Authority Annual Report.

When viewed comparatively, Mauritius fares well: the country for the twelfth consecutive year topped the Mo Ibrahim Index of African Governance (Mo Ibrahim Index 2018).

There were 1,978 corruption investigations initiated by the ICAC from 2014 to 2017. Various cases of corruption involve gratification of no monetary value like the offer of an office, a permit, and so on. In the majority of corruption cases, the value of the gratification varies between Rs 2,000 and up to Rs 30,000 (US$ 60 up to US$ 900). The majority of bribes are facilitation payments. During the same period, 45 corruption cases were lodged before court while the number of corruption convictions stood at 40. The number of convicted persons was 40.

- Grand Corruption Cases

The few scandals involving domestic Politically Exposed Persons (PEPs) in the past years indicates that there have been occurrences of suspected corruption at high level in Mauritius. Additionally, public procurement is perceived to be vulnerable to corruption in Mauritius due to the large size, volume and complexity of transactions. The United Nations Office on Drugs and Crime (2014) estimated that public procurement losses in Mauritius (partially due to corruption) have been rising steadily since the 1990s and by 2011 to reach around Rs 14.4 billion (US$ 500 million)[16]. The ICAC indicated that for the year 2014 an amount of Rs 16.7 billion (around US$ 555.7m) was approved for contracts above Rs 100,000 (around US$3,000) representing nearly 5% of GDP for that year.

It is to be noted that the majority of high-profile cases at the ICAC are investigated at Further Investigation (FI) stage, which ensures in-depth investigation. It is also common for the Police to carry out thorough investigations in such cases as well. The process ensures that the case is decided, not only at the level of the investigatory body, but is also seen from an independent perspective at the level of the ODPP. The ODPP has decided for prosecutions to be conducted in a number of investigations involving PEPs investigated by both the Police and the ICAC.

A number of anti-corruption measures have been taken during the course of the last 20 years to curb the problem. The most recent ones are the establishment of the Integrity Reporting Services Agency (IRSA) in 2015 to combat illicit enrichment and a new legal framework governing the declaration of assets in Mauritius effective as from 01 June 2019.

The number of ML investigations having corruption as a predicate offence for the period 2014-2017 stood at 15. Only one case was lodged before court and one conviction was obtained during the same period. While the proceeds from petty corruption is low, the scale of the proceeds generated from grand corruption scandals in Mauritius can be high. The ML threat associated to Corruption is therefore rated **MEDIUM**.

Trade-Based Money Laundering

The extent of trade-based money laundering in Mauritius could not be assessed properly due to lack of data. The only statistics which were available related to the under-invoicing of goods. From 2016-2018, there were 5520 cases where the value of goods was assessed to be low in comparison to the acceptable market value of the goods. In addition, authorities indicated a few cases of suspected trade-based money laundering connected with other predicate offences, which are presently under investigation. Given the absence of data and the possibility that the trade-based system might be abused by criminals, the ML threat associated with Trade-Based Money Laundering is therefore rated **MEDIUM**.

[16] URL: https://goprs.unodc.org/goprs/en/mauritius-profile.html

Predicate Offences identified as Medium-Low Money Laundering Threats

Illegal Fishing

The Republic of Mauritius includes the main islands of Mauritius and Rodrigues, the outer islands of St Brandon and Agaléga and the territories of Tromelin Island and Chagos Archipelago. With an Exclusive Economic Zone (EEZ) of 1.96 million km2 and a continental shelf of 396 000 km^2 co-managed with the Republic of Seychelles, Mauritius is vulnerable to the illegal exploitation of its territorial waters.

No cases were reported or detected in terms of illegal fishing in the EEZ. However, based on information provided by the National Coast Guard, there are indications that vessels coming from Asian countries are involved in this practice. One of the regions which has been identified as vulnerable to illegal fishing is the continental shelf found between Seychelles and Mauritius. The most valued species are sharks (for their fins) and pelagic fish.

The losses in relation to illegal fishing in the western Indian Ocean region is to the tune of around Rs 13.3 billion ($ 400 million) per year in landings or nearly Rs 33.4 billion ($1 billion) in processed products[17]. While Since the crime occurs within our jurisdiction and fish (which would meet the definition of property under FIAMLA) is taken out of Mauritian waters, intelligence indicates that the fish is sold abroad. Therefore, the proceeds from illegal fishing do not appear to enter the Mauritian financial system. As such, the ML threat associated to illegal fishing is **MEDIUM-LOW.**

Insider Trading and Market Manipulation

According to the FATF, insider trading involves situations where the person who buys and sells securities, whether a company insider or not, does so in violation of a fiduciary duty or other relationship of trust and confidence, while in possession of material, non-public information about the security. Market manipulation, on the other hand, refers to conduct that is intended to deceive investors by controlling or artificially affecting the market for a security.

There were no investigations or suspicious transaction reports on this type of misconduct during the period under assessment. However, a conviction was secured in a case of insider dealing involving a Board Director during the period 2014-17. The accused was fined approximately Rs 333,551 ($10,000). Given the low likelihood of this predicate offence, the ML threat associated to this offence is considered **MEDIUM-LOW**.

Trafficking in human beings and migrant smuggling/Sexual exploitation, including sexual exploitation of children

The Police indicated that 10 cases of trafficking in persons were reported during the period under review. Out of the 10 cases, 4 cases are under investigation, 2 have been discontinued due to insufficient evidence, 3 are pending trial and conviction was obtained in the remaining case. The accused was sentenced to 3 years imprisonment under the Combating of Trafficking in Persons Act (CTIPA) 2009 in 2018 for the commercial and sexual exploitation of a child.

Inasmuch as the US State Department Trafficking in Persons Report 2018 is concerned, Mauritius remained at Tier 2, as some deficiencies remain. They include insufficient efforts by law

[17]Source: IUU Watch (2017)

enforcement officials to address adult trafficking, an absence of shelters for victims, and a lack of coordination between law enforcement and prosecutors amongst others. These shortcomings have already been addressed.

There has been no ML case associated with the predicate offence during the period under assessment. While suspected links with organized crime have been identified in some cases, the estimated proceeds generated from the offence is insignificant. Given the low number of cases and value of proceeds, the ML threat is therefore rated **MEDIUM-LOW**.

Predicate Offences identified as Low Money Laundering Threats

Other Offences

A low money laundering threat was also attributed to the following categories of offences: *'Extortion', 'Illicit arms trafficking', 'Illicit trafficking in stolen and other goods', 'Counterfeiting currency', 'Counterfeiting and piracy of products', 'Murder, grievous bodily injury', 'Kidnapping, illegal restraint and hostage-taking', 'Smuggling' and 'Piracy'.* This is because statistics and information on each of the above category of offences indicated (i) a small number of reported cases, (ii) low capacity in terms of sophistication, networks and resources, (iii) a very reduced scope of activity, (iv) low criminal proceeds and (v) very few money laundering cases linked to the predicate offences under the assessment.

- Professional Money Laundering

Professional Money Laundering (PML) in terms of domestic predicate offences in Mauritius is relatively rare. The drug networks usually use their own members, family members or close contacts to perform such ML services.

Cross-Border Threats

Cross-border money laundering threats to Mauritius have been assessed by examining the laundering of proceeds of crime committed outside the country as well as the laundering of domestically generated proceeds of crime in other jurisdictions.

4.2.2.1 Financial Inflows and Outflows

International studies have pointed out that unlawful earnings are laundered cross-border, making countries with significant shares of foreign direct flows more vulnerable. Given the contribution of the financial sector to the economy (11% of GDP in 2018)[18] and the huge amount of financial flows in and out of Mauritius, the potential that illicit financial flows may enter or flow through the country is real.

Capital inflows and outflows in the offshore sector remain high. Inward direct investment flows[19] in Mauritius (including investment in the Global Business sector) amounted to around Rs 11.1 billion (US$ 333,281 million) as at end-2017, up from around Rs 9.5 billion (US$ 283,327 million) as at end-2016. While the biggest share of direct investment came from the US and Cayman Islands, Mauritius remains a recipient of inflows from jurisdictions such as Singapore, India, South Africa, United Kingdom, Netherlands, Luxembourg, China, British Virgin Islands, Jersey, UAE and Bermuda. Gross direct investment flows abroad (including Global Business) stood at around Rs 8.95 billion (US$ 268,454 million) as at end- 2017, up from around Rs 7.82 billion (US$ 234,419 million) as at end-2016. In terms of outflows, investment was mostly channeled into India and Singapore. Other jurisdictions which appeared in the top- 20 list include Cayman Islands, United Kingdom, South Africa, China, UAE, Netherlands, Nigeria, Democratic Republic of Congo, US, Mozambique, Luxembourg, Cyprus, Indonesia, British Virgin Islands and Bermuda.

[18] Source: Statistics Mauritius – National Accounts Estimates (March 2019)
[19] Source: IMF Balance of Payments and International Investment Position Statistics for 2016 and 2017.

However, in terms of international standards, the financial flows in and out of the country is not considered high. Indeed, the Financial Secrecy Index 2018 Narrative Report on Mauritius considers that as compared to other jurisdictions, the financial flows in and out of Mauritius account for less than 1% of the global market for offshore financial services.

External Money Laundering Threats

Fraud

Given the nature of its financial services sector, Mauritius may be subject to abuse for money laundering purposes by persons who attempt to move proceeds of frauds committed elsewhere through Mauritius. There has been a number of cases in the past where suspected fraud proceeds were received in Mauritius. These cases relate to proceeds generated overseas in various types of fraud such as boiler room scams, pension fraud and securities fraud. As expected, given that Mauritius is an international financial centre, it is more exposed to proceeds emanating from white-collar criminal activity than other types of criminal offences.

The ML threat associated to Fraud is therefore considered **HIGH**.

Tax Fraud

The Mauritian tax system is residence-based for both individuals and corporations. Individuals resident in Mauritius are taxed on their worldwide income; foreign-source income is taxable on a remittance basis. Non-residents are taxed only with regard to Mauritian-sourced income. Companies resident in Mauritius are taxed on their worldwide income whether or not remitted. A company is considered resident if it is incorporated in Mauritius or has its central management and control in Mauritius.

Several NGOs and advocacy groups , [20]have portrayed Mauritius as a tax haven or 'conduit' tax haven, i.e. a jurisdiction where profits transit to eventually end up in a 'sink' tax haven. The Panama and Paradise Papers scandals in mid-2016 and 2017 respectively, further point at foreign nationals evading taxes in their home jurisdictions and using the Mauritian financial system to launder the proceeds. In that respect, it should be highlighted that cases mentioned in Paradise and Panama papers concerning Mauritius have been thoroughly investigated and no case of tax evasion, committed in Mauritius, has been established.

- **Initiatives undertaken by Mauritius**

In terms of international standards, Mauritius has taken several initiatives to adhere to international norms to enhance tax transparency and combat tax evasion, as noted below:

(i) Mauritius has been assigned an overall rating of "Compliant" by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes in 2017[21];

(ii) In its 2018 peer review report of the Action 5 transparency framework, the Forum on Harmful Tax Practices (FHTP) has noted that Mauritius has met all aspects of the terms of reference for the calendar year 2017 and no recommendations were made;

(iii) Positive comments were received in the latest (Country-by-Country) CbC peer review document for setting up the domestic and legal framework for CbC reporting. The 'Guidance for appropriate use of CbC reporting' has been published on the MRA website and steps are being taken to implement the full administrative framework for exchange of CbCR; and

[20] Example: Action Aid, Tax Justice Network and Oxfam.
[21] Ratings based on Second round of reviews

(iv) Mauritius has joined the initiative on automatic sharing of Beneficial Ownership information driven by the UK.

In addition, the following measures have been adopted by Mauritius to combat tax evasion and tax avoidance:

(i) Mauritius has signed and ratified the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in 2015 and has a broad network of DTAAs and TIEAs, providing mechanisms for exchange of information with some 140 jurisdictions. The Global Forum has in its second round report for Mauritius commended the efforts of Mauritius to expand its exchange of information network;

(ii) It has also concluded an intergovernmental Foreign Account Tax Compliance Act (FATCA) agreement with the USA in 2012 and introduced legislation to implement the OECD's Common Reporting Standard (CRS) for the automatic exchange of financial information. Information is being exchanged on an automatic basis under FATCA with the IRS, since the last 4 years and under the Common Reporting Standard with several jurisdictions, since last year;

(iii) Mauritius has signed the CbC MCAA and has passed legislation to enable exchange of country by country reports as from the fiscal year starting 1 July 2018. This will discourage profit shifting by multinational companies;

(iv) In the Income Tax Act, provisions have been made allowing the MRA to aid other tax authorities in the collection of taxes;

(v) Mauritius has joined the Inclusive Framework to implement the minimum standards under the Base Erosion and pProfit Shifting (BEPS) project. Mauritius has thus signed the Multilateral Convention (MLI), to implement tax treaty related measures to prevent Base Erosion and Profit Shifting. 41 of our 43 treaties have been listed as Covered Tax Agreements and these treaties as amended will include the minimum standards under the MLI, with the "Principal Purpose Test (PPT)" as the main anti-abuse provision. The PPT is in itself a very powerful anti-abuse tool in the hands of any tax authority to curb treaty shopping;

(vi) Mauritius has joined the Yaoundé declaration, which is accompanied by a call for action that requests African Heads of State to support the substantial reduction of illicit financial flows through international tax cooperation;

(vii) The Mauritius Revenue Authority has also signed a Memorandum of Understanding (MOU) with the South African Revenue Services (SARS) regarding the avoidance of double taxation and tax evasion.

