



HRDC

Human Resource Development Council

Under the aegis of the Ministry of Education & Human Resources

REPORT OF SECTORAL COMMITTEE ON FINANCIAL SERVICES



December 2007

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Preface

On behalf of the Financial Services Sectoral Committee, I wish to thank all those who have helped to prepare and finalise this report on the financial services sector. This document is by no means exhaustive as by nature the financial services sector is very dynamic and therefore needs to be reviewed at regular intervals.

A draft report was produced by the previous Sectoral Committee in September 2005. A new committee was set up in June 2006 to review and finalise the report so as to reflect the major changes which had taken place in the financial services sector.

Special thanks to all members of the Sectoral Committee and to all those who have contributed in the drafting, editing and finalising of the report..

Mr Sansjiv Nuckchady

Chairman of Sectoral Committee on Financial Services Sector

Executive Summary

Mauritius has all the ingredients to emerge as a leading financial centre. It has a sound, stable and democratic political environment, a hybrid legal system combining the French civil code and British common law practices, a strong regulatory framework, besides being one of the most prized tourist destinations. It is geographically well situated with an ideal time zone, has in place a comprehensive network of treaties and hosts major world players. Finally, it boasts of a pool of highly educated and qualified labour force.

However, though there are a number of organizations which provide specific courses to professionals within the financial sector, there is still a large gap between demand and supply. Bigger players within the sector are able to conduct training for their manpower internally whereas smaller players do not have adequate resources to provide such support to their staff. Moreover, the training of professionals in the industry remains an ongoing need.

Through working sessions with various bodies and representatives, the need for a well planned long term vision with regard to the training of professionals in the sector has been identified. Training will enhance skills, provide knowledge and specialized expertise to cater for the demand of this fast growing sector.

The main hurdle is that the financial services industry is composed of a myriad of specialist sectors with specific needs. Training institutions, with an understandable profit motive, have difficulty in enrolling enough participants to the various courses they propose.

Still, it was found that though each segment of the sector has its own specificities there are some common knowledge needs that are applicable to all segments. Hence, the potential for a financial course that cuts across the financial services sector.

As such a Certificate/Diploma/Degree course in financial services can be envisaged. The course curriculum would need to embody generic as well as specific modules. The HRDC would act as a 'facilitator' in the project and the collaboration of the different stakeholders in the financial services sector would have to be sought. The help of the training arm of the Mauritius Employers' Federation (MEF) would be important in providing the course to the manpower of the financial services sector. Also, the MEF can play a 'forceful' as well as a unifying role in promoting the training of professionals in the financial sector.

CHAPTER 1

Introduction

There has been a growing concern about the lack of appropriate training programmes concerning specific skills in the financial services sector. Even though Mauritius has over the past decades established itself as a sound financial centre, it is yet to position itself as a centre where high quality manpower and service is readily available to potential investors.

With globalization and the desire to strengthen the financial services sector as one of the main pillars of the Mauritian economy, it is vital to have trained professionals who have the necessary skills to meet the labour demand of the industry. Thus, for Mauritius to be able to compete on an equal footing in other jurisdictions, let alone be more competitive, it is imperative that the market has at its disposal, a pool of skilled and highly trained manpower.

The setting up of a sub sectoral committee under the HRDC has as objectives to:

- 1) Serve as liaison between the council and the sector concerned in consultation with stakeholders regarding human resource development needs.
- 2) Advise the Council on existing and emerging economic trends and on relevant education and training needs to enhance employability and formulate strategies to eliminate mismatch between demand and supply in respect of human resources in the sector.
- 3) Recommend to the Council any research or study to be undertaken on human resource development in the sector.
- 4) Propose to Council any training or retraining schemes relevant to the sector.

- 5) Consider any other matter related to human resource development in the sector and to make appropriate recommendations to Council.

During various meetings held by the financial sectoral committee, players and other stakeholders from the industry had the opportunity to express themselves on the actual needs and lack of training in specific sectors. The brief from representatives of the various sectors gave the committee members an overview of the current situation and allowed them to have an insight into potential solutions to the skills gap.

A Draft report was produced by the previous Sectoral Committee in September 2005 based on inputs from professionals across the wide spectrum of the financial services sector. The report was unfortunately not finalised. With the composition of the new Committee in 2006, the report was reviewed and updated to reflect the major changes which had occurred in the meantime in the financial services sector.

