

Yandraduth Googoolye: Combatting financial crime in Mauritius

Speech by Mr Yandraduth Googoolye, First Deputy Governor of the Bank of Mauritius, at the Training Workshop for Senior Management of Law Enforcement Agencies in collaboration with the Commonwealth Secretariat, Ebene, 6 December 2017.

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Ladies and Gentlemen,

Good Morning. I am delighted to be here today to address such a distinguished and expert audience. I will try to be short as it is said that it is better that you leave your audience before your audience leaves you.

The country should be one and unified. We are all servants of the state. Having different factions within the state inhibit progress. Building fictitious walls arise sometimes out of ego. Pulling in different directions does not help. It is with concerted action and co-ordination that progress can be achieved. Co-operation within the different organs of the state is therefore imperative. We need to put our heads together for our common benefit.

A piece of information standing alone is like being part of a puzzle. It is when different organisations fighting for a common goal put whatever information they have together that a bigger picture can emerge and better preventive action can be taken.

The Bank of Mauritius has been in the forefront of the war against financial crime for around 15 years now. It issued its first Guidance Notes on AML/CFT setting out the minimum standards to be applied by all financial institutions under its purview, on 19 December 2003, thus setting the stage for a credible banking sector. A strong legal and regulatory framework is the basis of any effective regime. The Guidance Notes is a dynamic document which over the years, has been updated to reflect the latest global developments, as well as to incorporate emerging best practices recommended by international standard setters, namely the FATF and the Bank for international settlements.

The Guidance Notes have been revamped in 2017 to include, amongst others, the following, -

- (i) Proliferation Financing regarding the transfer and export of nuclear, chemical or biological weapons.
- (ii) Duty of financial institutions to identify and assess ML/TF risks on an enterprise-wide level.
- (iii) Information to be collected by financial institutions for natural, legal person and legal arrangements with a view to developing an initial customer risk profile.
- (iv) Enhanced due diligence to be performed by financial institutions in respect of wire transfer transactions to ensure that wire transfer systems are not used by criminals as a means to break the audit trail.

In the fight against AML/CFT, there is a standing committee since 2004, between the Bank and Compliance Officers of banks, which meets quite often where issues of utmost importance, amendments to the Guidance Notes and decisions are taken in consensus and in a spirit of dialogue with the banking sector. In addition, there is a Banking Committee which is chaired by the Governor of the Bank and comprise Senior Management of the Bank and CEO's of banks which meets on a quarterly basis where important AML/CFT matters are discussed as and when necessary. We also have a trilateral meeting with the FSC and the FIU where AML/CFT issues are discussed. In June 2015, the Bank of Mauritius held a tripartite meeting with the FIU and

MLRO's of banks. This meeting provided an opportunity for the Bank, FIU and MLRO's to share their views on how to make the existing system of reporting of transactions works better.

We have set up for some years now a Joint Coordination Committee between the Bank and the FSC. Under that Joint Coordination Committee, there is a working Group on AML/CFT to inter-alia promote standardisation and harmonisation of our Guidance Notes on AML/CFT and encourage information and knowledge sharing on AML/CFT issues.

We already have memoranda of understanding for co-operation and the sharing of information with the Independent Commission against Corruption, Statistics Mauritius, the Mauritius Revenue Authority, the Financial Intelligence Unit, the Competition Commission of Mauritius and the Financial Services Commission. These are all testimony that the Bank of Mauritius understood very early the need of cooperation in the fight against financial crime. While we had those memoranda of understanding on a bilateral basis, the agenda now is to have a memorandum of understanding on a multilateral basis, for a better and concerted approach against financial crime. We also have signed MoUs with 16 foreign counterparts which set forth a statement of intent between the Bank of Mauritius and its counterparts to establish a framework for mutual assistance, cooperation and the exchange of information.

The Bank of Mauritius remains committed in enhancing its network of co-operation with other counterpart institutions which have regulatory and law enforcement functions in different parts of the Mauritian economy.

Technology, as you know, is moving at a pace far greater than ever before. For the financial industry to maximise the overall benefit of this progress, we must acknowledge both the advantages and the risks of such rapid technological advancement while keeping abreast with the latest innovations. New devices, software, applications and inventions will continue to emerge. The challenge for us is to keep pace and ensure that industry players understand the potential benefits as well as the risk they bear. As the financial industry evolves into digital, it is inevitable that the industry becomes vulnerable to various new threats and risk factors, especially in the domain of financial crimes and terrorism financing. It is inevitable therefore that we pool together to be able to meet the challenges posed by those new technological advancements.

The Bank of Mauritius will continue to strengthen the AML/CFT regime to maintain relevance and effectiveness for the Banking Sector. The requirement now emphasises on measures that commensurate with risks, an effective risk based approach (RBA) to AML/CFT. The application of RBA should have meaningful application. Misinformed RBA could lead to unjust financial exclusion and unnecessary financial costs to institutions. Beyond implementing robust risk management frameworks and systems the industry's resilience should be strengthened by developing stronger risk cultures and mind-sets. Having a sound risk culture will help institutions to be vigilant to financial crimes, take a questioning approach to unusual client requests or transactions, and involve the entire organisation.

Institutions' board and senior management must play a pivotal role in keeping the organisation on the right and ethical path. They must set a strong tone from the top that profits do not come at the expense of unethical behaviour or misconduct. This must also be translated into real actions throughout organisations, and not just remain as talk from the top. Strengthening risk culture, governance and controls will go a long way towards fortifying our defences, but there is more we can do. We can work together and work smarter.

Finally, I would be remiss if I did not mention that it is up to all of us to prevent financial crimes. Institutional partnerships or new analytical tools would count for little without the trained, dedicated professionals to make effective use of them and exercise sound judgements. In this respect, this workshop is timely and commendable.

Conclusion

Let me conclude by saying that by working together, we can collectively be more effective at combating financial crimes. Upholding high standards of integrity in the financial industry is an absolute priority. Our reputation as a clean and trusted financial centre depends on our ability to protect it from abuse, and we depend on each other to make it a success.

Thank you.