



Compliance with anti-money laundering procedures by banks—the case of Mauritius

Ambareen Beebeejaun¹

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Abstract

Despite the existence of anti-money laundering laws, the world is still witnessing money laundering malpractices. It was reported by the United Nations that the value of money laundering globally is between 2 and 5% of the world's GDP annually. Hence, it is imperative for formal institutions like banks to apply AML procedures in order to verify whether their clients are involved in money laundering criminal activities. Accordingly, the purpose of this research is to assess compliance by banks with the AML laws of Mauritius and some other internationally agreed AML standards. To achieve this research objective, this study will adopt both the qualitative and quantitative research methods. In particular, a survey will be conducted to collect primary data from 57 executive officers representing 3 selected directors or senior executives from each 19 licensed banks that are located in Mauritius. Also, the black letter research method will be adopted to obtain secondary data by analysing the existing legal provisions and literature on AML procedural requirements.

Keywords Money laundering · Banks and money laundering · FATF and banks · Mauritius and AML · FIAMLA and Mauritius

Introduction

Money laundering has been a topic of great concern to many world leaders, not only as a highly sophisticated and serious form of financial crime but it also represents a threat to democracy, human rights and the rule of law. By its very nature, money laundering is both an illegal and unlawful activity which disguises the illegal origins of criminal proceeds into legal and lawful money, allowing criminals to enjoy these profits without jeopardising their source [1].

It was reported by the United Nations that the value of money laundering globally is between 2 and 5% of the world's GDP, which represents \$800bn to \$2tn per year [2]. Furthermore, Pol [3] conducted a study on the effectiveness of AML strategies to reduce or eliminate money laundering activities across the globe. Surprisingly, the results demonstrate that only 0.1% of illegally acquired funds are recovered from criminals and concluded that efforts to combat money laundering are ineffective in the sense that the rest of

99.9% of laundered funds are still used by lawbreakers for criminal acts [2]. Consequently, these issues pose a significant threat to the economic stability of countries, specifically those who rely heavily on their financial sectors likewise the case of Mauritius, where by the financial services industry account for 13% of the country's gross domestic product while some 9,000 people are employed in this sector [4].

Essentially, the governing law relating to Anti-Money Laundering (AML) in Mauritius is the Financial Intelligence Anti-Money Laundering Act 2002 (FIAMLA) and the purpose of this particular legislation was highlighted by the Supreme Court of Mauritius in the case of *Abongo v The State* 2009 Supreme Court Judgment (SCJ) 81 as follows:

The FIAMLA was enacted essentially for the purpose of combating money laundering offences which had the potential of adversely affecting the social and economic set up, both at national and international level to such an extent that they may constitute serious threats not only to the financial system but also to national security, the rule of law and the democratic roots of society.

However, despite the FIAMLA being in force, Mauritius has not been spared of the negative effects of money laundering activities. In February 2020, the Financial Action Task Force (FATF) being the intergovernmental organisation

✉ Ambareen Beebeejaun
a.beebeejaun@uom.ac.mu

¹ Law Department, University of Mauritius, Reduit, Mauritius



setting international standards for AML and assessing countries' AML legal and regulatory framework, placed Mauritius in the FATF “grey list” of jurisdictions which were subject to close monitoring on the AML regulations. Following the FATF, the European Union (EU) placed Mauritius on its revised list of high-risk countries on the ground that Mauritius had loopholes in the Anti-Money Laundering and Combatting of Financing of Terrorism (AML-CFT) frameworks. Consequently, further to the black and grey listing of Mauritius, a high-level political committee was set up to review the existing AML frameworks and to implement the FATF action plans to remove Mauritius from such listing [5]. Eventually and fortunately, following the June 2021 onsite inspection conducted by representatives of FATF in Mauritius, the FATF recognised that Mauritius has complied with the majority of its recommendations including inter alia, amendments to the laws and increased monitoring by regulatory bodies. Hence, the country was removed from the grey listing of FATF in October 2021 and from the EU list of high-risk countries in January 2022.

It is therefore imperative for Mauritius to continuously benefit from this whitelisting status by the international agencies and to this end, it becomes vital to assess the compliance status by some specific organisations within the country which are prone to be party or even victim of money laundering abuses. Basically, banks and management companies are the focal points where money laundering takes place since they are the ones accepting clients' monies and dealing with these monies for effecting payments (Shihadeh et al., 2019). As such, it is necessary for these formal institutions to apply AML procedures in order to verify whether their clients are involved in money laundering criminal activities and to keep track of their status so as to also uphold the reputation of Mauritius as an offshore financial centre of repute. Accordingly, the purpose of this research is to assess compliance by banks with the AML laws of Mauritius and some other internationally agreed AML standards by scholars. To achieve this research objective, this study will adopt both the qualitative and quantitative research methods. In particular, a survey will be conducted to collect primary data from 57 executive officers representing 3 selected directors or senior executives from each 19 banks that are located in Mauritius and which are licensed by the Bank of Mauritius (BOM), being the regulator for the banking sector in the country. Some statistical tests will be performed on these primary data to assess AML compliance status by Mauritian banks. Also, the black letter research method will be adopted to obtain secondary data by analysing the existing legal provisions and literature on AML procedural requirements.