CHAPTER 2

An overview of the Mauritian Financial Services Sector

Introduction

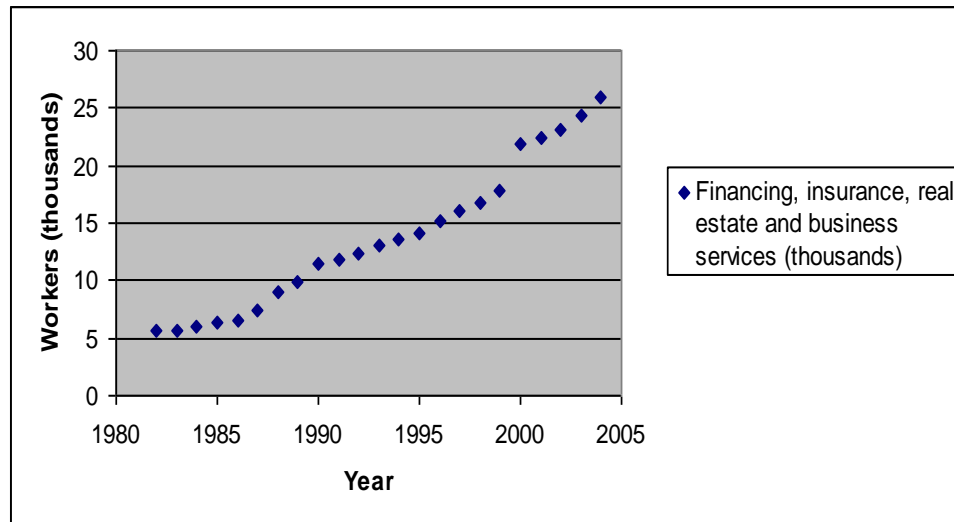
Currently, the financial services sector is presented as being the fourth pillar of the Mauritian economy. It is estimated to contribute to more than 10% of the GDP with the banking sector contributing 65% of that amount. It is government's vision to make the sector ever stronger by providing the appropriate avenues for development.

Employment in the Financial Sector

The number of people employed in the financial sector has increased more or less uniformly over the last two decades. However, in comparison to other sectors of Mauritius, it is observed that the proportion, though constant initially, was followed by a rise. The number of males employed in the financial sector is higher than that of females. An analysis of the profile of the work force in the financial sector shows that the basic level of education is good.

Figure 1 shows that over the years, the number of people working in the financial sector has increased more or less uniformly. This effect may be due to the fact that Mauritius has sound regulatory practices and a business environment that is conducive to its development. This has led to a rapid growth in the registering and setting up of foreign companies and as a result, there has been a rise in employment in the financial sector.

Figure 1: Employment in the Financial Services Sector



Source: CSO (2005)

From the HRDC Manpower Planning Survey 2006-2010 conducted in October 2005 for the financial sector, it can be observed that employers are pessimistic about the overall economic growth rate of Mauritius. Surprisingly, in spite of this, they have plans to expand their organisations. This implies that employment opportunities would be higher. The labour market requirement would be met by more intensive training. Recruitment of highly qualified employees would be necessary.

However, it is to be noted that such pessimism is slowly turning into optimism, though still a timid one. Seeing the gain in growth trend, it is most likely that this optimism would increase.

According to the HRDC Manpower Planning Survey 2006-2010, there is a growing tendency for employers to recruit people with higher educational qualifications such as Higher School Certificate, Diploma, Degree and Postgraduate degree. The data are shown in Table (a).

Table (a): Estimated number of employees by highest educational level from 2004 to 2007

Highest Educational Level	Estimated No. of Employees		
	04-05	05-06	06-07
Primary	2859	1031	912
Pre-vocational	269	174	86
School Certificate	3007	2477	1808
Higher School Certificate	9472	9854	11086
Vocational/Higher National Diploma (HND)	1978	656	809
Diploma	4400	4352	5268
Degree	3747	7805	7299
Postgraduate degree	1030	1527	1722
Total	26762	27876	28990

Based on the survey, it is found that there are provisions for training for all the occupational groups; there would be more on-the-job training, as well as training in local centres rather than overseas. Furthermore, the amount spent on training for professionals would be the highest; senior officials & managers and clerks would be the occupational categories to spend more time in training as compared to others.

It is to be noted that fields with an ever growing demand were accounting, economics and banking amongst others, where employers have difficulties in recruiting people. On the other hand, it is seen that there is insufficient training in the banking, marketing and design areas amongst others.

The following shows a list of some training courses which were suggested by the respondents:

- ACCA, ICSA, LLB, MBA
- Graduates in engineering, banking, economics, finance, insurance, accounting
- Certificate in marketing, insurance
- Designing, valuation, property development

- Financial planning
- Foreign exchange
- Tax planning

Future of the Financial Sector

Government has undertaken fundamental reforms in the financial sector through the introduction of Laws as the Companies Act 2001, the Financial Services Development Act 2001 and the Trusts Act 2001. The main objective behind these reforms is to liberalise and globalise the financial markets as to contribute to the development of Mauritius as a leading international financial centre.

The Financial Services Bill 2007, the Securities (Amendment) Bill 2007, The Insurance (amendment) Bill 2007 have been voted in parliament and are now awaiting promulgation. Moreover, the Finance Bill will provide for amendments in the Banking Act to allow for Islamic Banking. Work is now underway for proposed legislation on foundations and real estate investment trusts (REIT).

The Financial Sector Assessment Programme (FSAP) carried out jointly in 2003 by the IMF and the World Bank highlighted the linkages between financial system developments and macro economic outcomes. The aim of this programme is to strengthen the contribution of the financial system towards growth and development. In fact, the Mauritius financial system was highly rated in the Financial System Stability Assessment (FSSA). Moreover, the FSSA report is of the view that Mauritius has a financial sector largely dominated by a powerful domestic banking sector, with a significant expansion in the region. It also has well developed insurance, pension and global business financial services sectors.

