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A Critical Assessment Of The Financial Services Commission In The Wake Of High Global Business Failure In Mauritius.

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Abstract *This article analyses the existing financial laws in Mauritius pertaining to global business in Mauritius. It takes into account the various business failures that the country has witnessed and attempts at analysing the failures in view of the effectiveness of the laws. The role of the Financial Services Commission is assessed in view of determining its impact and responsibilities in global business failures.*

I. INTRODUCTION

Turning back the pages of history to some years ago, in 2008, the world witnessed a disquieting disaster in the form of the World Economic Crisis which left everybody aghast. At this particular point, it becomes pertinent to shed light on the fact that such an undesirable reaction was not the upshot of the birth of the crisis itself as incontrovertibly, economic crises have been ascertaining their existence from centuries whereby even today in 2015 they are still ominously haunting some corner of the world. Therefore, what essentially flabbergasted the world during the Economic Crisis of 2008 was the staggering global outcomes of such a menacing catastrophe.

Irrespective of the fact that it all erupted in the United States and pushed the latter into an "economic black hole", the afflictions could be deeply felt worldwide. Indubitably, where such events are present, it is not at all outrageous to state that this is where various "rumours, critics and myths" equally take birth. Hence, again as per the "norm of the world", this harrowing episode left no mouth shut and all kinds of miscellaneous opinions could be heard globally. Subjectively, while some people admonished bankers, others preferred to rebuke regulators. Nevertheless, if one leaves aside his intuitions, resists from being inclined to believe what the press publishes or what the neighbours and relatives narrate and tries to discern the situation with a sensible approach, then the end product will be that in the course of such an event, there are no valid grounds for reprimanding only one party.

In a more precise manner, even if facts scream out that the Crisis resulted out of the materialistic nature of bankers, then was it not the onus on the regulators to carry out their duty of acting as a watchdog over the activities of financial institutions? Hence, at this point, it is not at all absurd to raise the question of whether "regulators were asleep at the wheel?"

Subsequently, it is needless to highlight that such a vexing episode is also a wakeup call for all countries throughout the globe to track down the proficiency of their financial regulators so that history does not repeat itself. Moving to the context of Mauritius, the whole world is acquainted to the fact that among the main engines of growth of the Mauritian Economy, the Financial Services Sector has been entitled as the fourth engine on which the economy today stands. In a more detailed manner, "When Mauritius earmarked the Financial Services Sector as being

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a future auspicious and promising zone for further economic development, the insistent urge to amplify, strengthen and modernize this particular sector reached its peak".

Therefore, "the nineties witnessed the island sprouting into an international business and financial centre starting with the introduction of the offshore and Freeport sectors at an earlier stage of the century" which previously focused only on banking and insurance and today culminating splendidly with the prompt evolvement of the banking, insurance, securities and offshore business sector. In due course, today, the unbeatable development of these sectors can be observed from their remarkable contribution to the National Income of Mauritius which reaches beyond 10% of the total gross domestic product. Hence, for the permanent stability of the Mauritian economy, it is of overriding significance that this sector flourishes unremittingly. However, it should be noted that the progress of this particular sector is not one which is unimpeded by predicaments.

Today, with the headlines of newspapers screaming loud the bewildering failures of financial businesses, especially non- banking ones, it is time to accept the truth that the situation has come to a stage where questions are being raised as to whether this fourth pillar of the Mauritian Economy will be able to uphold its standing or whether it will crumble down drowning the island at the same time. As a matter of fact, if a powerful economy like the US could not counterattack its downfall, Mauritius is still a very tiny island which will not take seconds to go down. However, by sitting with hands folded and producing condemnations, neither will the situation convalesce nor remain the way they are but will irrefutably degenerate, it is therefore time for action.