This research is among the first academic writings establishing the adherence status of banks to AML requirements in the context of Mauritius and the recommendations suggested herein will be of use not only to academics but to

policy makers as well. While Beebeejaun and Dulloo [6] conducted a critical analysis of the AML legal and regulatory framework of Mauritius by comparing the related provisions with the corresponding framework of South Africa with the view of recommending suggestions to enhance the efficiency of AML laws, no research has been carried out yet to assess the level of compliance with AML standards by licensed Mauritian banks, for which this study aims to fill in the research gap.

The first part of the research has set out the background of the study, Part 2 will detail some existing literature on AML regulations and the banking sector, AML procedures under Mauritian laws and some internationally recognised AML standards by scholars while Part 3 will explain the research design for collecting primary data. Part 4 will illustrate the findings of the survey and Part 5 will suggest some recommendations and will finally conclude the paper.

Literature review

AML procedural compliance and the banking sector

In support of the statement of [7], Raweh et al. [8] also believes that the financial system of any country which underlies the banking industry, is the backbone of laundering proceeds of crime. Several studies like [9], Issah et al. [10] and [11] concluded that money laundering is a corrupt practice which affects negatively the trust and confidence of customers in a country and it also carries great reputational risks for banks since a high level of money laundering offence represents a loss of integrity. In fact, the FATF [12] takes the stand that if the source of a client's funds is not verified, this will imply that financial institutions are also party to the criminal activity that has generated illegal proceeds, thereby further diminishing the trust and confidence of customers in the financial system. To this effect, the importance of complying with AML procedures cannot be undermined since these requirements are a measurement of safe and prudent governmental policies which are deemed to entail a stable financial market [13].

One early study conducted by Mugarura [14] revealed that compliance with AML regulations in the context of conducting proper customer due diligence, regular training of employees and reporting suspicious transactions have proven to be the most efficient means of combatting money laundering and other financial crimes. Nevertheless, the author also argued that the positive impact of AML regulations would not be achieved without a proper implementation by the relevant country's domestic legislation which needs to be tailored to that particular country's context. Consequently, it follows that one cannot just take the FATF recommendations and follow these without having an underlying



source of domestic laws on AML procedures. Indeed, some scholars have found a positive impact of AML policies on the financial performance of the organisation in question. For instance, Idowu and Obasan [15] assessed the role of AML policies in the Nigerian banking sector; their effects on banks' performance were examined. The authors found that there is a strong positive relationship and correlation between banks' performance and the adoption of sound money laundering practices. In the same light, another study conducted by Ofoeda et al. [13] demonstrated that effective AML laws are likely to boost investor's trust and confidence in the financial system which leads to further development in this industry. The author also concluded that proper compliance with AML laws by banks is an indicator of good governance which in turn enhances the financial reputation of a country thereby increasing growth prospects in the financial sector. A more recent research conducted by Issah et al. [10] econometrically analysed AML regulations and the banking sector's stability using a panel data of 51 African countries from 2012 to 2019. The results revealed that despite the highly efficient or least efficient AML regulations, these would still have a positive effect on the banking sector's stability of one particular African country.

From the very beginning of AML research, the legal and regulatory AML systems across the globe have undergone various changes ranging from the compulsory conduct of customer due diligence, the implementation of a robust record-keeping and updating system and regular reporting of suspicious transactions. Undeniably, these procedures have been established with the intention of strengthening financial institutions to stop "being used as channels for money laundering" [8]. However, the profit-making objective of banks cannot be ignored in assessing the compliance status of these institutions. In this respect, adhering to AML legislation can be expensive and some researchers such as [16] found that banks adopt a box-ticking approach only for the purpose of not falling in the traps of non-compliance offences rather than focusing on the particular purpose of combatting money laundering. Also, one early study conducted by Broome [17] concluded that only if banks are driven by a sense of self-interest, then an effective compliance with AML procedures will be attained and the resulting spill-over effects will be obtained. The author also highlighted the importance of professional, legal and ethical standards at the banks' internal managerial levels for fighting money laundering abuses. In any event, due to the increased prevalence of international financial transactions which remains under strict scrutiny of global organisations, the question of whether to abide by AML rules and policies or not, is of no relevance in today's era, especially by banks.