Much progress has also been made on corporate governance and anti-money laundering legislation. In order to have an improved framework for corporate governance in Mauritius, a report on corporate governance for Mauritius was made official in October 2003 and gazetted. The code was benchmarked against international norms, that is, the OECD principles. These measures will help to improve the supervision of service providers in the offshore financial sector and by maintaining the highest standards of international business practices.

With the government's commitment of transforming Mauritius into an integrated global financial industry, the sector is increasingly contributing to the economic development of the country. Undoubtedly this sector has a lot of potential for expansion. The sophisticated work methods in these fields would drive organisations to recruit more qualified and skilled people.

The government needs to set the stage for robust growth to re-ignite the engines of growth. The government also needs to implement various measures to boost the economy. The only route for more robust growth is higher investment. There exist various problems which prevent investment whether local or foreign. The present government has vowed to eliminate these problems and is paving the way in support of its vision. Constraints like the slow processing of licensing and operating permits have been relaxed or even eliminated to speed up procedures to encourage investment in all sectors including financial services. Institutions such as the FSC are already playing an important role with a view to establishing a more business friendly environment.

This overview is based on the National Human Resource Development Plan of HRDC (2007)

CHAPTER 3

THE FINANCIAL SERVICES PROMOTION AGENCY (FSPA)

Global Business

The Former FSPA was established under the FSD Act in 2001 with the objective to *'prepare and implement a plan for human resource development and training in the field of financial services'*. A number of training courses were organised to cater for the short term demand of the industry namely in areas such as tax, trust, and fiduciary services amongst others. The FSPA has now been absorbed by the Board of Investment under a new cell structure, the financial services cluster. Under its new mandate the BOI is no more mandated to undertake training for the financial services sector. However, the experience gained by the FSPA serves as a valuable guide as regards the organisation, delivery and constraints of training in the field of financial services

The training provided was intended to try and make up for the weakness arising from lack of clear understanding and practical experience. The courses have been attended by professionals at various levels starting from officers dealing on a day to day basis with clients to middle management up to directors. Most of the courses organised were held over a minimum of 2 to 5 half days. The courses started with an overview of the subject discussed and ended with a deeper insight about the technicalities involved in each area.

Apart from the short term and ad hoc training courses, the Former FSPA also ran a Diploma course in international tax planning which is a professional qualification running over 2 years part time. Students sat for an examination set by the Royal Society of Fellows in the USA (affiliated with the St Thomas University in Miami).

BPO

In 2000, the Government of Mauritius decided to embark in a strategy aimed at transforming Mauritius into a cyber island and at encouraging BPO activities. BPO is the strategic delegation of 'non-core' IT intensive business processes to an external provider that in turn manages the selected process(es) based upon defined performance metrics. Such processes include administration, finance and accounting; human resources, payment services, logistics and distribution, sales, marketing and customer care.

Training exists in the BPO sector for agents/telesales operators. It is organised by the IVTB free of charge for school leavers. Since 2000, many seminars have been organised to make school leavers and university students aware of the career opportunities available within the BPO sector.

Securities

The Stock exchange has joint ventured training programmes with the national Stock Exchange of India (NSE) to cater for the training needs for professionals of the sector. Online courses are available to Mauritian professionals in areas such as

- Financial Markets for beginners
- Derivatives Market

The former FSPA and the FSC have also organised a few courses in areas pertaining to anti money laundering and compliance.

Constraints Identified

Global Business

One of the main constraints for training in the Global Business sector is the lack of local resources for training. This inevitably leads to the commissioning of foreign experts to provide the training required in the industry. Even though these experts do provide professionals with very good quality training, they are expensive to recruit. Most of the courses organised by the former FSPA were delivered by foreign experts/professionals and involved high costs. Most of the courses if not all, were run at break even point and sometimes were even subsidised by the former FSPA.

In a general manner, it is felt that the distribution of skills is much skewed in global business and that the quality of service has not yet attained the high standards required giving Mauritius a competitive edge when compared to other financial centres. Poaching of new staff is very common in the global business sector, especially by new entities establishing presence in Mauritius.

The FSPA initiated by providing short term courses to cater for the immediate and urgent needs of the global business industry. Industry stakeholders subsequently suggested that more long term courses be provided. But this has proven to be a paradox between what the stakeholders wished for and their post response when their requests were fulfilled. For example, courses in tax and tax planning have always been in great demand, yet, when the FSPA launched its diploma in International tax planning course in August 2003, the response was very disappointing. Even after face to face meetings and intensive marketing of the course with the management companies, banks and even government bodies, there were only 18 professionals who finally enrolled even though to break even cost-wise, at least 25 students were needed. It should be noted that the Former FSPA has for the most part subsidised the diploma course just to be able to provide the knowledge and expertise to maintain professionals who were

keen to follow the course. Even though the course was MQA approved, companies were still reluctant to sponsor and release their employees.

BPO

Given the explosive growth of the ITES/BPO industry worldwide, job opportunities are too numerous to list. Students with this knowledge base can obtain jobs in this sector with attractive salaries.

