BANK OF MAURITIUS

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Guideline for private banking business

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INTRODUCTION

The Banking Act 2004 provides that a bank may be permitted to carry on private banking business in Mauritius.

Private banking business is defined in the Banking Act 2004 as "the business of offering banking and financial services and products to high-net-worth customers including, but not limited to, an all-inclusive money-management relationship".

Further, section 7(7D) of the Banking Act 2004 states that 'A bank which has been granted a banking licence to carry on exclusively private banking business by the central bank may be exempted from such provisions of the Act as the central bank may determine and be subject to such terms and conditions and guidelines as the central bank may determine'.

Purpose

This *Guideline for private banking business* (Guideline) gives effect to the abovementioned provisions of the Banking Act 2004 and sets out the regulatory and supervisory framework applicable to banks conducting private banking business. It specifies additional requirements to, or, exemptions from the rules applicable to conventional banking. It sets out the terms under which the Bank of Mauritius is prepared to consider exemptions from the Banking Act 2004 under section 7(7D).

Authority

This Guideline is issued under the authority of section 50 of the Bank of Mauritius Act 2004 and sections 7(7D) and 100 of the Banking Act 2004.

Scope of Application

This Guideline applies to banks licensed under the Banking Act 2004 and which engage in private banking business.

Section II of this Guideline shall apply only to banks licensed under section 7(5) of the Banking Act 2004 to carry on exclusively private banking business. The other sections apply to both banks carrying on exclusively private banking business and banks offering private banking services as part of their conventional banking services.

Relation to other guidelines issued by the Bank of Mauritius

As far as it contains specific rules, this Guideline takes precedence regarding private banking activities over other guidelines issued by the Bank of Mauritius. All the other guidelines remain entirely applicable to private banking activities unless explicitly stated by the Bank of Mauritius.

Effective date

This Guideline supersedes the *Guidelines for banks licensed to carry on private banking business* introduced on 10 February 2017 and revised on 21 July 2017.

This Guideline shall come into effect on xx xxxx 2021.

Interpretation

In this Guideline,

"Act" means the Banking Act 2004;

"affiliate" has the same meaning as in the Banking Act 2004;

"all-inclusive money-management" means a holistic professional money-management service by a bank, which may include but is not limited to wealth management activities, distribution of financial products, custodian, insurance agent or such other banking and financial services/products as may be approved by the Bank or the FSC;

"assets management" means the provision of financial services in relation to managing a portfolio of investments consisting of assets other than securities, such as real estate, physical commodities or such other assets as may be approved by the FSC, pursuant to an 'Assets Management' licence granted under section 14 of the Financial Services Act 2007;

"assets under management" or AUM means the total market value of investable assets that a bank carrying on private banking business handles on behalf of its private banking customer(s);

"Bank" means the Bank of Mauritius established under the Bank of Mauritius Act 2004;

"bank" means a bank licensed under the Banking Act 2004 and which carries on private banking business;

"beneficial owner" has the same meaning as in the Financial Intelligence and Anti-Money Laundering Act 2002 and the Financial Intelligence and Anti-Money Laundering Regulations 2018. A private banking account/customer may have one or more beneficial owners;

"custodian" means a person holding a 'Custodian' licence or a 'Custodian Services (non-CIS)' licence issued by the FSC under section 100 of the Securities Act 2005 or section 14 of the Financial Services Act 2007, as appropriate, for safekeeping the assets of a private banking customer;

"discretionary wealth management" means wealth management for and on behalf of a private banking customer whereby the bank has discretion over the investment decisions of the portfolio in accordance with the terms and conditions that exist between the bank and the private banking customer;

"distribution of financial products" means the distribution of securities/investment products of third-parties such as fund houses or such other qualifying financial product which may be distributed by the holder of a 'Distribution of Financial Products' licence issued by the FSC under section 14 of the Financial Services Act 2007;

"FSC" means the Financial Services Commission, Mauritius established under the Financial Services Act 2007[1];

