MAURITIUS FINANCE

Mauritius International Financial Centre

A Mauritius Finance Publication · October 2021 · Issue 2

Economic Relaunch

Re-opening of borders

Lifestyle

Moving to Mauritius

Building Africa

Eye on the African Continental Free Trade Area

Building an innovative path for a sustainable future

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Towards a bright future

By Samade Jhummun, CEO, Mauritius Finance

Innovation and sustainability will be the key watchwords for the Mauritius International Financial Centre, as we move into a new phase of economic recovery and growth. With the full re-opening of our borders to the world this October, the Mauritian nation will once again demonstrate its resilience.

Mauritius, as an island economy, has always been ready to adapt to changing times, and our financial sector has been able to successfully adapt and reinvent itself in the light of recent challenges.

Innovation is at the heart of a number of initiatives announced in the recent National Budget. These measures include the setting up of an open lab by the Bank of Mauritius and Financial Services Commission; the creation of a FinTech Innovation Hub; and the piloting of a Central Bank Digital Currency by the Bank of Mauritius, together with a new framework for virtual assets. Mauritius remains a pioneering African nation by adopting the peer-to-peer lending framework in August 2020 and was further strengthened with the adoption of Crowdfunding Rules in September 2021. These measures demonstrate our capacity to embrace and champion changes on the global stage.

Ensuring a sustainable future is another vital shared objective which is close to the hearts of people in Mauritius, as a Small Island Developing State fully committed to the achievement of the UN's Sustainable Development Goals. The adoption of a Guide on sustainable bonds by the Bank of Mauritius in June 2021 and the guidelines on the of Corporate and Green Bonds issued by the FSC in September 2021 were important milestones to show the potential contribution of the financial sector in this domain.

When it comes to securing a positive global reputation to sustain our sector for the long term, we welcomed the FATF's recent on-site visit to Mauritius, which represented a key opportunity to demonstrate the progress achieved on anti-money laundering and combating terrorism financing (AML/CFT) matters, noting that Mauritius is now compliant or largely compliant with 39 out of the 40 FATF Recommendations.

We are convinced that Mauritius has now successfully implemented the FATF Action Plan by adhering to most of its specifications. Consequently, we are confident that Mauritius will soon be removed from the FATF list of jurisdictions under increased monitoring and eventually the EU list of high-risk third countries.

In terms of our activities at Mauritius Finance, we are proud of our increased commitment in promoting capacity building and upskilling the financial sector in areas including AML/CFT and Fund Accounting. We are delighted to have launched a series of training initiatives in September 2021 alongside renowned international partners, namely the Chartered Institute for Securities & Investment (CISI), CLT International (CLTI), the International Compliance Association (ICA) and Society of Trust and Estate Practitioners (STEP). We will continue to provide support in building capacity for the industry.

Finally, our focus on innovation and sustainability will serve us well as we seek to reinforce our role as an investment hub for Africa. A recent report prepared by Capital Economics highlighted on the investment required by Africa and Mauritius will have a big part to play as the IFC of choice for institutional investors and Development Finance Institutions investing in Africa. As a hub to facilitate growth, sustainable development and prosperity for the African continent, and also to connect the world through free trade agreements with Africa and China, and the Comprehensive Economic Cooperation and Partnership Agreement with India, we are looking forward to a bright future ahead.

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CONTENT

On the cover

Building an innovative path for a sustainable future

COVER STORY

GOVERNMENT

ECONOMIC RELAUNCH

BUILDING AFRICA

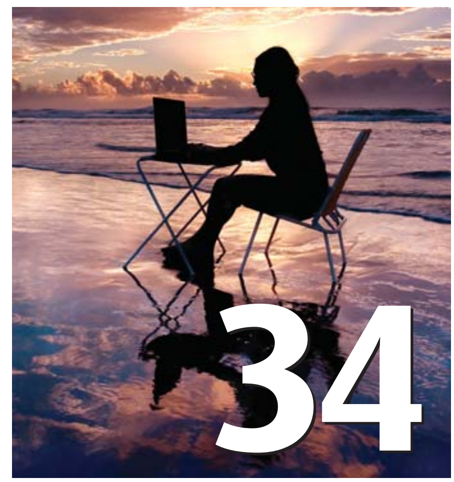
DIPLOMACY

LIFESTYLE


60


18
PASSPORT


22


34

Building an innovative path for a sustainable future

With the Mauritius Budget 2021-22 being announced under the theme of Recovery, Revival and Resilience, it is clear that the island economy is positioning itself for the new normal, where technology can be expected to play a major role in taking the Mauritius International Financial Centre (IFC) to the next level

With a view to promoting innovation in the financial services sector, the Government of Mauritius announced a raft of salient initiatives within the National Budget 2021-22. Faraz Rojid, Director of Financial Services at the Economic Development Board (EDB) of Mauritius, unfolds the various budgetary measures.