- **Statistics on Information Exchange**

Statistics on exchange of information made on request, spontaneous or automatic basis by the MRA with foreign counterparts during the period under review have been reproduced below:

	2015	**Jan-June 2016**	**FY 2016/17**
Number of requests	200	127	200

Source: MRA Annual Report 2016/17

Mauritius does not appear to be commonly involved in illegal tax evasion schemes and the initiatives mentioned above are stringently enforced by Mauritian authorities to ensure that fact. However, a number of cases have been detected whereby foreign nationals have been suspected of having used Mauritius, in order to launder the proceeds emanating from tax fraud in the jurisdiction of their tax residency. In almost all suspected cases, the fraudulent activity already had already been committed abroad in full before the funds were transferred to Mauritius.

Observed patterns also demonstrate that suspects use other financial centres in conjunction with Mauritius as part of the schemes to launder proceeds of tax fraud. It should also be noted that the predicate offence of tax fraud is often committed alongside other white-collar predicate offences such as embezzlement or misuse of company assets. Other tax-related offences which have been detected over the years include fraudulent VAT fraud schemes such as Carousel frauds. Countries of origin where such tax frauds have occurred include mostly European countries. As stated above, the sophistication of the Mauritian financial sector means that Mauritius is more exposed to white collar crime than other types of predicate offences (such as drug trafficking or human trafficking) and this includes a higher likelihood of the financial sector being misused to launder the proceeds of tax fraud. It is important to note that in all such cases, Mauritian authorities have always collaborated with their overseas counterparts and exchanged information.

Based on the above, the ML threat associated with Tax Fraud is therefore considered **HIGH**.

Corruption

The 2018 Financial Secrecy Index Report on Mauritius points at various international scandals linked with missing public money that have transited through the Mauritian financial sector. In that respect, cases involving Politically Exposed Persons (PEPs) mostly from Asian and African countries have been investigated by Mauritian authorities and information has been exchanged between Mauritius and foreign authorities in a number of such cases.

It has been observed that the financial sector has been abused by international PEPs to invest in countries identified by Transparency International as highly- corrupted. It should be noted that the authorities are aware of the situation and are already monitoring financial flows from and to these countries.

Given the value of the suspected proceeds having transited through the financial sector, the ML threat associated with international corruption is therefore considered HIGH.

- **Professional Money Laundering**

Professional money laundering is the provision of expertise to disguise the nature, source, location, control, and destination of funds to avoid detection in exchange for a commission, fee or other type of profit. It has been observed in several cases that Mauritius has been used as a transit destination either by the criminals themselves or through the use of professional money launderers. The professional money launderers may be foreign based or locally based.

For the past years, there have been four detected cases of suspected complicit involvement of Mauritian TCSPs in PML. By definition, TCSP are in the business of registering and maintaining companies; and serving as nominees for the companies. The threat of PML is therefore higher in the TCSP sector, where operators may knowingly or through deliberate negligence be involved in the laundering process. The relevant authority carries on-site visits and investigations on detected suspicious transactions to ensure that the sector exposure to PML is minimised. For the period January 2017 to June 2018, for example, the FSC conducted 32 onsite visits and 5 ML-related investigations/inquiries were conducted within the sector.

It is noted that Mauritius is usually only one layer in the ML process and that the predicate offence is committed in another jurisdiction. In all cases where such transactions were detected, Mauritius fully collaborated with other jurisdictions and exchanged information.

Direction of ML Threat

Given its unique and strategic location in the Southern Indian Ocean, Mauritius is intimately tied to developments in both sub-Saharan Africa and South Asia, and is as such bound to experience both domestic and external ML threats. Furthermore, given that Mauritius is an international financial centre, it is also exposed to external threats from the rest of world.

On the basis of the relatively significant flows of funds entering the Mauritian financial system and available data, the level of external ML threat (**HIGH**) to Mauritius is assessed to be greater than the level of internal ML threat (**MEDIUM**).

The ML threat in relation to proceeds generated from tax fraud appears to emanate mostly from Asia and Europe. Moreover, it has been observed that some Eastern and Southern African countries and some Asian countries have been associated with incoming ML threats arising from associated foreign predicate offences: drug trafficking and fraud.

The countries to which Mauritius presents a potential ML threat are mostly Eastern and Southern African countries. This is due to proceeds generated from drug trafficking domestically being sent to these countries by drug trafficking networks to pay for additional drug shipments.

Summary of ML Sectorial Threat Analysis

The present table summarizes the money laundering threat as it materializes within the different sectors under assessment:

High ML threat	**Medium-High ML Threat**	**Medium ML Threat**	**Medium-Low Threat**
▪ Banking Sector ▪ TCSPs ▪ Money Changers/Foreign Exchange Dealers ▪ Money or Value Transfer Services ▪ Gambling	▪ Securities Sector	▪ Real Estate ▪ Accountancy Sector ▪ Legal Sector ▪ Jewellery Sector	▪ Insurance Sector ▪ Credit Unions ▪ Other Financial Institutions under FSC Supervision

Other Identified Sectors

a) Motor Vehicle Dealers

On the basis of available data, it has been observed that launderers often buy vehicles for laundering purposes and by the same way, use the vehicles to generate profit. However, probably due to section 5 of the FIAMLA (‘Limitation of payments in cash’), this type of laundering involves mainly second-hand cars as most brand-new cars cost more than Rs 500,000 (around US$ 15,000) and thus, cannot be purchased using cash. Second-hand car dealerships are therefore particularly prone to being targeted by money launderers. It should be noted that this issue has also been mentioned in the report of the Commission of Inquiry on Drug Trafficking. The level of threat in this sector is therefore rated **MEDIUM**.

b) Domestic Companies

Data collected and focus group discussions indicate that launderers make use of domestic companies during the placement and layering stages of the ML process. This particular vehicle is used for the laundering of both domestic and external proceeds of crimes. The preferred identified method is through bogus business transactions and/or purchase of assets, such as real estate or vehicles. These private companies may be dealing on small scale as well as dealing with millions of rupees. This is in line with the report of the Commission of Inquiry on Drugs Trafficking (2018), which indicated that many traffickers use the bank accounts of accomplices who own bogus companies to deposit huge amounts of cash.

The level of threat in this sector is therefore rated **MEDIUM**.

SECTORIAL ANALYSIS OF MONEY LAUNDERING RISKS

Chapter 5: The Banking Sector

Summary findings:
The ML threat in the banking sector has been assessed as High in view of its exposure to domestic and external predicate offences.

Banking sector is assessed as inherently highly vulnerable to ML due to its exposure to cross-border flows. Further, the high ML vulnerability is explained by the vital role played by the Banking sector as the backbone of the Mauritius International Financial Centre and its wide range of products/services offered through diverse delivery channels. As such, the Banking sector is exposed to the ML risks from all the other sectors. However, it should be noted that this vulnerability is mitigated by the strong AML controls in place in the sector, both at market entry level and preventive measures, thus resulting in a Medium residual ML vulnerability rating.

Given that the residual ML vulnerability of the Banking sector is Medium and the ML threat is High, the ML risk for the Banking sector is assessed as **MEDIUM-HIGH**.

Introduction

The Banking sector, supervised and regulated by the BoM, is a predominant pillar of the financial system in Mauritius where banks hold around 80 per cent% of the financial sector's total assets. As at end of December 2018, 20 banks were licensed to carry out banking business, of which 9 were local banks, 8 were subsidiaries of foreign-owned banks and 3 were branches of foreign banks. The total assets of the Banking sector represented around 277.8 per c%ent of GDP as at end of 2018. The two largest banks accounted for over 40 per cent% of market shares for total deposits, advances and assets.

As at end-December 2018, around 48 per cent% of deposits emanated from residents in Mauritius while deposits from GBCs and non-residents accounted for 35 per cent% and 17 per cent%, respectively, of total deposits. Regarding loans and advances, around 45 per cent% of the total loans were granted to residents in Mauritius while 46 per cent% and 9 per cent% were extended to non-residents and GBCs, respectively[22].

Besides the traditional banking products, (i.e. loans and deposits), banks offer an array of other products and services to customers, such as trade finance, electronic banking, safe deposit box services, private banking and specialised finance.

ML SectorialThreat

The Banking sector is exposed to the risk of ML in terms of both domestic and external predicate offences. This is because the sector is the backbone of the financial system and is, as such, exposed to ML risks from all other sectors. The ML related investigations revealed that laundering of tainted money may involve mostly high frequency/low value cash deposits. This may be explained by the legal restriction, notably the limitation of payment in cash. External threats emanate mostly from transactions through wire transfer.

[22] Source: Bank of Mauritius

According to ML cases which have been investigated by LEAs, the most recurrent predicate offences associated with the Banking sector are drug trafficking and fraud (embezzlement and forgery). However, given the exposure of the banking sector to other sectors, banks are also affected by other predicate offences which are prevalent in these other sectors. Hence, the level of threat in this sector is rated as High.

Inherent ML Sectorial Vulnerability

The Banking sector, in general, carries significant inherent ML vulnerabilities in view of its characteristics such as exposure to international business entailing cross-border flows of funds, cash-based feature, broad spectrum of corporate and individual customers and diverse delivery channels.

The ML vulnerabilities are heightened by the banks' customer segments such as High Net Worth Individuals (HNWI), corporates with complex structures, GBCs, trusts, Politically Exposed Persons, and the characteristics of its products/services, e.g. retail and corporate deposits, trade finance, private banking, wire transfers and Money or Value Transfer Services (MVTS).

A. Vulnerabilities of the main banking products/services, offered by banks in Mauritius, have been assessed as follows:

a) Deposits

Deposits comprise savings, current and term deposit accounts. Traditionally, current and savings accounts are inherently more vulnerable than term deposits given that they are transactional accounts which may be used for rapid movements in cash. Monitoring of current and savings accounts are more challenging in view of the large number of accounts involved and the high volume/high frequency of transactions.

i) Deposits accounts of Legal persons – Non-Domestic and GBCs

The deposit accounts of non-domestic legal persons and GBCs are rated as inherently 'highly' vulnerable typically because such business relationships are mostly non face-to-face or introduced business. Amongst other factors, the nature of their business, the country risk, the complex ownership structures, transactions conducted through wire transfers, all combined contribute to the high ML vulnerability.

Notwithstanding the fact that the level of cash activity for this product is virtually non-existent, it remains vulnerable to ML as money launderers may use front companies engaged in legitimate business to commingle the proceeds of illicit activity with legitimate funds, in order to conceal their unlawful activities.

ii) Deposits accounts of Legal persons – Domestic

Legal entities involved in cash-intensive businesses, trading companies including those, involved in import/export, etc., may use this product for large volume cash and/or cross-border transactions, hence its ML vulnerability is assessed as 'High'.

iii) Retail Deposits

Retail deposits of banks, comprising deposits of individuals and sole traders, represented 38% of total deposits of the banking sector, as at end of December 2018. Such deposits carry inherent 'high' ML vulnerability inasmuch as they involve large number of clients, high number of transactions which can be conducted by third parties and may be effected through linked/split cash transactions in order to circumvent limitation of payment in cash. Retail deposits of self-employed individuals engaged in cash-intensive businesses represent a higher ML vulnerability as this product may be used to commingle illicit funds with legitimate business funds.

b) Trade Finance

Trade Finance may be used as a means to conceal criminal proceeds. Trade Finance is considered as an inherently 'Medium-High' vulnerable product, since it involves cross-border remittances which may be utilised to transfer illicit funds. This trade-based activity involves multiple parties and can involve collusion for under or over invoicing or fraudulent documentation or phantom/sham trades.

c) Private Banking

Private banking pertains to the business of offering banking and financial services and products to HNWI, including but not limited to an all-inclusive money-management relationship. This product has an inherently 'High' ML vulnerability in view of (i) the profile of the customers, (ii) the features such as complex accounts/transactions, high volume deposits, average transaction size, cross border transfers and non face-to-face customers as well as (iii) the challenge for banks offering this product/ service to ascertain the source of wealth/source of funds for private banking customers, particularly for non face-to-face customers. Further, this product may be used as a vehicle to obfuscate the proceeds of illicit activities (tax evasion, corruption, fraud etc.), while the wealth management services offered under the private banking business accentuate the ML vulnerability.

d) Wire Transfers

Banks carry out wire transfers, i.e., electronic transfers of funds, both cross-border and domestic, via the SWIFT network. Wire transfers can be used for placement of unlawful proceeds into the financial system and has the potential of being used by terrorists. Given the minimal existence of cash involvement and unavailability of anonymous use of this product, a 'Medium' vulnerability rating has been assigned to this product.

B. Other products/services offered by the Banking sector which are vulnerable to ML:

i. Safe deposit box services

As part of their terms and conditions for the operation of safe deposit boxes, banks specify the prohibited goods that should not be kept therein. However, as there is no visibility on the contents of the boxes, this service is exposed to ML vulnerabilities. Moreover, it must be emphasised that as at end December 2018, out of 20 banks only 7 banks offered this service.

ii. Money or Value Transfer Services

MVTS are offered by two banks. These services are cash intensive and are mostly used for migrant workers' remittances. Although transactions are subject to limits, this service may be used to conduct third party transactions and may involve transfers to jurisdictions with less adequate AML/CFT framework. Since MVTS can be utilised as a channel for low value/high frequency transactions, this service is vulnerable to ML.