[1] The FSC is the integrated regulator for the non-bank financial services sector and global business. Established in 2001, the FSC is mandated under the Financial Services Act 2007 and has enabling legislations in the Securities Act 2005, the Insurance Act 2005 and the Private Pension Schemes Act 2012 to license, regulate, monitor and supervise the conduct of business activities in these sectors. FSC website: https://www.fscmauritius.org

"high-net-worth customer" or **"private banking customer"** means:

a. a high-net-worth individual availing (in his/her own name, jointly with other individuals and/or through legal structures such as trusts, foundations and non-operational companies set up to manage his/her wealth) of products and services falling within the ambit of private banking business carried on by the bank. This will include legal structures comprising at least one high-net-worth individual as beneficial owner; or

b. a legal structure, whose beneficial owners are not high-net-worth individuals, but which possesses investable assets of at least **USD 1 million** (or the equivalent value in another currency) to be managed by the bank as part of its private banking business, within a period of three years;

"high-net-worth individual" means an individual possessing investable assets of at least **USD 1 million** (or the equivalent value in another currency), and, anticipating investable assets of at least **USD 250,000** (or the equivalent value in another currency) to be managed by the bank within a period of three years. A confirmation on these two criteria shall be submitted to the bank in writing by the high-net-worth individual;

"hold mail" means retaining all or selected statements related to the account(s) of a private banking customer with the bank until such time the customer arranges for the collection of the mail;

"inactive" has the same meaning as in section 57(9) of the Banking Act 2004;

"insurance agent" means a person who is the holder of an 'Insurance agent (Company)' licence issued by the FSC under section 70 of the Insurance Act 2005, and a person who, with the authority of an insurer and not being an employee of the insurer, acts on behalf of the insurer in the initiation of the insurance business, the receipt of proposals, the issue of policies, the collection of premiums, the settlement of claims or performs such other activities related to insurance as the FSC may approve;

"investment adviser" means a person who holds an 'Investment Adviser (Unrestricted)' licence or an 'Investment Adviser (Restricted)' licence or a 'Representative of Investment Adviser (Unrestricted)' licence or a 'Representative of Investment Adviser (Restricted)' licence issued by the FSC under section 30 of the Securities Act 2005 to exercise the following financial business activities, as applicable:

a. unrestricted – manage, under a mandate, whether discretionary or non-discretionary, portfolios of securities and give advice, guidance or recommendations to enter into securities transactions (other than corporate finance advisory), whether personally or through printed materials or by any other means;

b. restricted – give advice, guidance or recommendations to enter into securities transactions (other than corporate finance advisory), whether personally or through printed materials or by any other means;

c. representative – an individual who is employed by an investment adviser for the purpose of exercising, on its behalf, securities transactions that the investment adviser is licensed to carry out and includes an officer who carries out securities transactions on behalf of an investment adviser;

"investable assets" include liquid financial assets such as deposits with banks, certificates of deposits, marketable securities, structured products and other investment products, marketable precious metals and cash value of life insurance policies which have a surrender value. The following may also be considered in the computation of investable assets of a high-net-worth individual: (i) assets held jointly with the spouse or child; and (ii) assets held under legal structures owned by the high-net-worth individual. Direct investments in real estate, collectibles, consumables, consumer durables and claims to occupational pension assets do not qualify as investable assets;

"non-discretionary wealth management" means wealth management whereby investments are made by the bank for and on behalf of private banking customers with their approval. The execution of these investment orders may be preceded by advice on investments;

"non-investment-related transactions" refer to transactions of private banking customers with no apparent link to their investment activity. Examples of non-investment-related transactions include operational transfers to/from the accounts of private banking customers linked to the private banking customers' commercial activities;

"private bank" means a bank licensed under section 7(5) of the Banking Act 2004 to carry on exclusively private banking business;

"private banker" is a relationship manager with personal interactions with private banking customers and who is engaged by or acting for a bank carrying on private banking business;

"private banking account" means an account held in the name of a private banking customer;