The industry needs people who are skilled and have the process knowledge pertaining to the service they are providing. Even though this sector has a lot of potential for job opportunities, it is still a new sector for Mauritius and there is a need for intensive awareness programs to explain what BPO is all about.

Securities

The considerable progress achieved in the past fifteen years with the implementation of policies and measures to broaden, deepen and modernize the securities industry has been constrained by the size of Mauritius, but also by the lack of expertise in certain areas. There are individuals with good theoretical and academic qualifications but who lack the relevant practical expertise and exposure.

There are many institutions which provide their services without quality advice and analysis. Most of the services provided in securities are mainly geared towards traditional products.

Even though there is a very good regulatory framework in place, there is a lack of proper enforcement.

The focus of the industry should not be on the internal market only; people should be able to trade on external markets based on investment guidelines.

Training Needs

Following the survey from Management companies in 2004, there is a high demand for training in the following areas:

- Company law & administration*
- Private wealth management
- Code on anti-money laundering*
- Double tax treaties*
- International tax issues*
- Step diploma courses-study group
- Trust law & administration*
- Fund management*
- Captive insurance
- Business/ professional ethics
- Due diligence issues
- Duties of directors
- Customer care
- Overview of products offered in Mauritius
- Islamic financing
- Real estate investment trust

The FORMER FSPA did organise a number of training sessions in the areas above and was looking into possibilities of organising more training to cater for the industry's demand. In depth training should be provided to asset managers and portfolio managers to cater for the needs of having people who really

understand and make the most of these products. A few areas of training needed amongst others are;

- Fundamental analysis of securities markets
- Comprehensive technical analysis of markets
- Securities markets' operations
- Equity portfolio structuring and stock picking
- Comprehensive analysis of debt markets
- Derivatives and financial innovations
- Foreign exchange risk management
- Corporate governance and compliance in corporate governance
- Pension Funds

Given the considerable potential of the BPO sector, many areas will not be serviced given the current supply trend of trained manpower. There is an urgent need to train more manpower to be able to cater for the demand in areas such as:

- Customer interaction services (including call centres)
- Back office operations/revenue accounting/data entry/data conversion (including finance and accounting/HR services)
- Transcription/ translation services
- Content development/engineering and design

CHAPTER 4

THE BANKING SECTOR

Background

Prior to the adoption of the 2004 Banking Act in November of that year, the banking sector was divided into two distinct components – the domestic sector where banks had to apply and obtain a Category 1 licence from the Bank of Mauritius and the global business (offshore) sector with Category 2 banks. With the enactment of the Banking Act 2004, the concept of the single banking licence has been introduced. Consequently, all banks are now subject to the same terms and conditions in terms of their operations and are entitled to deal with both resident and non-resident customers and in any currency, both rupee and non-rupee. However transactions with resident are now classified as Segment A operations whereas transactions with non-resident are categorised as Segment B operations.

Banks are requested to segregate these operations on their accounting and reporting system.

Domestic v/s Offshore Banking

Prior to November 2004, there were eleven Category 1 banks and twelve Category 2 banks operating, respectively, in and from Mauritius. The Category 1 banks have been mostly engaged in the provision of traditional banking facilities though more and more innovation in terms of both products and services have been witnessed of late due to greater competition amongst banks for a small domestic market. Banks have also been increasingly providing card-based

payment services through credit/debit cards with recourse to the latest technology infrastructure as in the case of internet banking.

Category 2 banks have been more geared to investment and private banking business and have been dealing almost exclusively with non-resident clients on a regional and international scale. They have been providing such services as fund administration, custodial services, trusteeship, international portfolio management, money market and other treasury operations. These highly specialized services call for greater skilled personnel than in traditional banking. Thus, while the workforce in the domestic banking sector has been predominantly locally-trained personnel with on-the-job experience, Category 2 banks have had to recruit high-skilled personnel, mainly expatriates, middle management and top management. With the implementation of the single licence regime, most of the Category 1 and Category 2 operations have been merged and operate under one umbrella.

Thus there are now 19 banks operating in the industry.

Foreign Affiliation

This foreign affiliation has been instrumental in bringing best international practices, standards and skills to the local banking environment and has made the foreign banks strong competitors to the still dominant Mauritian banks.

Thus out of the 19 banks operating in this sector, 4 are branches of foreign banks, 9 are subsidiaries, 1 is owned by foreigners and 1 is a joint venture between a locally incorporated bank and a foreign bank.

Government Policy

Since 1989 when the first offshore bank was licensed, Government has always been very supportive of the offshore banking and financial sector, looking upon it as the main pillar for the financial services sector's growth potential. Various fiscal benefits have been granted to kick-start its development, particularly to attract foreign expertise in the hope that there will be enough transfer of skills and know-how to Mauritian nationals in the short to medium term so as to sustain its future growth potential. These benefits ranged from 50% income tax rebate to foreign nationals to complete remission of customs duties on import of personal belongings of expatriate employees and for the purchase of motor vehicles and office equipments.

However, under the single licence regime, most of these incentives have now been removed although there is still a tax credit of 80 percent on foreign income of the business.

