

Mauritius International Financial Centre

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Interview

**Minister of Financial Services
and Good Governance**

Innovation

**The Impact of AI
on Financial Services**

Investments

**Why Women are Writing
the Future of Wealth**



**30 Years of the Mauritius IFC
Entering a New Era
of Development**



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Celebrating a key milestone

With 30 years of successful experience under its belt, the Mauritius International Financial Centre (IFC) has come a long way since its early days, with a lot of challenges and learnings along the journey.

Having started out as a newcomer in the global business sector, our initial focus on facilitating investment flows between Mauritius and India, against the backdrop of the Double Taxation Avoidance Agreement (DTAA) between the two countries, has broadened significantly. Nowadays, we can rightfully claim that the Mauritius IFC is connecting the world, as a platform for investments which span Asia and Africa. Through building our skills and our track record in areas such as cross-border structuring, wealth management and funds, the Mauritius IFC has become an important pillar of the Mauritian economy, which now contributes around 13.2% to the nation's GDP.

The success we have achieved over the past three decades demonstrates the agility of the Mauritius IFC to adapt and be at the forefront of compliance with international standards. We have thus earned the recognition by international regulatory bodies, such as the OECD, Financial Action Task Force (FATF) and European Union (EU). Mauritius has successfully responded to past challenges and has become one of the first few countries in the world to comply with the 40 FATF Recommendations on anti-money laundering and combating terrorist financing.

There is no doubt that the emergence of a strong Public-Private Partnership between the Government of Mauritius and authorities on one hand and the industry on the other has had a vital role to play in

the success of the IFC today. Both at home and abroad, whether as part of international negotiations or promotional missions telling the story of our success to the wider world, our strong partnership has never brought greater dividends.

This milestone represents 30 years of success achieved through the certainty and stability of the sector, which in turn provides comfort to the investors. On behalf of Mauritius Finance we would like to thank all of our stakeholders for their continued support and we will aim to uphold our reputation as a jurisdiction of repute and substance.

As we look ahead to the future, it is clear that we need to consolidate our offering to become the sustainable and impact investment hub for Africa and beyond. Mauritius has already taken its first steps to create an enabling framework in the form of a guide for sustainable bonds issued by the Bank of Mauritius, and guidelines on Corporate and Green Bonds issued by the Financial Services Commission, which will be enhanced by a new ESG framework currently under development.

With a strong track record as a proven and tested IFC, we stand ready to re-double our efforts for the promotion of the Mauritius IFC as a vibrant, dynamic and sophisticated hub. We shall continue reaching out to targeted markets and audiences to promote our products and services. Recent initiatives in the fund industry, including cross-border structuring and wealth management, will play a key role in enhancing our attractiveness as an IFC. This will take us a long way on the road to meeting our overarching goal, as set out in the Blueprint report, of doubling the contribution of our sector to GDP in real terms by 2030.



**By Samade Jhummun,
CEO, Mauritius Finance**

30 Years of the Mauritius IFC: Entering a new era of development

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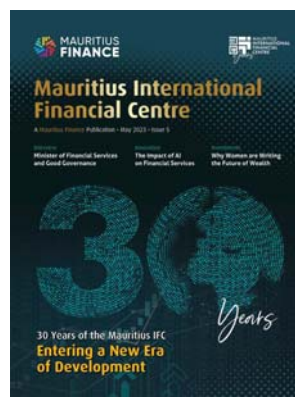
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Celebrating 30 Years of the Mauritius IFC and entering a new era of development

As Mauritius marked the 30th anniversary of its International Financial Centre, it provided the perfect opportunity to reflect on past successes and challenges, and gives renewed hope to stakeholders that the global business sector is set for another golden innings of reinvention and competitiveness.

The financial services sector currently accounts for 13 percent of the GDP, encompassing 6.6 percent in financial intermediation made up mostly of banking and capital market activities while insurance comprises 2.1 percent. As one looks back at the humble beginnings of the offshore sector as it was known in the early 90s when the foundation stone was laid and its evolution over the years, it has not been all smooth sailing for the Mauritius IFC.

Indeed, the crucial sector faced several significant challenges in the last decade such as the Double Taxation Avoidance Agreement (DTAA) with India being renegotiated and finding itself in the FATF list of countries under enhanced monitoring and the EU list of high-risk third countries. Nevertheless, it successfully surmounted such tough challenges as a result of the concerted efforts of all stakeholders such as the Government and the private sector.

To receive the successful delisting, regulatory amendments have been key in providing comfort to the FATF and the EU that the right framework is in place to protect investor funds from money laundering and terrorism financing (ML/TF) risks. Here, Dentons Mauritius' barrister-at-law Priscilla Balgobin-Bhooyrul emphasises: "The proposed AML/CFT Miscellaneous Provisions Bill seeks to address deficiencies identified by the Financial Action Task Force (FATF) during its mutual evaluation of Mauritius including the implementation of a risk-based approach to AML/CFT supervision, and the enhancement of customer due diligence requirements to further strengthen the value proposition of Mauritius as an IFC."

"The VAITOS Act and the VCC Act are significant legislative developments which demonstrate Mauritius' commitment to promoting innovation"

**Priscilla Balgobin-Bhooyrul,
Senior Partner,
Dentons (Mauritius) LLP**

Now, it is clear that the Mauritius IFC is looking ahead to the ambitious and strategic role that it can play on the continent in a post-COVID world, with a firm eye to investment. On this note, Priscilla emphasises that the Virtual Asset and Initial Token Offering Services (VAITOS) Act and the Variable Capital Company (VCC) Act are significant legislative developments which demonstrate 'Mauritius' commitment to promoting innovation, enhancing the ease of doing business, and attracting new investment to the jurisdiction.'

So, what has spurred Mauritius to emerge as a significant hotspot for global business and attract a huge chunk of High Net Worth Individuals (HNWIs) to the island which is poised to be among the global wealth leaders in the next decade?

With the journey so far being fraught with serious challenges that have been successfully overcome to joyously celebrate 30 years of its existence last year, there is much to be learnt by looking at the sector's history, it's coming into being, and of course what went into its moving away from mono-crop to manufacturing, tourism, and finally towards what is now known as the Global Business Sector, in fostering investment, generating capacity, and spurring employment.

Euromoney conference, Mauritius Offshore Banking Activities Act sow seeds of IFC

Economist Pierre Dinan, who was in the early 90s a former Senior Partner at De Chazal Du Mée (DCDM), gives a peek into the making of the sector where he hinted at the MOBA Act that marked the official beginning of the cross-border financial services sector on the island.

He recalled that offshore financial services had been in the making as far back as the last few years of the 80s with the spearheading of appropriate legislation. In the early stages of the decade, the economy took off owing to free zone manufacturing coupled with the fact that gradually with time, this free zone concept started to shape the thinking of policymakers while further underscoring the fact that other financial transactions were not yet on the horizon.

It was finally in the year 1992 that the Euromoney conference formally sowed the seeds of the cross-border financial sector. One thing led to another, ushering in the MOBA Act of 1992 that led to the coming into being of the regulator called the Mauritius Offshore Business Activities Authority (MOBAA), chaired by Iqbal Rajahbalee.

This point finds resonance with Kishore Sunil Banyamandhub who shares his valuable insights on the sector: "The Euromoney conference in 1992 would put Mauritius on the radar of leading international operators and influences, trickling to all aspects of financial services, being attended in huge numbers by some 200 participants, half of whom hailed from almost 30 countries where the Finance Ministry handed out a White Paper on proposed legislations, inviting comments and suggestion on what would become the Mauritius Offshore Business Activities (MOBA) Act later that year."

For his part, the CEO of Mauritius Finance, Samade



*Priscilla Balgobin-Bhooyrul,
Senior Partner Dentons
(Mauritius) LLP*



*Samade Jhummun,
CEO of Mauritius Finance*

Jhummun highlights that the Mauritius IFC celebrated its 30th anniversary last year – but at the time when the foundation stone was laid in the year 1992 it was tough to foresee that the sector could scale to the level of development that it has attained today. He states: “The main reason that the then offshore sector was started was to tap into mostly high net worth individuals in Africa with the aim to service them through the local jurisdiction. Over the years, we ended up being the preferred investment destination for India where we have contributed an excess of USD 150 billion foreign investment through the Mauritius IFC.”

He notes that the huge foreign investment attributed to the DTAA made Mauritius the preferred investment destination for India where the jurisdiction enabled the framework. He added that over the years, Mauritius has further enhanced its credentials as a regional hub such that ‘we are today not only for India but also Africa as a whole’. “We have been able to invest massively into Africa where there is a need to look at DFIs investing into Africa with more than 70 percent investment structured through Mauritius, thus offering certainty, reliability, and comfort to investors,” he emphasises.

Speaking of how the idea germinated to make the island an offshore centre and to replicate successful business and economic models across the globe while posing in a strategic location to help channel business towards India, the success story of the Mauritius IFC is incomplete without a nod to one of the first management companies on the island. The International Financial Services (IFS) Limited as the entity was known in those days, sees its co-founder Kapil Dev Joory reminiscence about how it all came together to convert the IFC from a distant dream to concrete reality.

“The Government’s vision to make Mauritius an official financial centre dates back to 1992 and came about as a result of the earlier implementation of offshore banking which till then had little positive impact. The initiative was led by the then Finance Minister Dr. Rama Sithanen with his team comprising of the Permanent Secretary to the Ministry of Finance, Dev Manraj, and the then head of MOBAA (which is now the FSC) Iqbal Rajahbalee, and his deputy Dev Bikoo, who has now moved to the FIU,” he underlines.

“The MOBA Act and Trusts Act were enacted based on the existing best practices and the various acts –

Income Tax Act, Companies Act, Banking Act – that were amended to make Mauritius a tax neutral jurisdiction. These acts, combined with the existing OECD based double tax treaties, have helped the island emerge as a favourable jurisdiction for cross border investments and trade. As we speak about the Euromoney conference in the mid-90s, I was involved along with several others to review and advise on the regulatory laws and follow up in providing support to organise and partake in a roadshow to put Mauritius on the global map of IFCs to help promote the jurisdiction,” he adds.

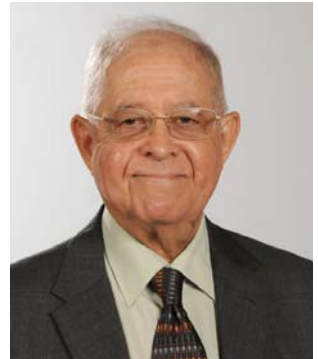
For him, the launch of the IFC coincided with the opening up of the Indian economy to international investors and this is what made Mauritius an ideal location to structure much-needed investments into India, whose benefits percolated to several other jurisdictions such as South Africa and China.

He further adds: “The principal tax advantage entails exemption from capital gains tax on disposal of investment while the treaties also made for mitigation of withholding tax on dividends, interest, and royalties while I played a part in easing a way to help improve the South African treaty as a result of my meeting with the country’s Finance Minister in 1995.”

Route to India, generating employment capacity and investment outlook

As one speaks about the Euromoney conference ushering into inception the then offshore sector, there is a similarity in a shared economic destiny or agreement inked between India and Mauritius during the early 90s when the Indian economy underwent a wave of transformation with the appointment of Dr. Manmohan Singh (who eventually went on to become India’s PM in 2004) as the far-sighted Finance Minister that India desperately needed in the early 1990s. At that time, India was moving away from its protectionist policies and opening itself to the world which gave rise to the signing of the DTAA with Mauritius in a bid to favour Indian investment abroad by resorting to the Mauritius tax-free route.

Pierre Dinan throws interesting insights into the mix as he alludes to a tax partner at DCDM, the late Gabriel Seeyave, who felt the growing investors’ sentiment and interest in India and rightly seized the opportunity derived from the recently signed treaty. He reminisced: “The partners at DCDM were quick in reacting to those signals. With the help of the Senior



Pierre Dinan, Economist



Ravin Dajee, Managing Director at ABSA Bank (Mauritius) Ltd

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Partner at Arthur Andersen in Bombay of those days, Ashok Wadhwa decided to launch a management company called Multiconsult posing as a service provider to cross border investors into India. Since the very first start, I became deeply involved with Multiconsult, so much so that I attended the Euromoney conference. Multiconsult got a head start to become the first management company, later joining hands with Rogers Group to form what then became known as International Management Mauritius."

"The Euromoney conference in 1992 put Mauritius on the radar of leading international operators and influences"

**Kishore Sunil Banymandhub,
Chairman and MD,
Gas Transport Ltd**

On the other hand, Sunil Banymandhub affirms that success in the offshore sector came much faster than anticipated, while stating that the law was already in place, with the opening of the Indian economy to foreign investors starting in 1991. "The major international tax advisers and law firms would soon discover that the DTAA with India was very advantageous to companies domiciled in Mauritius while investing in India. The rest, as they say, is history."

Commenting on comparative advantage and gaining an edge in doing business, Sunil Banymandhub draws an insightful comparison with Cyprus. He notes that the latter had a marginally better DTAA with India but it was Mauritius that garnered the cream of investment funds and large corporate clients, owing to various attributes such as its reputation, qualified professionals and excellent time zone having the ability to service the East in the morning, Europe during the day, and the United States late afternoon and evening as well as the protection against nationalism as enshrined in the

Constitution and the Privy Council as the ultimate court of appeal lending significant comfort to investors.

Today, as we speak about work from home in a post-pandemic era where many lauded the role of the financial services sector in amping up the game and ensuring highly skilled and specialised workflow to keep the economy in good stead such that minimal disruption took place despite two lockdowns, it is important for us to go back to the past and more so to the early 90s when the sector kickstarted.

Dev Joory offers a rare insight into the work-from-home culture in the financial services sector in its growth phase. "I founded the International Financial Services Ltd with Couldip Basanta Lala as co-founder at the end of 1993, and we were among the first management companies locally when we started business from my home with 4 people. In 2016, we exited the IFS with over 325 in-house trained, mostly qualified staff. This is a testament to the growth that IFS enjoyed over less than 30 years and largely reflects the growth trajectory over all these years," he avers.

As one speaks about the sector's contribution to the economy, the IFS co-founder underscores that direct highly skilled and highly paid employment is assessed to be around 20,000 and 4 percent of GDP, which in his view would be much higher when one takes into account the multiplier effect on the economy, encompassing audit and accounting, ICT, tourism, and transportation services, among others. At the same time, he emphasises that such stellar growth was unanticipated by many stakeholders at that time and that the strategy of making Mauritius a clean jurisdiction of substance, in particular for the global business has 'served us well.'

For his part, economist Pierre Dinan refers to data published by Statistics Mauritius where the Global Business sector has topped the list of all economic sectors relative to GDP contribution at 8.5 percent, pushing tourism to second place at 7.2 percent. Looking ahead, he asks a pertinent question as to whether the financial sector will be able to maintain its leading position, with tourism well poised to recover from the after-effects of the pandemic.

Taking up the thread of the Mauritius IFC's employment generation narrative, Sunil Banymandhub observes: "There may have been a lull period, particularly during the Far East Financial Crisis



*Prabha Chinien, Director of
Corporate and Business
Registration Department (CBRD)*



*Dev Joory, former co-founder and
Director, International Financial
Services Ltd*

that broke in 1998 and lasted several years. However, the sector has by and large offered direct highly paid jobs to the current generation of professionals graduates hailing from humble family backgrounds, and, at the same time, fostered financial mobility while it has leveraged both additional jobs trickling to accounting and law firms as well as the hospitality industry cum support services such as taxis, restaurants and hotels.”

It is crucial to underscore that the success of the financial services sector encompassing the capital market, offshore banking, and liberalisation of interest rates together with attracting major business in India must not be seen in isolation and is a combination of a slew of both internal and external factors. The Director of CBRD, Prabha Chinien, explains: “On the internal front, the key factor was the determination of all involved stakeholders such as the Government, regulators, banking institutions, and pioneers of the private sector where we were all looking in the same direction. Despite the fact that a sophisticated legal framework was still some time away from being in place, we all joined forces to offer practical solutions and were armed with clear objectives to counter any issues. The sector was built on the back of persons of the highest calibre across sectors and their contribution shouldn’t be forgotten.”

The way forward: Going beyond taxation, building key skills, and managing Africa’s wealth

One would argue that the Mauritius IFC is successfully making the shift from banking on taxation, to embracing new and innovative projects in the post-pandemic era. Indeed, it has been able to leverage growth at a healthy rate and anticipate what is needed to ensure continuity in the long run – and this agility remains key as it spearheads innovative projects to ensure competitiveness.

As Dev Joory aptly remarks, there is a need to leverage new skills across areas such as IT and digital solutions with innovative products such as the VCC being one of them, while looking to explore new markets. He stated: “The industry needs to focus on its strengths such as fund structuring and administration, in particular for private equity funds, in using existing but enhanced regulatory platforms such as multi-cell funds, corporate and partnership structures, and Protected Cell Companies (PCCs). It must also foster the setting up of investment management companies in Mauritius through

appropriate incentives, as well as trusts and/or foundation together with the need for the MRA to ensure tax transparency, family office and wealth management services to a growing number of ultra-high net-worth individuals (UNHWIs) in Asia and Africa, seeking to promote HQ operations for these regions from the jurisdictions.”

Among the various sectors or portfolios that need to be explored in spurring growth in the sector, wealth management remains an area laden with potential, says Sunil Banymandhub, as he urges the need to be more proactive in tapping into the African market to explore the full potential of doing business. He states: “There is a lot of money in Africa currently being managed in European financial centres. I see no reason why a good chunk of it cannot find its way to be managed locally. Also, some major management companies have been quite timid in approaching the African market when there is a need to be more muscular laden with the possibility to encourage investment bankers to relocate here to tap the continent that will see a spurt in capital restructuring, mergers, and acquisitions. For the time being, the jurisdiction has been absent from this lucrative market and the private sector has not been bold enough.”

The challenges have been many for the financial services sector and as one looks at the need to reinvent the sector in terms of value-added offerings while attracting investment from the Golden Triangle – comprising Europe, Asia and the Middle East – there are some important factors to take into account. Pierre Dinan explains that new opportunities can come firstly in the form of new product offerings, and, secondly, new target countries. “The new product offerings can consist of granting facilities for the opening of representative head offices in Mauritius, and, while it is already a part of existing policies in place, we need to ensure that all facilities are provided to would-be investors as well as to guarantee availability of skilled resources. Secondly, there is a need for Mauritius to use its fantastic experience and reputation secured with its Indian experience spanning over more than two decades as part of its outreach strategy for new target countries.”

He explains that the strategy can take the form of communicating with Government circles in Africa in explaining how the local jurisdiction can pose as a gateway for foreign investment into their respective countries and acting as a reminder to international cross-border investors that the facilities and



Vinay Guddye, Director of Financial Services & Africa Regional Office



Kishore Sunil Banymandhub, Chairman and MD, Gas Transport Ltd

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experience of the financial sector are at their service to channel investments into African nations that are developing their economies.

For the Director, Financial Services & Africa Centre of Excellence of the Economic Development Board (EDB), Vinay Guddye, the Capital Adequacy Ratio of the banking sector at 20 percent shows the robustness of not only banks but also Mauritius as a whole. He emphasises that the island is reinforcing its status as an ideal jurisdiction on the back of several strengths such as being ranked 13th on the World Bank's Ease of Doing Business index, topping the Ibrahim Index of African Governance by the Mo Ibrahim Foundation, and being ranked the best place to work from home by KAYAK. He remarks, "The jurisdiction is not just respectable but also cost-effective in terms of finance and banking as compared to Singapore where the cost is three times more, and in Luxembourg seven times more, to set up operations."