C. Emerging and New Products/services

The use of internet banking and mobile banking is widespread in Mauritius.

i. Internet Banking

Over the years 2017 and 2018, there was an increase of 17% in customers using internet banking, while the value of internet banking transactions increased by 2%. This product is offered by 17 banks. As the product is offered to established customers and subject to transaction limits which are closely monitored, the ML vulnerability is deemed to be Medium.

ii. Mobile Banking

Six 6 banks offer the mobile banking facilities. The value of mobile banking transactions recorded a 85% increase from 2017 to 2018, while the number of mobile banking transactions increased by 32%. However, the risks associated with mobile banking service are low given existing regulatory requirements and relatively low transactional limits in place, which has been set at Rs10,000 (US$ 290).

iii. Prepaid cards

Prepaid cards, which are offered by 6 banks, are exposed to a High ML vulnerability as they may be loaded with illicit funds and used by criminals both locally and internationally. In the light of the potential TF risk identified by AML/CTF international standard-setting bodies and the fact that these cards may be used as a conduit for TF through small value/high frequency transactions as well as cross-border transactions, the BOM has, in May 2019, laid down certain conditions, particularly with respect to the issue of prepaid cards in foreign currencies, which included, inter alia, requirements for enhanced Customer Due Diligence (CDD), loading of the cards from accounts held with the issuing bank and the setting of a reloading limit. Moreover, the banks were requested to align their risk mitigation measures with the recommendations of the FATF and the Wolfsberg Group.

iv. Crypto / Virtual Currencies and Digital Assets

Regarding virtual currencies, there is an information gap on the prevalence of its use in the jurisdiction, though it is deemed to be low. The BoM has, since December 2013, cautioned members of the public to exercise utmost care and diligence when dealing with virtual currencies which were unregulated products in view of the risks involved. The anonymous use of the virtual currencies could be misused for criminal activities, including money laundering. In August 2017, the BoM has, through a Communiqué, reiterated its concern regarding the use of cryptocurrencies.

In September 2018, the FSC issued Guidance Note on the recognition of digital assets as an asset-class for investment by sophisticated and expert investors and in February 2019, the Financial Services (Custodian Services (digital asset)) Rules 2019 were thereafter promulgated and prohibits any person from carrying out custody services for digital asset in Mauritius without a Custodian Services (digital asset) licence issued by the FSC.

While it is recognised that the use of fintech products and services such as Bitcoins, blockchain and crowdfunding are being widely used internationally, the impact of these products and services on the Mauritian economy is yet to be assessed.

AML Controls and Residual ML Sectorial Vulnerability

The quality of general AML controls was assessed by considering, amongst others, the comprehensiveness of the legal framework, effectiveness of compliance functions of banks, effectiveness of suspicious activity monitoring and reporting, and quality of the customer due diligence framework.

The residual ML vulnerability rating of Medium of the banking sector has been arrived at through an assessment of the inherent ML vulnerability of banking products and the mitigating AML controls.

Conclusion

Given that the residual ML vulnerability of the Banking sector is **Medium** and the ML threat is **High**, the ML risk for the Banking sector is assessed as **MEDIUM-HIGH**.

Chapter 6: The Insurance Sector

Summary findings:

The ML threat in the insurance sector has been assessed as **Medium-Low**, with the main proceeds-generating threat facing the sector being insurance fraud.

It was found that long-term insurance products were inherently more vulnerable than general insurance products, with linked long term and life insurance business with cash value and investment/savings components being the most vulnerable. The inherent vulnerability of long term insurance products was determined to be Medium-High to Medium, while the inherent vulnerability of general insurance products ranged between Medium and Medium-Low.

In the long-term insurance business, the vulnerability decreases to Medium after application of mitigating AML controls, whereas in the general insurance business the vulnerability remained in the Medium to Medium-Low range.

Based on the inherent vulnerability assessment and on the strength of AML controls, the overall residual vulnerability of the Insurance sector to money laundering abuse is Medium.

Considering that the residual ML vulnerability of the Insurance sector is Medium and the ML threat in the sector is Medium-Low, the ML risk of the insurance sector has been assessed as **MEDIUM.**

Introduction

The Insurance and Pensions sector is well-established and mature and is an important contributor to the overall financial services sector. In 2017, Insurance, Reinsurance and Pensions represented 2.9% of the Mauritian GDP[23], with a growth rate of 4.9%.

In terms of premium income, the long-term insurance segment generated a total gross premium of Rs10.5 bn[24] (around US$ 306m) in 2017 while the gross premium generated by the general insurance segment amounted to Rs17.5 bn (around US$ 508m). The percentage of premium income generated through the global business sector for long -term insurance business was 1% as compared to 99% generated by the domestic long term insurance business. The premium income generated for general insurance business was equally shared between the domestic and global business sector.

In 2018, the insurance sector consisted of (i) Long-term insurers (10); (ii) General insurers (15); (iii) External insurers (6); (iv) Professional reinsurers (8); (v) Captive Insurers (2); (vi) Insurance Managers (7); (vii) Captive Insurance Agents (8); (viii) Insurance Brokers (73); (ix) Insurance Agents (391); and (x) Insurance Salespersons (1,280).

ML Sectorial Threat

The money laundering threat associated to general insurance in Mauritius is considered Low because such products offer limited scope of use to launder money. Alternatively, long-term insurance such as single life premium insurance are deemed to present a Medium-Low ML threat, given that substantial single payments can be effected. The recurrent predicate offence associated with the sector are swindling and embezzlement. However, it has been observed that criminals are not inclined to use the insurance sector for the purposes of laundering proceeds of crime as this involves a long waiting period for any return. As such, the ML threat associated to the insurance sector is Medium-Low.

[23] FSC website: https://www.fscmauritius.org/en/statistics/contribution-to-gdp

[24] Figure excludes 1 long term insurer.

Inherent ML Sectorial Vulnerability

The Insurance sector in Mauritius is governed by the IA05, which categorizes insurance business into long-term insurance business and general insurance business. Each of these categories is further divided into classes of insurance business. The sector can further be segmented into domestic and global business. Reinsurance business is captured under the class of insurance business to which the underlying risk belongs. The same principle applies for external insurance business.

The assessment of the inherent ML vulnerabilities of general insurance business was carried out as per the classes of insurance business defined in the IA05. For long term insurance business, a mix of the classes of insurance business defined in the IA05 and the suggested list of products provided in the World Bank National Risk Assessment Tool Guidance Manual was used[25].

In keeping with global typologies[26][27][28], long-term insurance products were assessed as being inherently more vulnerable to ML abuse than general insurance products. Linked long-term and life insurance plans with cash value and investment/savings components were found to have a higher inherent vulnerability (Medium High). The general insurance lines of business have a vulnerability rating ranging between Medium and Medium Low.

The analysis of the inherent vulnerabilities was conducted as follows:

a) Long-Term Insurance

In the long-term insurance business, the client base was found to be widely spread, including in varying proportions PEPs, high-net-worth individuals, corporates and businesses, and non-residents. Insurers conduct enhanced due diligence in respect of their high risk relationships.

The use of salespersons was found to be predominant which increases the ML vulnerability as the insurance companies rely on intermediaries for the conduct of customer due diligence. This vulnerability is mitigated by the fact that insurance intermediaries including salespersons are subject to the same AML/CFT regulatory regime as insurers. Additionally, it was observed that the distribution network of long -term insurers in the global business sector is spread across foreign jurisdictions, thus increasing vulnerability to ML.

Cross-border use of products was mostly present in the global business sector. The insurers in the global business sector have to adhere to the same AML/CFT regime as domestic insurers. As such, any dealings with high risk jurisdictions are subject to enhanced due diligence. Long-term insurance products allow placement/investment of money into the financial system. As such, the products falling under long-term insurance business were assessed on the extent to which they allow investment features. Linked long-term business and Annuities and Pensions were found to have prominent investment features, thus making them more vulnerable to ML abuse. The other long-term products offered by insurers have limited or no investment features.

Cash as a method of premium payment is allowed which increases vulnerability to ML. However, cash payments are subject to limitations imposed by law, and in practice are accepted

[25] The types of long term insurance products assessed were (i) pure protection life insurance plans; (ii) life insurance plans with cash value and investment/savings components; (iii) linked long term business; (iv) Annuities and Pensions; and (v) other life plans.
[26] FATF (2018), Guidance for a Risk-Based Approach for the Life Insurance Sector, FATF, Paris, www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-life-insurance.html
[27] FATF Report on Money Laundering and Terrorist Financing Typologies, 2004 – 2005
[28] IAIS Paper (October 2014), Examples of money laundering and suspicious transactions involving insurance

for small monetary value only. Insurers encourage payment through banks. Cash activity was reported to be present primarily in pure protection life insurance plans and life insurance plans with cash value and investment/savings components. This is due to the fact that the first premium is paid in cash, and subsequent payments are made through banks.

b) General Insurance

Although the FATF Recommendations do not extend to general insurance business, in Mauritius the FIAMLA applies to both long-term insurance business and general insurance business. As such, general insurance business has also been assessed for inherent ML vulnerabilities.

The assessed vulnerability of general insurance products ranged from Medium-Low to Medium.

Gross premium was used as the basis to determine the significance of each class of insurance business. The most significant lines of general insurance business, in terms of size, are Motor and Accident & Health. The main channels of distribution in general insurance business are direct sales and intermediaries. The use of intermediaries in the general lines of business increases the ML vulnerability.

The client base for general insurance business is widely spread, including (in varying proportions) PEPs, high-net-worth individuals, corporates and businesses, and non-residents. Enhanced due diligence is conducted in respect of high risk relationships.

Placement/investment features are not available in general insurance products. It was also found that general insurance products may be subject to insurance frauds.

The payment method which is most often accepted for general insurance is cheques, followed by cash and bank transfer. Cash activity, subject to limitations imposed by law, is present mostly for motor insurance business where the premiums are of low monetary value.

A significant amount of gross premiums generated in general insurance business is derived from the global business sector, and is related to reinsurance business. The risk is mitigated by the fact that the clients are insurers who are regulated entities.

AML Controls and Residual ML Sectorial Vulnerability

The quality of general AML controls was assessed by evaluating (i) the quality of insurance companies' operations, and (ii) the quality of internal AML policies and procedures. These two high-level factors were further assessed as per variables such as the comprehensiveness of the legal framework, effectiveness of compliance function of insurance entities, effectiveness of suspicious activity monitoring and reporting, and quality of the customer due diligence framework.

The residual ML vulnerability of long-term and general insurance products is obtained after taking into account the impact of AML controls. For long-term insurance business, the vulnerability decreases to Medium after application of AML controls, whereas for the general insurance business, the vulnerability remained in the Medium to Medium Low range.

The overall residual vulnerability of the insurance sector to ML is Medium after taking into account the strength of the AML control environment.

Conclusion

Considering that the residual ML vulnerability of the insurance sector is Medium and the ML threat in the sector is Medium-Low, the ML risk of the insurance sector is **MEDIUM.**

Chapter 7: The Securities Sector

Summary findings:
The ML threat for the Securities sector has been assessed as Medium-High.

The main activities which are more vulnerable to ML are Collective Investment Schemes (CIS), Closed-End Funds (CEF) and Investment Advisers (Unrestricted), primarily because of the size of their international client base, the use of complex legal structures, their high value of assets and the use of sophisticated products.

Taking into account the comprehensive AML control, the Securities sector's residual ML vulnerability has been rated as **Medium-High**.

The ML risk of the Securities sector has therefore been rated as **MEDIUM-HIGH**, resulting from a combination of the ML threat and the residual ML vulnerability.

Introduction

The Securities sector is one of the key pillars of the financial services sector in the Mauritian economy. This sector is included as a sub-sector in the Monetary Intermediation, which contributes approximately 6.8% to the Mauritian Gross Domestic Product[29] .

Entities operating in the Securities sector are governed mainly by two pieces of legislation, namely the FSA and the SA05. The Securities sector consists of both domestic and Global Business players. The FSC licenses the following activities:

- Investment Dealers;
- Investment Advisers;
- CIS Managers; and
- Custodians.

As at 31 December 2017[30], there were 44 Investment Dealers, 322 Investment Advisers, 412 CIS Managers and 10 Custodians. CIS Managers manage Collective Investment Schemes and Closed-end Funds. The net assets for the Securities sector amounted to around Rs 3.57 trillion (US$ 107 billion) as at 31 December 2017[31].

For the period 2014 to 2017, there were two ML cases in the Securities sector, relating to insider trading and collusion between companies for securities dealings.

Based on the FATF typologies on the Securities sector, the highly international nature of the Securities industry, means that whitewhite collar criminals can use operations involving multiple jurisdictions to further complicate and thus obscure the various components of a laundering scheme. In addition, a few ML cases involving proceeds from fraud committed abroad have been detected by the authorities.

ML Sectorial Threat

Given the nature of the sector, international typologies and what has been observed by the

[29] Source: FSC Statistics
[30]Source: FSC Statistical Bulletin 2018 and figures include both domestic and global business licensees
[31]Source: Updated FSC Statistics

authorities, the main threats facing the sector are white collar crimes and frauds. As such, the ML threat associated with the Securities sector has been assessed as Medium-High.

Inherent ML Sectorial Vulnerability

Overall, the Securities sector in Mauritius has been assessed as having a Medium-High inherent vulnerability, due in part to the fact that the client base of the securities institutions includes PEPs, international clients and funds transfers from high risk jurisdictions and institutional investors, especially for CIS and CEF. However, in such cases, the clients are subject to enhanced due diligence, including ascertaining the source of funds and wealth. Given the international nature of the client base, the funds are sourced internationally, presenting an element of risk. Due to the use of complex legal structures,it is sometimes difficult and time consuming to trace ultimate beneficial ownership, which increases the inherent vulnerability to ML.

Securities institutions in Mauritius deal in 'securities' as defined in the SA05. CIS and CEF are able to invest in other assets such as structured products, real estate and digital assets, and such investments are subject to the approval of the FSC.

The main types of securities traded by investors are shares, bonds, Exchange Traded Funds, Depositary Receipts and structured products. The main inherent vulnerability associated with securities products in terms of ML is the source of funds used by investors to trade in these products. Due to lesser volume of transactions being traded on the Stock Exchange of Mauritius Ltd, and taking into account the non-AML regulated nature of those types of transactions, the ML inherent vulnerability is assessed as Low.

The analysis of the inherent vulnerabilities was conducted on the following:

a) Investment Dealers

Investment Dealers are categorised as Investment Dealer (Full Service Dealer including Underwriting), Investment Dealer (Full Service Dealer excluding Underwriting), Investment Dealer (Discount Broker) and Investment Dealer (Broker). The core activity of Investment Dealers involves the execution of trade orders on behalf of clients and they do not hold clients' funds. Investment Dealers derive their income primarily from brokerage fees, which depend on the volume of orders executed.