"private banking business" has the same meaning as in the Banking Act 2004, that is, *"business of offering banking and financial services and products to high-net-worth customers, including but not limited to an all-inclusive money-management relationship"* with further specifications in the Interpretation section of this Guideline. It focuses on providing personalised banking and wealth management services to high-net-worth customers through dedicated private bankers. In the case of banks licensed to carry on exclusively private banking business, private banking business also includes the activities defined under section 7(7D)(b) of the Banking Act 2004 which allows a private bank to hold, store or sell precious metals as part of its customer's investment portfolio management and provide safety vault services to its customers for precious and semi-precious stones, precious metals, pearls, works of art and collectors' pieces or antiques and such other high value goods as the Bank may determine. Solely offering conventional banking services, without wealth management services, does not qualify as private banking business;

"private banking staff" comprise all staff forming part of a private bank or a private banking department, as applicable. This would normally include private bankers, private banking managers, investment analysts, portfolio managers and operational staff including back-office/middle-office staff, as applicable;

"related party" has the same meaning as in the Banking Act 2004 and the Guideline on Related Party Transactions;

"securities" has the same meaning as in the Securities Act 2005 and includes shares or stocks in the share capital of a company, shares in or securities of a collective investment scheme, treasury bills, bonds, options, futures, forwards, among others;

"senior officer" has the same meaning as in the Banking Act 2004;

"significant interest" has the same meaning as in the Banking Act 2004;

"voice logging" means the recording of audio information through business landline telephones or other business communication systems;

"wealth management" means management of (i) a portfolio of securities under an 'Investment Adviser (Unrestricted)' licence; or (ii) a portfolio of assets other than securities under an 'Assets Management' licence issued by the FSC.

Section I: Application process for conducting private banking business in Mauritius

1. A body corporate wishing to apply for a banking licence to carry on private banking business in Mauritius shall stand guided by section 5 of the Act.

2. In view of the fact that private banking business encompasses activities which fall under the regulatory purview of the FSC, the body corporate shall correspondingly refer to the relevant sections of the Financial Services Act 2007, the Securities Act 2005, the Insurance Act 2005 and other relevant Acts for licences required from the FSC as detailed in the Interpretation section of this Guideline.

3. The applications for a banking licence and for the licences under the purview of the FSC shall be made online through a single platform, in such form and manner as prescribed by the Bank and the FSC.

4. The single platform will allow submission of one set of information common to licences falling under the purview of the Bank and FSC whilst also allowing for submission of information specific to the licensing criteria of the different licences.

Section II: Exemptions applicable to banks licensed to carry on exclusively private banking business

5. A private bank, depending on the business model proposed, may be exempted from such provisions of the Act and such guidelines, directives or instructions issued by the Bank, as the Bank may determine.

6. In this respect, private banks may be granted the following exemptions, subject to the approval of the Bank on such terms and conditions it may impose, including *inter alia*:

6.1 Minimum capital requirement [Section 20 of the Act]

6.1.1 A private bank may start operations with a minimum capital requirement of Rs200 million, in the case where its business model suggests that it would primarily engage in wealth management and would not hold assets bearing significant risks.

6.1.2 The private bank shall increase its minimum capital to Rs400 million in a phased manner within a period of five years, or, within such shorter timeframe, as the Bank may determine, depending on the evolution of its balance sheet and business model.

6.2 Significant ownership [Section 19(b)(ii) of the Act]

The shareholders of a private bank may own a significant interest of 10% or more of the private bank's capital or voting rights provided that:

a. the shareholders undertake in writing to the Bank not to influence or impede the prudent management and functioning of the private bank in accordance with sound banking practices;

b. the private bank has in place a board of directors chaired by an independent director and which is composed of a majority of independent directors;

c. the board members of the private bank have proven experience in matters of regulatory compliance, risk management and audit; and

d. the private bank demonstrates at any point in time that all business transactions with shareholders are conducted at arms-length.

6.3 Board sub-committees [Guideline on Corporate Governance]

A private bank may combine the tasks of the Risk Management- and Conduct Review-Committees in one single "Risk Management and Conduct Review Committee" and have the tasks of the Nomination and Remuneration Committee performed by the board of directors, subject to the merged "Risk Management and Conduct Review Committee" being:

a. composed of only independent directors who shall not be less than three in number;

b. chaired by an independent director other than the chairperson of the private bank's board of directors or any other subcommittee of the board; and

c. composed of knowledgeable and experienced directors capable of devoting adequate time to fulfil the combined tasks of the two separate board sub-committees.