Regrettably, when it comes to failures of these non-banking financial institutions in Mauritius, the unacceptable reality is that nobody trespasses the penalties of the failures. In other words, the focus of people is restrained within being inquisitive about the losses of the companies, the conviction of directors, the bearings of the devastation on them or most prominently the condemnation of the actors of the institutions or regulations. It is of utter dismay that no one budges from their censuring nature and try to perceive the situation from a more logical approach which would be for instance to attempt going deep down the roots of the situation and crack whether there are paucities somewhere that are inciting such occurrences. Therefore, driving the situation on a more concrete track would be checking on the regulators for the financial businesses if they are admonished every time such disasters take birth.

Nevertheless, checking on our financial regulators should not be interpreted in the sense that Mauritius has an utterly tarnished one as its financial sector has been doing mostly well but at the same time, it cannot be disregarded that non – banking financial institutions especially global business ones are experiencing high rates of failures which shout out the truth that the regulations still have certain deficiencies which need to be uprooted and resolved.

Hence, this article will embrace a critical analysis of the prudential approach of the Financial Services Commission, one of the two regulatory bodies in Mauritius which armours non-banking financial institutions towards the prevention of failure of the global businesses under its remit so as to make an appraisal of its effectiveness and flaws and hence recommend solutions to it. In a more elaborated manner, looking a step beyond the traditional insight that rises from failures and bringing about a realistic and sensible perception, the flaws in the regulatory approach of the latter will be dug, peeled out and resolved so as to pave the way towards an opposite regulatory system so that global businesses have the perpetual assurance of being regulated by a robust regulatory body which will keep them away from the province of failure.

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II. THE DELINEATION OF FAILURE – UNDERSTANDING THE FAILURE ARENA

Before embarking on a critical analysis of the regulatory approach of the Financial Services Commission towards the prevention of failure of global businesses, it is of utmost significance to understand the domain of failure itself.

There is no bigger truth than the fact that the foundation of every business, be it a low- scale business or a chain of businesses is laid with the steady belief that the undertaking will be an utterly success story. Above and beyond, for decades now, the "tradition" has been that once a business goes aboard to achieve its aims and objectives, the "putative criterion" which reigns is how rapidly it has expanded, how swiftly it has grasped on the share market or how much returns it has yielded since its inception. As a matter of fact, such a rational is unquestionably lucid as the booming of the firm should indeed be the prime focus so that the incentive to make it blossom remains throughout the whole venture. However, such a thinking is only coherent till it does not become an illusion. For instance, there are certain harsh realities such as failure which every business can encounter be it a small or a big one. Hence, it would be utterly unfounded to lay such an unrefined prominence on the progress of the business which absolutely eradicates "every thought of failure and most essentially the devastating aftermaths of failure." Hence even if failure might be the last thing on the mind of those undertaking a business venture, it should be recognised that words like "collapsed, failed, bankrupt, broke and bust" regardless of being a hard-hitting reality for companies, is intrinsically part and parcel of any business project. In general, the disheartening ordeal that companies experience when their business is not living up to their expectations is branded as Corporate Failure.

Also chronically labelled as corporate collapse, this likely phase in the life cycle of business ventures emerges firstly with a series of warning signs giving indications on how "the company is heading towards a failure track". In other words, when a company which had been thriving suddenly starts to falter and then, instead of producing schemes to expand has to struggle to survive, this is an acrimonious symptom of a sure-fire way to culminate on the "wrong side of the business survival statistics." Then, lamentably, when the company can no longer combat to remain lucrative and is inept to produce the minimum revenue or profit required to cover all its overheads such as settling its owing debts and meeting its current obligations, it is declared as a failure and subsequently compelled to shut its doors and wind up.

Having stated earlier that failure is an inherent part of any business venture, it becomes pertinent at this stage to emphasize on the fact it is never the "product of an accidental set of events" whereby there will always be a catalyst to trigger such a tragedy in the life of a business. The most conspicuous reference here will be the Global Economic Crisis itself where irrespective of all the multifarious revelations that have been relentlessly given for years, the foundation behind lies in one eventual human instinct which is greed. Encompassing greed, the grounds for corporate failure is a lengthy list which equally encompasses incompetence of financial regulators.