As one speaks about new products to diversify and reinvent the sector such as the VAITOS Act, and the VCC Act, Prabha Chinien affirms, "The development and diversification of new products and services offered locally are deemed important in terms of new legislation introduced recently in our regulatory space where there is a need to enhance the ease of doing business to attract investors." She advocates the need to slash unnecessary administrative roadblocks not limited to the global business sector but trickling to all economic sectors, thus calling for concerted efforts in helping to overcome such challenges to improve ease of doing business.

For her part, Priscilla Balgobin-Bhooyrul explains that regulations such as VAITOS and VCC are key in defining the way forward. "While the VAITOS Act aims to provide clarity and certainty to industry stakeholders by establishing clear rules and is expected to increase investor confidence in the sector and provide a more favourable investment environment for both domestic and international investors, the VCC Act is a flexible and versatile vehicle that allows for the segregation of assets and liabilities into different compartments or sub-funds. This makes it an attractive option for investors looking to establish collective investment schemes or open-ended investment companies," she explains.

She also touches upon new developments in the offing such as the Securities Act, noting that the regulator has held consultations with industry

players and is considering having a separate legislation in respect of funds – as opposed to the same being integrated in the new Securities legislation/regulations – towards providing a more mature and sophisticated legislative framework for the fund and private equity space in Mauritius. "The new Securities Bill (or the new fund legislation) will also aim to give more flexibility to the regulator in terms of approving diverse investment strategies as may be identified by regulated funds," she unfolds.

“Mauritius must use its reputation secured with its Indian experience as part of its outreach strategy for new target countries”

Pierre Dinan, Economist

Ultimately, the proposed Securities Bill is expected to introduce new rules and regulations aimed at enhancing investor protection, promoting market integrity, and improving the efficiency of the securities market. She expects the bill to help shape the IFC of the future, by introducing new licensing and registration requirements for market intermediaries, establishing new disclosure requirements and introducing new powers for the FSC to regulate and oversee the securities market.

Finally, Africa, with its enormous wealth potential, remains one continent where Mauritius as an IFC has been training its guns. Here, the Managing Director at ABSA Bank, Ravin Dajee, elaborates upon the ways and means to explore opportunities across wealth management.

"As an industry, the jurisdiction can play a big role in terms of wealth management looking at the fact that many across Europe are not willing to take on African risk in terms of opening bank accounts. This is where Mauritius can step in to provide such services for HNWI's on the continent where already a large number of people from South Africa are looking to open bank accounts here. In this regard, Mauritius will be able to attract such wealth management firms from Africa," he concludes, striking a note of optimism for the IFC of the future as it looks to tap into Africa-centric opportunities.

THE HON. MAHEN KUMAR SEERUTTUN,
MINISTER OF FINANCIAL SERVICES AND GOOD GOVERNANCE

“Mauritius has the right ecosystem to play a pivotal role in bringing growth and prosperity to Africa”

With the Mauritius International Financial Centre (IFC) celebrating its 30th anniversary, the Minister of Financial Services and Good Governance, the Hon. Mahen Kumar Seeruttun, reflects on how the IFC continues to reinvent itself to attract investors, with geographic diversification and product innovation playing a key role.

As the Mauritius IFC is celebrating its 30th anniversary, how do you see its role in acting as a springboard towards the Asian, African and Middle East markets?

This is a very interesting milestone for Mauritius. The 30th anniversary has provided us with the opportunity to contemplate its evolution through the years and yet, it has so much to offer for generations to come. The launch of our Global Business sector, in 1992, coincided with the liberalisation of the Indian economy. Investors sought to capitalise on our Double Taxation Avoidance (DTA) with India and soon, Mauritius had become the preferred jurisdiction for foreign investors investing in India.

Over the past three decades, Mauritius has succeeded in building an international Financial Services Sector of good repute with a diversified product portfolio. The Mauritius IFC is a core part of the Mauritian economy, having contributed a forecast 13.2% of the Gross Value Added in 2022.

Mauritius is strategically located at the crossroads of Asia, Africa, and the Middle East. As a result of its stable political and economic regime, tax attractiveness, internationally compliant and enabling regulatory framework, robust legal and judicial framework, and foreign currency availability with free capital flows, Mauritius is seen as an ideal hub for companies looking to expand their presence in these regions.

Today, the Mauritius IFC is further equipped with the

Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India, the China Free Trade Agreement (FTA), and the African Continental Free Trade Area (AfCFTA). Additionally, our memberships of the regional trading blocks like the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), ensure that Mauritius remains the preferred investment platform for investment into Africa. These agreements should further extend our footprint into the African continent and additionally enhance trade possibilities between Asia, Africa, and the Middle East, through Mauritius.

Mauritius also offers a well-poised environment that allows business to prosper and flourish through a series of international agreements such as our extensive network of Investment Promotion and Protection Agreements (IPPAs).

Moreover, we have a highly skilled and educated workforce, including professionals with expertise in areas such as finance, law, and accounting which definitely contributes to strengthening our relationship with the Asian, African and Middle Eastern markets. This makes it easier for companies to find the talent they need to establish and run their operations in Mauritius.

In line with the government strategy to promote Mauritius as a reputed and effective trade and investment platform for the African continent, a

number of pro-African policies have been implemented to improve the investment climate and market access conditions to establish Mauritius as a gateway for investment into Africa. As an African country, Mauritius has and continues to be a strategic development partner, in, and for, the Continent.

Moreover, Asia and the Middle East hold significant investment potential. By building closer ties with this region, Mauritius can access the investment capital needed to support economic growth and development.

We are developing an ESG Framework to cater for investments in Mauritius and the region

What kind of sophisticated products are needed to boost confidence in investors pertaining to the channelling of funds through Mauritius into Africa?

We recognise that the digital revolution presents an opportunity for smaller economies, like that of Mauritius, to leapfrog traditional industrial development. Accordingly, Mauritius is now looking to position itself as the FinTech hub for the region and is committed to foster a conducive and vibrant FinTech ecosystem that will continuously allow the FinTech community to thrive across continents.

Among the new tools or products, we have Peer-to-Peer Lending; Crowdfunding; and the Robotic and Artificial Intelligence Enabled Advisory Services which govern the provision of digital and personalised advisory services. These regulatory frameworks are meant to establish the appropriate eco-system for FinTech to develop, provide entrepreneurs with a conducive environment to grow their activities, and improve financial inclusion through better accessibility to finance.



We are additionally seeking to develop an Environmental, Social and Governance (ESG) Framework to cater not only for the policy of Mauritius but also the requirement of the African countries. Along with the increasing global awareness of climate change and biodiversity loss, investors and other sources of funds have also begun to shift their investment priorities. Investors and multilateral institutions' appetite are now changing towards more sustainable investments – and on this

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front, they will be attaching a high consideration to how programmes/projects address ESG aspects.

Mauritius as an IFC firmly believes that it can help to drive impactful investment into mainland Africa and we therefore require the incorporation of ESG principles in projects. Particularly, projects involving private financing which contribute to unlocking important green funding sources, whilst also contributing to countries' sustainable development. Many markets around the world are now aligning their business models to the UN Sustainable Development Goals and investments are increasingly adopting disclosure guidelines relating to ESG issues.

Other initiatives implemented by the Government include the revamping of the regulatory sandbox regime; the setting up of a FinTech Innovation Hub and Digital Lab whose primary objective is to foster growth of start-ups/entrepreneurs through enhanced connectivity, testing and value-propositions of FinTech service providers in cost-effective and scalable ways; and the introduction of the Virtual Asset and Initial Token Offerings Services (VAITOS) Act 2021 which constitutes a pivotal legislative framework for Mauritius.

The trust which the global investment community has in the MIFC is based on its compelling value proposition. We are confident that the right ecosystem is in place to enable Mauritius to play a pivotal role in bringing growth and prosperity to the region.

Your Ministry has announced several initiatives such as the recent hosting of a workshop and reviewing the National Risk Assessment as well as the introduction of a new AML/CFT Miscellaneous Provision Bill and new Securities Bill. How can such initiatives, together with the virtual platform for the ACP exchange of information on tax and AML/CFT by the OACPS where Mauritius is a Member State, help boost its prospects not only for effective collaboration but also facilitate its emergence as a coveted financial services centre in the region?

Mauritius has made significant strides in recent years to facilitate and support the growth of its Financial Services Sector through various initiatives. We are conducting a review of our National Risk Assessment (NRA) to evaluate our Money Laundering and Terrorism Financing risks, including how such risks have changed since the 2019 NRA. It also provides

for potential improvements to our existing AML/CFT regime, including through the formulation or calibration of national AML/CFT policies.

Any ML/TF weaknesses or gaps identified during this exercise will be mitigated through the adoption of measures in order to enhance our AML/CFT framework. A robust framework will enable Mauritius to play a premier role in attracting foreign investments.

A new AML/CFT Miscellaneous Provisions Bill is being prepared to address the remaining minor technical compliance shortcomings in relation to the Financial Action Task Force (FATF) Recommendations to which Mauritius is Largely Compliant, as well as any legislative gaps identified during the NRA exercise. The introduction of the bill will help in mitigating those gaps and consolidate our position as a trusted jurisdiction for doing business.

We recently hosted the Organisation of African, Caribbean and Pacific States (OACPS) Workshop. The objective of the workshop was to share of experiences and best practices amongst the OACPS member states, to strengthen dialogues, and encourage collaboration between the OACPS member states and the European Union on several issues pertaining to tax governance and ML/TF.

The workshop was also followed by a High-Level Dialogue between the EU and OACPS member states. Mrs Mairead McGuinness, the EU Commissioner for Financial Services, Financial Stability and Capital Markets Union also participated in this workshop.

The launching of the Virtual Platform for intra-African, Caribbean and Pacific (ACP) exchange of information on tax and AML/CFT by the OACPS is a landmark project aiming at bringing every OACPS Member State on a common platform for more effective collaboration.

The past year saw the promulgation of the Virtual Asset and Initial Token Act and the Variable Capital Companies Act as well as the launching of an online platform Single Window System and the introduction of Insurance Wrappers. How do they help create the right ecosystem to attract substance and add value on the market?

The measures mentioned show our commitment to modernise the Financial Services Sector in Mauritius so as to improve and maintain its competitiveness at

a global stage. As technology and digital transformation change and grow, this gives us an opportunity to develop financial ecosystems of integrated products and services.

We have been on the crest of the wave but even then, we have sought to look beyond the present and focus on further enhancing our value-add. We have adapted to the changing times, and it was essential that we review our legislative framework. With the recent implementation of the Variable Capital Companies (VCC) Act and the VAITOS Act, we are positioning our jurisdiction for years to come.

The enactment of the VAITOS Act has propelled our economy to be amongst the first countries in the Eastern and Southern African region to have adopted a comprehensive legislation on virtual assets and initial token offerings. The Act further provides the necessary safeguards, both to our jurisdiction and to investors, against ML and FT risks associated with the FinTech industry. The introduction of this piece of legislation is part of the government's efforts to facilitate the implementation and process of new technologies in Mauritius and to give investors, businesses, and consumers the opportunity to leverage technological advancements in a safe and regulated environment.

Last year we have also enacted the VCC Act for the purpose of providing a new type of umbrella fund structure which allows for flexibility for investors and promoters. The VCC allows for saving of costs through economies of scale, thereby making our jurisdiction more competitive.

The FSC One Platform and the Single Window system are measures taken to improve the 'Ease of Doing Business' in the Financial Services Sector. The FSC One Platform is a step towards digitalisation to facilitate applications for financial activities licences with the FSC. It aims to create simpler, user-friendly process to serve Financial Institutions, Corporates and High Net Worth Individuals (HNWIs). I understand that its scope will be extended to post-licensing filings as well. Meanwhile, the Single Window is a facility to ensure cooperation between different authorities with respect to issuance of licences/permits in the Financial Services Sector. It will avoid duplication of processes and red-tapism.

In view of further enhancing the competitiveness of the Financial Services Sector, a legal framework was introduced to enable the operation of Structured



We have been commended for our “Predictability, Certainty, and Stability”

Investment-Linked Insurance Business (SILIB) activities under the long-term insurance business category. SILIB is an investment concept which combines the protection of an insurance policy with wealth management and succession planning in accordance with the legal and tax rules applicable in the policyholder's country of residence.

The above measures introduced demonstrate our commitment to providing new ways to access financial services and enhance financial services offerings in the country. It will certainly attract new investors and encourage those already operating in the country, thereby reinforcing the role of Mauritius as an investment hub with high global standards.

Deemed as a game changer, what role is the VCC expected to play in making Mauritius the international fund management centre of choice taking into account there are at present some 940 Global Funds in the jurisdiction?

An investor has a wide choice of financial services and investment products that are provided by entities licensed by the Financial Services Commission (FSC). This ranges from insurance products to investment funds, portfolio management, asset management and FinTech services.

With a view to further enhance the competitiveness of the Financial Services Sector and diversify the

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product base of the MIFC, a set of measures was announced in the Budget Speech 2020 – 2021, which, inter-alia, comprises of the introduction of the VCC.

The VCC Act has been introduced as an efficient structure for promoters seeking to set up different sub-funds under one structure, thereby leading to economies of scale. The VCC could have one Board of Directors, CIS Manager, CIS Administrator and Custodian for several sub-funds, thus saving on costs. The main takeaway for the VCC is that it offers a legal certainty in terms of segregation of assets and liabilities for each fund/sub-fund falling under the VCC.

AML/CFT measures would be applicable at the VCC level with several sub-funds, allowing for less costly and more efficient AML/CFT control measures. For instance, the VCC could appoint only one MLRO or Compliance Officer for several sub-funds.

When it comes to innovation, what role is the recently launched Artificial Intelligence (AI) Powered Trusted Due Diligence Platform with Integrated Dynamic Scoring Engine expected to play in ensuring compliance in the financial sector and showing its credentials as Mauritius has successfully secured its removal from the FATF list of jurisdictions under enhanced monitoring and EU list of high risk third countries?

The launch of this technologically-advanced AI solution is aimed at supporting the regulator in meeting the ever-increasing demands of compliance in the Financial Services Sector. It will also serve as a tool to ensure that established legal regulatory frameworks and international standards are being followed and observed. The AI platform will also have a profound and transformative effect on the work of the AML/CFT supervisors which would ultimately consolidate the reputation of Mauritius as an IFC of excellence.

Since the delisting from the FATF list of jurisdictions under enhanced monitoring, we kept the momentum to sustain our efforts and focus on improving the effectiveness of our risk-based framework. This platform is set to provide supervisory bodies with data of higher granularity, diversity and velocity on a timely basis. As a result, due diligence process becomes more efficient as some of the steps become automated, hence enabling the due diligence teams to focus on other, more critical tasks.



The Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance, Manisha Dookhony, Yhesma Jankee-Chukoory and H.E. Vincent Degert, EU Ambassador to the Republic of Mauritius, launching the Report on Women in Finance in Mauritius: Bridging the Gender Gap in Investment and Financial Services Sector in Mauritius

In the spirit of innovation and to be up-to-date with technological advances, the FSC aims to revolutionise its due diligence process by implementing the AI powered platform with an integrated scoring engine assigning a score of High, Medium or Low to each due diligence being performed.

You recently led a delegation to Mumbai alongside the Economic Development Board. What were the key takeaways from this event pertaining to the product offerings by the MIFC to investors? How do you see future collaboration with the GIFT City boosting financial services cooperation between India and Mauritius?

My Ministry, in collaboration with the Economic Development Board (EDB), organised a promotional and awareness campaign in Mumbai, Bengaluru and New Delhi from 6 to 13 February 2023. The delegation which I led comprised both private and public sector representatives. The purpose of this mission was to reconnect with the Indian market, especially our key stakeholders, given that post the COVID-19 pandemic and the exit of the MIFC from the FATF list, it was the opportune time to meet and inform our business partners of our new palette of activities, and business leaders of the ease of doing business in Mauritius.

India is a booming country and is currently undergoing a turning point in its economic outlook. India has certain key objectives where Mauritius can play an important role as a strategic partner. Mauritius is still well perceived amongst the Indian

investors for being a transparent jurisdiction after having complied with the 40 FATF recommendations and we have been commended for our "Predictability, Certainty, and Stability".

During the mission, three business forums, and around 15 targeted one-to-one meetings were organised. The business forums held in the three cities were attended by HNWI, prospective investors and key professionals, including tax advisors, Wealth and Asset managers, and law practitioners. We have had some very fruitful discussions and we are very hopeful in the next 2-3 months to welcome new players to the MIFC.

On another note, we observed that, during the Budget Speech which was presented by the Honourable Shreemati Sitharaman, Minister of Finance and Corporate Affairs of India, the tax rebate on debt structuring, which is presently 5%, has not been renewed. Hence, Mauritius, with a debt restructuring of 7.5%, has all the potential to reposition its competitive advantage over GIFT City (10.5%) and Singapore (15%) as from 1 July 2023.

With regards to areas of collaboration with GIFT City, we have made it very clear during our visit that we are not competitors, instead we have offerings which can complement each other to service the Indian community as well as the African region. We are looking forward to enter into a Memorandum of Understanding with GIFT City very soon.

Finally, as we speak about financial services on the island, an important aspect is the role of Women in Investment and Finance, where one of the aims is to boost gender equality and inclusivity. A recent report funded by the EU Africa RISE Regional Facility noted that, while 52% of the financial sector's workforce is female, women are still under-represented in the higher echelons of the industry. What measures are being taken across all spheres in the Financial Services Sector to help overcome hurdles faced by women?

Absolutely, in fact this insightful report points out that the business sector has recently taken deeper interest in the gender concept and implications of gender inequalities, and is working on plans and policies towards enhancing gender equality at their level.

It also identifies gaps, in rules and practices, and, offers suggestions on how to close these gaps. It is a fact that we cannot expect to grow in a world where

women are not involved in decision-making or given equality. Although, there have been significant improvements in championing the cause of women on the political, economic and social fronts, there is still so much to be done.

Over the past years, several actions were taken to bring forward the woman agenda:

- This Government through The Finance (Miscellaneous Provision) Act 2019, has amended the Companies Act of 2001, which states that "There shall be at least one woman on the board of a public business."
- The National Code for Corporate Governance for Mauritius (2016) mandates in the document's Board Diversity section that "All organisations should include directors from both genders as members of the Board, i.e., at least one male and one female director". All boards, are urged to adopt a non-discrimination policy.
- Moreover, with a view, to further encourage women's emancipation and increase financial literacy of women, the Financial Services Fund (FSF) has put into place a series of courses on dedicated financial products such as Peer-to-Peer Lending or Crowdfunding which can help women entrepreneurs to have access to funding.

Over and above domestic emancipation, the Government of Mauritius is also a member of the AfCFTA which has a dedicated instrument on Women development. It provides a unique opportunity for women to take their businesses beyond Mauritius. Consequently, my Ministry, in collaboration with the FSF, has last year organised an awareness session on how women entrepreneurs can tap into such opportunities.

It is important to highlight that, on the strength of these efforts, Mauritius is today one of the top six economies in respect of gender equality in Sub-Saharan Africa. According to the World Bank's Women, Business and Law Report for 2021, Mauritius' 91.9 score makes it the highest-ranking African country on the index.