6.4 Operational existence of at least five years of the applicant's parent bank [Section 7(3) of the Act]

In the case of applications received from branches or subsidiaries of foreign banks for the setting up of a private bank in Mauritius, and in the absence of five years of operational existence of the parent bank, a licence to carry on exclusively private banking business in Mauritius may be granted, subject to the following:

a. the applicant shall, *inter alia*, demonstrate, to the satisfaction of the Bank, the adequate experience and track record of its shareholders, board members (as applicable) and senior officers including those to be assigned to the bank in Mauritius; and

b. the applicant is subject to consolidated supervision by competent foreign regulatory authorities and these authorities have no objection to its proposal to carry on private banking business in Mauritius.

Section III: General application of banking laws and guidelines

7. With the exception of an exemption granted under **Section II** of this Guideline, banks carrying on private banking business shall comply with all applicable provisions of the banking laws[2] and guidelines issued by the Bank[3], to the extent to which they are relevant to their specific business model.

[2] The relevant legislations are accessible at https://www.bom.mu/about-the-bank/legislation.

[3] The guidelines issued by the Bank are accessible at https://www.bom.mu/financial-stability/supervision/guideline.

Section IV: Use of the term "private banking"

8. Banks conducting private banking business shall use the term "private banking", "private banking account", "private banking customer", "private banking business" or similar word composition only with regard to private banking business relationships falling under the definition of this Guideline.

Section V: Private banking conduct and compliance risks

9. Banks carrying on private banking business shall, with regard to their private banking business and based on their specific risks, size of operations and business model, adequately identify, address and mitigate conduct and compliance risks, with specific thrust on:

9.1 ***Money Laundering (ML) and Terrorism Financing (TF)***
Risk that they fail to comply with *Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation* (AML/CFT) measures, e.g. to properly implement effective AML/CFT control processes or to detect and report illicit assets or transactions;

9.2 ***Corruption***
Risk that they bribe public officials or that they knowingly or unknowingly assist their private banking customers in acts of bribery, e.g. by processing transactions linked to corruption on their behalf;

9.3 ***Client Tax non-compliance***
Risk that they get prosecuted by domestic or foreign tax authorities and criminal prosecutors for aiding and abetting tax fraud committed by their customers not declaring assets deposited at their bank and revenues generated by them;

9.4 ***Cross-border regulation violation***
Risk of enforcement actions by foreign regulators or prosecutors for violation of cross-border supervisory regulation, when they offer cross-border financial services or products to foreign investors without the necessary licences;

9.5 ***Economic sanctions' violation***
Risk of enforcement actions by foreign authorities, e.g. for processing foreign currency transactions for designated parties through foreign correspondent banks or executing securities transactions for designated parties involving foreign securities, foreign broker dealers or foreign custodians;

9.6 ***Abuse of legal structures***
Risk that ML/TF-, Corruption-, Client Tax- or Cross-border or other regulatory risks are not detected by them due to an inadequate understanding of complex structures used by the beneficial owners of private banking accounts;

9.7 ***Business conduct rules violation***

Risk of breaching business conduct rules which require banks to observe fiduciary duties, to act in best interests of private banking customers and other standards of market conduct including treating private banking customers fairly;

9.8 ***Fraud***
Risk of, e.g. banks' staff defrauding private banking customers, private banking customers defrauding them or third parties with or without conspiring with banks' staff, or external asset managers defrauding private banking customers with or without conspiring with banks' staff;

9.9 ***Data protection breaches***
Risk to have data of private banking customers accessed by unauthorised third-parties due to, e.g. data thefts or cyber-attacks; and

9.10 ***Corporate Governance failures***
Risk of failure to identify, address and mitigate excessive risks of all types due to inadequate corporate governance (e.g. failure to identify and manage conflicts of interest).