Corporate collapse has never given any reason to rejoice about. It brings with itself only obliteration in the form of intensifying unemployment, dilapidation of living standards, degrading economic growth and colossal losses plummeting an entire community in despair. Eventually, it is vital to look into the matter. Desiderius Erasmus once said "prevention is better than cure" . Hence, it is more suitable to improve the regulations that exist rather than finding solutions once the damage is done. In the case of Mauritius, where the financial and business services sector has emerged as an imperative pillar of the economy, failure in this sector simply cannot be afforded. At present, Mauritius has 2 regulatory bodies

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specifically "the Financial Services Commission and the Bank of Mauritius" present to regulate and supervise the Banking and non-banking- financial sectors and hence to mitigate the risks of failure "to the exception of commercial companies which are not regulated by such bodies so far". However, as amongst the various financial businesses operating in Mauritius, global businesses failures are on top of the list, focus shall be predominantly placed on the FSC that is on the extent to which it is efficient in keeping its global business sector away from the circle of failure by regulating it.

III. OVERVIEW OF THE FINANCIAL SERVICES COMMISSION

Functioning under the auspices of the "Ministry of Finance and Economic Development", the FSC, being the "apex institution conceived" to regulate all non-banking financial sectors more accurately the insurance, securities and global business sector has been bequeathed the discretion to "license, monitor, regulate, supervise and manage the conduct of all business activities" in these sectors. Before coming up to a critical analysis of the regulatory approach of the Financial Services Commission, it is significant to highlight that there are specific objectives that the FSC through its "matrix organisation and objective-based management" wants to attain by the regulatory steps it takes. Mandated under the Financial Services Act of 2007, this unified regulatory structure has been assigned various statutory objectives by this act.

Nevertheless, in its attempt to reach the set objectives, the FSC is equally adopting prudential steps to keep the sectors under its remit away from the zone of failure. Elaborating on this statement, when the FSC on trying to attain the objectives which has been assigned to it by the Financial Services Act, diligently controls and supervises the activities of each and every financial business under its purview, through its established binding laws and regulations, it is actually helping them in disguise from keeping away from conceivable causes of failure as they are being guided by an upper hand and not acting as per their own will. In other words, these businesses being acquainted with the presence of the FSC as a Watch Dog unleashed on them to oversee all their activities are cognizant of the fact that they are not a master of their wish and have no choice that to adhere to the regulations which has been imposed on them. Hence, what is actually optimistic about the presence of such a watch dog is that the businesses cannot embark on any such activity that can subsequently lead to the failure track had they been left on their own.

At this stage, it is nevertheless imperative to highlight that regulatory bodies like the FSC have the potential to "limit" and not "eliminate" the risks of failure and that failure can persist even under the shield of regulations. Still, it remains constructive to have the succour of regulations than nothing and it goes without saying that the FSC "ploughs diligently" in realising all its objectives. As a matter of fact, most businesses under the auspices of this regulatory body have been in good financial health but here emphasis should be laid on the fact that most of them and not all of them are healthy. Hence, the question to be raised here is whether its regulatory approach can be said to be worthy to have the reputation of a fully-fledged precautionary instrument towards the prevention of failure or not. This can only answered following an analysis of its regulatory approach.

IV. INTRODUCTION TO GLOBAL BUSINESS

Global business, previously known as the offshore sector, in itself is defined as a regime offered to resident corporations intending to conduct business outside Mauritius. As mentioned before, together with the Insurance and Securities Market, this is yet another sector which is regulated by the FSC under the Financial Services Act of 2007. As a matter of fact, those wishing to undertake such global activities are offered the choice between two types of companies namely a Category 1

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Global Business Company or a Category 2 Global Business Company. Regardless of the fact that such businesses will be conducting business outside the country, they compulsorily need to be "set up, managed or administered" by management companies which are domestic companies that is they operate in Mauritius. As a whole, taking from their licensing till their management and control, the reign remains the hands of the MCs which are equally licensed and regulated by the FSC. In general, the global business sector, since its inception has been in good financial health under the remit of the Financial Services Commission. However, till now there has not been any year where the winding up of several of them has not been heard. On the long list of failures, some references will be those below which even include cases of 2015 - AEcnFX (Mauritius) Ltd, BASEL FINANCIAL INC., FXCOMPANY FINANCIAL GROUP LTD, FXMarkets Ltd, FXOpen Investments Inc., WORLD DERIVATIVES TRADERS LTD, Lancelot Global PCC and The Four Elements PCC.