Whilst we can be proud of our achievements, we cannot afford to sleep on our laurels. It is important to acknowledge that the purpose of such report is to help fast-forward the women agenda, so that we do not have to wait for another century to reach perfect equilibrium.

Banking on sustainable finance to transform the Mauritius IFC

Alvin Peerthy, Senior Manager - Sustainability & CSR at AfrAsia Bank, shares insights on how banks are contributing towards the drive to green transition in the financial services sector of Mauritius, and comments on the evolution of the ESG space in the International Financial Centre (IFC) over the next five years.



It is important to understand that sustainability is a vast topic; for an organisation, it is not just about handling environmental risks but also about effectively assessing its resilience, adaptability, and long-term growth capacity in a holistic manner.

This is where the Environmental, Social and Governance (ESG) conversation comes into play and is increasingly being used as a baseline for measuring companies' success driven by multiple factors.

Driving forces of ESG in the financial sector

Firstly, consumers and investors are more conscious about the impacts that companies have on the environment and society. Companies are embedding the ESG component in their overarching business strategy with the aim to create value for all stakeholders and reap the positive spillover effects of customer loyalty, enhanced organisational goodwill and improved financial performance.

Mauritius has committed to reducing its greenhouse gas emissions by 40% by 2030

Secondly, regulatory bodies and governments are placing greater emphasis on ESG factors in their policies and regulations. For instance, in the banking space, the Equator Principles were established in 2003, followed by the International Finance Corporation's Environmental and Social Performance Standards in 2012. Both are risk management frameworks that cater for environmental and social risks in project financing.

Finally, evidence shows that companies with strong ESG performance are more resilient to risks and

better able to adapt to changing market conditions. This has led to an increased focus on ESG issues amongst investors - ranked 3rd among the top criteria to evaluate the long-term sustainability of companies in which they invest, as reported in PwC's Global Investor Survey 2022.

I believe that adopting a strong ESG strategy requires that all business functions work together towards common goals. However, many companies are yet to fully embed their policies, and close guidance from their Board will be essential if short and long-term ambitions are to be met.

Growth prospects and challenges for sustainable finance in Mauritius

The Mauritian Government and regulatory bodies have laid a solid foundation with the introduction of guidelines to cater for the issuance of green bonds and to better identify the risks and opportunities arising from the transition to a low-carbon and more circular economy. Likewise, the Stock Exchange of Mauritius has introduced ESG reporting requirements for listed companies. These have paved the way towards greener alternatives, starting with the launch of the first green bond in January 2022.

ESG Investing is another area which is gaining popularity worldwide. Mauritius already upholds the reputation of an IFC of substance given its strategic advantages and expertise in fostering local and foreign investor confidence. By promoting ESG investment solutions, the country can position itself as a sustainable financial hub and reap the benefits of this new segment.

On another note, aligned with its ongoing efforts towards the Nationally Determined Contribution (NDC), Mauritius has committed to reducing its greenhouse gas emissions by 40% by 2030 and it has been estimated that this will require funding of USD 6.5 billion. For this to happen, we absolutely need the collaboration of both private and public sectors. Such a collaboration will even give rise to new sustainable financing solutions to support the upcoming developments in sectors such as infrastructure, tourism and agriculture. By leveraging these opportunities and developing a national sustainable financing strategy, Mauritius can attract investments that promote both economic growth and contribute to the achievement of the Sustainable Development Goals (SDGs).



By Alvin Peerthy,
Senior Manager -
Sustainability & CSR,
AfrAsia Bank

All that said, despite the opportunities highlighted previously, the challenges are still very much present. There is a lack of awareness and understanding about this particular area among investors, financial institutions and the general public. This makes it all the more difficult to attract investments for sustainable projects.

Moreover, even if there is a growing interest in sustainable finance globally, the availability of sustainable finance products in Mauritius is still limited. This is making it challenging for investors to find sustainable investment opportunities and limits the ability of businesses to access tailored financing solutions for their sustainable projects.

Mauritius may see greater use of innovative technologies and solutions to address ESG challenges

Similarly, despite the ongoing efforts to develop a regulatory framework for sustainable finance in Mauritius, there is still the need for more comprehensive regulations and guidelines to cater for ESG reporting, to support the development of sustainable finance products and encourage the adoption of sustainable investment practices. And, here I would also like to add that access to reliable data on ESG factors remains the greatest challenge that we currently face. It is vital to assess where we stand today and to identify where we want to go and how we are going to reach there – otherwise all these efforts will be in vain.

The ESG outlook in Mauritius in the next 5 years

The evolution of ESG in Mauritius is likely to be shaped by a combination of global trends, regional

priorities, and local initiatives. For example, we will need increased regulatory oversight by strengthening regulations and policies to promote ESG best practices, as well as pushing for enhanced transparency, disclosure and compliance among companies.

Moreover, Mauritius is vulnerable to the impacts of climate change, and addressing climate risks will likely become a top priority for both public and private sectors. Investments in climate-resilient infrastructure, renewable energy, and adaptation measures are expected to increase. Sustainable tourism is another area of potential focus since tourism is a significant pillar for the economy. The Government and the private sector are actively pursuing eco-friendly initiatives and certifications like Green Key or Green Globe to meet international sustainability standards. The country will likely continue to promote sustainable tourism practices to minimise the industry's environmental and social impacts.

Likewise, Mauritius may witness an increased use of innovative technologies and solutions to address ESG challenges, such as AI-powered data analytics and IoT applications for resource management. On the waste management and resource efficiency front, Mauritius is likely to experience a greater adoption of circular economy principles, promoting recycling, upcycling and waste reduction initiatives.

Supporting the Mauritius IFC journey towards sustainable finance

Although we are at the beginning of our journey, we have adopted a diligent, holistic and forward-looking approach in the way we tackle ESG matters. At AfrAsia Bank, our objective is to be a solution provider to facilitate the transition to a low-carbon and socially-inclusive economy. We started with the launch of green car loan and also partnered with the Agence Française de Développement (AFD) and the European union for a EUR 10 million credit line as part of the SUNREF III program to fund eco-friendly projects. With the evolving customer requirements, we are broadening our sustainable product portfolio and through a collaboration with experts, transforming our bank into a more responsible corporate citizen. With the 2030 Agenda for Sustainable Development and the SDGs in mind, we plan to rethink and realign our strategy while transforming our institution into a responsible Bank with sustainability as a key pillar of our success.

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Mauritius makes inroads towards a sustainable future, powered by green finance

Ashwin Mudhoo and Yushrah Bayjou of Prism Chambers elaborate how green finance offerings – in particular, green bonds – present immense potential to transform Mauritius into a regional hub for investors with a commitment to sustainability.

In recent years, Mauritius has emerged as a hub for international finance, with a well-developed financial services industry that caters to clients from all around the world. One area of finance that holds particular promise for Mauritius is green finance, and more specifically, green bonds.

Green finance, also known as sustainable finance, refers to financial products and services, or the financing of projects and initiatives, that have a positive impact on the environment. This can include everything from renewable energy projects to sustainable agriculture and forestry, and from green bonds to carbon credits.

Green finance has become increasingly popular around the world as people become more aware of the urgent need to address climate change. Thus, the country's shift towards green finance recognises the potential of this emerging sector for both its own economy as well as for the global economy at large.

One of the main drivers of the shift towards green finance in Mauritius has been the global push to combat climate change. As one of the most vulnerable countries in the world to the impacts of climate change, Mauritius has a strong interest in promoting sustainable development and reducing its carbon footprint.

The legal framework for green finance in Mauritius

To support its transition towards a green economy and combat climate change, the country has recently established a legal framework for green

finance. Mauritius has made a commitment through its Nationally Determined Contributions (NDCs) to reduce its Greenhouse Gas (GHG) emissions by 30% by 2030 in the latest pledge of the Paris Agreement.

The Financial Services Commission (FSC) of Mauritius has, in 2021, published guidelines for the issue of corporate and green bonds in Mauritius, which apply to all licensed banks, insurance companies, and other financial institutions. The guidelines regulate the issuance of sustainable bonds, encourage financial institutions and issuers to integrate environmental, social, and governance (ESG) factors into their funding exercise and decision-making processes, and to disclose their ESG policies and practices to investors.

In addition, the guidelines require financial institutions to establish clear environmental and social risk management policies and procedures, and to conduct due diligence on the environmental and social risks associated with their investments. The FSC also encourages financial institutions to develop green financial products and services and to provide financing for renewable energy and energy efficiency projects.

Mauritius has been actively promoting the issuance of green bonds, which are debt instruments used to finance environment-friendly projects. In 2022, under the recently established FSC guidelines, the country saw the issuance of the first green bond by way of private placement, raising some MUR 3 billion, and is due to witness a first such issuance on the Stock Exchange of Mauritius.



By Yushrah Bayjou
Associate, Prism Chambers



By Ashwin Mudhoo
Managing Associate,
Prism Chambers



Outlook for green finance in Mauritius

In view of the above, it is good to consider the outlook for green finance, and the potential of this sustainable offering for contributing to the future of the IFC.

First and foremost, there is significant potential for Mauritius to become a regional hub for green finance in Africa. With its strong financial services sector and well-established legal and regulatory frameworks, Mauritius is well positioned to attract investment into green projects across the continent. This could include everything from renewable energy infrastructure to sustainable agriculture and forestry projects.

However, green finance in Mauritius does face a major drawback: the high cost of implementing environment-friendly projects often requires significant upfront investment, which can be a barrier for small and medium-sized enterprises (SMEs) struggling to access the capital they need to invest in green projects, which can slow down the pace of progress towards sustainable development.

Additionally, green finance may not be a priority for some investors in Mauritius. While there is growing interest in sustainable investment around the world, many investors in Mauritius may still prioritise short-term profits over long-term sustainability. This can make it difficult to attract investment in green projects and hamper the creation of a viable market

for green finance in Mauritius.

Having said that, the potential for Mauritius to develop its own domestic green finance market is significant. This could involve the creation of new financial products and services that support green projects within the country, as well as the establishment of a network of green finance institutions and investors.

Finally, the shift towards green finance also presents an opportunity for Mauritius to rebrand itself as a responsible and sustainable international finance centre (IFC). This could help to attract a new generation of clients who are looking for financial services that align with their values and commitment to sustainability.

The Mauritius IFC looks forward to a sustainable future

The future of green finance in Mauritius looks bright. With its strong financial services sector, well-established legal and regulatory frameworks, and growing commitment to sustainable development, the country is well positioned to become a regional hub for green finance in Africa.

As the world continues to grapple with the challenges of climate change, Mauritius has an opportunity to play a key role in the transition to a more sustainable future.

Mauritius has an opportunity to play a key role in the transition to a more sustainable future



Mauritius embarks on new avenues of trade, investment, financial cooperation and boosts bilateral relations

As Mauritius celebrates three decades of success of its International Financial Centre, strong diplomatic ties with key strategic partner countries including India, China, the UK and Japan will pave the way for strengthened cooperation and new heights of economic success.

Mauritius is an important partner among the Indian Ocean littoral countries in the region, and its relationship with its peers, across the African terrain, is significant for other nations' businesses and investors. As an outward-looking and peaceful nation, Mauritius has a strong track record in building effective diplomatic relations, and in recent years it has signed a number of important international trade agreements, such as the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India, the Mauritius-China Free Trade Agreement (FTA) and the African Continental Free Trade Area (AfCFTA) which further strengthen its position on the international stage. Against this backdrop, let's take a look at how a number of key strategic partner countries have worked together with Mauritius to help establish the position of the island nation as a broad-based, innovative and knowledge-based economy, with

diversified sectors, which is open to trade and investment

Fostering strategic ties with India

Mauritius and India enjoy an exceptional relationship which has been forged for over 75 years. The cooperation between the two countries, in various spheres, has been fruitful, with strong potential to go further. The Mauritius International Financial Centre is recognised as a key enabler to attract, structure and channel trade and investment flows into Africa. Mauritius is a signatory to the Africa Free Trade Continental Area (AfCFTA) which represents an immense opportunity for India. Similarly the 'Comprehensive Economic Cooperation and Partnership Agreement' (CECPA), signed between the two countries holds the promise of significant economic impact.

The Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance led a week-long mission to India in February to explore ways to boost two-way investment and overall bilateral economic engagement. The delegation hosted sessions in Mumbai, Bangalore and New Delhi around the theme “India and Mauritius Partnership- Bridging Asia and Africa”, which promoted investment and trade in services between the two countries. The mission sought to consolidate the position of the Mauritius IFC as a key investment platform and to introduce the new offer and services of the Mauritius IFC such as the VCC+ and the Virtual Asset & Initial Token Offering Services. Speaking at the Khaitan Office in Mumbai on February 7, 2023, the Minister said, “When we put together India on one side, an economic power-house in the making, and Mauritius on the other, with its historical ties with the African continent, we can see a mutually beneficial relationship for business to flourish.”

He elaborated that, “Our mission in India, today, is totally in sync with the philosophy and essence of Prime Minister, Shri Narendra Modi ji’s ‘Amrit Kaal’ vision. We have noted that much emphasis is being placed on the ease of doing business and capacity building. Mauritius is doing its part in being a partner in fulfilling India’s objective of becoming a five trillion-dollar economy. This also comes with its own set of responsibilities. We have credentials endorsed by the world’s biggest economic, regulatory frameworks such as the FATF, OECD, and the EU, as well as strong bilateral agreements with Indian regulatory bodies.” It should also be noted that during the launch of the Additionally, with the launch of the AFRINEX in 2021, it is uniquely positioned to define the contours of a Mauritius IFC–GIFT City corridor that further augments the international financial centre services offered in Mauritius. This opens the door to the possibility of deeper financial and economic engagement between Mauritius and India.

Minister Seeruttun also highlighted, “We will continue to create new economic partnerships and deliver the jobs and broad-based growth that our two nations so richly deserve. I will even venture to say that political, economic and social strings which bind India and Mauritius together, will strengthen into one of the most coveted partnerships of the century.”

The Sino-Mauritian bond after 30 years

Mauritius has long been cementing economic and commercial cooperation with China – it has an



“When we put together India on one side, an economic power-house in the making, and Mauritius on the other, with its historical ties with the African continent, we can see a mutually beneficial relationship for business to flourish.”

**The Hon. Mahen Kumar Seeruttun,
Minister of Financial Services and Good Governance**

instrumental role in the modernization and economic diversification of Mauritius. In this perspective, major infrastructure projects such as the International Airport, the Côte d’Or Sports Complex, the Bagatelle Dam and the Bruno Cheong Hospital have been developed with the support of the Chinese Government.

Lauding the relationship between the two countries and how it has paved way for further developments, cooperation and the strengthening of bilateral relationships, Ambassador Extraordinary and Plenipotentiary of the People’s Republic of China to the Republic of Mauritius, H.E. Zhu Liying said, “China is a major source of foreign investment in Africa and has been an important partner of the Mauritius International Financial Centre, making use of its financial services for cross-border investment. The financial sector in China is open to foreign investors, with the adoption of pre-establishment national treatment and the removal of foreign investment restrictions in banking, securities, and insurance sectors. Mauritius’ financial institutions, including the Mauritius International Financial Centre, are welcome to invest in China, to share experience in international financial regulatory governance, and to

enjoy the growth dividends of China's economic development. China will continue to improve its market-oriented, rule-of-law, and internationalized business environment while promoting the joint development of Chinese and foreign-funded banks and insurance institutions."

With regard to the importance of strengthening cooperation in finance and investment, the Mauritius-China FTA – which is the first FTA between China and an African state - and its many components were comprehensively detailed. The FTA sets out to promote "the development of a Renminbi clearing and settlement facility in the territory of Mauritius", and also to share "expertise in fintech to promote innovation in financial services".

The creation of an RMB (Renminbi) clearing centre will no doubt promote the deepening of China-Mauritius and China-Africa economic and trade cooperation. It will also enhance the Mauritian jurisdiction as a regional business centre and an ideal hub for structuring investments to Africa. The RMB clearing centre will stimulate two-way investment. Explaining the benefits, the Ambassador commented: "The China-Mauritius Free Trade Agreement has created opportunities for economic and trade development between the two countries. China remained Mauritius' top trading partner country in 2022. Trade has led to the growth of financial services such as trade settlement and financing, consolidating Mauritius' position as an African International Financial Centre. China is experienced in using FinTech to secure mobile payments, enhance payment efficiency, and identify transaction risks. Bilateral cooperation in FinTech can be conducive to financial technology empowerment and innovation in Mauritius' banking sector."

He went on to add, "With the establishment of the Mauritius Renminbi Clearing Centre, the use of CNY as settlement currency between China and Mauritius or even China and Africa is expected to rise, lowering transaction costs, promoting trade while strengthening Mauritius' position as a cross-border financial services centre in Africa."

Mauritius already plays an important role as an investment entrepôt for the continent. This is likely to make Sino-Mauritian ties even more important for the rest of the continent to watch. Commenting on the future outlook for both countries, H.E. Liying stated that under the China-Mauritius Free Trade Agreement, in addition to offering high-quality market access



"China remained Mauritius' top trading partner country in 2022. Trade has led to the growth of financial services such as trade settlement and financing, consolidating Mauritius' position as an African International Financial Centre"

H.E. Zhu Liying, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Republic of Mauritius

commitment in goods and services, both sides agreed to carry out economic and technological cooperation in agriculture, finance, medical care and tourism, among others, and will further strengthen cooperation in reducing non-tariff barriers and expanding market access for agricultural products.

"Looking ahead, China and Mauritius will closely cooperate and jointly implement the first three-year plan of the China-Africa Cooperation Vision 2035, namely the Nine Programs agreed upon by President Xi Jinping and African leaders at the 8th Ministerial Conference of the Forum on China-Africa Cooperation, which will bring more connectivity to Mauritius, make it an ideal destination for investors and tourists, and promote the economic and social development of Mauritius," he concluded.

Building on UK-Mauritius relations

The UK's single biggest interest in Mauritius, and in the region, is that countries in the Indian Ocean are successful and stable, peaceful and prosperous. The UK encourages, supports and develops strong partnerships with Mauritius, Seychelles, Madagascar and Comores, particularly those which contribute to

positive change, stability, conflict prevention and poverty reduction.

Keeping this in mind, with the City of London being one of the world's leading financial centres, the UK has been deeply involved in the development of the Mauritius International Financial Centre since its inception three decades ago. Sharing some milestones which prove the strength of the bilateral relationship, in terms of collaboration and providing specific assistance to the Mauritian authorities, H.E Charlotte Pierre, British High Commissioner to Mauritius said, "The partnership between the UK and Mauritius runs deep and our cooperation on financial services demonstrates this. From the financial sector alumni of the UK's Chevening Scholarship programme to the two remaining international banks (HSBC and Standard Chartered) being headquartered in the UK, we are proud of the strong economic ties. In 2021, our bilateral outward and inward investment with Mauritius stood at over £2 billion (approximately MUR 92.7 billion) and we are now formalising the relationship with the City of London through a Memorandum of Understanding."

She underlined that, "In recent years, we have expanded our cooperation into Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT). From virtual assets to terrorist financing, sanctions to supervision, the UK has provided technical assistance to assist Mauritius to come off the FATF grey list. The UK was the first international partner to de-list Mauritius in 2021 – a sign of our commitment to this relationship for the long haul. And we were delighted to participate with Prime Minister Jugnauth at the workshop on Public Private Partnerships in Combatting Economic Crime in December."

