



Anti-money laundering and counter-terrorist financing measures

Mauritius

5th Enhanced Follow-up Report &
Technical Compliance Re-Rating
September 2022

Follow-up Report





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ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

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This report was approved by the ESAAMLG Task Force of Senior Officials at the September 2022 meeting.

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MAURITIUS: 5th ENHANCED FOLLOW-UP REPORT & TECHNICAL COMPLIANCE RE-RATING

I. INTRODUCTION

1. The Mutual Evaluation Report (MER) of Mauritius was adopted by the Task Force in April 2018 and subsequently approved by the Council of Ministers in July 2018. This follow-up report analyses progress made by Mauritius in implementing the new requirements of Recommendation 15 which has changed since the MER was adopted. TC re-ratings are given where sufficient progress has been demonstrated. The report does not analyse any progress Mauritius has made in improving its effectiveness. Progress in this area will be assessed as part of a subsequent follow-up assessment, and if found to be sufficient, may result in re-ratings of Immediate Outcome ratings at that time.

2. The assessment of Mauritius' request for TC re-rating and the preparation of this report were undertaken by the following experts (supported by the ESAAMLG Secretariat: John Muvavarirwa, Mofokeng Ramakhala and Tom Malikebu):

- Wonder Kapofu (Zimbabwe)
- Vilho Nkandi (Namibia)

3. Section III of this report highlights the progress made by Mauritius and analysis undertaken by the Reviewers. Section IV sets out the conclusion and a table showing which Recommendations have been recommended for re-rating.

II. KEY FINDINGS OF THE MUTUAL EVALUATION REPORT

4. The MER¹ rated Mauritius' technical compliance as set out in Table 2.1 below. In the light of these results, Mauritius was placed in the enhanced follow-up process².

Table 2.1. Technical compliance ratings³ July 2018

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
NC	PC	LC	LC	PC	NC	NC	NC	PC	NC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	PC	NC	PC	NC	NC	NC	PC	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
PC	NC	NC	NC	PC	PC	LC	NC	LC	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
C	PC	PC	LC	PC	LC	LC	LC	LC	LC

¹ Mutual Evaluation Report (MER) on Mauritius, July 2018,

<https://www.esaamlg.org/reports/Second%20Round%20MER%20of%20Mauritius-July%202018.pdf>

² Enhanced follow-up is based on the traditional ESAAMLG policy for members with significant shortcomings (in technical compliance or effectiveness) in their AML/CFT systems, and involves a more intense follow-up process.

³ There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC).

III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

3.1. Progress to address technical compliance deficiencies identified in the MER

5. Since the adoption of its MER in July 2018, Mauritius has taken measures aimed at addressing the technical compliance deficiencies identified in its MER. As a result of this progress, 29 Recommendations were re-rated (upgraded) to LC and C while 1 Recommendation (R.15) was downgraded from C to PC as highlighted in the Table below.

Table 3.1: Technical Compliance Re-ratings (in parenthesis)

Recommendations and Corresponding Ratings													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
NC (C)	PC (C)	LC (C)	LC (C)	PC (C)	NC (C)	NC (C)	NC (LC)	PC (C)	NC (C)	LC	PC (C)	NC (C)	PC (C)
15	16	17	18	19	20	21	22	23	24	25	26	27	28
NC (PC)	NC (C)	NC (C)	PC (C)	PC (C)	C	PC (C)	NC (C)	NC (C)	NC (LC)	PC (LC)	PC (LC)	LC (C)	NC (LC)
29	30	31	32	33	34	35	36	37	38	39	40		
LC (C)	C	C	PC (LC)	PC (C)	LC	PC (C)	LC	LC	LC	LC	LC		

6. This section of the report summarises further progress made by Mauritius in implementing the new requirements where the FATF standards have changed since the adoption of the MER (R.15).

7. ESAAMLG welcomes the steps that Mauritius has taken to improve its technical compliance with Recommendation 15. Following this progress, Mauritius has been re-rated largely compliant with R.15.

3.1.1 Progress on Recommendations which have changed since adoption of the MER

Recommendation 15 – New Technologies (Originally rated NC – re-rated to C followed by a downgrade to PC in December 2020)

8. In June 2019, R.15 was revised to include obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risks associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and for such supervision to be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.

9. In its 2nd Round MER, Mauritius was rated NC on R.15, as Mauritius had neither conducted an assessment of its ML/TF risks related to new products or technologies, nor was there a specific requirement to undertake risk assessments. These deficiencies were largely addressed in its 2nd enhanced follow-up report and Mauritius was re-rated C on R.15. When revisions to R.15 by the FATF came into force, Mauritius was downgraded from C to PC.