In line with the objective of this research, there have been numerous studies on the compliance status of banks in various parts of the world. For instance, commercial banks

in Zambia were found to have largely adhered to the AML directives issued by the Bank of Zambia [18] and Al-Mubark (2005) concluded that banks in Dubai strongly abide by controlling procedures as well as AML policies. [7] investigated whether banks in Yemen follow international laws and procedures on AML and the findings demonstrate a high level of compliance despite the absence of adequate domestic rules on this subject. However, AML policies target various areas within the banking institution ranging from procedures to onboard clients up to effecting payments on behalf of clients and in this regard, the following part of the research will assess the legal AML procedures that are applicable for banks as per the Mauritius FIAMLA. context.

AML procedures under Mauritian laws

Basically, the FIAMLA is divided into seven sub-sections including the categorisation of money laundering activities, the functioning of the Financial Intelligence Unit (FIU), the reporting measures to combat money laundering, provision of information to overseas FIU and to investigatory or supervisory authorities, extradition in relation to money laundering cases, accounts and a particular miscellaneous provision highlighting offences and powers of the relevant Minister to enact regulations under the FIAMLA. Moreover, a specific secondary legislation in the form of FIAML Regulations 2018 (**FIAMLA Regulations**) was enacted and is still in force which governs specificities about enhanced customer due diligence (CDD) measures and some elaborated formalities on the reporting of suspicious transactions.

Primarily, a money laundering offence is committed if a person deals with any transaction that involves the proceeds of crime (Sect. 3 of FIAMLA) or if a reporting person which is defined as a financial institution, bank, cash dealer or real estate agency, has not taken the requisite action plans to prevent the commission of a money laundering offence, especially if the amount of money involved is not commensurate with the level of activity. In this particular situation, Sect. 17 of the FIAMLA imposes an obligation on banks to conduct risk-based assessment to identify and consider the relevant factors that may be linked to money laundering. Hence, the following are to be considered in conducting a risk-based assessment: the nature and size of the business of the reporting person, products and services offered by the reporting person, nature, scale, complexity and location of customers, reliance on third parties for CDD, technological developments and outcome of any risk assessment carried out at a national level. Moreover, it is an obligation on every reporting person to establish policies, controls and procedures to conduct the risk-based assessment and to continuously monitor and upgrade the implementation of such policies (Sect. 17A of the FIAMLA). Moreover, Sect. 26 of the FIAMLA Regulations requires a reporting person which



includes a bank, to appoint a Money Laundering Reporting Officer (**MLRO**). This person shall be of sufficient seniority with a couple of years of experience and shall be the one responsible to receive internal reports of suspected cases of money laundering within the organisation. He has the duty to report to the FIU where there is reasonable ground for believing a suspicious transaction and failure to do so will expose the reporting person to a fine not exceeding MUR 5 Million (USD 112,000) with a term of imprisonment not exceeding 10 years (Sects. 14 and 16 of FIAMLA). However, it is apposite to note that no further information on internal policies is provided by the FIAMLA or any other regulations in Mauritius; therefore, it is relevant to consider the construction of internal policies from existing literature on the subject for the purpose of this research.

Closely related to the concept of risk-based approach underlies the conduct of customer due diligence (CDD) on both existing, prospective and future clients [6]. While Sect. 17C of the FIAMLA sets out the instances where CDD has to be mandatorily undertaken such as when opening a client account or dealing with persons for transactions above MUR 500,000 (US\$11,460) or when suspecting criminal activities, the FIAMLA Regulations expressly mention the information required concerning the relevant party when conducting CDD. Some basic details underlying any CDD process will usually involve information establishing the nature of business of the client, his ownership and control structure, name and legal proof of existence of client, address of registered office and proof thereof. Additionally, the FIAMLA Regulations also provide for the application of enhanced CDD measures for higher risk business relationships under its Regulation 12, whereby it is compulsory to obtain additional information on the identification of the customer and beneficial owner such as inter alia occupation, volume of assets, information available through public databases, nature of their business dealings, source of funds or wealth. Accordingly, all these records which are obtained through CDD measures have to be kept and maintained by any reporting person for a minimum of seven years after the client relation has ended.