Investment Dealer (Discount Broker) and Investment Dealer (Broker) only execute trade orders on behalf of clients. Investment Dealer (Full Service Dealer including Underwriting) and Investment Dealer (Full Service Dealer excluding Underwriting), in addition to executing orders, also provide advice to clients which is ancillary to the normal course of their business.

Investment Dealer activities are characterised by large number of retail clients' accounts and a low level of cross-border transactions which reduce the potential for abuse for the purposes of ML. The ML inherent vulnerability lies more in complex products rather than traditional equity-based products and thus makes those transactions more difficult to red flag and to trace. The potential abuse of ML may also be higher when dealing with certain types of clients such as PEPs and clients from high-risk jurisdictions.

High-net -worth clients in the Global Business sector pose an elevated level of vulnerability due to the high value transactions. As at 31 December 2017[32], there were 33 Global Business Investment Dealers and 11 domestic dealers. The vulnerability of all categories of domestic Investment Dealers to ML is considered to be low, as there are more face-to-face interactions with clients in contrast to the Global Business sector.

In light of the above, the inherent ML vulnerability of Investment Dealer (Discount Broker) and Investment Dealer (Broker) have been rated as Medium- Low, whilst that of Investment Dealer (Full Service Dealer including Underwriting) and Investment Dealer (Full Service Dealer excluding Underwriting) have been rated as Medium.

b) Investment Advisers

The core activity of Investment Advisers involves the provision of investment advice to clients. The different categories of Investment Advisers are Investment Adviser (Restricted), Investment Adviser (Unrestricted) and Investment Adviser (Corporate Finance Advisory). As at 31 December 2017[33], there were 258 Investment Advisers (Unrestricted), 54 Investment Advisers (Restricted) and 10 Investment Advisers (Corporate Finance Advisory).

The inherent ML vulnerability of the Investment Adviser (Restricted) and Investment Adviser (Corporate Finance Advisory) has been rated as Medium Low. This is explained by the fact that Investment Adviser (Restricted) and Investment Adviser (Corporate Finance Advisory) only provide advice on securities to clients. Advice on equities tend to carry fewer risks than other types of securities products such as structured products which are complex in nature. In addition, these two categories of Investment Advisers do not deal with clients' funds and as such are less vulnerable to ML.

Conversely, the inherent ML vulnerability of Investment Advisers (Unrestricted) has been rated as Medium High, given that they are involved in the provision of securities advice, as well as the management of clients' portfolio of securities under a discretionary or non-discretionary mandate. This may include complex products depending on the risk appetite and the clients' investment objectives. Investment Advisers (Unrestricted) with a discretionary mandate can invest in securities without the prior consent of the clients, which also elevates the vulnerability to ML.

The total assets of the Global Business Investment Advisers are more significant compared to the domestic ones. As at 31 December 2017[34], total assets of Global Business Investment Advisers amounted to approximately Rs 683 billion (US$ 20.5 billion) compared to Rs 200 million (US$ 6 million) for the domestic sector.

c) CIS Managers

In Mauritius, CIS Managers are licensed by the FSC to manage CIS and CEF. As at 31 December 2017[35], there were 489 CIS and 513 CEF. The value of assets under management for CIS and CEF in Mauritius is approximately Rs 2.9 trillion (US$ 87 billion)[36] primarily in the Global Business sector.

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[32] Source: FSC Statistical Bulletin 2018
[33] Source: FSC Statistical Bulletin 2018 and figures also both domestic and global business licensees
[34] Source: FSC Statistics
[35] Source: FSC Statistical Bulletin 2018
[36] Source: FSC Statistics as at 31 December 2017

The domestic market relates mainly to retail funds, which are generally attractive to public and retail clients. Funds in the Global Business Sector are mostly Expert Funds or Professional CIS that target expert investors, sophisticated investors and high-net-worth individuals.

(i) CIS

The inherent ML vulnerability of CIS has been rated as High due to a combination of factors, including the client base which includes PEPs, clients from high risk jurisdictions and institutional investors, the use of complex legal structures which may render beneficial ownership difficult to trace and the international nature of the fund business.

CIS makes use of omnibus accounts and foreign third-party introducers, upon which customer identification and record keeping reliance is placed. The Global Business sector targets an international client base, where there can be non- face-to-face business relationships. From the statistics collected[37], about 40% of investors in CIS (Global Business) are higher-risk investors. There are instances where complex legal structures are being used.

CIS are able to invest in a wide variety of products, ranging from the traditional securities, debentures to more complex products such as derivatives and digital assets, and a portion of the instruments within the CIS portfolio must be kept liquid in order to attend to investor redemption requests. Given this liquidity and the diversity and complexity of the portfolios, CIS provides a relatively easy entry to and exit from the financial system, which may be attractive to financial criminals.

Investment restrictions are applicable in some cases for CIS, and in those instances, CIS are subject to more compliance requirements, in terms of reporting obligations.

(ii) CEF

The CEF has also been assessed as having a High vulnerability to ML, though to a lesser extent than CIS. CEF usually has a longer investment term, as there is no redemption and therefore, there is no liquidity requirement, except for operational expenses. As such the portfolios of CEF tend to be less liquid.

Nevertheless, about 22% of investors in CEF are higher-risk clients[38] (roughly half that of the CIS); these investors includes PEPs and clients from high-risk jurisdictions, clients obtained through introduced business and high-net -worth individuals.

Further to the above, the other elements which contribute to the inherent ML vulnerability for CEF includes its international flow of funds, the use of non face-to-face business relationships and difficulty in tracing records, as explained above.

d) Custodians

Custodians have been rated as having a Medium level of ML vulnerability. Custodians, which in Mauritius must be a bank or a bank subsidiary, are responsible for the safekeeping of the assets of a CIS or a CEF. The banks usually provide custodial services to their clients as part of their broader banking services, and the custody business segment is insignificant when compared to

[37]Source: FSC Survey
[38]Source: FSC Survey

their overall banking activities. As at 31 December 2017, the FSC had a total of 10 Custodian licensees[39].

In terms of client profile, from the data available[40], there were 3 categories of clients accessing Custodian services, namely domestic entities, foreign entities and Global Business entities, with Global Business CIS and CEF being the predominant client segment. As mentioned above, the Global Business client profile is assessed as having a higher level of inherent vulnerability, while domestic clients are considered to be at a lower level. However, most of the CIS/CEF assets are held outside Mauritius; 75% [41] of total assets under custody are held outside Mauritius through sub-custodians. The value of the assets held represents only 2.4% [42] of the assets of CIS and CEF under management in Mauritius, hence posing lesser ML inherent vulnerability for Custodians in Mauritius. Custodians do not accept cash from CIS and CEF.

AML Controls and Residual ML Sectorial Vulnerability

Mauritius has a comprehensive legal framework for the Securities sector in terms of AML. All Securities institutions are subject to the FIAMLA and FIAMLA Regulations and must implement comprehensive preventive measures.

The FSC has a clear and comprehensive framework for the licensing and registration requirements of Securities institutions. The FSC applies entry controls by conducting fit and proper test/assessment on directors, shareholders, members of senior management and beneficial owners. Securities institutions are also subject to supervisory oversight, both onsite and offsite by the FSC. In addition, all Securities institutions must appoint an MLRO to whom all internal report of suspicious transactions must be made. The FSC also has the powers to impose administrative sanctions including private warnings, revocations and disqualifications. Securities institutions must adhere to the Code of Business Conduct issued by the FSC. Further, regular training is provided by Securities institutions to their staff so that they are abreast of latest developments in AML.

Based on the inherent vulnerability assessment and on the strength of AML controls, the overall residual vulnerability of the Securities sector to money laundering abuse is Medium-High.

Conclusion

As stated above, the ML threat of the Securities sector in Mauritius has been assessed as **Medium-High**. After taking into account the AML controls, the residual ML vulnerability of the Securities sector has been rated as **Medium-High**. Hence, the ML risk of the Securities sector has been rated as **MEDIUM-HIGH**.

[39] Source: FSC Statistical Bulletin 2018
[40] Source: FSC Data
[41] Source: Updated FSC Statistics
[42] Source: Updated FSC Statistics

Chapter 8: Other Financial Institutions

- Other Financial Institutions under the supervision of BoM

Summary findings:

The ML threat faced by the OFI under the supervision of BoM has been assessed as High.

Cash dealers are assessed as having a higher inherent vulnerability to ML in view of the intrinsic nature of their business, which involve walk-in and/or one-off customers, cash-intensive activities as well as cross-border transfers of funds/remittances and on account of the products offered. Given that NBDTIs accept only term deposits to finance specific activities, they have been assessed as having lower inherent ML vulnerability. Since this vulnerability is mitigated by AML controls in place, both at market entry level and preventive measures, a Medium residual ML vulnerability rating has been assigned to OFI under the supervision of the BoM.

With a residual ML vulnerability rating of Medium and a ML threat rating of High, the ML risk of OFI under the supervision of the BoM is assessed as **MEDIUM-HIGH**.

Introduction

The OFI falling under the purview of the BoM comprise Non-bank Deposit Taking Institutions (NBDTIs) and cash dealers, i.e. Money-Changers and Foreign Exchange (FX) dealers. As at end of December 2018, there were 8 NBDTIs, 6 Money -Changers and 6 FX dealers in Mauritius. The key activity of the NBDTIs is the mobilization of term deposits which are mainly deployed towards housing and personal loans, and leasing. Money Changers carry out solely spot purchases and sales of foreign currencies over-the-counter. Besides money changing business, FX dealers are authorised to carry out remittance business through banks, Money Value Transfer Services (MVTS) as well as forward purchases and sales of foreign currencies. MVTS are used inter alia by foreign workers to make low value remittances to their home countries, and by other customers to send monetary gifts abroad.

ML Sectorial Threat

The business of cash dealers involves walk-in customers, one-off customers, a large number of cash transactions as well as transfers of funds and remittances overseas. Relevant authorities indicate that the main predicate offence to which cash dealers are exposed is drug trafficking. As Mauritian Rupees cannot be exchanged readily abroad, the exchange may be done locally and the foreign currency physically transported abroad (cash courier) for illicit activities, such as purchase of drugs. This exchange may also be done through unlicensed money- changers as reported by the Commission of Inquiry on Drug Trafficking (2018). Hence, the level of threat in this sector is rated High.

Hawalas – The use of Informal Money or Value Transfer Services:
According to the relevant authorities, informal MVTS exist in Mauritius, some of the informal MVTS networks may be assisting drug traffickers in their financial activities. Furthermore, the Commission of Inquiry on Drug Trafficking (2018) mentions travel agents who, for a small commission would send money to any part of the world through their business contacts. No official records of such transactions are kept. Hence, the level of threat in this sector is rated High.

Inherent ML Sectorial Vulnerability

The inherent ML vulnerabilities in the products offered by NBDTIs are considered to be lower than those offered by cash dealers since the former is less exposed to transactional flows of funds and cash transactions. The inherent ML vulnerability associated with the cash dealers' businesses is 'Medium-High' given the nature of their business activities, that is, over the counter exchange of foreign currency and the possibility of third-party transactions.

A. NBDTIs

NBDTIs are engaged in the mobilization of term deposits which are mainly deployed towards housing and personal loans, and leasing. The inherent ML vulnerability of NBDTIs is assessed as Medium Low in view of the nature of their business activities. NBDTIs deal only in local currency and mainly with residents, do not offer cross border facilities to their customers and have relatively low cash transaction flows.

B. Cash Dealers

Vulnerabilities of the main services offered by cash dealers have been assessed as follows:

a) Foreign Currency Exchange Services

This service, which has been assessed as having Medium ML vulnerability, involves primarily walk-in clients and high level of low value foreign exchange cash transactions (as cash transactions exceeding Rs 500,000[43] (US$ 15,000) are prohibited by law). This service is perceived as an attractive channel by money launderers, given the ease of conversion of currency as well as the possibility for them to use multiple third parties to effect low value foreign exchange cash transactions in order not to arouse any suspicion.

b) MVTS

The cash intensive nature of this service increases its vulnerability to ML, particularly at the placement stage. It is also characterized by one-off small value transactions which may be subject to less stringent customer due diligence process. Further, money launderers may enlist third parties to conduct low value/high frequency transactions, domestically and internationally, which increases this sector's vulnerability to money laundering. Consequently, this service has been assigned a Medium-High inherent ML vulnerability rating.

AML Controls and Residual ML Sectorial Vulnerability

The quality of general AML controls for the sector was assessed by considering, amongst others, the comprehensiveness of the legal framework, effectiveness of compliance functions at NBDTI and cash dealers, effectiveness of suspicious activity monitoring and reporting, and AML knowledge of the staff. The AML controls at the cash dealers were found to be weaker than in the NBDTIs. However, given that the asset size of the NBDTIs is more significant than that of the cash dealers, consequently its weight had a bearing on the rating.

The residual ML vulnerability rating of Medium of OFI under the supervision of the BoM has been achieved at, through an assessment of the inherent ML vulnerability of their products and the mitigating AML controls.

Conclusion

Although the ML threat rating is **High**, the residual ML vulnerability of the OFI under the supervision of the BoM being **Medium**, the ML risk has been assessed as **MEDIUM-HIGH.**

[43] Around US$ 15,000.

## -	Other Financial Institutions under the supervision of the FSC

Summary findings:
The ML Threat rating is assessed as Medium-Low for Payment Intermediary Services, Distribution of Financial Products, Credit Finance and Treasury Management. Leasing companies are assessed to be more vulnerable to ML threats.