Section VI: Risk mitigation measures to address private banking conduct and compliance risks

10. To adequately identify, address and mitigate conduct and compliance risks, banks carrying on private banking business shall consider and, based on their specific risks, size of operations and business model, implement risk management and risk control measures, including but not limited to:

a. set up, maintain and enforce a robust corporate governance framework creating the right compliance culture;

b. set the right tone from the top with regard to compliance;

c. introduce, maintain and enforce a comprehensive compliance risk management and control environment;

d. analyse and document the bank's exposure to all the key risks in function of its business model, product and service offering and client base;

e. establish a process for identifying politically exposed persons and onboarding them as private banking customers;

f. identify and verify the beneficial owner(s) of each private banking account, as well as, duly identify accounts that are related to one another through common ownership or common control so that they can be monitored on an individual and aggregate basis, in consideration of possible ML/TF risks. The information on beneficial owners of private banking accounts shall be kept up-to-date;

g. factor in conduct and compliance risks in all strategic decisions on new business initiatives;

h. define the risk appetite for the private banking business and set up a comprehensive risk control framework including effective and documented internal processes and controls;

i. adopt and regularly review internal policies covering all the risks and address the regulatory requirements in the specific business context;

j. train private banking staff on all private banking conduct and compliance risks and monitor their compliance with internal policies and regulatory requirements;

k. proactively investigate possible policy breaches and take disciplinary sanctions, as appropriate, against non-compliant private banking staff; and

l. escalate policy breaches without delay to senior management and the board of directors and, if material, to the Bank. The level of materiality relative to the bank should be established in its board-approved policy for private banking business.

Section VII: Business conduct with regard to private banking customers

11. Banks carrying on private banking business shall adopt a Code of Ethics to be observed by their private banking staff to promote fair and ethical actions that are fundamental to good business practices.

12. Treating private banking customers fairly includes, but is not limited to:

a. proactively informing private banking customers about the bank and its regulatory status, the services and products offered and their expected costs and risks;

b. making the private banking customers aware of the general and specific risks of an investment when advising them;

c. adequately identifying the financial background, the risk-bearing capacity, the risk-tolerance/appetite and the investment goals of the private banking customers with discretionary and non-discretionary wealth management mandates and advising them in line with this analysis by ensuring that customer suitability obligations are observed;

d. warning private banking customers before executing investment orders which are not in line with and considerably riskier than their usual transactions;

e. timely and diligently executing private banking customers' orders in the best possible way;

f. avoiding conflicts between the interests of the private banking customer and the interests of the bank acting as an agent of the customer or, if this is not possible, taking appropriate measures to reduce and manage the conflict and disclose the conflict to the private banking customer. In particular, under a discretionary wealth management mandate, private banking customers need to be asked to formally approve in advance investments with the bank's related parties or affiliates or entities connected directly or indirectly to the bank's board members/senior officers/officers;

g. properly documenting the services, transactions and interactions with the private banking customers; and

h. proactively and regularly disclosing necessary information (related to the suitability of the investment portfolio; trade orders such as quantity, pricing and associated costs; and performance reporting, among others) to the private banking customers in accordance with their investment management agreement signed with the bank, either on a non-discretionary or discretionary wealth management mandate.

Section VIII: Policies and procedures for private banking business

13. Banks carrying on private banking business shall introduce, maintain and duly enforce a board-approved policy for private banking business.

14. This policy shall, as a minimum, cover the following areas with regard to their private banking business:

14.1 Responsibilities of private banking staff

a. The responsibilities of each private banking staff shall be well-defined; and

b. The different units within the private bank or private banking department, as applicable, shall be well demarcated and their functions and responsibilities shall be clearly set out.

14.2 Internal control environment

a. The duties and responsibilities of private banking staff shall be properly segregated among the front-office and operational staff (middle-office/back-office staff, as applicable). The staff may use the same facilities available on the bank's premises and may be assigned to units other than private banking, provided that appropriate work segregation and controls are in place;

b. There shall be dual control on the approval of new private banking relationships, and, account documentation processing and account activation shall be performed by units independent from the front-office staff;

c. Private bankers shall not single-handedly be responsible for the execution of customer instructions without involvement of other control units for checks and controls; and

d. Customer complaints, account statements and inactive private banking accounts and dormant private banking customers shall not be handled solely by private bankers but shall be subject to appropriate oversight by the control functions.