As mentioned earlier, the Mauritian authorities had to take various steps in order to remove the country from the FATF grey list. In this regard, the Finance (Miscellaneous Provisions) Act of 2021 was passed which amended the Mauritius Companies Act 2001 to entitle the Registrar of Companies, which is the regulator for companies in Mauritius, to conduct sensitisation campaigns on the dangers of money laundering and terrorism financing. Since this new amendment is quite new, there is no evidence available in the public domain witnessing the holding of regular programmes on AML by the Registrar of Companies although companies are expected to conduct their own internal training on a regular basis on AML. In this context, Sect. 22(1)(c) of the FIAMLA Regulations

and Sect. 64A(1)(b) of the Banking Act 2004 of Mauritius requires financial institutions including banks to implement internal policies to combat money laundering and the ongoing training for their directors and officers form part of these programmes. Also, apart from the laws, the BOM has also established a guideline on AML and combatting the financing of terrorism and proliferation in January 2020. This guideline aims at helping banks to minimise risks by adhering to AML laws and policies regularly established by the BOM. Emphasis is placed on the adoption of risk-based approach, the conduct of CDD, reporting of suspicious transaction and lastly, encouraging staff training.

In addition to the establishment of internal control procedures, CDD verification and training of staff, existing literature has also proposed two additional AML standards to be adopted by banks which are commitment to policies and procedures issued by senior management and adherence to international laws and central bank's instruction Raweh et al. [8], Milind et al. [16]. Basically, banks' senior management regularly publish internal procedures for the executive management to ensure that risks are kept at a minimum so as to be safeguarded from illegal or suspicious activities. Moreover, in the attempt to make the world a global village, the collaborative effort of both domestic banks and international institutions is imperative to combat money laundering. As witnessed currently in the Russian-Ukrainian war, if one economy suffers, it has a domino effect on the whole world's economic situation. Hence, it is vital for authorities and banks to participate in international endeavours to deal with money laundering issues.

It is noteworthy to mention that studies on Mauritian banks' compliance with AML procedures are scarce. As mentioned earlier, some researchers like Beebeejaun and Dulloo [6] emphasised on the legal aspects of AML laws of Mauritius and provided recommendations to enhance the existing legal and regulatory framework on the subject. However, no research has yet been conducted on the compliance status by Mauritian banks with AML standards, which this study aims to fill the gap in literature. As such, this research will investigate the extent to which banks licensed by the Bank of Mauritius, comply with the 5 AML indicators being (1) the establishment of internal control procedures, (2) the practice of CDD verification, (3) training of staff, (4) commitment to policies and procedures issued by senior management and (5) adherence to international laws and the Bank of Mauritius' instruction.

Research design

This study has used both the qualitative and quantitative research methods to achieve the objectives set out above. In particular, primary data was conducted through a survey



questionnaire sent to licensed banks in Mauritius while secondary data was obtained through an analysis of laws both in the context of Mauritius and abroad. There are 19 banks licensed by the Bank of Mauritius and 3 executives from each bank were approached; therefore the total population amounted to 57.

The survey questionnaire comprised of questions taken from existing literature as well as the statutory provision of the FIAMLA and it comprised mainly of questions structured in the Likert Scale form. Essentially, these questions sought to assess the level of compliance by Mauritian banks with AML procedures. The reliability of this questionnaire was evaluated using the Cronbach's alpha test through the SPSS software and as mentioned by DeVellis [19], to have an appropriate degree of reliability, the Cronbach's alpha value should be more than 0.70. For the pilot testing, all coefficient values of the empirical research are above 0.70 which means that the research instrument is sufficiently reliable for the measurement.

This questionnaire was then uploaded electronically via Google Form. Thereafter, this online link was sent to the target population via email addresses of bank's directors and senior executives (general manager, senior accountants, senior compliance officers, AML officers, Internal Auditor, Department Head) that were obtained from these organisations' respective webpages. A total of 57 questionnaires were distributed by email with the Google form online link on the 1st April 2022, and a time frame of approximately one month was provided in the covering email and a confidentiality and privacy statement was also inserted in the same email.

Thereafter, some basic statistical tests were performed on the data received by using the SPSS IBM Software Version 21 to illustrate the findings.

Research findings

Two weeks after the survey questionnaires were sent, only 20 responses were received. The researcher took the step to call the other respondents in order to humbly request them to attend to the survey. Thereafter, 10 more responses were obtained which made up of 30 answers but then, it was decided to extend the timeline of the survey by an additional 2 weeks after the one-month deadline, to receive some more responses and a gentle reminding email was sent to those who had not responded. Subsequently, a total of 43 responses from the targeted 57 banks' directors and senior executives. However, it was subsequently found that 3 respondents did not complete the questionnaire and some queries were left unattended; therefore these 3 responses were disregarded. Hence, the remaining 40 responses were used for the study, which represents 70% of the target

population, a figure which Holtom et al. [20] classified as "very good" and it was therefore worthwhile to present the findings.