Taking into account the AML controls, the residual ML vulnerability for the OFI under the supervision of the FSC is **Medium-High**. The main risk drivers identified were the risk profile of clients which comprised high-risk clients such as PEPs and non-resident customers from high-risk jurisdictions; complex structures; high number of service providers; very frequent international transactions; high use of agents and significant asset size/turnover. In order to mitigate the abovementioned risks, the licensees are required to adopt enhanced due diligence measures when on boarding clients and they have a duty to monitor the business relationship with their clients on an ongoing basis.

The overall ML Risk rating for the OFI under the supervision of the FSC in Mauritius is **MEDIUM**.

Introduction

The OFI under the supervision of the FSC comprises Asset Management, Distribution of Financial Products, Pension Scheme Administrators, Registrars and Transfer Agents, Treasury Management, Global Headquarter Administration, Global Treasury Activities, Global Legal Advisory Services, Credit Finance, Factoring, Leasing, Actuarial Services, Credit Rating Agencies/Rating Agencies, Payment Intermediary Services, Representative Office (for financial services provided by a person established in a foreign jurisdiction) and Investment Banking. The OFI under the supervision of the FSC consists of 140 licensees.

ML Sectorial Threat

The ML threat associated to Payment Intermediary Services, Distribution of Financial Products, Credit Finance and Treasury Management has been assessed as Low. Leasing companies are regarded as being more exposed to ML threats. This has been observed in drug trafficking cases whereby traffickers have been leasing motor vehicles. The lease is either in the name of a third party or in the name of the traffickers and is paid in cash, out of criminal proceeds.

As such, the ML threat associated to the OFI under the supervision of the FSC is assessed as Medium-Low.

Inherent ML Sectorial Vulnerability

The analysis of inherent vulnerabilities was conducted across all OFI under the supervision of the FSC. In order to achieve a residual vulnerability rating after application of the controls, the focus was on the 5 most risky activities namely Payment Intermediary Services, Distribution of Financial Products, Credit Finance, Leasing and Treasury Management. The overall vulnerability rating of the sector is considered Medium-High. The remaining sectors were also analysed and considered less risky.

### a)	Payment intermediaries Services (PIS)

The PIS Licence is provided to those who wish to operate as an online Payment Service Provider (PSP). There are 19 providers in the sector (16 companies operating in the global sector and 3 domestic companies).

The clients of the global sector include legal entities or arrangements with at times control structures (including layered ownership and control, spanning multiple jurisdictions, or involving high-risk jurisdictions). Cross border referrals arrangements were also noted in this area in addition to non face-to -face initiation of business relationship.

A high frequency of international transactions was observed using wire transfers.

The inherent vulnerability for this activity was assessed as High.

b) Distribution of Financial Products (DFP)

DFP is an activity conducted by a financial intermediary involved in the distribution of Financial Products (i.e., structured funds). There are 25 licensed providers in this sector consisting of 11 companies operating in the global sector and 14 domestic companies.

The use of referrals in regulated jurisdictions is also common. Exceptionally, some companies operating in the global business sector have non face-to-face clients with referrals from unregulated professional intermediaries, sometimes emanating from higher risk jurisdictions. The transactions are effected through the banking sector and the use of cash is nearly non-existent. Due to the nature of the Global Business sector, frequent international transactions exists via the banking system.

In some cases, the domestic DFP sector was observed to be serving PEPs, High-Net-worth Individuals (HNWIs with more than Rs 33.4 million ($1 million) in investible assets) and clients from higher risk jurisdictions. Agents are also used domestically, and wire transactions are effected through local custody accounts.

The inherent vulnerability of the DFP sector was assessed as High.

c) Credit Finance (CF)

Credit Finance provides financing facilities to households and corporate clients for the purchase of commodities such as electrical appliances/furniture and office equipment. There are 8 providers in the sector (2 global business companies and 6 domestic companies).

The Global Business client base includes high-net-worth individuals (e.g. High net worth are individuals with more than Rs 33.4 million ($1 million) in investible assets), non-resident clients, including from higher risk jurisdictions, and clients with business links to higher-risk jurisdictions. International transactions were identified primarily in the Global Business segment.

Cash transactions have been identified in the domestic segment.

The inherent risk of Credit Finance has been assessed as High.

d) Leasing (LEA)

Leasing entities provide financing in terms of financial or operating lease. There are 13 licensed providers in this sector consisting of 4 global business companies and 9 domestic companies. Leasing companies carry out frequent international transactions for example with other financial centres and service clients on a non face-to-face basis.

The inherent vulnerability of Leasing is assessed as Medium-High.

e) Treasury Management (TM)

Treasury Management involves the process of managing the cash, investments and other financial assets in order to optimize current and medium-term liquidity and make solid financial decisions involving invested and investable assets. TM also includes hedging where needed to reduce financial risk exposure. There are 16 licensees operating in the sector (8 global business companies and 8 domestic companies).

International transactions are used by both the Global business sector and domestic sector. Transactions were made through wire transfers to regulated foreign brokers.

The TM sector uses non face-to- face channels and the client base for the domestic sector includes high-net-worth individuals.

The inherent vulnerability for Treasury Management is assessed as Medium-High.

AML Controls and Residual ML Sectorial Vulnerability

Mauritius has a comprehensive legal framework for the OFI under the supervision of the FSC in terms of AML. These OFI are subject to the FIAMLA and FIAML Regulations and must implement comprehensive preventive measures. The FSC has a clear and comprehensive framework for the licensing and supervision requirements of OFI. The FSC applies entry controls by conducting fit and proper test/assessment on directors, shareholders, members of senior management and beneficial owners. The OFI are also subject to supervisory oversight, both onsite and offsite by the FSC. In addition, all OFI must appoint a Money Laundering Reporting Officer (MLRO) /Deputy MLRO to whom all internal reports of suspicious transactions must be made. The FSC also has the powers to impose administrative sanctions including private warnings, revocations and disqualifications. OFI must adhere to the Code of Business Conduct issued by the FSC. Based on the inherent vulnerability assessment and on the strength of AML controls, the overall residual vulnerability associated with OFI is Medium-High.

Conclusion

The ML threat of the OFI under the supervision of the FSC in Mauritius is **Medium-Low**. After taking into account the AML controls, the residual vulnerability of the OFI sector is rated as **Medium-High**. Therefore, the ML risk for the OFI under the supervision of the FSC is **MEDIUM**.

- Other Financial Institutions–Cooperative Credit Unions

Summary findings:
The Money Laundering threat is rated **Medium-Low**.

As a result of the quality of the AML Controls, the client base profile and level of cash activity associated with these institutions, the residual ML vulnerability rating is rated **Medium-Low**.

The Cooperative Credit Unions represent a **MEDIUM-LOW** risk of money laundering to Mauritius.

Introduction

Credit Unions are financial institutions registered under the Co-operatives Act 2016. They are democratic organizations, member owned and guided by a set of internationally accepted principles. Cooperative Credit Unions (CCUs) provide two main products: savings/deposits and credit facilities, to their members at reasonable rates of interest. As at 30 June 2017, there were 151 active CCUs which can be broadly classified as industrial or community-based. Industrial-based CCUs mainly comprise employees of private companies, parastatals, Ministries, hotels, educational institutions while community-based CCUs include members of religious organizations. The total number of active members (customers) is over 64,000 with a total share capital and deposits of Rs2, 709 million (around US$ 77,400) with outstanding loans of Rs1, 934 million (around US$ 55,281). There are 60 industrial-based credit unions regrouping 28,748 members and 91 community-based credit unions regrouping 35,350 members[44]. Loans issued to 14,573 members (customers) during the financial year 2016/17 amounted Rs. 821 million (around US$ 23,457)[45] .

The credit unions in Mauritius operate only at a domestic level as single entities which have no subsidiaries or branches. Credit Unions give loans out of their own funds to members only. These funds consist of share contribution, deposits from members and retained surplus. Share contribution is made as a monthly contribution by members and in case of industrial credit unions through salary check offs or standing orders mostly. As for community-based credit unions, the payment of contributions is largely in cash. However monthly contributions in community-based credit unions do not exceed Rs. 2,000 (aroundUS$ 57)[46].

The credit unions mostly accept small amounts as deposits from their members only and due to the existing common bond amongst members, the sources of income of the depositors are known to them.

ML Sectorial Threat

According to intelligence-based information and focus group discussions held with law enforcement authorities, the main predicate offence associated to credit unions is embezzlement. Community-based credit unions have been identified, during focus group discussions, as being more exposed to ML threats than industrial-based credit unions. This is because financial transactions in industrial-based CCUs are deducted at source, i.e., through direct salary deductions of employees. In the case of community-based CCUs, the transactions made are not

[44] Statistics Unit, Cooperatives Division, 2018.
[45] Statistics Unit, Cooperatives Division, 2018.
[46] Financial Statements and relevant documents filed at office of the Registrar

easily ascertained given that this type of CCU has few, if any, restrictions on the eligibility of its membership. The only known case involving a credit union was in 2014 where the CCU (community-based) was involved in some serious malpractices in relation to loans issued without providing sufficient collaterals as security, insolvency problems and huge amounts of non-performing loans.

As such, the ML threat associated to credit unions is considered Medium-Low.

ML Sectorial Vulnerability

The assessment resulted in a residual ML vulnerability rating of Medium-Low as a result of deficiencies in the AML controls, the client base profile and level of cash activity associated with these institutions. A significant proportion of transactions, especially for community based CCUs are cash based and their client base may include non-resident Mauritian nationals, members with past administrative and/or criminal records, legal entities as well as domestic PEPs. While CCUs were covered within the scope of the FIAMLA since 2016, they only recently became subject to the revised preventive measures. The level of AML/CFT supervision is limited. New supervisory powers were given to the Registrar of Co-operatives, the designated AML/CFT regulator, with the amendments brought to the FIAMLA in May 2019.

Conclusion and Way Forward

The residual ML vulnerability rating for CCUs is Medium-Low and taking into account the threat rating of Medium-Low, the sectorial ML risk rating is MEDIUM-LOW. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to the CCUs and the implementation of an effective AML/CFT risk-based supervisory framework.

Chapter 9: The TCSP Sector –Management Companies and Trust Service Providers

Summary findings:
Consistent with international experience, the TCSP sector of Mauritius is assessed as facing a **High ML** threat.

The TCSP sector, servicing trust and the global business companies, faces High inherent ML vulnerability due to the characteristics of the sector, i.e., cross border transactions, non face-to-face dealing with clients, the client profile as well as the existence of typologies on the sector. After the application of AML preventive measures as well as entry controls and other supervisory controls, the residual ML vulnerabilityis assessed as **Medium-High.**

Considering that the residual ML vulnerability of the TCSP sector is Medium-High and the ML threat in the sector is High, the ML risk of the sector is **HIGH.**

Introduction

TCSPs servicing the global business and trust sector are licensed Management Companies (“MCs”) and Trust Service Providers (“TSP”) regulated by the FSC. The global business sector in Mauritius was established in 1992, and includes Global Business Companies (“GBC”) which are also licensed and supervised by the FSC. By definition GBCs are resident corporations whose majority of shares or beneficial interest are held or controlled by a person who is not a citizen of Mauritius and conduct business principally outside Mauritius.

In Mauritius, MCs are licensed by the FSC under section 77 of the FSA to administer GBCs. Both MCs and GBCs are subject to a rigorous licensing and supervisory regime under the oversight of the FSC. MCs provide corporate formation, management or corporate trustee services to GBCs. In addition, MCs fall within the category of DNFBPs under the FATF Standards. MCs are subject to a full scope of AML measures set out in the FIAMLA and FIAML Regulations 2018 and are supervised as financial institutions by the FSC.

Trusts are administered by TSPs, referred to as Qualified Trustees (“QT”) (which may be Corporate Trustees (“CT”) or individuals). All QTs are licensed and supervised by the FSC.

Mauritius has a relatively large Global Business sector with aggregated assets valued at around Rs 24.2 trillion (US$686 billion)[47] . The large majority of the assets held by the GBCs is in the form of equity investment in non-resident enterprises. Contribution of the GBC sector to the GDP of Mauritius is estimated at 5.7% in 2018.

As of 2018, there were 149 licensed MCs and 28 Licensed CT managing 21,368 GBCs and 5,388 Trusts respectively. In addition, there were 42 individuals approved as Qualified Trustees under the Trust Act administering altogether, 30 charitable trusts, 16 discretionary trusts and 5 family trusts. For the purposes of the risk assessment, the sector is divided into:

- Management Companies
- Trust Service Providers

ML Sectorial Threat

At the international level, there have been ML cases involving the use of legal persons and arrangements. In Mauritius, in detected cases, it has been observed that GBC structures have been misused for ML purposes to channel proceeds of crime emanating from foreign jurisdictions.

Authorities have detected cases where fraudsters have targeted the TCSP sector to launder proceeds of criminal activities committed overseas. The most common predicate offence associated with the sector is fraud (including tax fraud) mostly emanating from foreign jurisdictions.

Given the cross-border nature and non face-to-face dealing with clients, the level of ML threat in this sector is therefore assessed as High.

Inherent ML Sectorial Vulnerability

The inherent vulnerability for TCSPs servicing the trust and the global business sector is rated as High.

Globally, TCSPs operating in international financial centres have a high vulnerability to ML mainly due to the sophistication of the structures and the profile of their clientele. A number of research papers[48] and studies have found that corporate vehicles managed by TCSPs may be used to facilitate ML, "corporations, trusts, foundations - are often misused for money laundering, bribery and corruption, shielding assets from creditors, tax evasion, self-dealing, market fraud and other illicit activities[49]."

a) Management Companies

MCs play an active role in the company formation and ongoing management of GBCs. GBCs are by nature non face-to-face and include customers who are PEPs or high-net -worth individuals. It has also been found that some GBCs have business links with high -risk jurisdictions. High-risk jurisdictions are viewed as having lower standards of AML /CFT controls, and any business links to such countries raises the vulnerability of the sector. Under the FIAML Regulations, the above client profile are subject to Enhanced CDD requirements and ongoing monitoring including ascertaining the source of fund and wealth, which is undertaken by the MC.