Consequently, considering such an extensive list of collapses, it is indubitably time for a reality check. Is the regulatory approach of the FSC as efficient as it looks like? In order to answer this question, it is of significant essence to closely scrutinize each regulatory approach of the FSC towards the management companies under which such global business have been set up and managed because as mentioned above it is the former who holds their reign and hence their life span shall massively be reliant on the way the management company is carrying out its functions.

- The Licensing Stage – The first regulatory step of the FSC

As elucidated above, in its quest to attain its strategic objectives, this regulatory body, in disguise, performs the role of a prudential tool to refrain its sectors from reaching the circle of failure through the regulatory stages it adopts. The licensing stage is the first regulatory step implemented by the FSC so as to remain on this preferred track. Also recurrently known as the "gate keeping" function of the FSC, this stage can be construed as the most significant, pragmatic and sensible step in the quest to avert failure. In a more precise manner, the presence of such a juncture does not only bring about the assurance that companies inclined to impede the set objectives of the FSC are not granted an entry into the financial system but also acts as a blessing for the companies itself by refraining them from embarking on a business venture which will later be detrimental to themselves, hence protecting the very best interests of the companies themselves even if for the latter not being allowed to set up a business can be the worst news they would receive. Hence, the procedure adopted by the FSC is to set certain requirements before granting the license which will allow the latter to gauge in the beginning itself whether the potential company has the susceptibility to reach its set destination and whether it is adopting the right track. However, is this licensing stage as efficient as it looks like so as to counter the risk of failure?

- Effectiveness of the licensing stage of MCs

Having mentioned above that the FSC sets certain requirements at the licensing stage for the vetting of firms, it becomes imperative to highlight that in the context of management companies, a company wishing to act as a management company and to provide services listed in section 77 of the FSA has to undergo the licensing procedure provided by section 16 of the same Act . As part of its licensing procedure, the proposed MC, wishing to be granted a license, has to furnish details and documents such as CVS and PQ forms so as to guarantee the aptitude, fitness and propriety and integrity of its officers, a feasible business plan, details of provisions for management and most essentially "that it will have a duty of compliance towards the FSC "regarding clients' operations and has to ensure that the 'Four-Eyes Principle" is

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observed in the conduct of its business" . At first look, the licensing stage of the FSC looks impeccably convincing and efficient in ensuring the appropriate functioning of MCs towards preserving the interests of the GBCS it is in charge of. However, the question to be raised is that if the licensing stage is that efficient, then what actually explains the high rate of failures?

- Ineffectiveness of the licensing stage for MCs

1. No provision for % of independent directors in the FSA

The Financial Services Act of 2007 makes absolutely no provisions pertaining to the appointment of a % of mandatory independent directors. Therefore, in order to fulfil for such a lacking in the law, the FSC puts forward that Management Companies should adhere to section 2 of the Code of Corporate Governance whereby a minimum of 2 independent directors should be appointed. At first look, such a step looks apposite as it can be perceived that the FSC is trying to make up for what has not been provided by the law. However, logically, it cannot be disregarded that a number of 2 independent directors is not at all sufficient to fit in the governance structures of all MCs as they all vary in size, structure and the number of executive directors present. For instance, in a situation of 7 executive directors, only 2 independent directors, being in minority cannot have that much an impact on the decision making. Henceforth, the absence of such a provision in the law would simply mean the appointment of only 2 independent directors by the MCs only to adhere by the code and not more so as to suit their respective governance structure. Likewise, another important point to be taken into consideration here is that the Code of Corporate governance is still not binding in Mauritius and hence some companies can even very well choose not to comply with it leading to poor corporate governance which later becomes detrimental to them. There is absolutely no doubt on the fact that making sure that officers of the MCs are competent, highly qualified and of ample integrity is not adequate to blindly believe that they will place the GBCs interests before theirs. What defines such a factor are directors acting exclusively in the interests of the company and being dedicated to the objectives for which the MC has been set up, entailing the sound management of the GBCs.