14.3 Background, integrity, fitness and propriety checks on private bankers

The banks carrying on private banking business shall ensure that the private bankers recruited meet the fit and proper person tests and are subject to regular review to assess whether they continue to meet the fit and proper person criteria for the private banking business.

14.4 Private banking staff conduct and personal securities dealings

a. The policy for private banking business shall set out rules governing private banking staff conduct and personal securities dealings comprising, among others:

i. a requirement for private banking staff to disclose any conflict of interest that may arise in relation to their duties;

ii. an approval process for in-house securities dealings[4] of private banking staff and record-keeping of all in-house securities dealings in a register;

iii. regular monitoring of the in-house securities accounts[4] of private banking staff;

iv. a requirement for private banking staff to annually submit a duly-signed declaration form with details of all personal transactions on securities and other investment products effected with external investment brokers, including a consent for the bank to have access to these transactions if warranted;

v. regular independent monitoring of staff dealings on a random and sample basis, or, in the case of any specific information which came to the attention of the bank;

vi. a Code of Ethics setting out the business conduct rules for private banking staff in line with **section VII** of this Guideline; and

vii. consecutive leave policy of at least 7 working days for all private banking staff. This shall comprise consecutive barred access to the computer and communication systems, as well as, the premises of the bank.

b. The above rules on private banking staff securities dealings and conduct shall, as applicable, also be relevant to other staff who are exposed to private banking customers' dealings such as the traders and fund managers of a sister company within the bank's corporate group.

14.5 Customer account transaction processing

a. Banks carrying on private banking business shall have in place an internal policy for call-back procedures to confirm transaction orders with the private banking customers.

b. As a minimum, call-back shall be performed for irregular, unusual and high-risk/high-value transactions, as determined in the bank's policy for private banking business. It is recommended that the call-back is performed by a staff who is independent from the receipt and execution of the transaction order.

c. The call-backs shall be subject to regular reviews by the internal audit function.

14.6 Hold mail service

Hold mail service shall not be offered to private banking customers in view of high risks of fraud, including concealment of unauthorised transactions.

14.7 Handling of dormant private banking customers

a. Banks carrying on private banking business shall deal with inactive accounts as provided in section 57(5A) of the Act. In addition, the following requirements apply:

[4] In-house securities dealings/accounts comprise securities dealings/accounts of private banking staff, in their own name, with the bank as well as with any company within the bank's corporate group, where applicable.

i. in cases where all accounts held by a private banking customer have been inactive for more than one year, the bank carrying on private banking business shall, beyond sending a letter by registered post regarding the inactive accounts to the private banking customer's last known address, make all other reasonable efforts to establish contact with the client. If the private banking customer cannot be reached despite such efforts undertaken by the bank, the private banking customer shall be classified as dormant;

ii. at the time of account opening, private banking customers shall be duly informed of the processes and terms for their accounts becoming inactive and subsequently the private banking customers becoming dormant;

iii. control and monitoring processes shall be put in place to prevent the abuse of inactive accounts and the assets under management of private banking customers classified as dormant.

14.8 Portfolio performance statements

a. Private banking customers shall receive statements on the performance of their portfolio of investments with the bank on a periodic basis, i.e. at least quarterly, or, at a more frequent interval as may be requested.

b. Banks carrying on private banking business shall establish rules for:

i. proper segregation of duties in generating and delivering account statements;

ii. handling customer requests for change of correspondence address; and

iii. collecting and following up with returned mail/advice/statements.

14.9 Business communication systems

a. There shall be, to the extent possible, use of business communication systems (e.g. e-mails, facsimile, fixed-line phones and business mobile phones, amongst other business communication platforms), for all communication between private banking staff and private banking customers.

b. The banks shall establish a list of authorised alternative third-party communication applications which may be used by private banking staff for calls or messaging.

c. The banks shall maintain an appropriate audit trail of communications with private banking customers to facilitate any investigation in the case of disputes or suspected fraudulent transactions. In this process, banks shall, in addition to keeping appropriate call reports/logs for exchanges on third-party applications, carry out voice logging of calls with private banking customers through business communication systems and accordingly inform the customers about this fact.

d. There shall be specifications on the storage and data protection of the call recordings as well as on circumstances under which designated persons may access these call recordings.

e. The time period, not shorter than seven years, after which the call recordings may be deleted shall be specified.