Furthermore, for the purpose of interpreting the results obtained, a five-point Likert Scale is used in the same manner as Raweh et al. [8] has applied in his research conducted on compliance with AML procedures by Yemeni banks, whereby the mean scores were interpreted as follows:

- "*Strongly Disagree*" or "*Disagree*" are represented by mean scores equivalent to 1.0 and up to 2.5 ($1 \leq \text{Not Compliant} \leq 2.5$);
- "*Neutral*" is equivalent to mean scores of 2.6–3.5 ($2.6 \leq \text{Moderately Compliant} \leq 3.5$); and
- "*Agree*" and "*Strongly Agree*" are represented by mean scores equivalent to 3.6 and up to 5.0 ($3.6 \leq \text{Largely Compliant} \leq 5.0$).

Internal control procedures

Six measurement indicators were presented to the respondents to figure the extent to which banks establish internal control policies and using the Likert Scale, the respondents were given the option of choosing 1 representing strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. A statistical test was performed on the answers received; the results of which are displayed in Table 1:

Further to the Cronbach's alpha test carried out on the SPSS Software, a reliability score of 0.73 is obtained from the data collected which indicates that this construct is reliable since the Cronbach alpha is above the value of 0.70 which is set as a benchmark for this research [19]. In this domain, the highest level of compliance is demonstrated by the establishment of clear and transparent money laundering procedures by the respective bank's board of directors ($\bar{x}=3.98$, $SD=0.27$). This is followed by a confirmation that the transfers and acceptance of large sums of money that surpasses the authorised limit are under the scrutiny of internal controls ($\bar{x}=3.91$, $SD=0.49$) and the compliance by banks with the FIAMLA Regulations to appoint a Money Laundering Reporting Officer ($\bar{x}=3.9$, $SD=0.67$). Also, the majority of banks in Mauritius apply varying control procedures according to the size and degree of risk of clients ($\bar{x}=3.82$, $SD=0.59$). The lowest scores of this construct concern the statement as to whether the board of each bank is provided with frequent reports of the bank's compliance with internal controls ($\bar{x}=3.27$, $SD=0.55$) followed by the query on whether the bank's internal control systems are being continuously and regularly updated ($\bar{x}=3.32$, $SD=0.53$).

From the above findings and further to the Likert Scale 1–5 applied by Raweh et al. [8] which is set as a guideline earlier, it is deduced that banks in Mauritius are largely compliant with AML internal control procedures. This is because



Table 1 Internal control procedures at banks

Construct/statement	Mean (\bar{x})	Standard deviation (SD)	Cronbach's alpha
Application of internal control procedures	3.70	0.32	0.73
Establishment of clear and transparent money laundering procedures by Board	3.98	0.27	
Continuous and regular update of internal controls	3.32	0.53	
Appointment of MLRO	3.9	0.67	
Equivalence of control procedures on size and risk of clients	3.82	0.59	
Internal controls on excess authorised limit	3.91	0.49	
Provision on internal control reports to board	3.27	0.55	

Table 2 CDD verification

Construct/statement	Mean (\bar{x})	Standard deviation (SD)	Cronbach's alpha
CDD verification	3.83	0.33	0.87
Existence of clear procedures to open bank account	4.15	0.62	
Refusal to open bank account without satisfactory CDD	3.95	0.68	
Re-verification of client in case of doubt irrespective of transaction value	4.05	0.71	
No exemption of CDD on any customer by senior management	3.63	0.67	
Physical inspection by bank's officers at client's place of business	3.35	0.62	

an average mean score of 3.7 ($SD=0.32$) is reported with respect to Mauritian banks' compliance with the establishment and application of internal control procedures concerning AML. However, the neutral scores of the provision of frequent reports to the banks' boards on internal controls and the regular update of internal control systems at banks indicate that there is still ground for improvement on this AML compliance function.

CDD verification

Again, the Likert Scale 1–5 is used to seek banks' compliance with CDD mandatory legal requirements ranging from 1 which represents strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. 5 statements were drawn up to measure the extent of adherence by banks regarding CDD and the findings are illustrated in Table 2.

The Cronbach's alpha test conducted on the data collected for this AML procedure reports a value of 0.87, which is well above the score of 0.70 set as the guideline for this research, confirming that this construct is reliable. An average mean score of 3.83 ($SD=0.33$) is obtained from this construct and in this area of AML function, the highest level of compliance with CDD is evidenced by the fact that almost all banks have established clear procedures to open bank accounts for clients ($\bar{x}=4.15$, $SD=0.62$). This is then followed by an affirmation that in case of doubt, the identity of

client is re-verified regardless of the value of the transaction to be held ($\bar{x}=4.05$, $SD=0.71$) and a confirmation that if all verification procedures are not fulfilled, the bank refuses to open a client's account ($\bar{x}=3.95$, $SD=0.68$). Moreover, the majority of respondents agree that senior management does not exempt a specific customer from CDD procedures ($\bar{x}=3.63$, $SD=0.67$). Nevertheless, a neutral mean score of 3.35 ($SD=0.62$) is obtained from the statement that bank's officers are entitled to physically inspect the client's place of business to verify the nature of operations/activities as part of the CDD verification.