Human Resource Development/Training

While most training for the banking sector had been and still is *in-house* in the case of the large domestic banks and at group level in the case of the international banks, Government entrusted "human resource development and training in the field of financial services", under the Financial Services Development Act, to the Financial Services Promotion Agency (Former FSPA). The Former FSPA had been conducting courses for the banking sector on an ad-hoc basis but its emphasis had been more geared to the offshore sector.

The Mauritius branch of the Institute of Financial Services (IFS), previously and more widely known as the Chartered Institute of Bankers, London, also conduct

training courses for bank staff taking part in the examinations of the Institute which are held twice yearly in Mauritius itself, under its aegis.

Courses are also organised on industry specific issues, e.g. on compliance or money laundering at the level of the Mauritius Bankers Association Limited (MBA).

TRAINING NEEDS

Problems & Constraints

There is a dire need for qualified staff in the banking sector, both in terms of quantity and quality. The current shortage of skilled professionals has been heightened with the advent of new banking institutions, the constant increase in the sophistication of banking and financial products, the related services needed to market and offer these products as well as the more constraining environment both domestically and at international level in terms of compliance with new laws, rules and regulations based on best international standards and practices.

Moreover, the elimination of the distinction between the two categories of bank licences where all banks will be able to tap the domestic market as well as the larger international market implies increased competition not only in terms of market share, but also in terms of the skills/personnel that would need to be attracted.

The results of this new environment are notably:

- A wider range of services provided
- Greater competition amongst existing banks
- Pressure on limited human resources

- Labour mobility
- Instability and salary hikes
- Greater need for qualified staff and expertise
- Training has become a critical factor

Scarcity areas

- Treasury management
- Foreign exchange dealing
- Securities management
- Risk management & credit recovery
- Rehabilitation & workout schemes (like TEST)
- Retail banking management
- Acquisition/ Alliance/Mergers
- Compliance Issues
- Money laundering and other financial crimes
- Development of new financial services/ products

Professionals in demand

- Accountants generally
- Computer systems analysts/ engineers
- Legal and compliance officers
- Internal auditors
- Qualified financial advisors (CFA's)
- Treasury managers
- Credit and market risk managers/ analysts

CHAPTER 5

The Trust Sector

Trust is a legal device generally used to hold and manage property and is established by a person (usually called a grantor or settlor) transferring property to a person (called a trustee) to hold, use, deal or dispose of for the benefit of another person (called a beneficiary) or for a purpose. Trust is an English concept, which doesn't have its application in the French law. It originated from the mediaeval days when knights going off to the Crusades left their lands to someone to hold it for the benefit of their family. What started up effectively as a device to circumvent feudal rigidities has turned out to be a most useful tool for practitioners. Indeed, with its inherent flexibility and the ability to separate legal and equitable ownership, today trusts are used in various structures to achieve any lawful purposes. Traditionally, trusts have been used by individuals to preserve the family wealth and ensure that it is distributed in accordance with their wishes. With a Mauritius trust, the settlor can determine who, in what proportion and for what purpose shall receive the trust fund during his lifetime and after his death. Trusts are also used in structured finance and for employee benefit and pension schemes.

The first trust legislation in Mauritius was drafted in 1989 but was not really used except for a few charitable trusts. The offshore Trusts Act was enacted in 1992 and was widely used by non residents. In 2001, a new Trusts Act 2001 repealed and replaced the existing Offshore Trusts Act 1992, the Trusts Act 1989 and the Trust Companies Act 1989 to provide a single integrated legislation conveying all types of trusts in Mauritius.

Although Mauritius has one of the best trust legislations in the world and has a very favourable tax regime such structures, the trust industry has not really taken

off. In fact, very few people understand the concept of trust. For example, in England most of the employees' retirement pension schemes are set up as trusts but in Mauritius it is the insurance companies which traditionally dominate the pension sector and do not have specific expertise in the field of trusts. However, recently at least two large Mauritius companies have set up employee's retirement funds in the form of trusts. The big advantage of having a pension scheme as a trust is that the trustees have control over the investment of the trust fund. Trusts are also likely to be used for employees' stock option schemes.

Since 2001, all Mauritius trusts need to have a qualified trustee licensed by the Financial Services Commission. Therefore, there is likely to be an increase in demand for training in the trust field in both in the short and long term. The Society of Trust and Estate Practitioners (STEP) is the leading international professional body for trust and estate profession. Founded in 1991, STEP has now more than 10,000 members in 33 countries. The minimum qualification for full membership of STEP is five years first hand experience in trust related work. Associate membership is open to those with at least 2 years experience in trust related work.

STEP provides a very important forum for exchange of knowledge, networking and lobbying. One of its most important functions is to educate its members and other stakeholders interested in the field of trust and estate.

STEP in partnership with Central Law Training, a tutorial school, provides training to international students. There are mainly three training courses being run by Central Law Training:

- The foundation certificate is designed to give an understanding of the fundamentals of trust work in an offshore environment.
- A more advanced Diploma in International Trust Management.

- MBA for Wealth Managers, Fiduciaries and Trustees. This course is run in conjunction with the University of Manchester and was ranked 6th best distance learning program by the Financial Times.