Her Excellency also noted that the future is looking bright for further cooperation between Mauritius and the UK in the financial services sector, and in boosting trade and investment more broadly, over the months to come.

She added, "At the UN General Assembly in New York last year, former Prime Minister Truss and Prime Minister Pravind Kumar Jugnauth welcomed steps to strengthen the UK-Mauritius relationship, particularly through a new Strategic Trade Partnership (STP). The STP will focus on six key sectors, including financial and professional services, and will provide a platform for our two countries to strengthen bilateral investment. It will also increase our shared understanding of growth sectors, including



Photo credit: Khaiteen Minerve, afm.media

"The partnership between the UK and Mauritius runs deep and our cooperation on financial services demonstrates this. From the financial sector alumni of the UK's Chevening Scholarship programme to the two remaining international banks (HSBC and Standard Chartered) being headquartered in the UK, we are proud of the strong economic ties."

**H.E Charlotte Pierre,
British High Commissioner to Mauritius**

biotechnology and pharmaceuticals for instance, and establish business-to-business partnerships. Some of these partnerships have already started coming through – we are excited about the upcoming signing of a MoU between the UK Fintech Alliance and the Mauritius Africa Fintech Hub, amongst many other opportunities."

Similarly, she pointed out that they recently announced the appointment of the UK's first Trade Envoy (Andrew Selous MP) for Mauritius who will support the drive for economic growth, champion Global Britain and promote the UK as a partner of choice. Furthermore, as Mauritius prepares for the next round of FATF assessments, the UK looks forward to continuing their partnership on these issues.

Bolstering and strengthening cordial relations with Japan

The bilateral relationship between Mauritius and Japan has developed at a remarkable pace. Both countries will now cooperate to realise the idea of

“Free and Open Indo-Pacific” as they have agreed on shared values, such as seeking a world with peace and stability, and respecting the rule of law.

Sharing his perspective on the bilateral relations, Ambassador Extraordinary and Plenipotentiary of Japan, H.E. Shuichiro Kawaguchi said, “First of all, I would like to congratulate Mauritius on the 30th anniversary of the MIFC. As one of only two IFCs in Africa to receive an ‘Investment Grade’ ranking by Moody’s, such infrastructure will make a great contribution to the trade and foreign direct investment strategies of Japanese companies expanding into Africa. Early on, Japan has enjoyed a strong relationship with Asia. However, in a new era of strong interest in Africa, Mauritius could become a hub to connect Japanese investors with the Southern and Eastern African regions. This could be achieved notably by utilizing regional economic zones such as SADC and COMESA, as well as the benefits of tax incentives, regional headquarters for finance, regional treasury centres, and corporate procurement schemes.”

Recently Japan has provided Mauritius with grant assistance of some Rs 476 million to enhance the maritime safety and security of the island; and the Chief Executive Officer of Mitsui O.S.K Lines Ltd, Mr Junichiro Ikeda, visited Mauritius in a bid to engage in fruitful discussions with several dignitaries and businessmen in Mauritius where many ideas for cooperation were raised. Commenting on how the Government of Japan intends to take the relations to greater heights through financial assistance and the exchange of expertise between the two countries, the Ambassador said, “Japan considers Mauritius a country of strategic importance in the diplomatic field. Based on Japan’s strategy of a Free and Open Indo-Pacific (FOIP), the idea is to enhance cooperation in the Indo-Pacific and to emphasise freedom and the rule of law. For example, Japan recently agreed on increasing its grant assistance up to 1.5 billion yen (around Rs 500 million) to strengthen the maritime security capacity of Mauritius through the provision of the coastal surveillance radar system. This shows Japan’s commitment to enhance maritime safety and security in the region. On the other hand, many Japanese companies are focusing on energy businesses associated with climate change. And the “Public and Private Sector Joint Mission for Promoting Trade and Investment in Africa” is scheduled to visit Mauritius in May 2023 to work together with Mauritius for economic cooperation,



“Japan considers Mauritius a country of strategic importance in the diplomatic field. Based on Japan’s strategy of a Free and Open Indo-Pacific (FOIP), the idea is to enhance cooperation in the Indo-Pacific and to emphasise freedom and the rule of law”

H.E. Shuichiro Kawaguchi, Ambassador Extraordinary and Plenipotentiary of Japan

including financial cooperation.”

Lastly, speaking of the future outlook on the general economic cooperation agreement with a view to promoting cross-border investment for the mutual benefit of both countries, he said, “In order to realise a legal framework, a number of important factors need to be taken into consideration. These include cross-border investment in foreign companies that support a supply chain of Japanese companies, and investment in start-ups overseas. An increasing number of Japanese companies and investors are expressing interests in the Southern and Eastern African regions. We are confident that we will be able to effectively utilise the functions of the MIFC in Mauritius and grow together.”

Taken together, these dynamic bilateral relationships demonstrate how the Mauritius International Financial Centre, which already enjoys a successful track record built over three decades, is prepared to reach even greater heights of economic success through strengthened diplomatic ties over the decades to come.

Investment Dealers, a new niche for Mauritius

Mauritius has one of Africa's most dynamic economies. In 55 years of Independence, the Country has achieved a remarkable transformation from a mono-crop economy to a sophisticated service-oriented International Financial Centre (IFC). It offers large full-service centres with advanced settlement and payment systems, supporting large domestic economies, with deep and liquid markets where both the sources and uses of funds are diverse, and where the legal and regulatory frameworks are adequate to safeguard the integrity of principal-agent relationships and supervisory functions.

Mauritius has fostered an ambitious goal through notable efforts. First, the financial services have provided a viable development for a small jurisdiction. Creating a climate that attracts financial professionals requires constitutional, political, and legal stability, as well as adaptability. The Republic has not rested on its laurels. Instead, the country has innovated, and has shown determination to comply with international requirements for transparency.

"Mauritius' reputation has made it an attractive destination for Investment dealers that prioritize transparency and compliance."

And second, a successful offshore financial centre is not just a nexus of professionals, telecommunications, and air routes. It also requires a regulatory framework that reinforces and supports the financial sector. By creating appropriate legislation and establishing capable regulatory authorities, the jurisdiction has stricken the right balance necessary to innovate and grow.

Mauritius' reputation has made it an attractive destination for Investment dealers that prioritize transparency and compliance. Leveraging this opportunity, the Financial Services Commission (FSC) has created a streamlined registration process for Investment dealers. The process is efficient and transparent, with clear guidelines on the requirements and procedures to obtain the license. This has led to an increase in investor confidence and trust in the financial system, resulting in an ascending trend in the number of Investment Dealers' licenses taking their operations to Mauritius.

Banking is essential for an Investment Dealer to operate, as it provides a secure and regulated environment for holding client funds, enables efficient payment processing, provides access to liquidity, helps with regulatory compliance, and supports day-to-day business operations.

On the other hand, while Mauritius is metamorphosing its IFC to becoming the trading hub for Africa, Investment dealers have a pivotal role to play in the ecosystem of capital markets.

MauBank has recognized the gaps in the banking needs and has transformed its product range and services for investment dealers. Building on what it had consciously invested in, in terms of human capital, technology and service model to set up its

"MauBank has recognized the gaps in the banking needs and has transformed its product range and services for investment dealers."

International Banking desk, today it has a full-fledged team comprising of a dedicated team of Relationship Managers and Client Managers, who are supported by a middle office and an operations team, all well-versed in International Banking and its specialized products.



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MauBank works in close collaboration with Management Companies and Global business structures, and having extended its services to Investment Dealers since a while now, the bank has diligently curated its offering to meet the business needs of the latter. Working with an established network of correspondent banks, the bank offers the required banking structural support to our clients through a streamlined process and competitive Turn Around Time.

The Investment Dealer integration at MauBank has been greatly appreciated by market participants, giving clear signs that demand for account opening and be-spoke banking services for this segment will grow. With the corresponding regulatory structure and accompanying business facilitation measures in place, our IFC has set the base for Mauritius

to be the jurisdiction of choice for Investment Dealers. Provided the appropriate compliance and governance frameworks are in place, banks will be called upon to become bigger players as the market expands, and Mauritius reinforces its position as the preferred IFC for Investment Dealers.

Mauritius poised to enhance role as gateway for impact investing into Africa

Navin Dussoruth of Apex Financial Services Ltd unfolds the various sectors where Mauritius can leverage innovative financial instruments and structures for greatest impact, and the factors that promise to deepen the status of the island economy as the de-facto hub for impact investing into the continent.

The COVID-19 pandemic has exposed vulnerabilities in key sectors not only in Africa but across the world. The current situation has demonstrated the relevance of impact investing with an increasing amount of global impact investment capital going to Africa.

So far, Mauritius has contributed a lot to impact investing into Africa. Post the pandemic, a fresh perspective has surfaced where Mauritius has huge potential to do more. Let us take a deeper dive into the specific sectors where Mauritius can structure solutions to pressing issues such as food insecurity, lack of housing, and energy insufficiency facing large sections of the continent's population.

Crowd farming to solve Africa's food woes

Food security and nutrition remain one of the greatest challenges that Africa faces. To meet the goal of zero hunger, it is critical to focus on investments that, through technology and efficient business models, promote sustainable agriculture and increase farm productivity. This can be achieved through crowd farming.

Crowd investing of farmers in Africa was pioneered through impact Venture Capital (VC) funds in Mauritius investing into start-ups across Africa and the model has since been used and adopted by more start-ups. These platforms allow users to fund Africa farmers' purchase of inputs and make returns at the end of the farm cycle. The prevalence of crowd farming platforms, funding farmers, and finding new ways of assisting the whole value chain can only be a positive development in this regard, and there is a

growing interest of fund allocation by Private Equity (PE)/VC fund managers in this space.

Increasing access to affordable housing

Africa is experiencing the highest rate of rural to urban migration and by 2030 it is projected that about 50% of the continent will be living in towns and cities. Urbanisation is great in itself – but it begs the larger question of where such a migrating population will live. This Africa housing crisis in turn opens a lot of opportunities for several industries from cement production to furniture making, building contractors and mortgages. Affordable housing is a business activity with high social impact and would mean helping low-income populations to access housing at more affordable costs.

During the past decade, there has been the emergence of Affordable Housing Funds (AFHs) in Mauritius with renowned Development Financial Institutions (DFIs) and grants from renowned agencies as sources of finance setting up entities in specific regions across Africa where there was a need to support individuals with low incomes by financing the construction, renovation, and extension of their homes through microfinance programmes.

However, there are growing concerns about potential for defaults and construction risks as well as the lack of adequate underlying security in the case of mortgage loans. To spread the risks, again Mauritius is the appropriate jurisdiction whereby funds can be pooled from a mix of DFIs, Sovereign funds, Pension funds and social aids with each category of these investors having a different risk appetite. The AFH



**By Navin Dussoruth,
Head of Private Equity &
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will, in turn invest through portfolio companies across Africa, partner with real estate developers, who have the reputation, track record and financial capacity to execute the proposed transaction. To mitigate the inherent risks associated with affordable housing the fund manager can consider buying a portfolio of life insurance schemes sold by insurance agencies from developed countries.

Powering renewable energy

Africa presents a clear and open slate for renewable energy, especially solar. What makes solar one of the most attractive business opportunities right now is its significant potential for off-grid solar solutions and the massive demand for it. Despite Africa having as much as 40% of the world's solar potential, the continent has only 1% of the world's solar panels. Post the Paris Agreement, and most recently with COP26, billions of dollars stand ready to invest in solar and other renewable energy projects across Africa, but very little funding has been deployed.

Mauritius can help towards deploying that much-needed capital through fund structures in the following ways:

- (i) Funds in Mauritius to set up SPVs on the continent with the objective to produce and scale up mini grid solar to households with the possibility to monetise surplus electricity by selling surplus to local authorities;
- (ii) In countries where major investments will be required to finance large utility-scale solar projects, the Fund can come into a long-term arrangement in either a Public-private partnership arrangement or enter into a build-operate-transfer contract with the local authorities.

How can Mauritius help to scale up impact funding for Africa?

The active role of DFIs in the PE/VC space has long been an essential source of capital for managers investing into Africa. With the African Continental Free Trade Area Agreement, it is expected that there will be more investment into Africa. With its robust regulatory framework giving confidence to investors that Mauritius is a matured IFC and gateway for impact investing into Africa, more capital can be pooled through fund structures in Mauritius towards projects across Africa with high societal impact.

With the forthcoming ESG framework, Mauritius is well positioned to take the lead on ESG values and hence facilitating impact investing into Africa.



Already, the government support for improved corporate governance demonstrates how the public sector is willing to drive real and tangible change. This is a strong signal to investors willing to use Mauritius as a jurisdiction to set up structures with focus on impact projects across Africa.

The ESG framework will necessitate reasonable Sustainable Finance Disclosures and impact measurement parameters that help in producing consistent and comparable baseline information. This indeed will be critical given that there will be emphasis on consistency, comparability, and transparency of performance metrics for impact funds. This adds to the comfort of the DFIs and investors at large.

Finally, improved data is a crucial component to unleash major investments in the impact space. Relative scarcity of data will tend to discourage impact investment in many African countries. Lack of data increases the cost of due diligence and makes it difficult to value assets. Mauritius can take the initiative to collect data from impact funds based on its shores through anonymous surveys as well as collating impact measurable data from portfolio companies across Africa through exchange of information. Gathering and disseminating impact-related data and statistics can greatly help in attracting investors with interest in Africa.

By bringing all these elements together, Mauritius can truly unleash the power of impact investing to fuel exciting innovations and future oriented solutions to address some of Africa's most critical issues.

Scaling up: How can Mauritius contribute to the rise of impact investing in Africa?

Nexus Global Financial Services Limited's Nusrath Bhugeloo looks at the growing importance of impact investing in Africa and shares her views on how Mauritius can contribute at full potential to this noble movement.



Impact investing seeks to achieve social and environmental benefits in addition to generating financial returns. It is instrumental in making investors realise that there is no such thing as a neutral investment: investment has an impact, whether good or bad. All investments should start with this question as to what the impact will be on society, on the environment, and crucially, on climate change.

The size of the impact investing market is currently estimated at USD 715 billion¹ of which 40% are allocated to emerging markets. With a share of 21%, sub-Saharan Africa attracts the most assets amongst emerging markets. The size of the impact investment

market worldwide is such that the latter is now considered as mainstream. Almost all investments today need to consider impact.

According to the Global Impact Investor Network (GIIN), 60% of impact investors target both social and environmental impacts in their investments. There is a broad use of United Nation's Sustainable Development Goals (UN SDGs) with 73% of impact investors using this framework for at least one measurement and management purpose.

The appetite for impact capital on the continent is unabated

In Africa, impact investing tracks the continent's

progress towards the UN SDGs and the objectives of the African Union Agenda 2063. The appetite for impact capital on the African continent keeps growing. Halfway towards 2030, most African nations are struggling to achieve most SDG targets. It is estimated that the continent will require an additional USD 256 billionⁱⁱ in funding every year until 2030 to meet its SDGs. In the 2020 survey of the Global Impact Investor Network (GIIN), 52% of respondents declared that they intended to increase their allocation to the continent.

Investments have primarily been directed to three main sectors

According to the most recent survey conducted by GIIN, three sectors account for the largest share of investments. Firstly, healthcare is the fastest growing area and it is seen to play a major role in generating societal impact. It will remain a major objective for private equity on the continent as impact investments have the capacity to fill the funding gaps in many areas of the healthcare ecosystem.

The size of the impact investing market is currently estimated at USD 715 billion

Secondly, the role of African FinTech's in promoting financial inclusion has seen significant activity from investors with mobile money being at the centre of initiatives. The democratisation of access to financial instrument is critical to ensuring economic progress on the continent.

Lastly, renewable energy is one of the sectors with the fastest growth rates in many African nations as lower prices for renewable energy continue to drive investments.

Mauritius as an impact investment gateway towards Africa

The Mauritius jurisdiction is increasingly being used

to structure and channel impact investments towards Africa. It is currently estimated that more than 600 funds with an African focus have chosen Mauritius as their structuring platform. Of these, a majority can be classified as impact funds. On these grounds, the contribution of Mauritius to the rise of impact investing in Africa is significant.

The active role of worldwide Development Finance Institutions (DFIs) and International Finance Institutions (IFIs) in the private equity and venture capital fields has long been an essential source of capital for impact managers investing on the continent and promoting focus on environmental, social and governance (ESG) matters. In particular, the trust that Mauritius has garnered from DFIs as a structuring platform - based on the good governance upheld by the jurisdiction - is playing a key role in channelling impact investment to the continent.

Given the availability of high-quality service providers and their proximity to investee companies, Mauritius-domiciled fund administrators and managers have the ability to support the creation and the management of impact finance vehicles investing in Africa. Hence, an innovative ecosystem can be made available to fund promoters allowing them to set up and manage impact finance vehicles in an efficient and cost-effective manner. Services offered by third party administrators and managers are wide ranging in nature and include cash and forex management, risk management, liability management, impact measurement and reporting, in addition to fund administration and investor services.

Impact investing is here to stay

The recent lawsuit filed against Shell's board of directors over its climate strategy prominently heralds legal action where failure to implement an energy transition could be ascertained. It is a reminder, if need be, that investors should consider the environmental and societal impact of their investment decisions. Impact investing is now one of the most dynamic and fastest-growing markets in the world. Governments could further encourage impact instruments by providing certain incentives for people investing in clearly identified and recognised impact funds.

For its part, Mauritius has played a predominant role in facilitating impact investment on the continent and should continue to strategically position itself in this promising market that has the potential to transform millions of lives.



**By Noursath Bhugeloo,
Executive Chairperson,
Nexus Global Financial
Services Limited**

i Source: GIIN Annual Impact Investor Survey 2020

ii Source: Brookings Institution



The end of cash in Africa: embracing digital payments

John Félicité of Ocorian explains how Africa is closer to a digital and inclusive economy than an initial analysis may suggest, and how the implementation of the African Continental Free Trade Area promises to bring in its wake consistent payment frameworks across the region.

The world is rapidly moving towards a cashless society, with digital payments becoming the norm in many parts of the globe. Africa, with its long history of trade, is not exempt from this trend. The question arises: what impact will this shift away from cash have on the continent's economies?

For many years, the exports from Africa have primarily been raw materials, while the imports from non-African countries have been finished goods. In 2020, the EU was Africa's largest trading partner, with China being the second largest. Primary goods accounted for 65% of imports to the EU from Africa, while manufactured goods accounted for 68% of goods exported from the EU to Africa.

Increasing exports from Africa on the back of the AfCFTA

According to the African Development Bank, the illicit trade in natural resources costs Africa approximately

US\$120 billion per year, which equates to 5% of Africa's GDP. Some African countries are now beginning to recognise the long-term benefits of processing their raw materials, such as rare earth metals, on the continent itself. By doing so, they can add value, and perhaps narrow the wealth gap, from job creation to industrialisation.

Whilst Africa's share of global trade is in steady decline, accounting for only 2.9% according to UNCTAD, new technology and increased transparency offer hope for intra-continental and global trade growth. The African Continental Free Trade Area (AfCFTA), potentially the world's biggest free trading bloc with a market of 1.3 billion people and a combined GDP of US\$2.5tr, could increase the current historical figure of 18% exports by African countries to others on the continent.