In addition, the complexity of legal structures may pose a ML risk as they may be used to conceal true beneficial ownership or may prove challenging in tracing the transactions. Whilst, most of these structures are set up for legitimate purposes, their vulnerability to misuse cannot be overlooked.

MCs also provide corporate and other related services to non-GBCs (i.e., foreign entities) which are not set up under the laws of Mauritius. The ML vulnerability cannot be ignored, although full AML requirements under the FIAMLA are equally applicable.

The NRA assessment recognises that cross border flow of funds carries an element of risk. However, the TCSP sector is regulated through a solid AML/CFT framework, which parallels the regulation applied to and by the banking sector. Accordingly, prior to funds of global business clients entering the Mauritian financial system, cross border transactions go through two layers of transactional monitoring.

[48] FATF, Money Laundering Using Trust and Company Service Providers, 2010

[49] OECD, Behind the corporate veil: using corporate entities for illicit purposes, 2001,

b) Trust Service Providers

Trusteeship services are services provided by QTs, which may be either a company or an individual, to the trust vehicles. Pursuant to section 3 of the Trust Act, a trust exists where a trustee holds or has vested in him, or is deemed to hold or have vested in him, property of which he is not the owner in his own right, with a fiduciary obligation to hold, use, deal or dispose of. Trusts may be used for estate planning, investment holding or charitable purposes.

In Mauritius, the inherent vulnerability of TSPs was assessed as High due to the nature of their products and clientele. There are a number of PEPs and high -net -worth individuals (both foreign and domestic) who use trusts being serviced by TSPs. Clients classified as PEPs and high-risk individuals undergo enhanced CDD controls.

Trusts used as investment vehicles within complex structures may be used to obscure beneficial ownership details. This has been observed mainly in cases where trusts are set up as discretionary trusts[50] . Discretionary trusts are more vulnerable to ML abuse as details of beneficiaries may not always be identifiable at time of setting up of the trust. In some instances, transactional records of discretionary trusts or foreign trusts that do not hold bank accounts in Mauritius or that have complex structures may prove to be difficult and time consuming to trace. However, for discretionary trusts, CDD measures are conducted by QT (and parallel by banks) to identify the beneficiaries at the time of pay out.

AML Controls and Residual ML Sectorial Vulnerability

Under FIAMLA, MCs are categorized as financial institutions and are therefore subject to a full span of AML/CFT measures and supervision. Accordingly, MCs must, as prescribed, verify CDD of all clients (including beneficial owners) and persons with whom they establish a business relationship or conduct transactions. They are also required to maintain transactional records to be swiftly made available to the FSC upon request.

Applicable licensing regimes for MCs ensures that only fit and proper persons are allowed to conduct trust and corporate services business in Mauritius. Further, no application for a Global Business Licence is considered by the FSC, unless all information on beneficial ownership are submitted. Over and above this, MCs are also required to appoint individual Money Laundering Reporting Officers ("MLRO") and Deputy MLROs who have an obligation to detect and report Suspicious Transactions. The FSC jointly with the FIU are collaborating with industry players to ensure that MC staff are provided with training on AML typologies and on the goAML platform, to facilitate the filing of STRs.

Furthermore, AML is one of the main parameters on which MCs are assessed during on-site inspections. The FSC assesses the effectiveness of the AML/CFT control mechanisms of MCs by verifying/assessing *inter alia* adequacy of customer due diligence measures, nature and extent of internal controls, enhanced due diligence conducted on PEPs, ongoing monitoring of business relationships and review of existing CDD records. A breach of these obligations by a MC may lead to sanctions under section 7(1)(c)(v) of the FSA or criminal sanctions under section 19 of the FIAMLA. Mauritius has imposed several administrative sanctions ranging from warnings, to revocation of licences of MCs and disqualification of officers/MLROs. Furthermore, for the period under review there has been 1 criminal prosecution of a MC.

[50] The discretionary trust is commonly used when, at the time the trust is established, no decision has been taken as to what portion of the trust's income and capital should be reserved for each beneficiary or who is to be the beneficiary.

By definition, the GBC sector carries out cross border operations, which entail flow of funds carried out solely through licensed banks. Banks are FIs regulated by the BoM-adding another layer of AML/CFT monitoring before funds of global business clients enter the Mauritius financial system. MCs do not conduct cash transactions.

Based on the inherent vulnerability assessment and on the strength of AML controls, the residual vulnerability of the TCSP sector to money laundering abuse is Medium-High.

Conclusion

The ML threat to the TCSP sector in Mauritius is High. After taking into account the AML controls, the residual ML vulnerability of the sector has been rated as Medium-High. The ML risk of the sector is HIGH.

Chapter 10: The Legal Profession Sector

Summary findings:
The ML threat associated to the Legal profession sector is Medium.

As a result of limited implementation of recent AML/CFT preventive measures in the sector and the client base profile, which includes, domestic PEPs, high-net-worth individuals, non-residents and clients with criminal records, the residual ML vulnerability is rated Medium-High.

The Legal Profession sector represents a **MEDIUM-HIGH** money laundering risk to Mauritius.

Introduction

The Legal Profession Sector comprises 767 Barristers, 161 Attorneys, 65 Notaries and 42 Law Firms.

Members of the legal profession have to comply with the requirements of their respective Code of Ethics issued by their respective regulatory bodies and the Institute of Judicial and Legal Services (IJLS) provides annual trainings sessions to the members of the legal profession.

ML Sectorial Threat

The ML threat associated to the Legal profession sector is Medium.

Due to the nature of their work, barristers are frequently in contact with clients having criminal records, including persons charged with ML-related offences. Intelligence-based information and focus group discussions held with LEAs indicate that there have been cases where members of the legal profession have been assisting their clients in setting up complex legal structures and provide nominee and directorship services.

ML Sectorial Vulnerability

The client-base profile of the legal profession sector is diverse and includes domestic PEPs, High-high-net-worth individuals, non-resident clients, clients with foreign business, clients with criminal records or past administrative and/or supervisory actions against them, clients that are legal entities and clients obtained through introduced business.

Use of cash is permitted in the sector but limited to the threshold amount of Rs 500,000 (around US$ 15,000). The level of cash activity is suspected to be high on the basis of focus group discussions with members of the legal profession.

While members of the legal profession were covered within the scope of the FIAMLA, they only recently became subject to the revised AML/CFT preventive measures under the FIAML Regulations 2018. In accordance with the amendments brought to the FIAMLA in May 2019, a member of the legal profession must comply with AML/CFT preventive measures where he prepares for, or carries out, transactions for his client concerning the following activities –

(i) buying and selling of real estate;
(ii) managing of client money, securities or other assets;
(iii) management of bank, savings or securities accounts;
(iv) organisation of contributions for the creation, operation or management of legal persons such as a company, a foundation, a limited liability partnership or such other entity as may be prescribed;
(v) creating, operating or management of legal persons such as a company, a foundation, an association, a limited liability partnership or such other entity as may be prescribed, or legal arrangements, and buying and selling of business entities; or
(vi) where he prepares, or carries out, transactions for a client concerning the following activities –

    (i) acting as a formation agent of a legal person with a view to assisting another person to incorporate, register or set up, as the case may be, a company, a foundation, a limited liability partnership or such other entity as may be prescribed;

    (ii) acting, or causing another person to act, as a director, as a secretary, as a partner or in any other similar position, as the case may be, of a legal person such as a company, foundation, a limited liability partnership or such other entity as may be prescribed;

    (iii) providing a registered office, a business address or an accommodation, a correspondence or an administrative address for a legal person such as a company, a foundation, a limited liability partnership or such other entity as may be prescribed; or

    (iv) acting, or causing for another person to act, as a nominee shareholder for another person.

Except for notaries whose main activities involve the buying and selling of real estate, the AML/CFT related activities which are regulated under the AML/CFT regime constitutes only a minor part of the activities carried out by the legal professions. Indeed, most of the work of the members of the legal profession, even if they are involved in the global business sector, would be litigation or advisory oriented[51].

Since May 2019, the designated AML/CFT regulatory body for Barristers, Attorneys and Notaries is the FIU. However, the regulatory body for Law Firms is the Attorney General. The level of AML/CFT supervision in the sector is limited. New supervisory powers were given to the FIU and the Attorney General with the amendments brought to the FIAMLA in May 2019. Based on the inherent ML vulnerability assessment and on the strength of AML controls, the residual ML vulnerability of the Legal Profession sector to money laundering abuse is Medium-High.

Conclusion and Way Forward

Since the ML threat rating is Medium and the residual ML vulnerability rating is Medium-High, the ML risk associated with the Legal Profession sector is MEDIUM-HIGH. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to members of the legal profession and the implementation of an effective AML/CFT risk-based supervisory framework. Now that the shortcomings in the legal framework has been addressed, it is expected that the implementation of the supervisory framework will improve the residual ML vulnerability rating and mitigate the ML risk to a larger extent.

[51] The services of a member of the legal profession are required for the issuance of a legal certificate, which forms part of the application process for a global business licence.

Chapter 11: The Professional Accountancy Sector

Summary findings:
The ML threat is rated Medium given that there is evidence to show that a few members of the profession have facilitated money laundering activities.

As a result of limited implementation of recent AML/CFT preventive measures in the sector and the client base profile, which includes, domestic PEPs, high-net-worth individuals, non-residents and clients with criminal records, the residual ML vulnerability is rated **Medium**.

The Professional Accountancy Sector represents a **MEDIUM** money laundering risk to Mauritius.

Introduction

In Mauritius, the Professional Accountancy Sector is made up of Professional Accountants, Public Accountants and Licensed Auditors. Professional accountants are qualified persons and members of their respective Professional Accountancy Organisations (PAOs)[52]. These persons have the legal obligation under the Financial Reporting Act 2004 (FRA)[53] to be registered with the Mauritius Institute of Professional Accountants (MIPA), the regulatory body for the Professional Accountants. Every Professional Accountant who intends to practice as a Public Accountant must be registered as such with the MIPA and are issued with a Public Accountant License, renewable annually. On the other hand, Public Accountants who wish to provide audit services must be licensed by the Financial Reporting Council (FRC), the regulatory body for the Auditors, established under the Financial Reporting Act (FRA).

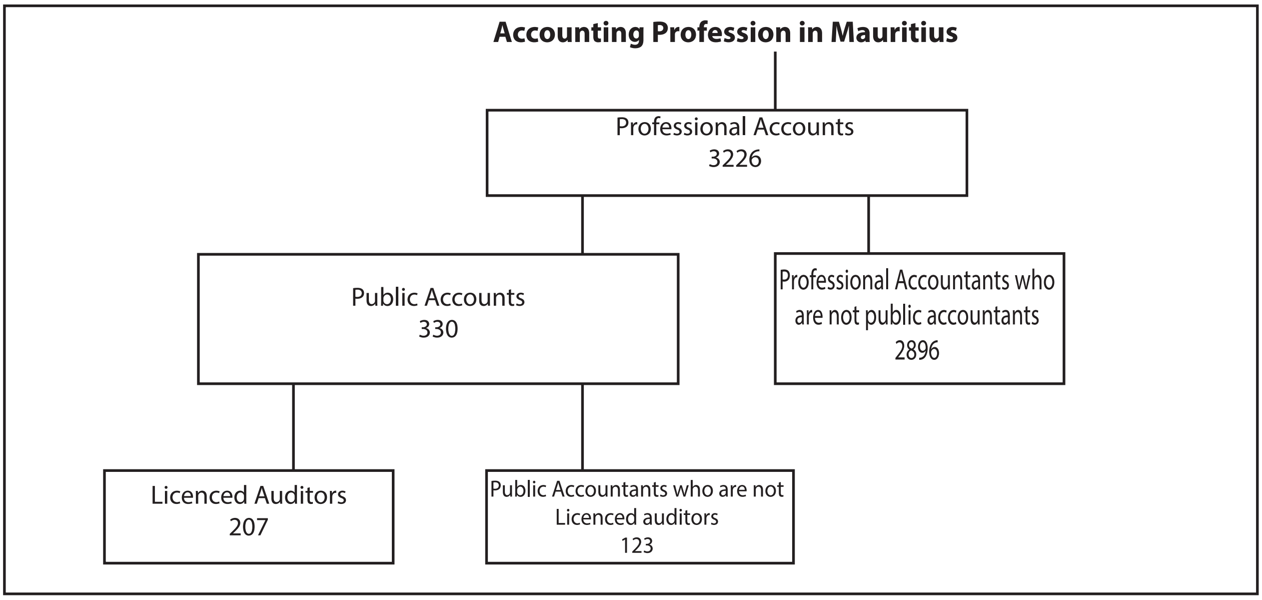
The FRA gives the FRC the power to licence auditors, approve audit firms names, and monitor their practices and to sanction when they breach the Act; it also gives the MIPA the power to regulate the accountancy profession. Public accountants and Licensed Auditors provide accounting and/or auditing, tax and other advisory services to both domestic and Global Business clients[54].The FRC and the MIPA are the designated AML/CFT regulatory bodies for public accountants and auditors respectively.

Given that it is difficult to estimate the value of the profession in terms of its contribution to GDP, the size of the sector will be assessed by the number of operators in the different professional categories relevant to the profession. This is summarized in the following chart:

[52]The Institute of Chartered Accountants in England and Wales; The Institute of Chartered Accountants of Scotland; The Institute of Chartered Accountants of Ireland; The Association of Chartered Certified Accountants; The Institute of Chartered Accountants of India; The Chartered Institute of Management Accountants; and The South African Institute of Chartered Accountants.

[53]Section 51 Financial Reporting Act 2004.

[54]Statistics on the proportion of members of the Profession involve in the Global Business Sector has not been worked out.



It is worth noting that roughly 90% of Professional Accountants (2896 accountants) are employed within an organization whereas 10% (330 accountants) offer accounting and audit services to the public. Out of the 330 Public accountants, 207 are licensed auditors, i.e. they offer audit services to members of the public with the remaining 123 Public accountants offering professional accounting services excluding audit services.