In Mauritius a number of students have enrolled and successfully completed the STEP foundation course. The main problem facing STEP course is the high cost associated with it. Each subject costs about £500. However, the STEP foundation course has been approved by the MQA and IVTB refund is available. The STEP branch in Mauritius is also negotiating with the Central Law Training to have the course adapted to the Mauritian context and Mauritius laws.

Observations/Findings

- There is a lack of awareness of trust in Mauritius and of its potential uses.
- There is an acute shortage of professionals with knowledge and expertise in the field of trusts.
- Other than the course offered by STEP in conjunction with Central Law Training there are not many courses which cover trusts. Most professional training courses such as ICSA or ACCA only contain a short module on trusts.

CHAPTER 6

THE ACCOUNTING PROFESSION

Of the 1,500 professional accountants in Mauritius, some 1,300 are members of the Association of Chartered Certified Accountants (ACCA) of UK. The remainder are members of the Institute of Chartered Accountants of India, of the Institute of Chartered Accountants of England and Wales, of the Institute of Chartered Accountants of Ireland, the Institute of Chartered Accountants of Scotland and the Chartered Institute of Management Accountants. Members of the abovementioned associations are recognized by the Companies Act 2001 to act as auditors of companies, other than small private companies (turnover less than 30 million rupees). Members of the South African Institute of Chartered Accountants are not yet recognised as auditors by the CA2001, but there are positive evolutions in this direction and official recognition could take place soon. Members of the Chartered Institute of Management Accountants can offer professional accounting services but not auditing services.

Till quite recently, there was no professional accountancy body in Mauritius and the profession was not adequately structured. The activities of accountants and auditors were not regulated by any national body. This also meant that there was no local legal obligation on any of these members to keep themselves up-to-date. However, as members of international organizations, these professionals have to follow guidelines recommended by their respective bodies. This is a prerequisite to maintain their membership status. One of the requirements is to keep themselves abreast of the latest developments in accounting and related fields. This exercise provides them with up to date skills and knowledge to better perform their daily duties and also to be more proactive. For example ACCA recommends that all its members undergo about 21 units of verifiable and 19 units of non verifiable Continuous Professional Development (CPD) every year.

A similar approach is also adopted by members of other professional bodies enumerated above.

Members offering auditing services to the public are also required to obtain a further certificate, i.e. a practising certificate from their respective bodies. The practising certificates are issued only after completion of relevant practical training.

ACCA is the only professional accountancy body with a physical presence in Mauritius. It runs an office which is equipped with full time dedicated staff reporting to a full time manager, who is himself a fellow member. This office organises regular courses for its members at affordable prices. Invitations are also extended to members of other professional accounting bodies.

The President of the Republic of Mauritius granted his assent to the Financial Reporting Act on 10 December 2004. The main purpose of this act is “to regulate the reporting of financial matters and to establish the Financial Reporting Council (FRC), the Mauritius Institute of Professional Accountants (MIPA) and the National Committee on Corporate Governance”. While the FRC will deal basically with the regulation of auditors and auditing firms, the MIPA will register members and also provide them with CPD.

Problems/Constraints

The accounting profession is in the process of being regulated following the publication of the Financial Reporting Act. So far there is no law which prevents non professional accountants from offering professional services. There was no local jurisdiction that compelled professional accountants to undergo regular training to update themselves.

The World Bank carried out a diagnosis review in Mauritius in 2002 and one of the main conclusions was that auditors do not have to produce a Practising Certificate (PC); very often it is on good faith that these auditors are believed to have a practising certificate in good standing. The quality of service delivered would be uneven because of similar services being offered by a member without a PC (and not holding all the relevant practical training) as the one with a PC.

The Financial Reporting Council has been set up to promote high quality financial and non-financial reporting of public interest entities, to enhance the credibility of financial reporting, to promote highest standards among licensed auditors and to improve the quality of accountancy and audit services. With the above objectives in mind, trust in financial statements will be enhanced. However, so far the FRC has not really taken off as expected.

The monitoring of the updates and CPDs undergone by members is not overseen by any local body. There are no proper guidelines as to who can provide which courses. All organisations offering courses seem to go for the hot selling topics, with therefore several organizations offering the same topic as it is a popular one and attracting many participants. Other courses might be very relevant, but given the low demand, they might not be offered at all. Identical programmes might be offered by different organizations, but at widely different prices.

Professional accountants are trained to provide professional accounting and auditing services. In order to improve the quality of service offered, professional accountants are seeking regular updates and short courses on topics like International Financial Reporting Standards, auditing standards, professional ethics, accounting updates, management accounting updates, insolvency, taxation, fraud, treasury management, corporate finance, management/leadership, corporate governance, small business management,

human resource management, marketing, company secretarial and other related topics.

There is a growing need for professional accountants to obtain further training in other specialist related fields like Financial Analyst, Internal Auditing, Due Diligence and Forensic Accounting and Auditing. Given the complexities involved in the financial aspects of a business, it is felt that there will be a growing need for people with a good professional accountancy qualification plus a post graduate in the above fields.