From the above findings and further to the Likert Scale 1–5 applied by Raweh et al. [8] which is set as a guideline earlier, it is deduced that banks in Mauritius generally adhere to CDD verification when opening client's account, doubting a suspicious transaction and banks even refuse to open bank accounts if the relevant CDD checks are not satisfactorily conducted. However, the banks' executives appear to be unsure as to whether banks can perform physical checks at clients' business premises but this appears to be a justified neutrality since the AML laws of Mauritius are silent in this regard.

Staff training

Although ongoing training of staff is a mandatory requirement for banks as per the Banking Act and the FIAMLA



Table 3 Training of staff

Construct/statement	Mean (\bar{x})	Standard deviation (SD)	Cronbach's alpha
Staff training	3.33	0.31	0.89
Training of all staff	3.70	0.61	
Conduct of practical AML sessions	3.15	0.74	
Dissemination of circulars and communiqué for all staff	3.13	0.69	
Involvement of experts in AML training	3.03	0.66	
Allocation of training budget	3.63	0.54	

Table 4 Compliance with Bank's policies and procedures

Construct/statement	Mean (\bar{x})	Standard deviation (SD)	Cronbach's alpha
Commitment to directives by senior management	3.10	0.38	0.74
Compliance with board's policies	3.98	0.53	
Supervision of bank's policies on control procedures	3.82	0.38	
Regular reporting to MLRO	3.30	0.52	
Use of specialised software to extract reports concerning money laundering	3.10	0.67	
Dissemination of regular reports on AML to senior management	3.31	0.65	

Regulations, it was decided to gauge the extent to which banks have given attention to this subject. 5 statements were presented to the respondents to figure the extent of adherence and using the Likert Scale 1–5, the results obtained are displayed in Table 3.

Further to the Cronbach's alpha test carried out on the SPSS Software, a reliability score of 0.89 is obtained from the data collected which indicates that this construct is reliable since the Cronbach alpha is well above the value of 0.70 which is set as a benchmark for this research [19]. An average mean score of 3.33 (SD=0.31) is obtained with respect to the conduct of AML training for the banks' staff. In this domain, the majority of participants confirm that their respective bank holds staff training at all levels (\bar{x} = 3.70, SD=0.61) and that the bank allocates a specific annual budget for staff training on AML (\bar{x} = 3.63, SD=0.54). This is then followed by a neutral score of each statement investigating whether practical sessions on dealing with money laundering are often held for employees (\bar{x} = 3.15, SD=0.74), if regular circulars and communiqué are issued to inform and sensitise staff on negative effects of money laundering (\bar{x} = 3.13, SD=0.69) and whether specialised experts are involved in training sessions of AML (\bar{x} = 3.03, SD=0.66).

From these findings, it can overall be deduced that banks in Mauritius are moderately abiding by this particular AML procedure and it is noted that while a high level of adherence to staff training is obtained due to the mandatory obligation imposed by law, the training and dissemination framework concerning this subject needs to be improved.

Commitment to policies and procedures issued by senior management

As mentioned by existing literature, part of AML compliance relies on adherence to policies and procedures established by the bank's senior management. Consequently, the Likert Scale was used to assess the extent to which banks

abide by these directives and the findings are illustrated in Table 4.

The Cronbach's alpha test conducted on the data collected for this AML procedure reports a value of 0.74, which is well above the score of 0.70 set as the guideline for this research, confirming that this construct is reliable. An average mean score of 3.10 (SD=0.38) is obtained concerning the compliance level with banks' AML policies and procedures. The highest score for this AML procedure concerns the statement that staff abide by policies and procedures established by the bank's board of directors (\bar{x} = 3.98, SD=0.53) followed by a confirmation from the majority of respondents that there is a monitoring policy concerning the respective bank's written policies on control procedures, timing, responsibilities and degree of control (\bar{x} = 3.82, SD=0.38). Thereafter, a neutral score is derived from each statement on whether regular reports on legal and regulatory developments on AML by each department are disseminated to senior management (\bar{x} = 3.32, SD=0.65), if employees regularly submit suspicious transaction reports to the MLRO (\bar{x} = 3.30, SD=0.52) and whether the bank uses specialised software to extract reports regarding money laundering activities (\bar{x} = 3.10, SD=0.67).