"Firstly, the Bank of Mauritius (BOM) and the Financial Services Commission (FSC) will set-up open labs for banking and payment solutions. Secondly, a FinTech Innovation Hub will also be created to foster entrepreneurship culture, and a single desk will be set up to accept all FinTech related applications. Thirdly, the introduction of the new Securities Bill will also reinforce the legal structure of the FinTech sector, especially with regard to tokens or virtual assets with underlying securities. Fourthly, a new legislation for virtual assets will be enacted. Fifthly, the BOM will roll-out, on a pilot basis, a Central Bank Digital Currency, to be known as the Digital Rupee," he notes.

He emphasises that these measures serve as testimony to the Government's vision of adopting a digital strategy and establishing the right ecosystem to foster innovation.

For his part, Michal Szymanski, CEO of the Mauritius Africa FinTech Hub (MAFH), highlights that the FinTech Innovation Hub in particular stands out as a noteworthy initiative, serving as a valuable point of contact for all FinTech queries. "We believe that streamlining will not only quicken the licensing aspect but also serve to speedily address all the queries Mauritius receives on the FinTech front," he underlined.

From a regulatory perspective, Priscilla Balgobin-Bhoyrul, Senior Partner, Dentons Mauritius, explains: "The objectives of the FinTech Hub are to foster innovation and use of emerging technologies, identify critical trends in technology affecting the banking or financial sector, provide a testing environment for FinTech operators to develop, test, prototype and operate their products or services, and establish an international networking platform for experts on innovative technologies related to the financial sector, banking or payments systems."

She opines that the establishment of the FinTech Hub will attract new, younger, dynamic and more innovative investors, which will rejuvenate the Mauritius IFC.

Fast-tracking payment innovations

Mobile money, online banking, and contactless payments have already gained significant traction on the island following the first wave of COVID-19 in March 2020, before becoming entrenched during the second wave in March 2021. Several budgetary measures are geared towards fast-tracking payment innovations, given that digital payments have taken on a life of their own in the post-pandemic world, and Mauritius is no exception. With BOM tasked to introduce a dedicated QR Code at national level to facilitate digital payments and to set up an Open-Lab for banking and payment solutions, the National Budget 2021-22 opens up an array of possibilities for payment innovations in the Mauritius IFC which have now been enacted into law.

"The Finance (Miscellaneous Provisions) Act 2021 has made a host of amendments to the existing legislations in order to provide the legislative firepower to implement the changes that were announced in the Budget Speech 2021/2022. Key takeaways that are meant to give a strong impetus to the Mauritius FinTech sector are the amendments to the Bank of Mauritius Act (BOMA) 2004 to allow the BOM to provide for the framework under which digital currency may be issued by the BOM and may be held or used by the public," notes Priscilla, adding that both the Banking Act 2004 and the Financial Services Act 2007 have also been amended to provide for the establishment of the FinTech Hub under the purview of the FSC, and the Regulatory Sandbox Authorisations under the aegis of the BOM and FSC respectively.

Faraz Rojid, Director of Financial Services, Economic Development Board (EDB) of Mauritius

> "The Bank of Mauritius (BOM) and the Financial Services Commission (FSC) will set-up open labs for banking and payment solutions. A FinTech Innovation Hub will be created to foster entrepreneurship culture"
>
> Faraz Rojid, Director of Financial Services, Economic Development Board (EDB) of Mauritius

As another recent example of how regulators are gearing up to support digital payment innovations, the BOM supplemented the National Payment Systems Act of 2018 with new regulations for National Payment Service providers in June 2021. These regulations seek to provide clear guidelines to prospective operators, with a view to ensuring that electronic money and digital payments become increasingly accepted locally in a COVID-19 context. With FinTech firms forming a key focus of these regulations, it is clear that the central bank is unfolding the path for FinTech-led innovations to form a more significant part of the payments landscape in Mauritius.

> "Giving a strong impetus to the Mauritius FinTech sector are the amendments to the Bank of Mauritius Act (BOMA) 2004 to allow the BOM to provide for the framework under which digital currency may be issued by the BOM and may be held or used by the public"
>
> Priscilla Balgobin-Bhoyrul, Senior Partner, Dentons Mauritius

Another notable milestone on the part of the central bank to promote real-time payments is the implementation of the Mauritius Central Automated Switch (MauCAS). By making banking, e-commerce, and mobile payments inter-operable, MauCAS enables customers to access payment innovations with ease. Moreover, being a payments system managed by the BOM that acts as a centralised payment system between banks, the interface allows customers from banks running on the MauCAS payment system to make payments 24/7 without depending on bank opening or processing hours. Crucially in a COVID-19 context, convenience is a key factor as this digital form of payment allows customers to undertake peer-to-peer (P2P) transactions from the comfort of their homes.