2. Inadequate focus of the FSC on the licensing of MCs

As brought up above, on being granted a license, the MC can ensure its functions one of which are the assessment and vetting of GBCs license applications before they are submitted to the FSC for approval. Hence, this is a kind of two tier screening process whereby both the MC and the FSC contribute at their respective levels in examining the height of risk in the GBCs before the issue of the license. As a matter of fact, this is a vigorous prudential approach against failure of the latter. However, it should be deliberated that the level of risk in the MC is equally significant in the prudential approach as they will be responsible for the health of the GBCS. However, deplorably, the FSC does not give a balanced approach to the licensing supervision of MCs and GBCS whereby more weight and focus are attached to that of the GBCs. As proof of such negligence in evaluating proficiently the aptitude of the MCs at the licensing stage, the case of Kross Border Services Ltd can be instrumental.

V. CASE STUDY – KROSS BORDER CORPORATE SERVICES LTD

Allegations were made against this management company which mainly comprised of inappropriate issue of shares, abnormalities in companies' documentations and the unlawful appointment of directors leading to a forgery of transactions amounting to Rs240 millions. While awaiting convocation at the Central Barracks, the

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CEO of the management company confessed having been victim of a conspiracy on behalf of a director of the company. Therefore, had the licensing procedure of the MCs been carried out with the same determination and responsiveness at that of the GBCs, such a situation would not have taken birth. For instance, among various aspects to be gauged, this case raises uncertainties on the evaluation of fitness and propriety of directors at the licensing stage.

- Regulation of the Management Company – FSC's Second Regulatory approach

Once granted a license, the MC falls under the purview of the FSC. Hence it becomes the utmost responsibility of the MC to comply with all the regulations and to act according to the terms of its license. The regulations together with being intended to validate that the MC operates in conformity with the legal framework also ensures that MC takes reasonable measures and exercise due diligence to safeguard the soundness of the GBCs . However, are the measures to be taken in the interest of GBCs flawless?

1. Customer Due Diligence test

With adherence to regulations, it is the foremost duty of every MC "to know his client" that is the GBCS before accepting it. Consequently, the MC should carry out a CDD test also recurrently known as the "Know your client" process of its clients as a mechanism to vet the firms and exclude those with high risk profiles. Such a step is incontestably proficient in averting the risks of failure as those with high levels of risk are debarred at the gate itself before having to encounter the dire consequences of failure. However is the CDD test so competent that it is definite that all those who pass the test are behind the threshold of failure?

- Analysing the CDD requirements

As part of the CDD test, it becomes a pre requisite for the MCS to collect and "verify all indispensable information about their clients and retaining the information to be furnished to the FSC when requested" The required information encompasses documents concerning not only the identity and residential status but equally the nature of the business activity, the financial strength and the sources of funds to be injected into the business so as to make an appropriate assessment of the risks involved in the business . However the CDD test shows some inefficiency in screening throughout the procedure. This can be evidenced by the following:

1. Nominee structure

There are situations where a proposed GBC "gives certificates in the names of other persons instead of the beneficial owners" with the aim of transferring the shares once the business embarks on its operation . Therefore, on the emergence of such situations, the FSC may grant the permission so as the business is formed in nominees‟ names conditionally. That is on being given the guarantee that the real beneficial names shall be disclosed at a later point in time. Nevertheless, the adverse effect or the risk that such a step entails is that if the applicant does not stand by to the guarantee given, the true beneficial owners shall not be held liable or accountable in case of any transactions they do and hence such freedom would imply that they can be tempted at any time to get involved in transactions against the interest of the company and this can ultimately lead to predicaments for the business. Likewise, with such non-disclosure they will not only be unaccountable but will also be free of any responsibility for high losses in the business resulting in insolvency of the business.