Processing raw materials locally could improve

export prices, as 70% of the continent's exports are in raw materials, mainly minerals and energy. Proper implementation of the AfCFTA could allow an additional 30 million people to escape extreme poverty by 2035, according to the World Bank.

Digital payments to boost financial inclusion in Africa

The use of technology, particularly electronic payments, is gaining traction in Africa and is challenging the traditional use of cash. Electronic payments are faster, more secure, and can be more convenient than cash transactions. Digital payments can help reduce the cost of doing business, improve financial inclusion, and promote economic growth. In Africa, where only 43% of the adult population has a bank account, digital payments can be a game-changer. The use of mobile money services is already widespread in many African countries, and the adoption of other digital payment technologies – such as cards and e-wallets – is on the rise.

In Africa, the emergence of crypto currencies and digital currencies is being seen as a way to move beyond traditional cash-based systems and to provide greater financial inclusion to those who have been excluded from the formal financial sector. However, the new forms of digital currencies are naturally facing greater levels of scrutiny as regulators come to terms with not only the levels of volatility but also the security of the underlying value.

Challenges to exploiting the full potential of digital payments in Africa...

Africa's domestic e-payments market is expected to see revenues grow by approximately 20% per year, to US\$40bn by 2025, compared to approximately US\$200bn in Latin America. As a comparison, global payment revenue is expected to grow at 7% per annum over the same period but the transition to digital payments in Africa is not without its challenges.

The infrastructure necessary for electronic payments is not yet widespread, and there are concerns about the security of digital transactions. Additionally, there is a need for increased financial literacy and education to ensure that people understand how to use digital payment systems.

...but benefits of digital payments outweigh the risks

Despite these challenges, the benefits of digital payments are clear. The shift to electronic payments can help reduce corruption, increase transparency, and improve government revenue collection. Electronic payments can also help reduce the gender gap in financial inclusion, as women are more likely to use digital payment services than traditional banking services.

The Pan African Payment and Settlement System (PAPSS), which is the brainchild of Afreximbank and being developed to facilitate trade within the African Continental Free Trade Area, is potentially transformative for cross-border payments across 50 countries and 40 different currencies.



**By John Félicité of Ocorian,
Business Development
Director at Ocorian Corporate
Services Ltd**

The use of technology, particularly electronic payments, is gaining traction in Africa

Digital payments to help Africa leapfrog, achieve inclusive growth

The growth of digital payments in Africa is changing the way people do business, and it will continue to do so in the years to come. While there are challenges to overcome, the benefits of digital payments are significant, and Africa can lead the way in the adoption of new payment technologies.

Indeed, as smartphones become more accessible and data costs decrease, there is hope for greater price transparency and awareness of the true value of goods and services. Furthermore, the adoption of new technology has the potential to improve trade within and outside of Africa, and lead to better pricing mechanisms.

Finally, there is an expectation that at least 25% of SMEs will have an online presence within the next three years. The end of cash in Africa may be closer than we think, and the benefits of a more digital and inclusive economy are within reach.

Resources:
The future of payments in Africa | McKinsey

MAIREAD MCGUINNESS

EUROPEAN COMMISSIONER FOR FINANCIAL SERVICES, FINANCIAL STABILITY AND CAPITAL MARKETS UNION

“I welcome the progress achieved by Mauritius in its AML/CFT regime over the last few years”



Mauritius has a highly developed financial system and is one of the EU's closest partners in the region, says European Commissioner Mairead McGuinness, who shares her views on international cooperation to fight financial crime and plans to reinforce the EU's legal framework in the fields of innovation and sustainable finance.

The European Commissioner for Financial Services, Financial Stability and Capital Markets Union, Mairead McGuinness, visited Mauritius in January 2023, where she participated in a workshop on tax good governance and anti-money laundering and countering the financing of terrorism (AML/CFT) held by the Organisation of African, Caribbean and Pacific States (OACPS).

In this interview, the Commissioner recognises the quick progress made by Mauritius in exiting the FATF and EU AML/CFT lists in less than two years and underscores the importance of international cooperation to protect the financial system. She also highlights EU initiatives in the field of innovation to guard against new risks from crypto-assets and to take advantage of new opportunities in digital finance. Finally, she outlines EU actions on sustainable finance and reporting, where the bloc has been leading the world, and explains that a proposal for new rules on ESG rating agencies is in the pipeline for the first half of the year, in the light of increasing demand.

You are visiting Mauritius for the Organisation of African, Caribbean and Pacific States (OACPS) workshop on tax good governance, anti-money laundering and countering the financing of terrorism (AML/CFT), where you are representing the European Union (EU). Can you share some of the key outcomes of this workshop? What is the basis for the collaboration between the EU and the OACPS on such matters?

Money laundering in the financial system hurts us all. It lets criminals conceal the illegal origins of their dirty money, allowing them to profit from crime. At the same time, scandals involving financial institutions undermine trust in the financial system and the public institutions that regulate it.

In the European Union we have been working hard to establish the rules and practices to close loopholes. But financial crime is a global issue that cannot be solved by us acting alone. We have to make progress on the fight against financial crime at international level.

I am grateful to the members of the Organisation of African, Caribbean and Pacific States (OACPS) for inviting me to this forum on tax good governance and anti-money-laundering and counter-terrorist financing (AML/CFT). This workshop was a great opportunity to talk to each other about how we can encourage cooperation on important issues that

affect the economies of many OACPS members. From the EU side, it allowed us to explain better our rules and offer technical assistance. Countries that have implemented important reforms, such as Mauritius and Ghana, which successfully addressed strategic deficiencies in their AML/CFT regimes to be removed from the Financial Action Task Force (FATF) grey list and the equivalent EU list, were able to share their experiences and best practices.

Representatives of the Financial Action Task Force (FATF) have also been present in Mauritius for this workshop. How would you describe the interaction between the EU and FATF on matters pertaining to AML/CFT in relation to OACPS countries such as Mauritius?

The Commission is a founding member of the FATF, and there is alignment between the FATF grey list and the EU AML/CFT list of high risk third countries.

Money laundering in the financial system hurts us all

Listing is a technical, objective process based on well-defined requirements. The FATF follows a clear and transparent methodology to assess technical compliance with their recommendations and the effectiveness of AML/CFT systems.

Similarly, the EU list of high-risk third countries is a legal requirement that is part of our AML legislation – which sets clear assessment criteria. The Commission also published methodology to ensure a robust, fair and transparent process. The listing is based on a comprehensive, fact-based analysis, which uses various credible information sources, notably reports from international organizations active in the AML/CFT field like the FATF. As the Commission participates in the FATF's assessment of countries, our approach provides for all jurisdictions that are listed by the FATF being listed by the EU. Only in exceptional circumstances, when we have specific concerns, does the EU add criteria on top of those of the FATF – even when we do, they are usually limited.

In terms of cooperation between the EU and Mauritius, how did EU technical assistance

INTERVIEW

contribute to the removal of Mauritius from the EU's list of high-risk third countries on AML/CFT in March 2022?

I welcome the progress achieved by Mauritius in its AML/CFT regime over the last few years. This is fully recognised internationally as Mauritius has been removed from the FATF's grey list – and from the EU list at the beginning of last year. Progress by Mauritius has been quick (with a delisting in less than 2 years), demonstrating strong political commitment. I understand both competent authorities and private stakeholders have been fully engaged.

The EU is fully supportive of this effort on AML/CFT and provided technical assistance through the EU Global Facility with the support of the EU Delegation in Mauritius: including workshops on the beneficiary ownership requirements or special investigative measures in AML/CFT investigations. Cooperation is key as financial crime and dirty money do not stop at borders. Protecting the financial system from money laundering needs work and attention every single day. In my contacts with authorities in Mauritius, they assured me that the country will continue to keep a strong focus on threats to the financial system, conscious also of any new risks that emerge, like around crypto.

What steps is the European Commission taking to ensure that the EU's own framework for AML/CFT matters continues to be fit for purpose? How is the European Commission dealing with new challenges, such as those presented by crypto-assets and innovative new payment mechanisms?

An innovative and modern financial system relies on new technology. But there is also a risk that criminals make unlawful use of new technological developments to move their illicit funds. Law enforcement authorities tell us that money-laundering risks from crypto-assets have increased since 2019, linked to the growth of the crypto-asset market. Credit institutions, investment firms, electronic money issuers and payment institutions are the sectors most exposed to these risks.

We need to keep updating our laws to reflect these new risks. The Commission proposed an ambitious new package of measures in 2021 to improve our AML framework. We already reached agreement among the EU institutions on the first part of that package, extending the scope of EU AML/CFT rules to include crypto-assets. This helps us stop crypto-assets from being used to launder money. Other parts of the package are still under negotiation and



Financial crime is a global issue that cannot be solved by us acting alone

we hope to reach agreement in the coming months. We are helping the EU crypto-asset industry develop in a positive direction and benefit from a modern legal framework applicable across the EU.

As the EU Commissioner for financial services, financial stability and Capital Markets Union, what are some of the measures you are proposing to increase the resilience and competitiveness of the EU financial sector, in view of increasing global competition?

In the EU, we have been working hard to put in place the building blocks for the Capital Markets Union – our project to deepen and integrate EU capital markets. This project will channel more, much-needed investment towards sustainability and technology. It also means, for instance, making sure that companies get the funding they need to grow and create jobs. We recently tabled ambitious

legislative proposals to improve companies' access to finance and to make corporate insolvency rules more consistent across the EU. We will soon table a proposal for a common system on withholding tax in the EU, tackling another obstacle to the flow of capital. And we also need to broaden opportunities for individuals to save and invest over the long term. That's why I will soon put forward a retail investment strategy to facilitate people's engagement in capital markets.

We are also implementing a Digital Finance Strategy, which is about taking advantage of the opportunities of innovation in finance, while addressing the risks. For example, we have a new pilot regime starting that will allow companies to experiment with using distributed ledger technology to issue and settle securities transactions – a sort of regulatory sandbox.

In the light of initiatives such as the Sustainable Finance Disclosure Regulation (SFDR) which has already been adopted, and the European Green Bond, to what extent will future EU financial services policy be guided by sustainability principles? Do you have any further initiatives in the pipeline to reinforce European credentials on ESG investing?

In the EU we have made giant steps to help mobilise private investment at the necessary scale. We have three building blocks in sustainable finance: the EU taxonomy, disclosures and corporate reporting rules.

The EU Taxonomy is a classification tool that defines economic activities that are sustainable or contribute to the transition. We are focusing on completing the taxonomy, such as through new criteria on environmental objectives like the circular economy, pollution, biodiversity and water. We're also looking at making sure it can be easily used by companies.

Europe has led the way on mandatory sustainability disclosures. We already have a disclosure regime for financial intermediaries, the Sustainable Finance Disclosure Regulation. We've also adopted the Corporate Sustainability Reporting Directive, covering the corporate sector, and we're developing European sustainability reporting standards that set out what companies will need to report. By improving transparency on sustainability, we are giving market participants the information they need to make informed financing decisions.

As the market for sustainable finance grows, there is growing demand for ESG ratings, but at the moment



Europe has led the way on mandatory sustainability disclosures

we lack transparency around how these work. So we are working on a proposal to introduce rules for ESG rating agencies, expected in the first half of the year.

We are also focusing on transition finance, central to international discussions in the G20 and elsewhere. And we know that public funding will never be enough. That is why we need other countries with us, as part of international work on sustainability. Because the challenges are global – but also because companies need coherent and consistent rules when they work internationally.

As Mauritius celebrates its 30th anniversary as an International Financial Centre, and with new International Financial Centres emerging in Africa and the Middle East, among others, what prospects do you foresee for the EU financial sector to step up its collaboration with Mauritius and other International Financial Centres globally?

Mauritius has a highly developed financial system and the country is one of our closest partners in the region. It is vital that local authorities continue building trust in the financial system and establish a solid framework that keeps Mauritius as a competitive International Financial Centre. Recent developments are promising in this regard, for example the fact that Mauritius was removed from the FATF/AML list in a short period of time.

Redefining the Mauritius IFC proposition

Standard Chartered’s Rajnish Aubeeluck looks at how the Mauritius International Financial Centre (IFC) has evolved over the last three decades and discusses the role of innovation in ensuring that the island economy remains attractive to the broader investor community.

In the first quarter of the year, I participated in an industry meeting to discuss the positioning and promotion of the Mauritius International Financial Centre (IFC) in the face of growing competition from new and aspiring International Financial Centres (IFCs) such as the Gujarat International Finance Tec (GIFT) City, and Kigali, amongst others.

Many countries find an IFC to be a proven enabler to grow the contribution of financial services to their GDP. History, coupled with the rise (and in some cases demise) of IFCs, has shown us that setting up an IFC requires significant and agile structural changes to remain attractive to the broader investor community and avoid investor migration.

The evolution of the Mauritius-India corridor

The Double Taxation Avoidance (DTA) Treaty between Mauritius and India was undoubtedly a great accelerator in the growth journey of the Mauritius IFC. It was therefore not surprising that when the DTA was being renegotiated in 2017, the financial services community was, on the one hand, worried about the potential outcome should an agreement not be reached but, on the other hand, optimistic on how Mauritius could potentially pivot to play a more important role in mainland Africa.

Needless to say, five years later the India-Mauritius corridor remains an important and productive channel for Mauritius and increasingly so as the Indian economy grows, and Indian corporates look to expand their reach outside of India into both Asia and Africa. The question that we were trying to answer at that industry meeting is where the Mauritius IFC currently ranks as an enabler-of-choice for this new global expansion.

What next?

This commendable and very necessary self-reflection by the IFC is not unique to Mauritius, as many jurisdictions have faced a similar need when they have progressed to a “tried-tested-and-proven” status IFC. The key question becomes, for the growth and success that we have had, today who are we an IFC for? It took the City of London – consistently within the top two ranked global international financial centres - almost a century to become what it is today. For its relatively young 30-year journey, the Mauritius IFC can and should be very proud of its journey and stellar rise.

The challenge is whether the Mauritius IFC is ready now to respond to the needs of the industry in the next 15, 20, 30 years. One only needs to stop and look around, the pace of change, innovation, and the subsequent demands of the end-user are accelerating at phenomenal speed. Financial services are fast moving in the metaverse, currencies as we know them are being redefined, and investors are increasingly occupying hybrids of traditional and virtual spaces.

Balancing traditional business and innovation

Looking forward, the Mauritius IFC will need to define where the balancing point needs to be (and will be) between the traditional business that the Mauritius IFC knows how to do well and the new savvy innovative global demands. I don’t think the current types of structuring that occur so successfully via the Mauritius IFC will suddenly fall away, but it will need to complement the train of innovation.

The pace of change cascades into complementary areas such as the quality of life, access to lifestyle and



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global connectivity – aspects that the Mauritius IFC has previously navigated well. Picking apart these (and other) elements to the broader IFC picture are today going to determine where the Mauritius IFC will attract a bigger share of the global wallet from both existing and new regions. It offers an answer to whom does the Mauritius IFC want to be the IFC for. A region? A specific set of products? An established corridor or new markets or a rebalance of both?

Learning from other best-in-class jurisdictions

By no means is it time to completely change focus but rather to rebalance efforts to focus the Mauritius IFC as THE bridge for investments in Asia (not just parts of Asia) and Africa. The recent visit of the Mauritius delegation to India reaffirmed that Mauritius is still relevant for the Indian economy and can offer a complementary solution to what GIFT City is offering today. I am a firm believer now, perhaps more than ever, that collaboration is the channel for resilient growth. Exploring alliances between IFCs has the opportunity to offer the investor win-win solutions that should not be ignored.

While the Mauritius IFC has traditionally competed with jurisdictions of the likes of Singapore, Netherlands, the Cayman Islands etc, the Middle East should not be underestimated. The significant rise in oil prices in recent months has enabled a wave of strong capital from the Middle East, that has grown their infrastructure, attracted investors and redefined

their incentives, appetite and ability to grow their financial services industry.

Reinventing the IFC of tomorrow

There is also an important opportunity and role that the Mauritius IFC can play in the FinTech and metaverse spaces. Mauritius has demonstrated that it has a pool of qualified IT talent that supports IT needs worldwide. Perhaps there is an opportunity to pivot this pool of talent to help financial services transform from what it is today and be ahead of the curve in these new sectors?

Setting up an IFC requires significant and agile structural changes

The fact remains that the need to act from a position of agility is paramount and an awareness of the demands of the global ecosystem cannot be downplayed. Put another way, we now operate in a world where those of us sitting in that meeting earlier this quarter deliberating for hours could just have simply asked ChatGPT what the most optimal route would be for the development of the Mauritius IFC of the future!



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The advancement of AI and its impact on financial services

IQ-EQ's Antish Bundhoo discusses the impact of disruptive technologies like ChatGPT on the financial services sector and shares his insights on how such cutting-edge machine capabilities can be suitably balanced with human-led services to give fund administrators a competitive edge.

In November 2022, Open AI launched ChatGPT and heralded a new dawn full of possibilities and promises for technology revolving around artificial intelligence (AI).

Chatsonic, Midjourney, Dall-E-2 and Bard, amongst many others, all sprouted within a short time span, sending the world into a frenzy. The magnitude of this advancement can be measured by the words of Stephen Hawking: "Success in creating AI would be the biggest event in human history". The ambit of such technology is so diverse and far-reaching that no industry or sector can choose to hold out and remain untouched by its exponential development.

Indeed, the competitive dynamics in the financial services sector are also set to be impacted as AI technology paves its way across the financial landscape. In this article, we examine what that impact will be and how best to balance machine capabilities with human-led services. *

What is ChatGPT?

ChatGPT is one of the leading Large Language Model (LLM) tools, similar to BERT (developed by Google) and RoBERTa (developed by Facebook). LLM is a type of machine learning model that can perform a variety of natural language processing (NLP) tasks, including generating and classifying text, answering questions in a conversational manner, and translating text from one language to another.

With the development of the LLMs, the 'machines' are essentially able to answer general questions, write articles, provide descriptions, resolve complex questions, create images, design websites, write codes... and as the LLMs are being further harnessed and tested, the possibilities are endless.

AI in financial services before ChatGPT

Whilst the recent developments in AI are likely to have a profound impact on the financial services sector, AI technology was already present in some forms in many businesses, including the financial services space.

Banks and other financial institutions have been using chatbots and virtual assistants, powered by NLP technology, that can respond promptly and accurately to customer inquiries without human intervention. Such technology has also permitted financial institutions to better obtain customer feedback and appropriately cater for their customers' needs and preferences.

Financial institutions have also been using AI-based algorithms to help them detect suspicious transactions promptly and more accurately, through the analysis of large datasets in real time.



By **Antish Bundhoo**,
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The optimal use of AI in financial services should be as a supplement, not a replacement

Similarly, insurers have been using AI-driven solutions to allow customers to customise policies based on their individual needs while providing faster claims processing times than ever before.

Firms have generally been using AI to automate their processes, improving efficiency, and reducing costs. It is also common for investment managers and advisors to use AI to optimise their portfolio and



enhance asset management through analysis of market trends.

With AI expanding, its potential applications in this industry are set to increase exponentially.

What has changed?

Simply put – accessibility, simplicity, and ubiquity. Financial institutions do not need to make huge investments in IT software and applications as these can be developed in-house or more readily purchased off-the-shelf at competitive prices.