Table 5 Compliance with international laws and the Bank of Mauritius' instruction

Construct/Statement	Mean (\bar{x})	Standard deviation (SD)	Cronbach's alpha
Adherence to international laws and BOM's Instruction	3.75	0.29	0.83
Compliance with international AML procedures to avoid boycott	4.03	0.53	
Collaboration with BOM	3.85	0.58	
Appointment of compliance officers	3.97	0.58	
Scrutiny of the bank's AML procedures by the BOM	3.55	0.59	
Application of 40 FATF recommendations by the Bank	3.33	0.49	

From the above findings and further to the Likert Scale 1–5 applied by Raweh et al. [8] which is set as a guideline earlier, it is deduced that the bank's staff in Mauritius have a moderate level of compliance with abiding by AML policies and procedures established by senior management even though policies and procedures on control systems are established by the bank and disseminated to all staff. To encourage compliance, it will be appropriate to set up a system of reward and sanction to caution staff on the importance of abiding by senior management's directives.

Adherence to international laws and the Bank of Mauritius' instruction

In order to assess the extent to which commercial banks in Mauritius comply with international laws and the central bank's instruction, 5 statements were presented to the respondents. Using the Likert Scale 1–5, the results reveal the following as per Table 5.

Further to the Cronbach's alpha test carried out on the SPSS Software, a reliability score of 0.83 is obtained from the data collected which indicates that this construct is reliable since the Cronbach alpha is well above the value of 0.70 which is set as a benchmark for this research [19]. An average mean score of 3.75 (SD=0.29) was obtained for banks' compliance with international laws and BOM's instruction. The highest score of this construct concerns the confirmation that the respective bank complies with global AML procedures to avoid international boycott ($\bar{x}=4.03$, SD=0.53) and this is followed by the affirmation that most banks employ compliance officers to ensure the AML laws and BOM guidelines are followed ($\bar{x}=3.97$, SD=0.58). In fact, it is imperative to mention that the appointment of compliance officers is suggested by the BOM Guidelines of 2020 in order to verify adherence to related laws including those related to AML. Then, the majority of respondents agree that their respective bank collaborates with the BOM to identify and report suspicious activities ($\bar{x}=3.85$, SD=0.58) and that the BOM often contacts their banking institution for legal verification of AML procedures ($\bar{x}=3.55$, SD=0.59). However, the respondents appear to be neutral in confirming

whether their bank applies the relevant FATF Recommendations ($\bar{x}=3.33$, SD=0.49). This neutrality score can be attributed to the fact that the targeted banking officers are not well acquainted with these FATF recommendations or alternatively, it follows that the majority of these recommendations have to be implemented by governments or the bank regulatory authority.

According to the Likert Scale 1–5 applied by Raweh et al. [8] on the subject of this research, the above findings indicate that banks in Mauritius are largely compliant with international laws and BOM directives and it is noted that the idea behind this compliance is mainly to avoid boycott at the global level.

Discussion of results and recommendations

Essentially, compliance with AML procedures by banks in Mauritius was assessed through 5 measurement indicators ranging from (1) the establishment of internal control procedures, (2) the practice of CDD verification, (3) training of staff, (4) commitment to policies and procedures issued by senior management and (5) adherence to international laws and the Bank of Mauritius' instruction. Thereafter, it becomes imperative to average the mean values of each indicator so as to appropriately interpret the compliance level of AML procedures by Mauritian banks, and the results are displayed in Table 6.

Table 6 shows an average mean score of 3.55 for Mauritian banks' compliance with AML procedures which determines that these institutions are largely compliant with AML procedures. The measurement indicator that has received the highest score concerns CDD verification with a mean of 3.83, followed by the compliance with international laws and BOM's instruction on AML (3.75). Then, the application of internal control procedures has also received a high compliance mean of 3.70. These 3 domains of AML procedures show that Mauritian banks have given due attention to, and are largely compliant with the respective banks' control systems, the related international laws and standards, and the BOM's guidelines and instructions. However, the moderate compliance scores for staff training (3.33) and commitment



Table 6 Extent of Bank's compliance with AML procedures

Construct	Mean (\bar{x})
AML procedural compliance by Mauritian banks	3.55
Application of internal control procedures	3.70
CDD verification	3.83
Staff training	3.33
Commitment to directives by senior management	3.10
Adherence to international laws and BOM's instruction	3.75

to directives by senior management (3.10) indicates that there is still room for improvement for Mauritian banks to increase this overall compliance score of 3.55.

For instance, there is no law or guideline requiring banks to provide regular reports on internal control systems to board of directors and to regularly update the banks' control procedures. However, scrutiny and accountability each is of vital importance to ensure that procedures and policies established are being smoothly followed. This highlights the importance of regular reporting further to which the bank's senior management will be apprised of the areas of low compliance and the necessary action can thus be taken. Additionally, since today's era is heavily characterised by digitalisation, a trend which banks have to keep in pace with, this implies that the existing control systems have to be regularly updated to align with new methods of banking or transacting. Consequently, it is suggested that the FIAMLA or the FIAMLA Regulations be amended to cater for regular reporting on AML to the board and to update the internal control systems of banks at least once per year.