Training needs identified

1. Workshops/ seminars on International Accounting and Auditing Standards.
2. Courses in human relations and other managerial aspects - leadership, time management, report writing, communication and other “soft” skills.
3. Managerial courses such as MBAs.
4. Specialist courses in certain finance related fields. e.g. financial analyst, forensic auditor, etc.

There is also room for collaboration with the MIPA to exchange ideas on training needs since one of the objects of MIPA is to assist its members in acquiring new knowledge.

CHAPTER 7

The Legal Profession

There are 3 types of legal practitioners in Mauritius:

- Barristers
- Attorneys (*Avoués*)
- Notaries

Barristers

There are 240 barristers in Mauritius made up of 6 Queen's Counsels, 6 Senior Counsels and 228 practising barristers. These figures do not include barristers working at the State Law Office or in full time employment.

In order to qualify as a barrister, the holder of a recognised law degree satisfying certain entry requirements must pass the vocational Bar exams set by the Council of Legal Education and then complete a one year pupillage with a barrister of at least ten years standing at the Bar in Mauritius and with an attorney of at least five years standing in Mauritius. However, a person who has already been admitted to the Bar in England is not required to take the Mauritius Bar exams but only has to do 1-year pupillage in Mauritius before he can practise locally. It is generally believed that the exams set by the Mauritius Council of Legal Education are much more difficult than the English equivalent. Students who can afford it prefer to take the Bar exams in England rather than in Mauritius.

Attorneys

There are 214 Attorneys registered on the roll of which 9 are Senior Attorneys and 115 practising attorneys. Attorneys have a limited right of audience in court. The Attorneys usually do all the pleadings and effect the drafting of court documents. Attorneys handle civil matters instructing barristers on such matters. In the past, in order to become an attorney, a person had first to be a clerk of attorney and then through exams become an attorney. Now, all attorneys should have a law degree and should take the vocational attorneys exams set by the Council of Legal Education. They must also complete one year pupillage with an Attorney of before they can practice.

Notaries

A notary generally deals with succession matters, conveyancing and authentication of deeds. When the notary dies, he sells his practice. There are currently 49 practising notaries. The maximum number of notaries is limited for the time being to 60. In order to become a notary, the holder of a recognised law degree must pass the vocational notaries exams set by the Council of Legal Education and then complete two years of pupillage under the supervision of a notary.

Foreign Lawyers

To practice law in Mauritius, one needs to be registered as a law practitioner under the Law Practitioner Act. Therefore, in theory, foreign lawyers cannot practise law in Mauritius. They can, however, be employed as consultants and some accounting firms, banks and management companies in Mauritius already employ foreign lawyers. They cannot however, give opinions under Mauritian law. The Bar Council is against allowing foreign lawyers to practice in Mauritius. The rationale seems to be a protectionist one. The Bar council feels that its members are adequately qualified to advise on all aspects of Mauritius law and

that there are already sufficient Mauritius lawyers to service the local market. On the other hand, stakeholders in the banking and financial sector welcome foreign lawyers as they feel that the local lawyers generally do not have sufficient technical expertise in the financial sector.

A Steering Committee has been set up under the chairmanship of the Chairman of the Financial Services Commission to consider whether to open the legal profession to foreigners or not. However, in the Budget Speech 2007/2008, the Deputy Prime Minister and Minister of Finance & Economic Development stated that foreign law firms will be allowed to exercise in Mauritius and the necessary amendments to this effect are expected to be introduced.

Observations/Findings

- There is a mismatch between demand and supply for legal services related to the financial sector in Mauritius;
- Most barristers and attorneys are litigators with little or no knowledge and experience in banking, corporate and financial matters;
- The code of ethics for barristers prevents barristers from organising themselves into partnerships or companies;
- Most legal practitioners are sole practitioners;
- There is no system of continuous education for legal practitioners;
- Barristers are self employed and do not contribute the 1% training levy. Consequently they are not eligible for the HRDC refunds. This in turn discourages the younger members of the legal profession from enrolling for MQA approved courses.

CHAPTER 8

The Insurance Sector

Overview

Currently, in Mauritius, there are 19 operational insurance companies which are registered with the Financial Services Commission (FSC). Insurance business can be classified as follows:

- Long Term Insurance Business (“life”)
- General Insurance Business (“non-life”)

On its own, this sector generates about 4,000 direct and indirect jobs. According to a report by D Vittas of the World Bank, the insurance sector in Mauritius is dominated by 3 major players which account for some 70% of the market in terms of premiums.

The insurance sector has in recent years been an area of steady economic and employment growth. Today, this sector faces new challenges. On the one hand customers are becoming more and more demanding and on the other globalisation means that the industry has to be more competitive. Also, new fiscal measures such as the removal of tax relief on life insurance premiums has triggered a re-focusing on the basic cover needs, whilst necessitating a new mindset from both providers and consumers.

One of the keys to success in this challenging environment is the development of the appropriate range of skills. There is a need for highly skilled professionals and specialists in very specific areas of insurance. The demand for such skills will undoubtedly increase as financial services at large expand and as more stringent administrative and regulatory requirements are introduced.