14.10 Risk management and risk control measures

Banks carrying on private banking business shall have in place rules for risk management and control in light of **sections V and VI** of this Guideline.

14.11 Management Information System

Banks carrying on private banking business shall establish an appropriate management information system for their private banking business to facilitate oversight on the private banking segment and regulatory reporting.

15. Additional control measures for activities permissible under section 7(7D)(b) of the Act

15.1 A private bank shall incorporate, in its policy for private banking business, appropriate procedures, processes and controls for the following activities performed under section7(7D)(b) of the Act:

a. holding, storing or selling gold, silver, platinum, and other precious metals; and

b. providing safety vault services for gold, silver, platinum, precious and semi-precious stones, precious metals, pearls, works of art and collectors' pieces or antiques and such other high value goods as the central bank may determine.

15.2 In this respect, a private bank shall ensure that, at a minimum, the following measures are in place:

a. Duly executed agreement / Formal instructions

i. A duly executed agreement shall be entered into between the private bank and its private banking customer for safety vault services and all other activities carried out under section 7(7D)(b) of the Act. The agreement shall incorporate full details of the goods to be stored at time of signature; and

ii. Appropriate instructions shall be received from the private banking customer for the buying and selling of such goods. A confirmation for each transaction executed shall be provided to the private banking customer.

b. Vault Access Management System

i. Dual control principles shall be adopted, *at all times*, with regard to access to the safety vault and movement of goods into and out of the safety vault; and

ii. Advanced security and surveillance systems (including CCTV camera, alarm intrusion systems, among others) shall be put in place to monitor authorised access as well as detect unauthorised access to the safety vaults. The recordings of the CCTV camera shall be kept for a minimum of one year.

c. Appropriate Inventory Management System

i. Proper records of the quantum and value of goods in the safety vault for each private banking customer shall be kept;

ii. Movement of goods into and out of the safety vault, which shall be backed by instructions from private banking customers, shall be duly approved by the appropriate line of authority;

iii. Regular stock-taking exercises as well as surprise checks shall be conducted by independent staff to ensure reconciliation of physical count results with book records kept in the name of the private banking customer;

iv. Quarterly statements in respect of the quantum and value of goods in the safety vault shall be issued to private banking customers. In this respect, a standard valuation methodology for goods shall be applied;

v. Goods stored in the safety vault shall be duly insured.

d. Periodic review by control functions

The compliance function and internal audit function shall conduct a periodic review on these activities, at intervals not exceeding twelve months.

Section IX: Additional business activities

16. Concierge services

16.1 Banks carrying on private banking business may, subject to prior notification to the Bank, offer concierge services as an ancillary service strictly to their private banking customers.

16.2 As a minimum, the following control measures shall be implemented:

a. a robust due diligence process on the concierge service provider(s), where applicable;

b. a comprehensive risk assessment prior to the launch of the concierge services to identify, manage and mitigate all the associated risks;

c. a suitable clause in the agreement(s) with the concierge service provider(s) clearly establishing the party liable for dealing with issues arising from the concierge services (e.g. complaints and refunds);

d. upfront disclosure to private banking customers on all the operational arrangements (including the complaints/dispute resolution mechanism) and risks involved.

17. Authorisation for the conduct of additional business activities

17.1 Banks carrying on private banking business and wishing to engage in additional business activities not covered in this Guideline shall seek the approval of the Bank accordingly.

Section X: Supervisory reporting

18. A bank carrying on private banking business shall periodically submit to the Bank and the FSC, information on its private banking business in such form and manner as may be determined by the respective authorities, depending on the type of activities conducted by the bank.

Section XI: Regulatory and Supervisory Oversight

19. Banks carrying on private banking business shall be subject to the regulatory and supervisory frameworks of the Bank and the FSC in accordance with their respective licensed activities.

Section XII: Transitional arrangements

20. Banks carrying on private banking business shall take necessary measures to be in full compliance with this Guideline within six months from the effective date.

Bank of Mauritius
20 August 2021