As these tools get more sophisticated, they will continue to transform how businesses operate within this sector and enable firms to offer even

better products and services that meet the demands of modern consumers while allowing them to reduce their costs at the same time.

The future of financial services with AI

So, what exactly does the future of financial services look like with AI?

- Further automation of repetitive tasks such as data entry, invoice processing and report generation, leading to reduced costs, greater accuracy and fewer human errors, and enhanced efficiency overall;
- Automation of more complex processes like minutes writing and preparation of financial statements via simple prompts and instructions;
- More robust compliance by integrating

- applications that identify pre-defined data;
- Onboarding of investors and customers via chatbots;
- Immediate responses to common client/investor queries or requests for information via chatbots;
- Trading and investment bots;
- Enhanced customer service delivery;
- AI in mediation and litigation; and
- Advisory and investment management services provided by AI, amongst others.

The drawbacks

The major set-back of ChatGPT and other LLMs today is their inability to guarantee accuracy of data. While it might depend on the quality of the data fed to it, this does not prevent the system from coming up with inaccurate and nonsensical answers or flawed end-products.

As these tools get more sophisticated, they will continue to transform how businesses operate

Moreover, ChatGPT is currently being fed on 2021 data, which calls into question its reliability. What's more, the Google-connected Bard tool caused Google share price to drop by 10% when, in February 2023, Google unveiled a demo video on Twitter with inaccuracies. The video depicted Google Bard incorrectly answering a question about the James Webb Space Telescope.

Coming back to Hawking's quote above, while referring to AI as humanity's biggest invention, he also stated that it might, unfortunately, also be its last – unless we learn how to avoid the risks.

With questions being raised around reliability and accuracy, we are under the wrong impression if our

fear is that people's livelihoods are at stake and that machines will replace humans in the near future. It goes without saying that AI-based chatbots aren't capable of many skills that people are great at, such as empathy, critical thinking, creativity, and strategic decision-making, and they cannot generally comprehend the context in which questions are put to it.

Consequently, instead of fully relying on the technology, the optimal use of AI in financial services should be as a supplement rather than a replacement, augmenting the capabilities and skills of the people fulfilling particular tasks that can best harness such technologies while avoiding pitfalls posed by their current constraints.

How fund administrators can best deploy AI

Based on our experience at IQ-EQ, where technology is a critical consideration in our service delivery, we recommend that fund administrators must ensure that their IT specialists constantly innovate to better integrate technology within their processes and to boost their products and services in line with clients' evolving needs.

For instance, in Mauritius, legal process outsourcing (LPO) is one of IQ-EQ's recently launched, technology-driven services, with the Contract Management System (CMS) as one of our flagship by-products.

Through such CMS platforms, fund administrators or management companies can assist clients in efficiently managing their contracts and obligations via an innovative in-house app designed to address recurrent compliance and contractual obligations faced by organisations. Such platforms offer many attributes enabling enhanced recording and tracking of obligations, along with full reporting capabilities. Their intelligent built-in features allow reminders to be sent at scheduled times and progress is further monitored as per the exigencies of the clients.

With the recent development in AI, management companies in Mauritius are strongly advised to conduct an assessment of how to further upgrade their current systems and provide clever tools to empower employees and optimise process efficiencies, reducing costs for both the service providers and their clients – and all while delivering a superior standard of service that combines the best of technology and people.

* This article was written at the end of February 2023 and does not factor in any developments that may have occurred after this date.



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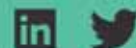
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Key facts and figures*

People worldwide

4,300⁺

Worldwide locations

24

Assets under administration

\$750⁺ bn

Funds under administration

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Supporting top PE firms*

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Mauritius paves way for banking sector with Future of Banking report

As Mauritius celebrated 30 years of its International Financial Centre (IFC) last year, it was in a fitting development that the banking sector saw the central bank come together with the Mauritius Bankers Association (MBA) to release a report that laid out the vision, strategy and roadmap to take this pillar of the financial services sector to greater heights of success.

It was in the fourth quarter of 2021 that the seeds of the report were sown. A broad industry consultation was conducted with representatives from the banking sector, other private sectors, public sector and civil society to develop a baseline view of the Mauritius banking sector as it stands – and go beyond to co-create a new strategic vision and an actionable plan for its future.

Management consulting major Oliver Wyman was entrusted by the Bank of Mauritius (BoM) and the MBA with putting together this landmark publication. Then, on September 8, 2022, 'The Future of Banking' report was officially presented by BoM governor Harvesh Seegolam at the Governor's Meet marking the 55th Anniversary of the central bank.

"The report highlights key areas on which the jurisdiction can focus to be the leading IFC in the region. Establishing Mauritius as a regional platform for transaction banking, encompassing trade finance, payment and treasury services, holds appealing growth opportunities. Furthermore, with its economic ties, market access and ease of doing business, the country has the potential to attract private equity funds, regional and international groups and become the reference access point or connectivity hub for corporate businesses into and out of Africa," elaborates Alain Law Min, CEO, MCB Ltd.

Key insights from the report: Innovation and ESG in focus

As Oliver Wyman underscores in the report, the

Mauritius banking sector is favourably positioned at the crossroads of Asia and Africa and has been channelling investments for decades, supported by one of the most business-friendly and stable economies in the region. However, the report goes on to acknowledge that the sector also faces several challenges and threats that must be addressed to ensure Mauritius maintains its positioning and growth as an attractive IFC.

The report predicates its study on five core themes to shape the future of the Mauritius banking sector:

- Innovative products and services
- International Standards and regulations
- New technology and business models
- Human capital development
- Environmental, social and governance (ESG)

Here, it elaborates that the international vision for the future role of the Mauritius banking sector is to deliver best-in-class services to African and Asian customers, and to act as one of the main bridges connecting the rest of the world to Africa. In parallel, the report also emphasises that, in a post-pandemic context, the Mauritius banking industry should increasingly leverage digitisation to serve its domestic market.

In this context, 12 tangible initiatives have been prioritised to deliver the future vision for the sector, combining structural changes to the market with new developments in products and services:



1. ACCELERATING THE TRANSITION TO A CASH-LITE SOCIETY IN THE DOMESTIC MARKET

- Cash payment limitation reduction
- Financial literacy campaign

2. DEVELOPING A UNIQUE VALUE PROPOSITION TO GROW MAURITIUS' GLOBAL BUSINESS POSITIONING

- Regional Treasury Centre incentive scheme
- Cross-bank digital trade finance platform
- New private banking business model
- Banking sector ESG strategy
- Virtual assets and distributed ledger technology adoption

3. STRENGTHENING THE FUNDAMENTALS OF THE MAURITIUS BANKING SECTOR

- Reinforced MIFC branding, accountability and strong promotion arm
- MIFC banking training centre
Centre of Excellence for banking in Africa, including ESG
- Reinvigorated economic diplomacy
- Clearer expatriate value proposition

Commenting on the IFC's ability to achieve these ambitions, Alain notes that this rests "on key fundamentals such as upholding full compliance

with international standards, adopting more regulatory agility to better respond to market developments, furthering the digitisation of the financial services sector, and deepening the local capital market, among others."

For her part, Deputy CEO of BCP Bank (Mauritius) Ltd, Sangeetha Ramkelawon, stresses on the need to understand what she terms the 'consciousness' of the Mauritius IFC – from an economic performance, social performance and environmental performance perspective – and emphasises the urgency of having a clear sustainability framework aligned to the Sustainable Development Goals as well as at the forefront of the profit-purpose movement. She notes that a clear framework will help to bring together individuals to work together on projects that will benefit those in need and that such effective partnerships will be key in realising the IFC's destiny.

"According to the Edelman Trust Barometer 2020 report, businesses are seen as catalyst for change, but are not seen as ethical; NGOs whilst trusted are not seen as competent. This is where successful partnerships can open the doorway to opportunities beyond just awareness, enabling organisations to build and access new and developing markets, improve their business practices and create the right



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market conditions for growth, while driving positive change in their communities,” she states.

ESG: Forging a greener future for the banking sector

In her foreword to the report as Chairperson of the MBA, HSBC Mauritius CEO Bonnie Qiu notes that the ESG strategy of the banking sector is important to improve the greening of the financial system and support sustainable initiatives. Towards this end, the report goes on to unfold that banks will be encouraged to commit to becoming net zero as a key measure for ensuring a greener and more sustainable banking sector.

Against this backdrop, the Head of Wholesale Banking for HSBC Mauritius, Hajrah Sakaloo comments on how HSBC is working to become net zero at a group level. Significant strides have already been taken towards its overarching aim to be a net zero emission bank by 2030 or earlier – a leading measure being building a centre of excellence for sustainability with subject matter experts who will look at key sectors financed and the technologies needed for a sustainable future. With Middle East and Asia being key regions for the bank, and also as contributors to global carbon emissions from energy and manufacturing respectively, Hajrah emphasises that HSBC has a strategic role to play, “The emissions impact we can have just by leading on this issue in the global economy, is probably unrivalled across any bank. Adding to our strengths, we are the leading trade and finance bank. Hence, to really deliver on our ambition to be the leading bank financing the transition to net zero, we have to develop the capabilities within HSBC.”

She speaks next about what such steps translate into for the Mauritius market. “In Mauritius, we are engaging with our clients to green their supply chains. We have financed the first sustainable bond in Mauritius for one of our key clients which is intended to finance renewable energy projects including the purchase, installation and maintenance of technologies such as solar panels, energy efficiency projects with a view to reduce energy consumption or mitigate greenhouse gas emissions in building construction; clean forms of transportation through electric powered vehicles, sustainable water and wastewater management projects to improve water quality, efficiency and conservation and green building through construction or renovation of certified sustainable buildings.”

She connects the dots to note that HSBC itself moved to such a sustainable Head Office at Icon Ebene which is Leed Gold Certified and also recently opened a branch in Bagatelle powered by solar energy. She also emphasises that last year HSBC launched a sustainability certification with MIOD to help young graduates and people passionate about this topic to upskill. Finally, she harks to the launch of their Metro branding campaign which is expected to act as a ‘call to action to our clients to talk to us about their sustainability needs and how we aim to connect them to sustainable opportunities.”

Next, Sangeetha Ramkelawon provides a pan-African perspective, given that BCP Bank (Mauritius) Ltd has strong roots in Africa. She notes, “We are all concerned with the climate emergency, and as a pan-African group, we are continuously working at our end on our sustainability framework. Together with the Group, we have plans to become an international mainstay in sustainable finance through the development of ESG



Sanjaiye Rawoteea, Acting Chief Executive Officer of SBM Bank (Mauritius) Ltd

“The execution of a clear and well-targeted marketing strategy should help to further enhance the visibility of Mauritius as a preferred destination for the African mass affluent segment”

Sanjaiye Rawoteea, Acting Chief Executive Officer of SBM Bank (Mauritius) Ltd

products and solutions tailored to corporate banking and institutional clients' strategies for sustainable models. It is also very important to analyse, assess and respond to the opinions and concerns of all our stakeholders, and this feedback loop is equally essential for to promote the Mauritius IFC as the place where there are responsible business practices, responsible procurement processes while we ensure that we properly consider climate-related risks in our lending decisions.”

As Acting Chief Executive Officer of SBM Bank (Mauritius) Ltd, Sanjaiye Rawoteea comments that the local banking major has embarked on several sustainability and ESG initiatives with a view to acting as a sound and purposeful organisation, and remains



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committed to embracing ESG standards and recommendations, in line with regulatory stipulations and competitive imperatives.

"Notably, green loans have been provided, while measures have been taken to reduce our carbon footprint. While, in some respects, reviewing its operations, processes and risk management set-up to integrate the ESG perspective, SBM is continuously strengthening its capabilities and leveraging expert advice to ensure that decisions taken promote the long-term interests of the organisation and its stakeholders, in the process contributing to the greening of the local financial system via multiple channels," he emphasises.

"As a pan-African group, we are continuously working at our end on our sustainability framework"

**Sangeetha Ramkelawon,
Deputy CEO of BCP Bank
(Mauritius) Ltd**

For his part, Alain Law Min notes that, as Mauritius' longest-standing financial institution, MCB is committed to creating sustainable prosperity for its customers, communities, people, and the country.

"Sustainability is at the heart of MCB's strategy, and integrating ESG issues into our activities is critical to our success. Success Beyond Numbers, the lynchpin of our corporate sustainability programme, has become our 'raison d'être,' bringing these topics to the top of the agenda," he emphasises.

He unfolds that MCB is a signatory to various international sustainability initiatives like the Global Compact, the Equator Principles, and the United Nations Principles for Responsible Banking (PRB) and has taken key commitments in the fight against climate change. Among key measures, the bank has committed to stop financing new coal-fuelled power plants; to invest €5 million, from 2021 to 2040, in

Livelihoods Carbon Fund 3; and to develop a clear sustainable finance framework.

"We have, in February last, launched our sustainable loan, with a commitment for a line of credit of Rs5 Billion, to assist SMEs and corporates in transitioning to a low-carbon business model. Given its size, Mauritius has the potential to become a laboratory for ESG initiatives that will impact the local economy and beyond." He concludes on the note that ESG is not about business as usual with a traditional banking mindset but about "recognising the urgency of sustainability issues, positioning the latter as a source of opportunity rather than constraints, and giving us the means to do so."

Innovation: Leading from the front in the digital banking domain

On the innovation front, the report underscores that Mauritius must continue the COVID induced trend towards digitisation and take firmer strides towards a cash-lite society.

Here, Alain Law Min notes that the introduction of the Virtual Asset and Initial Token Offering Services (VAITOS) Act in February 2022 can contribute to a conducive ecosystem for the emergence of FinTech companies in alignment with international best practices and diligent risk management practices.

He underscores that the increasing popularity of virtual assets is likely to prompt banks to come up with adapted and innovative products and services to remain relevant while also catering for the associated risks. "The licensing regime allows banks to tap into opportunities linked with virtual assets and better navigate the evolving landscape shaped by the immediacy of transactions gaining prominence. Banks, in particular, can provide several virtual asset services to their customers ranging from virtual wallets to custody, advisory, and trading services. Finally, building on initiatives by the Mauritius Africa FinTech hub, banks can position themselves as ecosystem integrators connecting their customer pools to Tech companies, thereby accelerating the creation and provision of innovative digital and virtual financial solutions," he elaborates.

Sangeetha sounds an optimistic note on the opportunities opened up by Mauritius taking a pioneering regional stance in the virtual assets realm, underlining that it is now amongst the first countries in the Eastern and Southern African region to adopt comprehensive legislation on VAs and ITOs. "As an



*Sangeetha Ramkelawon,
Deputy CEO of
BCP Bank (Mauritius) Ltd*

international financial centre and growing FinTech hub, Mauritius has proactively responded promisingly to the adoption of digital asset technologies, thus enhancing the possibilities that the Mauritius IFC can offer," she underlines.

In terms of the way forward and the practical applications for these novel technologies, Sangeetha draws parallels to the real world and notes that "the virtual world will also require people to transact and they will need financial services at some point. Therein lie exciting opportunities for banks to leverage payments, investment, insurance and loans in the metaverse era. With an entrepreneurial mindset, banks need to explore the potential and invest efforts to scale rapidly to create new, better customer and employee experiences. Exploring partnerships will be crucial as well to redefine core offerings, enabling banks to have a presence in multiple ecosystems. This is also another huge opportunity for banks to redefine human relationships with their customers and other stakeholders."

“Though FinTech definitely heralds an exciting future, it goes without saying that compliance must always seek to be one step ahead”
Hajrah Sakauloo,
Head of Wholesale Banking for HSBC Mauritius

However, she underscores that the report urges the adoption of an agile framework to cope with a highly challenging global environment and rapidly evolving international regulatory context, and this has key implications from an innovation perspective.

For her part, Hajrah strikes a note of caution on the compliance front, and underlines that authorities

globally are struggling to balance innovation and regulation, with three words 'progress, opportunity and caution' popping up in her mind when she thinks of the space. "Though FinTech definitely heralds an exciting future, it goes without saying that compliance must always seek to be one step ahead. I know for a fact the UK, US and the EU are still in the early stages of forming a coherent, joined up approach to virtual assets. Until then, I think we must tread very carefully. What is needed really is a single cohesive framework which is going to help stimulate the market whilst at the same time make it much easier to control."

Sanjaiye echoes her concerns and calls upon banks to remain vigilant while taking advantage of the opportunities posed by these exciting technologies. "With regard to banks, while they can apply for specific licences in order to be directly involved in this field, they can also seek to attend to the needs of virtual asset service providers and customers dealing in virtual assets. That said, insofar as they are dealing with particularly sophisticated and novel business activities, banks are called upon to remain vigilant and informed when devising their strategies, structuring their solutions and engaging with their customers."

Global business positioning: Connecting the dots from Mauritius to the world

With the global business sector being a key pillar of the IFC, Hajrah notes that developing a unique value proposition to grow Mauritius' global business positioning is another key strategy for the banking sector.

"Building a cross-bank Mauritius banking sector digital trade finance platform to aggregate international demand in Mauritius on a central platform, creating a best-in-class client experience powered by data and digital, modularising the value chain with potential FinTech involvement and centralising automation of some back-end processes will be a great achievement," she notes.

For her part, Sangeetha comments from the perspective of the report's focus on establishing Mauritius as a global private banking destination, particularly targeted at the African mass affluent segment and Mauritian wealth.

"Wealth in Africa is expected to grow at a stronger level than many other regions around the world. We



*Hajrah Sakauloo,
Head of Wholesale Banking for
HSBC Mauritius*

must understand the African market and also what our customers want, and adjust our solutions to their needs and wants. Having the right talent, the experience on the continent and the technological transformation are crucial for us to be able gain a deeper understanding of clients' unique needs and unlock growth opportunities for clients and the African continent at large," Sangeetha emphasises, adding that Mauritius needs to invest more efforts in building its image as an IFC of substance, with a strong promotional campaign being the need of the hour. "Both private and public sectors need to work effortlessly to highlight our island on the regional and international landscape as a competitive and highly compliant jurisdiction," she urges.

Next, Sanjaiye highlights that Mauritius has already laid solid foundations for the sustained development of the private banking and wealth management segment, with a local banking industry that already ranks among the most mature and sophisticated in Africa and delivers a competitive edge for attracting and retaining high net-worth individuals (HNWIs).

"Moving forward, the key success factors for Mauritius would include the dissemination of bespoke and sophisticated financial and investment solutions to meet the needs and expectations of local/foreign HNWIs amidst a fast-changing operating landscape, the establishment of a secure and attractive business environment, and the forging of a conducive legal and regulatory framework. In addition, the execution of a clear and well-targeted marketing strategy should help to further enhance the visibility of Mauritius as a preferred destination for the African mass affluent segment," he elaborates.

For his part, Alain notes that Mauritius is gradually building its reputation as an attractive, stable, and viable platform for wealth management, with the affluent African segment being a key target market.

"To boost the country's positioning as a go-to wealth jurisdiction, we should broaden and deepen our value proposition, which ranges from wealth preservation to creation and succession planning, through adapted and innovative solutions backed by best-in-class technological capabilities and enhanced access to global financial markets. The country can capitalise on its well-regulated and transparent financial services sector, firm adherence to international norms and practices, local expertise, and efficient and stable tax system. The jurisdiction's

credentials in this field would also gain from the increased presence of leading global players within the Private Banking eco-system, from asset managers to family offices. Moreover, Mauritius can promote itself as a global wealth destination by further investing in enhancing the lifestyle of affluent persons wishing to invest, work, live, or retire in Mauritius," he emphasises.