The population in Mauritius stands at 1.3 million approximately and the number of Professional Accountants stands at 3,226 which averages to 1 Professional Accountant for 400 persons. This figure appears to be quite high given that in the UK and Ireland, the ratio stands at 1 accountant for 205 people[55]. However, in terms of an estimate of the profession's monetary contribution to GDP, the sector is attributed a rating of medium in comparison with other important sectors such as Financial and insurance activities (Rs 37 billion; around US$ 1 billion), construction sector (Rs 16 billion; around US$ 451m) and real estate sector (Rs 19 billion; around US$ 535m), whose contribution is likely to be higher than that of the accounting profession[56].

ML Sectorial Threat

Intelligence-based information and focus group discussions held with LEAs indicate that there have been cases where professional accountants have been involved in setting up complex structures on behalf of some of their clients given their technical credentials in ensuring compliance with the accounting standards. In other cases, accountants have also been reported to act as nominees to hide the true identity of the beneficial owner. While auditors have to give a true and fair view of financial statements, there have been cases where some members of the profession have not challenged cases where the assets appeared to have been overvalued.

As such, the ML threat associated to the Accountancy sector is Medium.

ML Sectorial Vulnerability

As discussed above, the client-base profile of the accounting sector is diverse and includes domestic PEPs, high-net-worth individuals, non-resident clients (no information has been obtained on clients from high risk jurisdictions), clients with foreign business (global business entities), clients that are legal entities (that may include arrangements with a complex, opaque ownership and control structures) and clients obtained through introduced business.

[55] https://www.frc.org.uk/getattachment/77fc8390-d0d1-4bfe-9938-8965ff72b1b2/Key-Facts-and-Trends-2017.pdf
[56] Source: Statistics Mauritius, 2006 - 2015 Report.

Use of cash is permitted in the sector but limited to the threshold amount of Rs 500,000(around US$ 15,000) in accordance with section 5 of the FIAMLA. According to focus group discussions with members of the profession, the level of cash associated with the business/ profession is low as most transactions dealing with a high sum of money are done through cheques or bank transfer. The fees charged by the accountants and auditors are disclosed in the financial statements thus rendering the transactions between the accountant and the client transparent.

While members of the Accountancy profession were covered within the scope of the FIAMLA, they only recently became subject to the revised AML/CFT preventive measures under the FIAML Regulations 2018. In accordance with the amendments brought to the FIAMLA in May 2019, a member of the Accountancy profession must comply with AML/CFT preventive measures where he prepares for, or carries out, transactions for his client concerning the following activities –

(i) buying and selling of real estate;

(ii) managing of client money, securities or other assets;

(iii) management of bank, savings or securities accounts;

(iv) organisation of contributions for the creation, operation or management of legal persons such as a company, a foundation, a limited liability partnership or such other entity as may be prescribed;

(v) creating, operating or management of legal persons such as a company, a foundation, an association, a limited liability partnership or such other entity as may be prescribed, or legal arrangements, and buying and selling of business entities; or

(vi) where he prepares, or carries out, transactions for a client concerning the following activities –

    (i) acting as a formation agent of a legal person with a view to assisting another person to incorporate, register or set up, as the case may be, a company, a foundation, a limited liability partnership or such other entity as may be prescribed;

    (ii) acting, or causing another person to act, as a director, as a secretary, as a partner or in any other similar position, as the case may be, of a legal person such as a company, foundation, a limited liability partnership or such other entity as may be prescribed;

    (iii) providing a registered office, a business address or an accommodation, a correspondence or an administrative address for a legal person such as a company, a foundation, a limited liability partnership or such other entity as may be prescribed; or

    (iv) acting, or causing for another person to act, as a nominee shareholder for another person.

The level of AML/CFT supervision in the sector is limited. New supervisory powers were given to the MIPA and the FRC with the amendments brought to the FIAMLA in May 2019.

Based on the inherent vulnerability assessment and on the strength of AML controls, the residual vulnerability of the Professional Accountancy sector to money laundering abuse is Medium-High.

Conclusion and Way Forward

Given that both the threat and residual ML vulnerability ratings are Medium, the sectorial risk is determined to be MEDIUM. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to members of the Accountancy profession and the implementation of an effective AML/CFT risk-based supervisory framework. Now that the shortcomings in the legal framework has been addressed, it is expected that the implementation of the supervisory framework will improve the residual ML vulnerability rating and mitigate the ML risk to a larger extent.

Chapter 12: The Real Estate Sector

Summary findings:
The money laundering threat is **Medium**.

As a result of the quality of AML controls coupled with the risk profile of the clients, the level of cash activity, the use of agents, the anonymous use of the product, the relative difficulty of tracing transaction records, the residual ML vulnerability score for the sector is rated **High**.

The real estate sector presents a **MEDIUM-HIGH** money laundering risk to Mauritius.

Introduction

The operators in the Real Estate sector in Mauritius comprise agents in land and building, estate agencies, land promoters and property developers. Over the last couple of years, the Real Estate sector in Mauritius has been at the forefront of the country's economic evolution. The real estate sector has been the bedrock of foreign direct investment and has seen sustained growth levels. With the overarching idea to ignite growth across all economic sectors, the country has opened up acquisition of freehold property to foreigners which has resulted in a burst of new transactions in the real estate market. However, the activities in the real estate sector are not regulated in Mauritius, It simply takes one to apply and obtain a trade licence from the local government authorities to become an operator in the sector. It is estimated that there are over 394 entities operating in the sector.

Over the past decades, over Rs 366 billion (around US$ 10.3B) have been invested in the real estate market, representing 59.5% of Private Sector Investment (PSI). It is expected that 4500 to 5000 housing units will be sold annually till 2025. This forecast is just another element which proves that the Mauritian real estate sector is stable and profitable[57].

According to the statistics published by the BoM[58], investment in the real estate sector was estimated at Rs 7.3 Billion (aroundUS$206m) in 2017.

ML Sectorial Threat

Money can be laundered through the acquisition of real estate developments. Any subsequent sale of the property would provide the launderer with a reasonable explanation as to the source of his money thereby reducing the likelihood of an in-depth examination of his real source of funds by any bank or financial institution where the money is deposited.

The preferred method is the purchase of real estate 'hors vue du notaire' where the sale price is settled in cash. It should be noted that, during the focus group discussions held with notaries in the NRA context, the Chamber of Notaries indicated that they were in favour of abolishing all transactions made *'hors vue du notaire'* to prevent ML abuse of the sector. The most recurrent predicate offences associated with the sector are drug trafficking and embezzlement.

Hence, the level of threat in this sector is rated MEDIUM.

[57] https://www.mcb.mu/en/mediacontent/The-Housing-Research_Report1_tcm9-13694_tcm55-16744.pdf
[58] http://www.govmu.org/English/News/Pages/BOM-forecasts-Gross-Direct-Investment-Flows-at-Rs12,330-million-for-first-three-Quarters-2017.aspx

ML Sectorial Vulnerability

In Mauritius, any person may own an immovable property. Therefore, the client-base profile of the real estate sector is diverse and includes domestic PEPs, high-net-worth individuals, and non-resident clients with foreign business, clients with criminal records or past administrative and/or supervisory actions against them and clients that are legal entities. It must be highlighted that acquisition of property by non-citizens is regulated by the Non-Citizen (Property Restriction) Act, a law enacted to regulate access to the real estate market by non-citizens. Although it is not a specific AML/CFT legislation, it contributes greatly to curbing money laundering activities by foreigners due to the administrative due diligence process.

Use of cash is permitted in the sector but limited to the threshold amount of Rs 500,000(around US$ 15,000). It is a legal requirement for every transaction relating to the acquisition and sale of an immovable property to be dealt with by a notary in the presence of parties concerned. Usually payment is effected by the potential buyer through the notary's client account. Any transaction going through this process will have to be settled through a bank if the amount is in excess of Rs 500,000 (around US$ 15,000).

However, there exists the possibility that the payment between the parties may be made '*hors vue du notaire'*. In such cases, the notary would not have been privy to the payment and it would be impossible to ascertain the level of cash activity for such transactions. There is anecdotal evidence to suggest that a significant proportion of transactions occurs *'hors vue du notaire'*. Buyers and sellers of real estates may opt to retain the services of a real estate agent to facilitate the transaction. The role of real estate agents is to facilitate transactions between sellers and buyers while the actual transactions relating to the sale, payment and transfer of ownership are carried out by notaries. In any buying and selling transaction, the owner of the immoveable property is identified in the deed of sale. However, the Commission of Inquiry on Drug Trafficking[59] highlighted that there are cases where immoveable properties have been purchased by persons using *"prete-noms"*.

While real estate agents and property developers were covered within the scope of the FIAMLA since 2013, they only recently became subject to the revised AML/CFT preventive measures under the FIAMLA and FIAML Regulations 2018. Operators in the sector are subject to AML/CFT preventive measures where they are involved in transactions for a client, with respect to both the purchaser and the vendor, concerning the buying and selling of real estate. The level of AML/CFT supervision in the sector is limited. New supervisory powers were given to the FIU, the designated AML/CFT regulatory body, with the amendments brought to the FIAMLA in May 2019.

Based on the inherent ML vulnerability assessment and on the strength of AML controls, the residual vulnerability of the real estate sector to money laundering abuse is High.

Conclusion and Way Forward

Given that the threat rating is Medium and residual ML vulnerability rating is High, the ML risk associated with the real estate sector is MEDIUM-HIGH. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to operators in the sector and the implementation of an effective AML/CFT risk-based supervisory framework. However, a legal framework for the registration of operators in the sector must be enacted. Now that the shortcomings in the legal framework has been addressed, it is expected that the implementation of the supervisory framework will improve the residual ML vulnerability rating and mitigate the ML risk to a larger extent.

[59] Page 93 of the Report of the Commission of Inquiry on Drug Trafficking

Chapter 13: Jewellery Sector

Summary findings:
The money laundering threat is **Medium**.

As a result of the quality of the AML control coupled with the risk profile of the clients, the level of cash activity, the anonymous use of the product and the relative difficulty of tracing transaction records, the residual ML vulnerability score for the sector is rated **High**.

The Jewellery sector represents a **MEDIUM-HIGH** money laundering risk to Mauritius.

Introduction

The Assay Office administers the Jewellery Act which regulates and controls the manufacture, sale and importation of jewellery made of gold, silver and platinum or their alloys, and the identification and grading of gemstones. A dealer in Jewellery must be registered by the Assay Office. As at May 2019, there were 561 dealers in jewellery registered with the Assay Office. Jewellers operating in the domestic market are involved mainly in the production of gold and silver jewellery such as rings, necklaces, bracelets and other ornaments, using mostly traditional tools and techniques. In addition, 3 companies are engaged in the import of raw diamonds for processing and re-export of the processed goods.

The reported turnover in the jewellery sector amounts to Rs 2 Billion (around US$ 56.3m) for the year 2017.

ML Sectorial Threat

The level of threat in this sector is rated Medium.

The use of cash is widely used in the domestic jewellery sector but is restricted by the cash limitation of Rs 500,000 (around US$ 15,000). Based on the focus group discussions held with LEAs, jewellery theft was identified as one of the main predicate offences occurring in the jurisdiction. In addition to the above, recent drug trafficking cases seem to indicate a possible lifestyle laundering through the jewellery sector.

ML Sectorial Vulnerability

The client-base profile of the jewellery sector includes domestic PEPs, high net-worth individuals, and non-resident clients with foreign business and clients with criminal records. In Mauritius, the sector also includes legal entities which are engaged in value added activities by exporting their finished or semi-finished jewellery products to their parent companies. In fact, the export-oriented segment comprises 18 enterprises including 5 enterprises involved in the cutting and polishing of diamonds and other stones such as Sapphire, Ruby and Emerald[60].

Use of cash is permitted in the sector but limited to the threshold amount of Rs 500,000 (around US$ 15,000). According to focus group discussions held with dealers in jewellery, this sector in Mauritius, is cash intensive and often characterised by a high volume of low value transactions. There are cases where new jewellery has been purchased by a third party on behalf of the true

[60] Mauritius National Export Strategy Jewellery Sector, 2017-2021.

owner. Focus group discussions with LEAs indicated that there were cases where stolen jewellery had been bought and sold on the second-hand jewellery market. These sales were allowed to occur because the concerned jewelers conducted the transactions without complying with the prescribed due diligence and disclosure requirements.

While jewellers were covered within the scope of the FIAMLA since 2013, they only recently became subject to the revised AML/CFT preventive measures under the FIAMLA and FIAML Regulations 2018. They are subject to AML/CFT preventive measures where they engage in any cash transaction of at least Rs 500,000 (around US$ 15,000) in total, whether the transaction is executed in a single operation or in several operations which appear to be linked. The level of AML/CFT supervision in the sector is limited. New supervisory powers were given to the FIU, the designated AML/CFT regulator, with the amendments brought to the FIAMLA in May 2019.

Based on the inherent ML vulnerability assessment and on the strength of AML controls, the residual ML vulnerability of the Jewellery sector to money laundering abuse is High.

Conclusion and Way Forward

Given that the ML threat rating is Medium and the residual ML vulnerability rating is High, the ML risk associated with the sector is MEDIUM-HIGH. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to dealers in jewellery and the implementation of an effective AML/CFT risk-based supervisory framework. Now that the shortcomings in the legal framework has been addressed, it is expected that the implementation of the supervisory framework will improve the residual ML vulnerability rating and mitigate the ML risk to a larger extent.

Chapter 14: Gambling Sector

Summary findings:
The ML threat associated with the sector is rated high given that there is evidence to show that the sector has been used for significant money laundering activities.