Moreover, the survey conducted reveals that banks' staffs are unsure as to whether physical checks can be done at the client's place of business as part of the CDD procedures. While the AML laws of Mauritius are silent to this effect, there is a provision in the Constitution of Mauritius which is considered as the supreme law of the country, safeguarding the right of a person to prevent access to his private property under its Sect. 9(1). Hence, it will be an illegal act for any banking officer to enter the business premises of a client without seeking the latter's approval to conduct CDD checks. In the absence of statutory legal provision on this matter, the bank's existing or prospective clients are not obliged to give permission for inspection and in this case, the bank will not be able to conduct the requisite CDD verification. Accordingly, it is recommended that the Banking Act or the related AML laws of Mauritius be amended to allow banks' officers to have physical access to client's business premises and to have a proper legal framework on acceptable grounds of refusal, the subsequent course of action in case of refusal and any alternative, corrective or punitive action such as not opening the client's account or closing an existing bank account if needed.

Furthermore, it has been noted that Mauritian banks do not resort to specialised experts when providing AML training to staff. In this context, as part of cost-cutting measures, it is the banks' internal senior staff like the MLRO or even compliance officers who are fulfilling this staff training requirement but these persons are internal to the organisation. Therefore, having external parties to deliver some training sessions may add value to the quality of training and provide more practical exposure to staff. This will frame them to be more efficient in detecting suspicious transactions and also to combat money laundering. For this purpose, it is also essential for banks to allocate a yearly budget for staff training specifically.

Similarly, a moderate compliance level has been witnessed by banks for adhering to senior management's policies. While the respondents agreed that banks' internal policies are disseminated to all staff and are supervised, it follows that there is no regular reporting to the MLRO and senior management is not provided with frequent reports on the implementation of senior management's directives. Hence, to improve adherence to this AML procedure, it is suggested that banks adopt internally a system of reward for complying and punishment for non-compliance with senior management's directives. This will act as a motivating factor for staff while simultaneously dealing with money laundering issues. Furthermore, the establishment of this system would require regular monitoring and review by senior management.

Conclusion

This research has sought to assess the compliance by Mauritian banks with AML procedures, where were measured using 5 indicators derived from the AML laws of Mauritius, BOM Guidelines and existing literature on the subject namely (1) the establishment of internal control procedures, (2) the practice of CDD verification, (3) training of staff, (4) commitment to policies and procedures issued by senior management and (5) adherence to international laws and the BOM's instruction. Primary data was collected among 19 banks that are all licensed by the BOM and 3 executives from each bank were approached to respond to the survey questionnaire. The data obtained from 40 respondents of the 57 targeted persons was used to perform some statistical tests using the SPSS software. An average mean score of 3.55 has been obtained concerning the extent of AML procedural compliance by Mauritian banks which represents a high adherence level. Some recommendations have been suggested in order for Mauritian banks to further improve some of their AML compliance areas which in turn advocate for changes in the laws and the establishment of internal reward and punishment procedures at the respective banks.



The main limitation of this study concerns the collection of primary data where bank officers were found to be reluctant to participate in the survey but they were reassured of the confidentiality and anonymity of their responses. Nevertheless, these officers were asked AML compliance at the bank where they are employed, which is a sensitive issue and it is believed that the respondents may not have been completely honest in ascertaining some areas of AML compliance. In this respect, it will be interesting if future researchers test the theoretical model under this study by using some other extensive methods of data collection such as resorting to a questionnaire accompanied by a semi-structured interview. Unlike a questionnaire, an individual interaction with the respondents may generate a feeling of trust which will enable the participants to discuss the issues more openly and with more integrity. This approach will therefore enable the validation of the research findings of this research and an investigation on the similarities and differences in results.

As mentioned earlier, academic and scholarly articles on AML in the context of Mauritius are quite scarce. This research has assessed the compliance level of AML by Mauritian banks, it will be a prospective area of research to analyse the influence of AML laws and procedures on banks' financial position or even on the economic situation of Mauritius as a whole.

Declarations

Conflicts of interests The author states that there is no competing financial interests or personal relationships that has influenced the work reported in this paper.

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Dr. Ambareen Beebeejaun is a senior law academic at the University of Mauritius where she teaches Trusts, Revenue, Company and Insolvency Law. She holds a bachelor of law degree with honors, a Masters of Law in International Business Law and a PhD in International Tax Law. She has also completed the Association of Chartered Certified Accountants (ACCA) qualification and is an ACCA Affiliate. Her research areas of interest range from business law, corporate law, governance, gender issues, taxation and financial services law.