Future forward: Banking on an IFC of substance

On a parting note, Hajrah lauds the report for recommending a great starting point for implementing a cash-lite society with a financial literacy campaign. She emphasises that such a campaign can indeed go a long way in increasing trust in digital finance, reducing fraud, and curbing the culture of cash.



Alain Law Min, CEO, MCB Ltd

“Mauritius can promote itself as a global wealth destination by further investing in enhancing the lifestyle of affluent persons wishing to invest, work, live, or retire in Mauritius”

Alain Law Min, CEO, MCB Ltd

To Alain Law Min, capacity building continues to be a key element of the banking sector's ability to forge a successful and sustainable future. "In this respect, the report has put forward some interesting initiatives. These include establishing a MIFC Banking Training Centre, creating a Centre of Excellence for Banking in Africa, and, importantly, designing a stronger expatriate value proposition to attract foreign talents in niche segments to support the development of world-class banking solutions," he concludes.

Sangeetha echoes his focus on capacity building, and cogently concludes "if we have the digital financial infrastructure and manage to bring the talent that we need and organise the trainings as outlined in the report, we will have more regulatory agility, be able to respond better to market developments, improve customer experience, and help with complex ESG and philanthropic projects, hence redefining our ecosystem as the IFC of Africa."



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Why women are writing the future of wealth

With International Women's Day being celebrated globally to laud the achievements of women and seek gender equality, Accuro Trust (Mauritius) Ltd's Gordon Stuart looks at the increasingly important role that women play in creating and preserving wealth.

There can be little doubt that women's relationship to wealth is rapidly changing. More women than ever before are creating, managing, and inheriting wealth, with that trend set to accelerate further over the next few years.

The progress is even more remarkable given the considerable barriers women have had to overcome. Historically, society was slow to acknowledge and include women in business and financial decision making. In Mauritius, there has been some progress on women's rights, as 83.3% of legal frameworks that promote, enforce, and monitor gender equality under the UN's Sustainable Development Goal indicator are now in place¹. However, there is still work to be done. As of February 2021, only 20% of seats in parliament were held by women² and women make up only 40% of the country's labour force³. Furthermore, in 2020 a pulse survey by Business Mauritius and the UN's Development Programme revealed that only 23% of businesses involved in exports were headed by women⁴.

My own profession must shoulder some of the blame, with wealth management and finance having long been male-dominated professions even though, during my career, I have been privileged to work with top-class women wealth managers and fiduciary specialists. Even now, recent figures from the UK Financial Conduct Authority revealed that just 16% of financial advisers are female, creating the risk that women investors are underserved.

I'm pleased to report that Accuro is very much bucking that particular trend, with 70% of our staff being female. And not only do women operate at all levels of the organisation, but they also represent every stage of the female journey from youthful graduates to mothers with children and those supporting elderly parents. That understanding of the individual and multiple needs of women and

their families is, I believe, vital in supporting the sort of good decision-making that will not only preserve wealth but create a positive future across generations.

Work is also underway to bridge the gender gap in investment and financial services sector in Mauritius, as demonstrated by the first ever 'Women in Investment and Finance Charter in Africa' launched just a month ago by the Association of Women in Investment and Finance in Mauritius (AWIFM), aimed at federating all actors in the sector to raise awareness and take action towards improvement of gender balance in the workplace.

The facts on female wealth

Before looking at the broader challenges, let's first focus on the facts.

The next generation of women is growing up with very different attitudes and aspirations

Following several decades of strong growth, Mauritius now ranks as the wealthiest country in Africa by some margin (on a wealth per capita basis) with average wealth per high net worth individual amounting to just over US\$30,000 as at June 2021⁵. While there is undoubtedly still a disparity between men's and women's wealth, it is possible that a demographic shift could be on the horizon.

Taking the world's biggest economy as our example, women already control a third of total US household financial assets, adding up to a staggering US\$10



By Gordon Stuart,
Managing Director of the
Accuro Trust (Mauritius) Ltd



trillion. But that may only be the beginning of a far bigger shift. As the so-called baby boomer generation ages, more and more wealth will transfer to women because, not only do women live on average around five years longer than men, they also typically marry partners two or three years older. As a result, analysts expect that the majority of US wealth will belong to women by 2030.

Although that may be good news for those fortunate enough to inherit valuable businesses and investments, it also presents a huge challenge as many older women, unlike their younger counterparts, have traditionally not always been heavily involved in financial decision making within their relationships.

In my own experience at Accuro, I have helped many highly capable women who, on the death of their

Analysts expect that the majority of US wealth will belong to women by 2030

partner, have had a huge amount of stress – on top of their grief – in fully understanding and gaining control of the family assets. All because their partner had, probably for the best of reasons, kept such matters largely to themselves.

The sad irony here is that the deceased or seriously ill partner may well have dedicated their working life to securing the family's wealth for future generations, only to leave behind a widow who was unprepared for the task of doing so. Fortunately, good advice can go a long way to addressing such problems retrospectively, but there is no substitute for putting plans in place well ahead of any life-changing event.

Starting crucial conversations across generations

There are also inter-generational challenges as daughters and even granddaughters, empowered by their education and experiences, may want to take a more active part in the family business and finances. This can be a great advantage. After all, who better to play a part in preserving and protecting the family wealth for future generations?

The crucial first step is starting conversations - between partners or across generations

However, it's important to recognise that the older generations who typically control the finances may take a slower route to involving younger family members, particularly if those women have not traditionally played key roles in the family business.

The crucial first step for me in this situation is surprisingly simple: starting conversations, between partners or across generations, so that all parties can have a voice and decisions can be made with a truly long-term view.

Women and risk – myth or reality?

It's interesting to note that we've got this far without any mention of investment strategies or asset types. But one question that regularly crops up in this context is whether women have a different attitude

to risk than men. That may seem slightly nonsensical when, like me, you've met successful female entrepreneurs who have risked everything to build highly successful businesses.

However, there are plenty of studies which support that risk-averse view, showing, for example that women are far more likely to choose fixed-income investments over riskier equities. Recent research findings show that women typically have a lower financial awareness and risk tolerance, resulting in a compounding effect on their accumulation of wealth⁶.

At the risk of doing my own stereotyping here, that bias away from riskier investments could also be partially explained by the observation that women, as traditional caregivers and raisers of future generations, naturally have more of an eye on the long-term and so their choices will inevitably differ from those of the more responsibility-free risk taker. It's also interesting to note that women are more likely to take social and environmental values into account when investing, suggesting that a long-term, more community-minded approach may be in their nature. Indeed, according to a 2022 study, women investors in South Africa are 15 percentage points more likely to invest in funds that are built around their needs and principles, compared to men⁷.

Let's take a final, sideways look at the subject through a parallel with the world of corporate M&A deal making. Recent research from Bayes Business School, City, University of London shows how, when buying another company, female CEOs are more likely to seek advice, are more risk-averse and tend to seek out targets with stronger performance metrics⁸. Interestingly, according to the same research, female CEOs often get better post-deal results because of that greater caution. It's a fascinating subject with many arguments either way, so I'll leave you to draw your own conclusion.

Looking ahead

Whatever you conclude, one thing is certain: the next generation of women is growing up with very different attitudes and aspirations, showing that women can simultaneously be caregivers, entrepreneurs, and excellent stewards of family wealth.

No longer a niche demographic; the future of wealth will increasingly be written by women.

- 1 UN Women Count Data for Mauritius
- 2 UN Women Count Data for Mauritius
- 3 Statistics Mauritius (2021) Labour force, employment and unemployment – year 2021
- 4 2020 Impact of Covid-19 on business in Mauritius Pulse Survey by Business Mauritius and the United Nations Development Programme (UNDP)
- 5 2021 The rise of Mauritius as the wealthiest country in Africa article by Economic Development Board Mauritius
- 6 2022 Global Wealth Gender Equity Report by WTW
- 7 2022 Global Investors Study (GIS) by Schroders, referenced in article titled 'Why the relationship between women and money may not be what you think' published on Moonstone website
- 8 Gender Diversity and Dealmaking 2022 report by SS&C Intralinks and the M&A Research Centre at Bayes Business School, City, University of London, and Mergermarket

The need for Mauritius to create a Venture Capital industry

Shedding light on venture capital's capacity to act as a startup accelerator and offer several funds focusing on different sectors of the startup market, AfricInvest Global Manco's Annabella Cesar tells us how venture capital funds can bring about a unique investment opportunity for startups in the Mauritian landscape and how they can contribute to the country's economy and society.

Mauritius has once again been recognised as the top Sub-Saharan African (SSA) country in the 2022 Global Innovation Index (GII), ranking 45th globally.

The GI measures a nation's performance in terms of its multi-dimensional facets of innovation, namely Institutions, Human Capital and Research, Infrastructure, Market Sophistication, Business Sophistication, Knowledge and Technology outputs and Creative Outputs.

Mauritius is also ranked 1st globally for Venture Capital (VC) deals, making it a prime jurisdiction for structuring cross-border investments into Africa. Venture capitalists are using the island mostly as a favourable holding company jurisdiction to access the African markets.

Mauritius' commitment to innovation is evident in its National Innovation Framework and the recently released National Road Map for Research and Innovation (2023-2030), making it a leader in the SSA region that fosters the development of innovative new firms.

Tapping into the potential of the island as an African innovation hub requires the development of a digital venture ecosystem. At present, Mauritius has significantly fewer tech start-ups than its African counterparts. According to Punch (4 January 2023) Nigeria, Kenya and South Africa raised a total of US\$1.2 billion, US\$1.1 billion, and US\$550 million respectively

in 2022. Introducing a digital venture ecosystem could revolutionise the investment landscape in Mauritius and bring in international investors.

Key ingredients for a digital venture ecosystem

Business Incubators and Accelerators

In 2019, The Mauritius Research and Innovation Council established the National SME incubator scheme (NSIS). This scheme facilitates the development of novel ideas, providing entrepreneurs with nurturing and training programmes delivered by accredited incubators. After selecting and coaching the most innovative start-ups, these incubators can be funded by NSIS grants.

To date, NSIS has accredited seven incubators and 264 projects have been approved with a project value totalling Rs.266 million; 30% of which have been funded by the scheme. This public/private partnership has created an environment of innovation, entrepreneurship, and research, connecting researchers, entrepreneurs, and investors to collaborate synergistically.

Incubators provide start-ups with a shared co-working space, expert advice and trainings geared to kick-start their business. Also, through access to their rolodex of contacts and introductions, start-ups are able to secure their first clients.

Attracting global talents

As digital transformation continues to lead the way in



**By Annabella Cesar,
MLRO, Business Integrity,
AfricInvest Global Manco**

business, Mauritius needs to keep up with the latest technological trends. Internet of Things, Blockchain and Artificial intelligence are essential for companies to operate at their full potential; hence the need to have experts in those fields namely coders, software engineers and web developers.

Fiscal incentives such as tax exemptions on school fees, the abolition of the solidary levy and taxation only on income derived from Mauritius could be provided to incentivise global tech talents and international investors to settle on the island.

'Le Wagon' is one of the pioneers in this field which is contributing to bridge the skills' gap between degree holders and the labour market. It offers immersive courses in web development and data science which are accredited by the Mauritius Qualifications Authority (MQA).

Mauritius is a great place to work and live, thanks to its quality of life, bilingual population, international schools, and vibrant co-working spaces. It has even been ranked the 4th best destination in the world for remote work by the KAYAK in 2022.

Instilling an entrepreneurial spirit

Hilary G-Escajeda's article Apex imaginers: Leonardo da Vinci, the Quintessential Knowledge Entrepreneur highlighted that 'Leonardo-like multidisciplinary thinker-doers will possess economic power in this time of technological transformation. Such power arises from curiosity, cognitive range, creative, emotional intelligence, and street smarts paired with entrepreneurial hustle'.

To ensure our Mauritian children and youth are equipped with these essential traits, a comprehensive review of the education system is key. By introducing interactive, modern learning tools in STEM courses, we can spark an interest and passion for these vital subjects. With an emphasis on developing a growth mindset, we can help ensure our children and youth are empowered to become the apex imaginers of the future.

Supporting local tech start-ups

Mauritius has the potential to become the innovation hub of Africa - and for that to happen, the venture industry must be given a real boost. Big conglomerates such as pension funds, banks, and para-statal bodies can drive this growth by providing substantial equity financing to local tech start-ups, venture funds and funds of funds.



Also, the Government could promote local IT-sector development through public procurement. First, the setting up of clear, transparent, and open tender procedures incorporating targeted preferences marks to local firms is essential. Other incentives could include providing reductions on bid and performance guarantee requirements and using alternative quality controls in awarding contracts where local bidders are not required to have a previous track record specifically linked to public procurement.

Additionally, the development of an alternative market to list the shares of start-ups could be considered. The listing would give better visibility to start-ups whilst enabling interested investors to look-in for possible investments and exit options.

Concluding note

For Mauritius to become an innovation-savvy nation, it is essential that technology be fully embedded in our day-to-day activities and all actors of the tech industry should work 'de concert' to co-create with greater synergies.

The expansion of 'Graines de Boss' in Mauritius will increase our presence on the international scene. This innovation contest will enable entrepreneurs to benefit from a mentor and the 'Graines de boss' network.

Recent networking events organised by incubators, co-working space providers and 'Graines de boss' are creating a positive buzz in the tech industry; such close collaborations should be further encouraged to take innovation in Mauritius to the next level.

Mauritius is ranked 1st globally for Venture Capital (VC) deals

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Local custody; an often-forgotten supporting act of the international financial centre

As we commemorate the Mauritius IFC's 30th anniversary, MCB's Hema Cederhage takes us through the creation, regulation, and future of the custodian landscape in Mauritius.



A common definition for an international financial centre (IFC) is the concentration of core financial services such as banking, financial markets, insurance, and asset management in a single location. These institutions, however, exist as part of a bigger ecosystem, the supporting acts, if you like, that guarantee their ability to succeed. The custody business, while being core to the asset management industry, is one of those supporting acts offering services to all of the major players of a financial centre.

It is a little-known fact that the Mauritian custody industry is 30 years old, making it as old as the major

developments that have marked the transformation of the financial services sector into the third pillar of the economy.

Creation of the local custody business

The financial sector underwent its biggest transformation at the end of the 1980s with the introduction of major changes, such as the licensing of offshore banks in 1988 via amendments to the Banking Act, followed by the adoption of the Stock Exchange Act 1989.

In 1992, a new fund called the 'Mauritius Fund' solely invested in shares listed on the Stock Exchange of

WHAT IS A CUSTODIAN?

It is often unclear what custodians actually do, even to professionals in the financial services sector, perhaps because of the jargon that the custody industry practitioners are famous for when talking about their business. The simplest definition of a custodian is a specialised licensed financial institution that keeps the securities investments of its clients safe from misappropriation, misuse, theft, and/or loss.

This is known as safekeeping and dates back to the days when the only way to prove ownership of shares in a company was through physical certificates, which were kept in safes or vaults. Safekeeping extends to settling transactions based on client instructions, maintaining a record of all transactions and providing a valuation of the portfolio. The custodian also helps investors manage their shareholder rights by enabling them to register their votes for corporate events, such as opting for cash or stock dividend payouts.

Mauritius (SEM) was launched on the London Stock Exchange. Lloyd’s Bank, the UK-based bank, was appointed as custodian, which necessitated the appointment of a local provider for the record-keeping of investments in the SEM-listed securities, thus firmly establishing the need for local custody.

With the suspension of exchange controls in 1994, foreign investors could intervene on the SEM. With this new change, record keeping became a new service offering to bank clients with investments in SEM-listed stocks, including the safekeeping of these assets.

The regulatory landscape

The securities services industry continued to evolve with the introduction of legislative and licensing frameworks to regulate the sector. The enactment of the Securities (Collective Investment Schemes and Closed-End Funds) Regulations 2008 paved the way for the creation in Mauritius of customised and innovative fund vehicles, including offshore fund vehicles, private equity funds, and funds aimed specifically at sophisticated investors and wealthy individuals. To operate a custody business, all local and international banks based in Mauritius required a licence under the new Securities Regulations.

With the promulgation of the Private Pensions Schemes Act in 2012, it became compulsory for private pension schemes to appoint a custodian to deliver on their fiduciary responsibilities of transparency and good governance towards their own investors. In the absence of a regulatory obligation to do so, appointing a custodian bank offers a higher level of asset protection. Banks keep their client assets separate from their own balance sheet, which is additional protection in case of bankruptcy or insolvency of the custodian bank.

The future

By being virtually borderless, custody has played a key yet unofficial role in facilitating the growth of cross-border investments and collective investment schemes. However, it is this very characteristic that threatens the international expansion of the local custody business.

With the right Anti Money Laundering (AML) controls and Know Your Client (KYC) checks in place, there is no need for an investor to be in the same jurisdiction as their custodian making it a truly international business. There is, therefore, a case in the name of transparency, to make it compulsory for some local institutional investors to appoint a custodian licenced under the Securities Act 2005 for their international investments. For a volume-based business, it would provide a much-needed boost to increase competitiveness on a global scale.

It is impossible to talk about the future of the custody business without acknowledging the seismic shift the industry is undergoing in response to the relatively recent creation of digital assets. While there have been many inroads, the role of the digital custodian is still being defined, and the regulatory framework is still evolving across the globe. The technological response is also still evolving, with no clarity on who is controlling the narrative. Is it the tech solution providers or the custodians themselves? In Mauritius, the Virtual Asset and Initial Token Offering Services Act 2021 (VAITOS) which came into effect in February 2022, defines the need as “safekeeping of virtual assets or instruments enabling control over virtual assets”.

The role of the digital custodian, therefore, extends to the storage of cryptographic keys that control digital assets, not just the digital assets themselves, in what will continue to be a virtually borderless space. The future is not just bright but exciting!



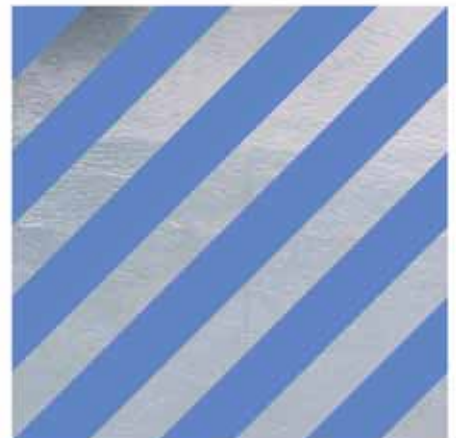
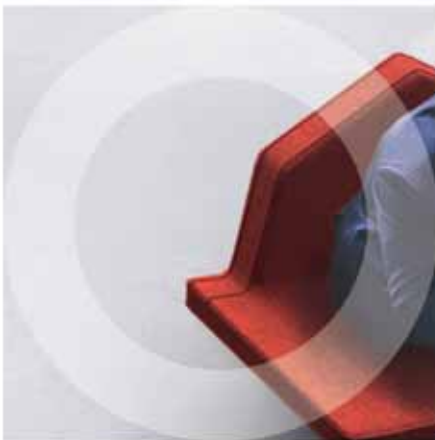
**By Hema Cederhage,
Head of Securities Services,
Mauritius Commercial Bank
Ltd**

There is no need for an investor to be in the same jurisdiction as their custodian making it a truly international business.