Current Situation

The Insurance Institute of Mauritius (IIM) is the only professional body that provides specific training in the insurance sector. The skills required can be divided in two broad categories:

- Core skills at insurance company level
- Skills of intermediaries

Core skills can be defined as those that are essential to the insurance business itself. They include for example underwriting, actuarial expertise, claims assessment, the negotiation of reinsurance treaties, product development etc. A lack of adequately trained and qualified human resources will inevitably result in companies incurring high costs in imparting training in these areas and having recourse to expatriate expertise.

In a general manner, the training courses which are available locally in the core skills (i.e. outside of insurance companies themselves) are mostly offer driven. Intermediaries include occupations such as surveyors, brokers, and insurance sales persons among others. It is to be noted that there are no formal training courses for occupations such as motor vehicle accident surveyors.

Many insurance companies prefer to conduct in-house training because they want to impart knowledge to their employees on custom designed insurance products. Such companies are thus less inclined to participate in training programmes of a generic nature.

However, training which is focused on non-competitive aspects of the business could be and in fact has been pooled on various occasions (e.g. compliance with anti-money laundering and anti-terrorist legislation).

Some companies provide sponsorships which enable their employees to get further training locally and overseas. But by and large it would seem that most

new employees who join the industry without specialised insurance knowledge are trained on the job and given the opportunity to foster their career.

It has also been noted that smaller companies are often limited in the resources — human, financial as well as time — that they can devote to staff education and training. It would seem that contributions to skills development tend to have been limited to a few one off courses and as such it is quite possible that these organisations will remain on the periphery of skills development initiatives if no corrective action is taken.

Another major issue that companies face is the quality of the training delivered by external providers. There are at present limited measures to assess the training and its impact on the employees and the business.

The challenge is therefore twofold: (i) to encourage companies which have put in place a well structured training programme to pursue their efforts and (ii) to attract the smaller ones into the mainstream of skills development initiatives and opportunities.

It must be borne in mind that quite apart from the specialised fields mentioned above there is also a need for managerial skills of a general nature and for IT experts — such skills do not necessarily have to be insurance-specific.

Observations

- There is a definite gap in the skills of the current workforce and certain areas that need regular updating.
- There is a need is for training in specialist financial fields.
- There is also a need for computer literacy and the development of computer skills across all occupational categories.

- A third area of skills need is that of the non-financial or so called “soft” skills. This term refers to skills necessary to work with people at different levels: oral and written communication skills, presentation skills, customer care etc. In a service industry such as insurance which entails communicating with prospective customers and existing policyholders on a daily basis, these skills could in fact be a vital ingredient for success.
- Emphasis must also be put on managerial skills. The need for such skills is driven by a rapidly changing and highly competitive global economy.
- The fact that the financial services of the country should be of internationally acceptable standards in order to attract investment and stimulate economic growth is undisputed and, therefore, key players in that sector cannot afford to compromise professional standards or standards of education or training.
- The Insurer’s Association of Mauritius should be involved in any training plan which the authorities would wish to implement.
- MQA support to scarcity areas such as actuaries, loss adjusters etc.
- Introduction of a comprehensive training program for the insurance sector that meets regulatory requirements.

CONCLUSION

It is observed that whilst, information searched and collected comes from different sources, there are definite similarities, as far as training needs and issues are concerned, within the financial sector as a whole.

Common needs and issues which were raised are:

- There is a scarcity of qualified staff across the financial sector.
- There are training needs across the different industries within the sector which are common such as company law, law of contracts, fund administration, treasury management, financial planning, code of anti-money laundering, trust law, taxation, product development, money market, risk management and corporate governance.
- Besides core skills, there is also a need for 'soft' skills such as time management, computer literacy, presentation skills and customer care.
- Professional bodies in the financial sector usually have a Continuous Professional Development requirement for its members.
- Specialist training needs tend to be ignored by training institutions because of potentially low attendance.
- Also, there is a lack of local resources for specialist training courses.
- Where external lecturers/institutes are involved, the course fees are prohibitive.
- Companies are reluctant to release, if not sponsor, their employees to follow long term courses
- Large financial institutions can afford and does hold a significant amount of in-house training courses.

From the above, it was agreed that there cannot be a single solution to the present disparity between skills demand and available supply. Still, the cornerstone to a more skilled labour would be a course in financial services, which is flexible enough to allow candidates to opt out with a certificate (1 year), or diploma (2 years) or degree (3 years).

To overcome hurdles identified in the market, the following is recommended:

- The first year curriculum would encompass all the generic training requirements, and some 'soft' skills.
- The second year curriculum would cover industry specific modules, with candidates being allowed to choose their specialities.
- The third year curriculum would focus more on managerial skills.
- The HRDC would act as a 'facilitator' in the project.
- MQA approval would be sought for HRDC refunds
- The course would be held by the training arm of the Mauritius Employers' Federation which can play a 'unification' role in the market. Collaboration of a university may be sought to provide a higher recognition to the course.
- Membership contribution to the MEF can be reviewed to partially provide for the costs of holding such courses. Hence, this will incite members to sponsor their staff to attend the course.

The Financial Sectoral Committee stands ready to coordinate the implementation of recommendations above.

List of Members

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