2. The veracity of the information required in the CDD test

With regards to documentation required for the test, it has been translucently stated that either the "original or certified copies" of the documents can be requested for from the relevant individuals

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partaking in the GBC. Subsequently, such a choice left to the relevant individuals can equally be looked upon as a flaw in the screening process as there is no guarantee that the applicants and other relevant persons would be furnishing copies of original documents or that there has been no perfidy on their part in the non- disclosure of certain matters especially in cases of no face to face interaction. Accordingly, when many such GBCS are allowed to embark on their activities with only a supposition that the documents delivered are valid and genuine, situations of GBCS moving on to the failure track are born.

3. Inadequate control over the CDD procedures

In the quest to mitigate the risks at the earliest stage, MCs must take a step forward towards spotting all the risks in the GBC before the latter starts to carry out its business activity. However, there are certain circumstances where businesses are permitted to embark on their venture before the completion of the CDD test. Here, special reference can be made to the securities transactions and in the life insurance business. Incontestably, this is one of the flaws of the CDD test as the businesses are being allowed to carry on on an unfinished CDD test and which can later cause prejudice to themselves.

- Compliance – The Third Regulatory Approach of the FSC

So far, emphasis has been laid on the way the FSC tries to shield global businesses under its purview against failure by imposing regulations on them. Nevertheless the fact that such a step is not adequate to attain the desired aim remains incontestable as logically thinking, the real effectiveness of regulations can only be reflected when they are complied with . Hence Compliance is that "recognised approach adopted by the FSC" to guarantee that licensees are operating in conformity with the regulations. Normally, the FSC embarks on this function through its Surveillance Directorate which warranties the constant monitoring and supervision of all regulated MCS through off-site supervision and on-site inspections. However, is the compliance stage as proficient as it looks like?

- Effectiveness of the compliance approach

In the context of the global business sector, the off-site compliance embraces "the review and analysis of audited financial statements" of the MCs and the GBC1s while the on-site inspection comprehends an appraisal of the "management, asset and account administration, internal operations and control of the MCs, the flaws in the CDD test, the completeness and accuracy of statutory documents and keeping and filing of records on client files" Such onsite inspections can be indisputably instrumental in gauging not only compliance with regulations but also to divulge whether the MC is carrying out its functions in a prudential manner so as to protect the GBCS.

- Loopholes in the Modus Operandi of compliance visits

However, it should be highlighted that the way the compliance visits are steered totally quashes their utility.

1. Details known prior to the visit

Coming up to the first loophole in the method adopted to carry out the compliance function, the licensed businesses are already informed about the visit of the FSC inspectors' prior to the visit and are even furnished with all the details as to who will be coming for the supervision and as to which materials would be examined . At this point, it is needless to state that having such fundamental information with regards to the visit is an utter drawback in the sense that that non-compliant MCs will definitely be able to take all their "safety measures" prior to the visit so as to mask some of their affairs or meddle with them.

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2. Involving members of the staff

Likewise, on the particular day of supervision, two members of the management company are asked to help the FSC staff in the verification. In as much as this is an advantage to the inspectors in order to complete their verification quickly and thus not consuming the time of both parties, such a step unfortunately, also allows non-compliant MCs to choose beforehand as to who will be the 2 helping hands and briefing them about what they should be camouflaging and divulging. Accordingly, the inspection officer finally leaves the premises with a blurred picture of the business conduct and eventually even if the business is being directed towards the wrong track, no apposite measures are taken to help it out due to the veil placed on the real activities.

