



## PUBLIC NOTICE

### Mutual Evaluation Report for Mauritius conducted by the Eastern and Southern Africa Anti-Money Laundering Group

02 October 2018

1. The Eastern and Southern Africa Anti-Money Laundering Group ('ESAAMLG'), an FATF-Style Regional Body, has published, on Friday 21 September 2018, the 2nd Round Mutual Evaluation Report for Mauritius on its assessment of the country's level of compliance with the FATF forty recommendations and the level of effectiveness of its AML/CFT system.
2. The Report noted that the Bank of Mauritius ('Bank'), as the regulator of the Banking Sector, has issued Guidance Notes on Combating Money Laundering and the Financing of Terrorism (Guidance Notes) for its licensees. The Report also noted that there is a high degree of consistency of the Bank's Guidance Notes with the FATF Standards in respect of adoption of CDD measures, which has promoted understanding and application of the CDD obligations by the financial institutions (FIs). This was enhanced by the engagement of the Bank with its regulated entities in various fora. The technical deficiency regarding the Guidance Notes highlighted in the Report has already been addressed in the Finance (Miscellaneous Provisions) Act 2018.
3. The Report recorded that the Bank has procedures in place for assessing the fitness and probity of significant shareholders, beneficial owners, directors and senior management at licensing stage including post-licence acquisition of significant interest in an entity, which helps in preventing criminals from holding shares or holding a management function in institutions under the Banking Act. The Report also referred to sanctions imposed on licensees in respect of non-compliance with the Guidance Notes as demonstrated by statistics provided by the Bank.
4. The Report made mention about measures put in place by the Bank, notably the implementation of an automated system and acquisition of transaction monitoring tools which have significantly improved the ability of the regulated entities to adequately apply on-going monitoring measures especially on the high-risk customers and transactions in a uniform manner.
5. The Report further highlighted that the licensees of the Bank have demonstrated a good appreciation of the risks faced by their operations and implemented measures to address them. The Report noted that banks went above and beyond the prescribed mitigating controls in accordance with their risk appetite and applied on-going enhanced due

diligence measures on high risk customers and beneficial owners through the use of technology-based systems for transaction monitoring. The financial institutions were also able to demonstrate the implementation of key compliance measures such as record keeping, internal controls, employee screening, wire transfers, new technologies and training.

6. The Report, however, also identified areas for improvement in the Bank's AML/CFT supervisory and regulatory framework, such as, a more documented AML/CFT risk-based framework, separation of the prudential and AML/CFT supervisory frameworks, improvements in legislation enforcement and administrative sanctions for breaches of AML/CFT compliance by licensees.
7. The President of the Council of Ministers of the ESAAMLG mentioned in a Press Release dated 24 September 2018 that the Council was pleased to learn that Mauritius had already started addressing some of the deficiencies identified in the MER and encouraged Mauritius to continue with the positive work it has started.
8. As regards improvement, the Bank has already launched a remediation process through the deployment of an elaborate action plan to address the Recommendations. Some of the measures, which the Bank has already embarked upon, are as follows:
  - a) The Bank started to engage with the World Bank way back in early 2017 to formalise a documented risk-based AML/CFT supervisory framework and the implementation of this process has effectively started since January 2018 and is on-going.
  - b) The Bank has set up a dedicated arm for AML/CFT supervision of financial institutions and enhanced its AML/CFT off-site monitoring supervisory toolkit through a revision of its reporting requirements.
  - c) The Bank has reviewed its licensing criteria since October 2017 to make it mandatory for an applicant to have a fully automated AML/CFT system in place prior to the start of operations.
  - d) With a view to enhancing cooperation with other stakeholders in the fight against money laundering and financing of terrorism, the Bank moved from bilateral to tripartite memorandum of understanding with the Financial Intelligence Unit and the Financial Services Commission on 19 September 2018.
  - e) The technical deficiencies in the legislation have been addressed to a large extent through a number of amendments brought to the Bank of Mauritius Act, Banking Act and Financial Intelligence and Anti-Money Laundering Act in the Finance (Miscellaneous Provisions) Act 2018, the purport of which are, inter alia, as follows:
    - (i) to ensure that the Guidance Notes issued by the Bank meet all the criteria of the FATF 'Note on Legal Basis of Requirements on Financial Institutions and DNFBPs'

on Combating Money Laundering and the Financing of Terrorism & Proliferation (the FATF Recommendations);

- (ii) The Bank has been vested with powers to impose administrative penalties on financial institutions for non-compliance with the Guidance Notes;
  - (iii) The Bank may issue regulations, guidelines, directives or instructions in order to discharge, or facilitate the discharge of, any obligation binding on Mauritius by virtue of a decision of the United Nations Security Council;
  - (iv) The Bank may share information with competent agencies responsible for AML/CFT;
  - (v) Financial institutions can disclose information among themselves in circumstances set out in FATF Recommendations and Methodology;
  - (vi) The existing practices of the Bank with respect to (a) due diligence conducted on the beneficial owners of an applicant for a banking licence and (b) the prohibition for the establishment of a shell bank in Mauritius have been entrenched in the law;
  - (vii) The timeframe to undertake an on-site examination is at the discretion of the Bank to facilitate risk-based supervision;
  - (viii) Financial institutions have been required to undertake a risk assessment, including money laundering and terrorism financing risk, prior to the launch or use of new products and new business practices.
9. The Bank will continue to collaborate with the FIU, FSC, MRA, ICAC, other competent authorities and the industry at large, both at the national and international level, to support measures to address the money laundering and terrorism financing risks in the financial sector.
10. The Bank has made significant improvements to its AML/CFT regulatory and supervisory framework. The Bank is committed to consolidate the AML/CFT framework and will continue to implement all Recommendations of the Report.