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How credit rating agencies can overcome key challenges in today's financial markets

Shamin A. Sookia of Perigeum Capital Ltd comments on the role that credit rating agencies (CRAs) have historically played in capital markets, how this role has evolved over the last decade in view of the structured finance rating crisis, and what are the changes that policymakers must usher in to ensure that CRAs continue to be relevant to investors.



In the wake of the US structured finance rating crisis and European sovereign downgrades over the last decade, a key question that arises is whether credit rating agencies (CRAs) play a useful role in the market and whether their credit risk assessments are accurate.

One pressing concern is whether rating downgrades destabilise financial markets, since they are embedded in many regulations and private contracts, particularly when downgrades cross into noninvestment-grade categories.

What role do credit rating agencies play in capital markets?

At the same time, despite the criticisms levelled at CRAs, they play a significant role in the marketing of fixed-income instruments, with most investors requiring that their fixed-income holdings have a credit rating. Sovereigns seek ratings so that they can access global capital markets and attract foreign investment along with their private sector borrowers.

Credit ratings provide cost-effective information services that increase the borrower pool

Since investors do not often know as much as issuers about the factors that determine credit quality, credit ratings do address an important problem of asymmetric information between debt issuers and investors, with CRAs providing an independent evaluation and assessment of the ability of issuers to meet their debt obligations. In this way, CRAs provide information services that reduce information costs, increase the pool of potential borrowers, and promote liquid markets. This implies that market

prices are influenced by rating actions, and that CRA opinions can be important from a financial stability perspective. In theory, CRAs also provide valuable monitoring services through which they influence issuers to take corrective actions in order to avert downgrades via watch procedures.

Although CRAs have been under a cloud of suspicion following their role in structured credit markets, it should be acknowledged that ratings serve several useful purposes. They aggregate information about the credit quality of borrowers, including sovereign entities, corporations, financial institutions, and their related debt offerings. They allow such borrowers to access global and domestic markets and attract investment funds, thereby adding liquidity to markets that would otherwise be illiquid.

Thus, it is clear that credit ratings play an important and positive role in capital markets, primarily by using their economies of scale to provide cost-effective information services that increase the pool of potential borrowers and promote liquid markets.

The evolving role of credit rating agencies

While credit rating agencies have been a positive force in fixed-income markets, particularly in the traditional corporate markets, as well as in the markets for sovereign bonds, the structured finance rating crisis has exposed some flaws in the system (rating overreliance), and some concerning aspects of the CRAs' own rating philosophies (rating smoothing).

Having long played a significant role in the marketing of fixed-income instruments to investors, they have found their way into various rules and regulations over time. As a result, rating downgrades often lead to knock-on and spillover effects that can have destabilising impacts on financial markets.

Country authorities have taken a two-pronged approach to mitigate these effects by seeking to reduce regulatory reliance on ratings and by regulating the CRAs directly. In their efforts to reduce rating reliance, regulators are, however, recognising that some smaller and less-sophisticated investors will have to continue to rely on ratings. Central banks continue to use credit ratings rather mechanically in their rules that determine the securities they accept as collateral in liquidity provision and market operations, and the margin or haircut applied thereon.



By Shamin A. Sookia,
Managing Director,
Perigeum Capital Ltd

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What are the challenges facing credit risk agencies?

Conflicts of interest are still present and will require a two-pronged approach. While there seem to be few viable alternative compensation models to an issuer-pay business model in the foreseeable future, it is not realistic to return to a general investor-pay subscription model. Excluding nonsubscribers would be even more difficult in today's information society.

Meanwhile, the more radical compensation model of performance pay could be desirable looking ahead, in line with similar initiatives in banking supervision to ensure that compensation is more closely linked to risks undertaken. However, this business model, as well as a model based on more skin-in-the-game, is unlikely to gain momentum for the time being. Tellingly, no current regulatory initiatives seriously question the issuer-pay compensation model. Rather, the issuer-pay model should be expected to stay for now and the way forward should be a combination of gradually reducing the regulatory reliance on credit ratings to the extent possible, while at the same time enhancing CRA regulatory oversight.

Smaller and less sophisticated investors will continue to use ratings extensively

Reducing regulatory reliance on ratings will diminish some of the incentives to shop for ratings, since CRAs will no longer face a captive market but rather will need to compete on the basis of rating accuracy. The decline in regulatory reliance on ratings might in turn spur a decline in the use of ratings in private contracts as well. Still, credit ratings are likely to continue to serve an important role given the substantial existing information and analytical capacity asymmetries, particularly for smaller investors and illiquid instruments. While enhanced oversight of the CRAs will always be essential, enhanced competition would need to be combined with tougher measures against rating shopping.

How policymakers can pave the way forward for credit rating agencies

Empirical studies have shown that CRAs do have an impact on the funding costs of issuers and consequently their actions can be a financial stability issue. Also, theoretical analysis suggests that the way that CRAs try to smooth their rating changes may make them prone to procyclical cliff effects. Furthermore, the market impact of these rating changes is exacerbated by the overreliance on ratings in legislation, regulations, and private sector contracts. Beyond this certification role, empirical work shows that sovereign ratings do provide useful informational value as well.

Sovereigns seek ratings so that they can access global capital markets

A better way forward is a combination of gradually reducing the regulatory reliance on credit ratings to the extent possible, while at the same time enhancing CRA regulatory oversight. Policymakers should continue their efforts to reduce their own reliance on credit ratings, and wherever possible remove or replace references to ratings in laws and regulations, and in central bank collateral policies. They should discourage the mechanistic use of ratings in private contracts, including investment manager internal limits and investment policies. However, they should recognise that smaller and less sophisticated investors and institutions that do not have the economies of scale to do their own credit assessments will inevitably continue to use ratings extensively.

Looking ahead, it is important that the authorities continue efforts to push CRAs to improve their procedures, including transparency, governance, and the mitigation of conflict of interest. At the same time, for their part, CRAs should also be transparent about the quantitative measures they calibrate in the rating process and how they validate their ratings.

Redefining the bond market in Mauritius

Since the first bond issuance in 2012 by Omnicane, the Mauritian authorities and regulators took heed of stakeholders' demands and brought about a number of changes over the years to the Listing Rules, the DEM Rules, and the Preferential Offer Rules to balance the practicalities of issuing bonds whilst protecting investor interests and meeting their need for sustainable finance products. Orison Legal's Tania Li shares insights on how this space has evolved.

The bond market has rapidly developed over the last decade as an alternative way to raise debt. Mauritian legislation, therefore, has also evolved to meet the changing needs of industry players.

The rapidly evolving regulatory landscape

The regulatory framework for listed bonds was principally found in the Listing Rules of the Stock Exchange of Mauritius ('SEM') and the rules of the Development and Enterprise Market ('DEM') and was complemented by the provisions of the Companies Act 2001 concerning record-keeping obligations and the appointment by issuers of a debenture holders' representative.

Since the first listed bond issuance in 2012 by Omnicane for MUR 3 billion, key market players have followed suit, and the appetite of both issuers and investors appears to have grown steadily since then.

The scope of regulatory disclosures and continuing compliance obligations imposed by the SEM and DEM rules have made it too costly to raise finance through mid-size bond issuances. This led to the emergence of an alternative market, that is, the issuance of bonds by private placement to targeted corporate and institutional investors. Private placements at that time remained unregulated until the proclamation of the Securities (Preferential Offer) Rules in 2017 ('Rules'), demonstrating the regulators' proactiveness in ensuring investor protection.

The regulatory effort was however not entirely

satisfactory: the Rules imposed requirements such as obtaining prior shareholder approval and a timeframe of 12 months from the date of such approval to complete bond issuances falling within the purview of the Rules, causing a mismatch between the practicalities of raising debt finance swiftly and efficiently and the cautionary approach of the regulators in giving investors comfort. Indeed in 2021, the Rules were amended to adopt a tempered approach in removing the deadline for issuing bonds and the approval requirement, as the bond issuances would not affect the shareholding of an issuer per se.

A sustainable regulatory roadmap for bonds

With the pressing climate agenda and a view to positioning Mauritius as an attractive jurisdiction for sustainable finance, the Bank of Mauritius ('BOM') and the Financial Services Commission (the 'FSC') respectively published the Guide for the Issue of Sustainable Bonds in Mauritius and the Guidelines for the Issue of Corporate and Green Bonds in Mauritius in 2021.

Whilst the BOM's Guide is informational, the FSC Guidelines have binding authority and confer on the FSC the power to take administrative sanctions in case of breaches. The BOM Guide references the International Capital Market Association's ('ICMA') Green Bond Principles, Social Bond Principles, Sustainability-Linked Bond Principles as well as Climate Bonds Initiative's Climate Bonds Standard eligibility taxonomy. The FSC Guidelines also draws heavily on ICMA's Green Bond Principles, thereby



By Tania Li, Partner,
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demonstrating the jurisdiction's commitment to best international practice.

The FSC Guidelines now complement the existing framework and expatiate on inter alia the 4 categories of 'eligible issuer' and how non-eligible issuers would be treated until they meet the relevant eligibility criteria, as well as financial criteria such as the minimum issue lot, denominations, applicable market conventions and restrictions on securitisation. Two noteworthy requirements are the continuing disclosure obligations and the mandatory appointment of an issuing and paying agent and a corporate finance advisor, whose scope of duties are also catered for in the FSC Guidelines.

Greenwashing remains a major concern in the absence of a concrete universal definition

With the first ever green bond issuance by Cim Finance in 2022, the jurisdiction's transition into a sustainable finance hub appears to be under way and is indicative of the market's interest and confidence in the improved legislative framework. Whilst the implementation of the green bond framework is an encouraging step and will hopefully attract more foreign investors, Mauritius will nevertheless face challenges as in other countries.

Sustainable finance: Is Mauritius on the right track?

Greenwashing remains a major concern in the absence of a concrete universal definition. In addition to a claim for breach of warranty (arising from a prospectus for listed bonds or a preferential offer document for unlisted bonds), a prejudiced investor in listed bonds is further protected by the special statutory regime provided in the Securities Act 2005 regarding civil and criminal liability for



defective prospectuses. It will be interesting to see how Mauritian courts address greenwashing claims. Regulators should nevertheless assess the need for adopting anti-greenwashing policies, and certain jurisdictions such as Australia and the United Kingdom have already adopted a regulatory guide and a green claims code respectively, which cover guidance for advertising of financial instruments as well as labelling and marketing goods and services as being environmentally friendly.

Other factors which industry stakeholders may consider are financial and tax incentives. Singapore has addressed the problem of costs through a grant scheme specifically for green bonds, where eligible issuers benefit from a grant to cover the expenses of obtaining annual independent reports or certification. On the local front, interest derived by investors from bonds issued to finance renewable energy projects approved by the Mauritius Revenue Authority are exempted from income tax, but it may be worth extending the scope of this exemption to other categories of sustainable projects.

Given its reputation as a mature international financial centre, Mauritius has the potential to leverage its regulatory framework in becoming a jurisdiction of choice to finance projects on the continent. With the considerable development in the regulation of bonds in the past decade, it will be interesting to see how the market evolves further and whether Mauritius can indeed become a sustainable finance gateway towards Africa.



Private Equity Investment: An Under-Rated Asset Class in Mauritius

When it comes to private equity, it has been noted that direct investment in private equity funds over time can be complex and risky. Friday Capital's Armand de la Hogue talks about HNWIs can invest in Fund-of-Funds (FoF) as an optimum wealth management tool.

High-net-worth individuals (HNWIs) are constantly seeking ways to diversify their investment portfolios and maximise their returns. One asset class that has been gaining traction in recent years is private equity. However, direct investment in private equity funds can be complex and risky, especially for individual investors who may lack the resources and expertise to evaluate and manage these investments. One solution to this challenge is to invest in private equity Fund-of-Funds (FoF), which offer several advantages

for HNWIs seeking exposure to this asset class.

What are private equity Fund-of-Funds?

A private equity FoF is an investment vehicle that pools capital from multiple investors and allocates it across a diversified portfolio of private equity funds.

These funds are managed by experienced professionals who have the expertise and networks to identify and evaluate top-performing private

equity managers and investments.

Why invest in private equity Fund-of-Funds?

Diversification: Investing in a private equity fund of funds allows HNWIs to diversify their investments across a broad range of private equity funds and strategies. This helps reduce the risk of concentration and exposure to a single fund or investment, which can be especially important in the volatile and complex world of private equity.

HNWIs can diversify investments across a broad range of PE funds and strategies

Access to Top-performing Managers: Private equity FoFs provide investors with access to top-performing private equity managers, who may not be available to individual investors. By investing in an FoF, HNWIs can benefit from the expertise and networks of experienced professionals who have a deep understanding of the private equity landscape and can identify and invest in the best managers and funds.

Professional Management: Private equity FoFs are managed by experienced professionals who have the expertise and resources to evaluate and manage private equity investments. This includes conducting due diligence on potential managers and investments, monitoring portfolio performance, and managing risk.

Liquidity: Investing in private equity fund of funds can provide greater liquidity than direct investment in private equity funds, which typically have longer lock-up periods and limited opportunities for redemption. FoF investors may have more flexible

redemption terms, which can be important for HNWIs who need to maintain some level of liquidity in their investments.

Cost Efficiency: Private equity FoFs can offer cost efficiencies compared to direct investment in private equity funds. By pooling capital from multiple investors, they can achieve economies of scale, reducing costs associated with due diligence, administration, and legal fees.

Risks to consider

While private equity FoFs offer several advantages, it is important to consider the potential risks and downsides. These include:

Fees: Private equity FoFs typically charge management fees and performance fees, in addition to fees charged by underlying investment funds. It is important to carefully evaluate the fee structure and understand the impact on overall returns.

Lack of Control: Investing in a private equity FoF means relinquishing some level of control over individual investments. HNWIs need to trust the fund managers to make the right decisions and manage risk effectively.

Market Risk: Private equity investments are subject to market risk, and FoF investments may be impacted by broader economic trends and shifts in the private equity landscape.

Lock-up Periods: While private equity FoF may offer greater liquidity than direct investment in private equity funds, they may still have lock-up periods and limited opportunities for redemption. HNWIs need to carefully evaluate their liquidity needs and consider the potential impact on overall investment strategy.

Optimum approach to an FoF

At Friday Capital, we believe that it is important to employ a mix of primary and secondary investments to diversify portfolios and implement a cost-reduced capital deployment strategy towards minimising these risks as much as possible.

Additionally, a light fee structure and employing a recycling strategy of reinvesting initial returns to increase the cash at work, can also work to benefit investors. Altogether, such factors can go a long way towards providing investors in fund-of-funds with a more efficient and effective investment experience.



**By Armand de la Hogue,
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Friday Capital**

Business opportunities beckon under the Industrial Property Act 2019

With the objective of updating and strengthening Intellectual Property Protection in a way that is harmonised to deal with the challenges faced in the present globalised economy, Juristconsult Chambers' Shalinee Drepaul Halkhoree and Divesh Gangadin share their insights on how the Industrial Property Act will make the Mauritian Intellectual Property (IP) system more responsive to investors and entrepreneurs.

Mauritius is considered as an ideal location for setting up subsidiaries to hold intellectual property (IP) rights of their parent companies.

The advantages of separating the IP rights from the parent company and bringing them under the aegis of an IP holding company are multifold, in as much as:

- (i) It allows the centralisation of all IP rights of a group of companies.
- (ii) It protects the parent and other operating companies of a group from getting involved in any lawsuit concerning the IP rights.
- (iii) It enables the payment of a reduced tax on income received from licensing royalties.
- (iv) It enables the segregation of IP assets from other assets, thus becoming available to be used as security.
- (v) It protects the IP rights from hostile takeovers of the parent company.

Besides the political, financial and tax considerations, the coming into force of the new Industrial Property Act 2019 (the "IP Act") can be another important consideration for using Mauritius to hold IP rights as the IP Act provides a robust and enhanced IP right protection regime to the owner.

The IP Act repeals and replaces the Patents, Industrial Designs and Trademarks Act 2002 and together with the Copyright Act 2014, is the governing law for the protection of intellectual property rights in Mauritius. The IP Act was enacted to modernise the industrial property framework in Mauritius by promoting innovation, strengthening the protection of IP rights,



and creating better conditions to attract high quality investment.

The IP Act provides protection to Patents, Trademarks and Industrial Designs as was the case under the repealed legislation, but also extends protection to new industrial property rights, such as, utility models, plant breeders' rights, geographical indications, and layout designs of integrated circuits. The IP Act also makes provision for the accession of Mauritius to the Madrid Protocol, the Patent Cooperation Treaty, and the Hague Agreement.

For the purposes of this article, we will focus on the Madrid Protocol.

The Madrid System

Accession to the Madrid Protocol provides a one-stop solution for trademark owners to obtain and maintain protection in multiple jurisdictions. Thus, trademark owners need to file a single international trademark application, in one language, and pay one set of fees to the Industrial Property Office of Mauritius (the "IPOM") and such application will give the possibility of being registered in 130 countries of the Madrid System.

Trademark applications in Mauritius will increase by at least 30% over the next 4 years

Such countries include the Benelux Countries (Belgium, Netherlands, and Luxembourg), the European Union (EU) member states and the members of the African Intellectual Property Organisation (OAPI) comprising of some 18 African countries.

International trademark application under the Madrid System

In order to make an international application under the Madrid System, the applicant should be a Mauritius national or have a real and effective business in Mauritius. The application is made to the IPOM and the applicant designates the contracting state(s) of the Madrid System in which the trade mark should be registered. The IPOM will conduct a preliminary check and once satisfied, the application will be sent to the World Intellectual Property Organisation (the "WIPO") which administrates the Madrid System and which will issue a certificate of registration if the application is in compliance with

WIPO's formal requirements.

Trademark owners who are not based in Mauritius do have the possibility to designate Mauritius when filing their new international applications. Additionally, existing international registrations can be amended to include Mauritius as a new country of protection.

Fostering of business in Mauritius using the Madrid System

As highlighted above, the Madrid System eliminates the necessity of having to carry out individual applications in different countries, in different languages and pay different fees. An international application under the Madrid System is less burdensome for the IP right holder and it is a cost-effective way of protecting rights of Mauritian trademark owners on international markets.

By acceding to the Madrid Protocol, it is expected that the number of trademark applications in Mauritius will increase by at least 30% over the next four years and the number of applications will keep on increasing as and when there are more countries joining the Madrid System. This means more work for company secretaries, trademark agents as well as the legal professionals as there will be more representations before the IPOM on behalf of foreign clients, more litigation work in terms of oppositions and invalidations and more trademark infringement matters.

Readiness of Mauritius to accept international applications under the Madrid System

On 6 February 2023, the Government of Mauritius deposited its instrument of accession to the Madrid Protocol. Following the publication of the Industrial Property Regulations 2022 which provides for a schedule of fees for the international registration of trademarks under the Madrid System, Mauritius is all set for the implementation of the Madrid System on 6 May 2023. Ideally, if all goes as scheduled, the IPOM will be able to accept international applications under the Madrid System as from that date.

The Industrial Property Act 2019 has taken more than 3 years to be proclaimed and come into operation. There are great expectations on the contribution of this legislation to the modernisation of the industrial property framework in Mauritius and the transformation of our economy into a modern and dynamic one.



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Juristconsult Chambers

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