As a result of the strength of AML/CFT controls, the client base profile, which includes, domestic PEPs, High-net-worth individuals, non-residents, clients with criminal records, and the cash-intensive nature of the business the residual ML vulnerability is also rated **high**.

The Gambling sector represents a **HIGH** money laundering risk to Mauritius.

Introduction

The gambling sector in Mauritius is regulated by the Gambling Regulatory Authority Act (GRA Act) which also provides for the establishment of the Gambling Regulatory Authority (GRA). The GRA is also the designated AML/CFT regulatory body for the gambling sector. The GRA Act classifies operators in the gambling industry into 6 main categories: (1) Bookmakers Conducting Fixed Odds Betting on local races, (2) Bookmakers Conducting Fixed Odds on Foreign Football Matches, (3) Mauritius National Lottery, (4) Casino, (5) Gaming House "A" and (6) Totalisator.

The main licensed activity driving the gambling sector is bookmaking which comprises 'bookmakers' conducting fixed odd betting on local horse racing events and foreign football matches. Their total turnover stands at Rs 5.4 billion (around US$ 153M) equally divided between horseracing and foreign football matches. The second most important licensed category is the gaming houses and casinos (land based only) which account for a turnover of Rs 2 billion (around US$ 56.6M) while the third licensed category driving the sector is the National Lottery accounting for a turnover of Rs 1.8 billion (around US$ 51M).

The total turnover for the different licensed categories in the gambling sector is approximately Rs 11 billion (around US$ 310M). The size of the sector is judged to be medium high given that the sector is generating an annual turnover of Rs 13.75 billion (around US$ 405 m) compared to other major sectors of the economy, e.g. Financial and insurance activities (Rs 37 billion- around US$1m), construction sector (Rs 16 billion- around US$451m) and real estate sector (Rs 19 billion- aroundUS$535m)[61] –. It is believed that the largest turnover is derived from betting activities where the punters are anonymous. This probably explains the relatively low annual turnover of Rs 264 million (around US$ 7.5m) for bookmakers operating in an environment where the punters are required to open a betting account thus revealing their identity.

[61]Source:CSO Mauritius, 2006 - 2015 Report

ML Sectorial Threat

According to the Commission of Inquiry on Drug Trafficking (2018), there is evidence that traffickers launder money in casinos, gaming houses and at the race course. One of the preferred methods to launder money in gaming houses is through the use of split transactions. The mechanism entails several people exchanging money for chips, betting a small amount of the funds and subsequently cashing out the bulk of the remaining chips by requesting bank cheques. The observed links between drug trafficking and the gambling sector is due to the fact that drug trafficking involves cash and the gambling sector is cash-intensive.

In addition, the Commission of Inquiry on Horse Racing (2015) highlights the intensive use of cash for gambling at the race course to launder money. Further, ML in the horse racing sector occurred through the purchase of bloodstock given the lack of transparency in the sales process. According to the report, the Commission heard evidence of 'figurehead' owners of syndicates, of rich owners 'behind the scenes' and even 'fictitious owners' suspected of involvement in money laundering activities by placing large bets on horses whose odds of winning are very low.

The report also highlighted the existence of an illegal betting market in Mauritius. While it was difficult to accurately quantify its actual size, it was estimated that the turnover of the illegal market might be as much as, or even more than, the legal market. It should be noted that the authorities are well aware of the issues associated with the gambling sector and measures are being taken to introduce stricter limits and controls on cash betting.

In light of the above, the money laundering threat associated with the Gambling Sector is rated High.

ML Sectorial Vulnerability

The entire gambling sector was analysed for this assessment, which included the four existing casinos and 20 gaming houses. The client-base profile in the gambling sector is diverse and include domestic PEPs, high-net-worth individuals, non-resident clients, clients with foreign business, and clients with criminal records against them. There is also evidence to show that the level of cash activity is high.

Gambling can be done through remote communication. In such cases, even though there is a need for the punter to register by opening an account, the same account can be used by persons other than the account holder. In Mauritius, several sim cards can be registered to the same account and therefore, the true identity of the punter might not be known by the system.

Operators in the Gambling sector have been covered within the scope of the FIAMLA since 2013; however, they only recently became subject to the revised preventive measures which apply where any of their customers engages in financial transactions equal to or above 100,000 rupees (around US$ 2,751). Accordingly, the implementation of preventive measures including, CDD, record keeping and STR reporting is still in an early phase. The level of AML/CFT supervision is also limited. New supervisory powers were given to the GRA with the amendments brought to the FIAMLA in May 2019.

Conclusion and Way Forward

The residual ML vulnerability rating for the gambling sector is High and taking into account the ML threat rating of High, the sectorial ML risk rating is HIGH. The identified priorities for the sector to mitigate the level of ML risk include outreach and training to the gambling operators and the implementation of an effective AML/CFT risk-based supervisory framework. Now that the shortcomings in the legal framework has been addressed, it is expected that the implementation of the supervisory framework will improve the residual ML vulnerability rating and mitigate the ML risk to a larger extent.

Chapter 15: Terrorism Financing Risk Assessment

The present assessment deals with the terrorism financing risk in Mauritius, based on the terrorism threat level of the country, the examination of financial flow directions, its sources and channels as well as the TF vulnerability based on the present terrorism financing controls and country context factors.

Terrorism Threat

Mauritius has, so far, been spared from any terrorist act. Nonetheless, the country is not immune from the threat posed by terrorism and violent extremism. The emergence and rapid spread of extremist ideologies and propaganda, especially through social media, have been a major preoccupation for many countries and Mauritius is no exception. In 2015, an online propaganda video was released by ISIS, showing a Mauritian combatant, along with two other foreign fighters, urging fellow Mauritian citizens in creole to travel to Syria. This clearly indicates that Mauritius is a target of the outreach of terrorist propaganda and recruitment attempts by ISIS. In 2016, shots were fired at the French embassy in Port-Louis and graffiti mentioning ISIS were spray painted on the embassy walls. Relevant authorities have also indicated that signs of radicalisation and allegiance to terrorist groups have come to light in recent years. While the authorities have not yet encountered such a case, authorities have been watchful for potential returning Foreign Terrorist Fighters (FTFs).

Based on the above, the overall level of terrorism threat in Mauritius is therefore rated **Medium-Low**.

Terrorist Financing Threats

The direction of TF funds as well as the sources and channels that are being used for terrorism financing are as follows:

(a) Directions of Funds

During the period under review, the relevant authorities have detected several cases of money being transferred abroad where TF was suspected. In most suspected cases, the funds were being transferred from Mauritius to overseas jurisdictions. According to the relevant authorities, the overall value of the funds transferred is low.

Unsurprisingly, the end destination of the funds originating from Mauritius is believed to be ISIS-controlled territory in Syria.

(b) Identified Sources

Self-Funding: the relevant authorities indicate that Mauritian Terrorist fighters who travelled to Syria used funds from legitimate sources (e.g. employment income) to finance their travels to the conflict zone. Authorities also suspect the involvement of family members and associates in terrorism financing. Indeed, in November 2016, a Mauritian couple living in the UK was convicted by the UK courts of terrorism financing for sending GBP 219 to their nephew and niece, Mauritian ISIS supporters believed to be in Syria.

(c) Identified Channels

Intelligence indicates that the banking sector may have been misused for TF purposes. Additionally, as for the case of the Mauritian couple living in the UK mentioned above, MVTS providers may have been abused for TF purposes. Authorities also believe that the physical transportation of cash may have occurred as it is a common for FTFs to carry cash and gold when travelling to the conflict zone from their home country.

Non-profit organizations: Terrorist entities target some non–profit organisations (NPOs) to access materials and funds from these NPOs and to exploit their networks, thereby intentionally abusing the NPO. According to MER 2018, Mauritius had not, at that time, adequately reviewed its NPO Sector, including a mapping of its size, features and activities with a view to identify features and types of NPO, which by virtue of their activities or characteristics are likely to be at risk of TF abuse. In that respect, Mauritius currently is undergoing an assessment of its NPO sector. A risk assessment team, co-chaired by the FIU and the Registrar of Associations, has been set up to carry out the exercise.

Based on the above findings, the overall TF threat for Mauritius is **Medium-Low.**

Legal and Operational Framework

Mauritius ratified the International Convention for the Suppression of Financing of Terrorism in December 2004 and subsequently enacted the Convention for the Suppression of the Financing of Terrorism Act 2003 (CSFT).

Mauritius has enacted several laws to combat terrorism and terrorism related activities, namely the Prevention of Terrorism Act 2002 (amended in 2016 to include FTFs) and more recently, the United Nations (Financial Prohibitions, Arms embargo and Travel Ban) Sanctions Act 2019.

During the Mutual Evaluation of Mauritius conducted by the ESAAMLG, authorities informed the assessors that, in spite of the absence of a NRA on the matter, they believed the TF risk of Mauritius to be low. The assessors agreed that the opinion of the Mauritian authorities was reasonable due to the fact that several factors supported this conclusion (such as the absence of a domestic terrorist act, the fact that Mauritius has never received a Mutual Legal Assistance request on TF, etc.). However, the assessors pointed out several deficiencies in the AML/CFT legal framework, such as the absence of legislation regarding the implementation of UN sanctions regime and some issues regarding the definition of the TF offence in Mauritian law, particularly in relation to the financing of the travel of FTFs. These deficiencies now have been addressed with the enactment of the Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2019 and the United Nations (Financial Prohibitions, Arms embargo and Travel Ban) Sanctions Act 2019 in May 2019.

The main deficiencies that remain are the lack of a risk-based approach (in the absence of a completed NRA) and the fact that the Non-Profit Organisations sector (which are identified as vulnerable to TF abuse under Recommendation 8 of the FATF) has not yet been subjected to a complete TF risk assessment and its supervision has only just begun following the amendments made to the legislation in May 2019.

In addition to the FIU, the relevant authorities are:

The Counter Terrorism Unit (CTU): The CTU which is established under section 18 of the PoTA is a unit within the Prime Minister’s Office responsible for collecting, collating and analysing terrorism-related intelligence. The CTU has the power to disseminate to investigatory authorities such intelligence concerning suspicious persons or activity or terrorism-related offences. The mandate of the CTU also includes educating the public against terrorism, enlisting and fostering public support in combating terrorism.

Intelligence gathered and analysed by the CTU regarding TF and terrorism-related activities are transmitted to the Commissioner of Police under section 19(c) of the PoTA for investigation by the Terrorism Investigation Cell of the Central CID.

The Central Criminal Investigation Division: The Terrorism Investigation Cell of the Central CID is a specialised cell which deals with all investigations related to terrorism and TF. The Terrorism Investigation Cell is the main investigatory body on TF matters and it is the Police Unit which acts upon reports from the CTU or the FIU relating to TF matters.

Conclusion

The overall TF risk in Mauritius is **MEDIUM** given that the TF threat is rated Medium-Low and the TF vulnerability is rated **Medium-High.**

Chapter 16: Next Steps and Conclusion

Next Steps

The NRA has highlighted priority focus areas and Mauritius has developed a National AML/CFT Strategy to address the ML/TF risks as well as the feedback received from the Mutual Evaluation Report 2018. The National Strategy 2019-2022 sets out the approach which Mauritius will adopt to tackle ML and TF risks over the next three years.

The National Strategy comprises eight core themes that enhance the ability of Mauritius to prevent, detect and deter money laundering and the financing of terrorism. The eight core strategic themes and their objectives are set out below.

	Strategic Theme	Objective
1.	Strengthening the AML/CFT Legal and Regulatory Framework	To establish a comprehensive legal and regulatory framework that is consistent with international standards and which is effective in mitigating ML and TF risks.
2.	Implementing a comprehensive risk-based supervision framework	To develop and apply an effective risk based supervisory framework for financial institutions, DNFBPs and non-profit organisations. To supervise and monitor financial institutions and DNFBPs to ensure their effective assessment and management of ML/TF risk and compliance with AML/CFT preventive measures. In particular, the Gambling and TCSP sectors as top priorities, followed by the banking, securities, real estate and jewellery sectors.
3.	Strengthening the process by which the ML/TF threats are detected and disrupted, criminals are prosecuted and illegal proceeds are confiscated.	To ensure that ML and TF offences are investigated and offenders are sanctioned and deprived of illicit proceeds.
4.	Enhancing national co-ordination and cooperation.	To facilitate policy formulation, exchange of information and operational coordination between national competent authorities to effectively combat money laundering and the financing of terrorism and proliferation.
5.	Consolidating capacity building, training and awareness raising programs.	To ensure that all stakeholders in the public and private sectors understand and are fully capable of fulfilling their AML/CFT obligations.
6.	Enhancing transparency of legal persons and arrangements.	To prevent the misuse of legal persons and arrangements for ML and TF, and ensure that information on their beneficial ownership is available to competent authorities without impediments.
7.	Implementing an effective AML/CFT data collection system.	To assess and continuously improve the effectiveness of the AML/CFT system.
8.	Enhancing regional and international cooperation.	To provide the widest range of international cooperation in an expeditious and efficient manner.

Implementation of the National Strategy has started and is expected to be completed by 2022. In particular, Mauritius has revamped its AML/CFT framework with amendments brought to the FIAMLA and other relevant enactments by the Finance (Miscellaneous Provisions) Act 2018 and the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Act 2019, and the enactment of the United Nations (Financial Prohibitions, Travel Ban and Arms Embargo) Sanctions Act 2019. National AML/CFT Strategy has been endorsed by Cabinet and the National Committee for Anti-Money Laundering and Combatting Financing of Terrorism.

Conclusion

The NRA exercise has provided Mauritius an opportunity to consolidate national coordination amongst all relevant government agencies. The results of this NRA together the recommended actions contained in the Mutual Evaluation Report 2018 have served as the foundation of a detailed National Action Plan that cuts across all sectors and segments in the country, providing the resiliency and collective strength necessary to combat money laundering and terrorist financing. The country needs to sustain the momentum created through the NRA exercise to finalise and implement the National Action Plan.

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