10. In 2021 Mauritius conducted a National Risk Assessment in order to identify, assess and understand the ML/TF risks emerging from virtual asset (VA) activities and the activities of virtual asset service providers (VASPs). The public version of the risk assessment was published in February 2022, and it was noted that ML/TF risks arising from VAs and VASPs were considered Very High. Based on the risks identified, Mauritius prioritized and developed legal and institutional frameworks to address risks associated with VAs and VASPs. These include enactment of the Virtual Asset and Initial Token Offerings Services Act 2021 (VAITOS Act) and issuance of AML/CFT Guidance Notes for Virtual Asset Service Providers & Issuers of Initial Token Offerings (AML/CFT Guidelines). The law provides for a mandatory registration and licensing of all VASPs in Mauritius. Additionally, Mauritius has designated the Financial Services Commission (FSC) as the VASPs supervisor. It is, however, premature to determine whether the FSC's supervision is risk-based as FSC has not yet issued any VASP license. The country would also benefit from application of commensurate measures on specific threats and other vulnerabilities identified in the risk assessment, in particular, relating to customers, products, services, channels, geographic areas that are exposed to ML/TF risks. The framework and action plan of the country can further benefit from prioritizing mitigating measures against high proceeds generating predicate offences such as drug trafficking and fraud which were identified in the risk assessment as major threats. However, under the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAMLA) as amended, and its Regulations, VASPs, as designated entities, are required to carry out a risk assessment as well as have internal policies and procedures to deal with the identification, assessment, mitigation and management of ML/TF risk factors.

11. VASPs are required to be licensed under the VAITOS Act. Beneficial ownership information and other information are obtained by the FSC as part of the licensing process to ensure that the applicant can carry out their obligations as a designated person and that the applicants and each of its controllers, beneficial owners, their associates and officers are fit and proper persons to carry out the business activities to which the license is sought. Since the enactment of the VAITOS, Mauritius has taken some actions that would assist the country to identify natural or legal persons that carry out VASP activities without license. These include, a communique issued by FSC in February 2022 alerting the general public and VASPs that the VAITOS Act had come into force and cautioning them to transact with licensed VASPs only and to report unlicensed individuals providing virtual asset services. The communique also requires any person who is currently carrying out VA-related activities to apply for the relevant licence with the FSC. In addition, it is noted that the FSC had started a communication and awareness campaign to sensitize the general public as well as the business community to transact and deal with only licensed service providers. In this regard, a dedicated hot line has been made available to report such cases and any other

related complaints from the public. Mauritius is further in the process of establishing an Observatory which shall continuously monitor the market, identify patterns and transactions, scan and track new entrants, and share information to relevant authorities. Mauritius also makes use of social media such as issuance of Infographics on VAITOS on social media platforms. It is however, not yet clear whether these actions are sufficient to ensure that all unregistered VASPs can be captured since to date Mauritius has only suspected seven (7) individuals residing in Mauritius as undertaking business activities for which a licence under the VAITOS Act is required. Although Mauritian authorities can apply a range of sanctions against unregistered VASPs, these are yet to be applied. A three-month grace period from February - May 2022 has been given for players to apply for a license after which they would be deemed to be operating illegally.

12. FSC has already developed its RBS supervisory tools for financial institutions which also apply to VASPs and are yet to be applied on the basis of those risks specific to the VASP sector. Further, FSC, as the supervisor of VASPs, is adequately empowered to obtain information from VASPs, search and inspect the premises of VASPs, inspect their records, give directions and monitor for the purpose of AML/CFT compliance. The FSC also establishes guidelines and provides outreach to assist VASPs in understanding their national AML/CFT obligations, including in detecting and reporting suspicious transactions. FSC has also published Frequently Asked Questions (FAQs) on its website aimed at applicants in order to clarify some of the obligations and provide guidance during registration to ensure a proper understanding of the AML/CFT requirements. As under the legislative framework VASPs are explicitly included as designated entities, preventive measures that apply to designated entities also apply to VASPs including most wire transfer obligations. However, VASPs in Mauritius are not subject to other wire transfer obligations, in particular, relating to obligations of intermediary financial institutions. The legislative framework in Mauritius also provides a range of proportionate and dissuasive sanctions (criminal, civil or administrative), to deal with VASPs, their directors and senior management that fail to comply with AML/CFT requirements. TFS obligations apply to VASPs, where communication mechanisms, reporting obligations and monitoring apply to all designated persons, including VASPs. Mauritius' international co-operation framework applies to all designated entities including VASPs.

Weighting and Conclusion

13. Mauritius has met most of the new requirements introduced for VASPs, and minor deficiencies remain. **Hence, Mauritius is re-rated Largely Compliant with Recommendation 15.**

IV. CONCLUSION

14. Overall, Mauritius has made progress in addressing deficiencies in technical compliance to justify re-rating of R. 15 (previously rated PC) to Largely Compliant.

15. Considering progress made by Mauritius since the adoption of its MER, its technical compliance with the FATF Recommendations has been revised as shown in Table 4.1 below.

Table 4.1. Technical compliance ratings, June 2022

Recommendations and Corresponding Ratings													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
C	C	C	C	C	C	C	LC	C	C	LC	C	C	C
15	16	17	18	19	20	21	22	23	24	25	26	27	28
PC (LC)	C	C	C	C	C	C	C	C	LC	LC	LC	C	LC
29	30	31	32	33	34	35	36	37	38	39	40		
C	C	C	LC	C	LC	C	LC	LC	LC	LC	LC		

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant.

16. Mauritius will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving the implementation of its AML/CFT effectiveness measures.