3. Inadequacy in the number of inspections

As per the annual report of 2013 of the FSC, it has been stated that in that year, some MCs have been found not adopting prudential approaches such as failing to file clients audited reports or even misplacing them and not seeking the approval of the FSC before appointing officers. Hence, the question to be raised here is that if the compliance visits were being conducted as regularly as they should have been conducted, what could be the reason behind such non- adherence by the MCS. The answer to this question was provided for by the Annual Report of the FSC itself whereby compared to the number of MCS, the number of compliance visits does not even reach half of it. Hence, has compliance visits been carried more frequently, such a situation would have never cropped up.

VI. RECOMMENDATIONS

In light of the critical analysis of the approach of the FSC towards taking prudential measures against corporate collapse of global businesses under its purview, below are some conceivable recommendations to be reflected on so as to uplift the effectiveness of the latter in accomplishing its preventive objectives.

- Licensing stage

1) Amending the law to include a % of independent directors to suit the structure of the business.

As mentioned earlier, MCs are only required to comply with the Code of Corporate Governance for the appointment of independent directors for the Financial Services Act of 2007 makes no provision as to the appointment of such directors. Rationally, such a pre requisite remains unproductive in the sense that firstly the code is not binding and secondly that a minimum of 2 such directors cannot be in accordance with every business depending on their size and the numbers of non –independent executive directors in the business. Therefore, the law should be amended so as to mandatorily confirm the appointment of independent directors as required to suit each business. Hence a provision should be included as follows - No board of directors shall be composed of less than 7 natural persons of which an appropriate % of independent directors shall be appointed in accordance with the structure of the company".

In other words, such a statutory provision is far better than compliance with a voluntary code and the number of independent directors to be appointed shall not be standard for all.

2) A balanced focus on the licensing process of MCS

MCs application screening should be placed on the same level priority as that that of the GBCS for the lucid reason that they have a predominant role to play in the sense that it is their conduct that will either help the GBCs thrive or collapse.

- Regulation stage

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1) Request for only original form of documents during the Customer Due Diligence Test

Taking into consideration that the CDD test are being conducted on officers abroad, with a situation of no face to face interaction, the MC cannot be dependent on copies of documents furnished by them. The conditions for the CDD test should be reviewed so as to call for only original papers.

2) Completed CDD test before providing services to GBCs

To guarantee safety before the GBC embarks on its operations, the CDD test should be fully completed without leaving any exceptions for any GBCS.

- Compliance Stage

1) Non- disclosure of identity of supervisory officer and materials to be inspected

In the quest to make the compliance visit a constructive one and to keep track of the real activities taking place, the MCS should not be offered prior notice pertaining to the visit of the inspections officers and no details of inspection and the person coming to inspect should be provided. This will allow the officers to have a clear picture of the activities as asking for verification of documents on the spot would not leave the latter any occasion to conceal fundamental issues.

2) Leaving the choice to the supervision officer to choose two members of the staff to assist him in the compliance visit.

Such a measure would be resourceful in the sense that the MCs would not have the opportunity to guide its staff as to how to carry on with the assistance and at that particular time, the MC will not have any other choice than to abide by the demands of the supervision officer and several issues can eventually be unveiled and remedial measures can be taken accordingly.

3) Increasing the number of inspections

Having analysed the small number of inspections carried out compared to the number of MCs, it is recommended that the FSC increases the number of inspections to guarantee regularity in the compliance with regulations.

VII. CONCLUSION

After having thoroughly scrutinized the different regulatory steps of the FSC under the global business sector, firstly, it can be perceived that the three regulatory steps of the FSC are complementary in the sense that it is the efficiency of one step that results in the attainment of the other. For instance, if reference is made to the regulatory step and the supervision step, it will be understood that it is only though appropriate supervision that the FSC will be exposed to whether regulations established are being genuinely adhered to or not. Nevertheless, the harsh reality remains that the supervision step despite being so instrumental is the one to be most negligently catered for by the FSC. Eventually with the supervisions of the management companies being carried out so intermittently, the regulations set, despite being very operative cannot fully portray their feasibility. Nevertheless, if the diverse loopholes analysed in this article are catered for, the Financial Services Sector and the businesses in its lap, more precisely the global business sector shall see perpetual good health.

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