Finally, with the BOM tasked under the Budget to roll out a pilot of its retail-focused CBDC by year-end, the Central Bank has been consulting with the International Monetary Fund (IMF) on possible designs for its CBDC, with the global monetary body actively helping Mauritius with its digital currency plans. Priscilla adds, "Under the current rules, the BOM may accept deposits and open accounts for the purposes of issuing digital currency. The BOMA also discourages the making or use of a counterfeit digital currency. The forthcoming rules regarding digital currency shall provide more information as to the mechanism regarding the operation and use of such digital currency within the banking ecosystem, given that it is already legal tender by virtue of the BOMA. We are therefore expecting an industry consensus to develop fairly rapidly around a particular legal structure that applies to digital currencies."

Pioneering digital asset frameworks

While the FSC has recognised digital assets as an asset class for investment by sophisticated and expert investors since September 2018, it was with effect from March 2019, through the Custodian Services (Digital Asset) Licence and corresponding rules, that Mauritius became the first IFC to offer a dedicated regulatory landscape for the safekeeping of digital assets.

Faraz explains that the jurisdiction followed up the Custodian Services (Digital Asset) Licence with the issuance of guidance notes on Securities Token Offerings (STOs) and the licensing of Security Token Trading Systems in Mauritius. These developments have helped to propel Mauritius to the forefront of virtual asset management in the continent.

Sridhar Nagarajan, Regional Managing Director at IQ-EQ Mauritius, notes: "We are witnessing a growing trend of discerning investors both from the HNWI and Fund segments investing in digital / virtual assets. However, the demand for support services is currently high in Europe and in Africa, primarily from South Africa (SA)," he says, adding that SA's predominance is not surprising since Africa's second largest economy has a sophisticated investment

Priscilla Balgobin-Bhoyrul, Senior Partner, Dentons Mauritius

culture, with investors continuously experimenting with new asset classes to improve the yield of their investments.

"Given the established recognition and familiarity among SA investors about Mauritius IFC being the best place to structure African investments, the development of services to virtual asset managers has good potential," he highlights. Most recently, given that one of the Budget announcements was to introduce new legislation for virtual assets, the Virtual Asset Business Bill was opened for industry consultation with final inputs solicited by 23 July 2021. As stated in the guidance note, the key objective of the Bill is to provide an enabling framework for the regulation of Virtual Asset Service Providers (VASPs) and initial token offerings, respectively.

> "The Virtual Asset Business Bill has the potential to carve a niche for us in an emerging asset class with significant upsides including high-end employment opportunities for the educated youth"
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> Sridhar Nagarajan,
> Regional Managing Director,
> IQ-EQ Mauritius

Priscilla explains that the current regulatory framework on digital assets was adopted in the form of guidelines and regulations, with its scope limited to custodian services and to digital assets, such as "securities" and "security tokens". "The Virtual Asset Business Bill no longer limits the regulatory framework to these areas. It provides for the licensing and supervision of a much wider range of activities under a new comprehensive definition. This would help in terms of clarity and stability moving forward. Key provisions in the Bill include the new definition of a "virtual asset", which was imported from the FATF guidelines and the transitional provisions which provide that a "security" under the Securities Act no longer includes a "virtual token", as defined under the Virtual Asset Business Act," she elaborates.

She also notes that, crucially from an AML-CFT perspective, virtual assets markets pose a significant cause for concern, imposing on the regulator a need to introduce the requisite legal and regulatory framework to integrate virtual assets into the mainstream financial ecosystem. "The main benefit of a Virtual Asset Business Act, as per the current draft Bill, would be to provide a clear and comprehensive basis for operators as FinTech develops in Mauritius, whilst aligning the Mauritius legal framework for regulating such class of assets, with international standards developed by the likes of the Financial Action Task Force (FATF)," explains Priscilla, adding that the adoption of the Bill will serve to underline the progress made by Mauritius from a legal, compliance and regulatory perspective to address issues relating to the level of effectiveness of its AML-CFT systems.

It is anticipated that this new legislation for virtual assets combined with the proposed Securities Bill will facilitate the trading of virtual assets in Mauritius, as a sector which can be expected to receive a huge boost with the support of the FinTech industry.

Sunil Benimadhu, Chief Executive of the Stock Exchange of Mauritius (SEM), emphasises that the new legislation for virtual assets constitutes a meaningful step towards the modernisation of the island's legal framework for creating an enabling environment to trade such assets in Mauritius. However, he cautions that a key challenge lies in the form of attracting international players in this domain who can help create the appropriate ecosystem for trading these novel products and enhance the competitiveness of the Mauritian jurisdiction as a FinTech hub regionally and globally.

"Many IFCs today are competing to enter this domain and we will need to strive in order to establish our competitive edge and demarcate ourselves in this new space. This can only be made possible through better coordination and cooperation amongst regulators, industry players and other relevant stakeholders to support innovation whilst mitigating the reputational risks associated with certain types of virtual assets which tend to be highly speculative

**Sridhar Nagarajan,
Regional Managing Director,
IQ-EQ Mauritius**

and difficult to value," he avers.

For his part, Sridhar emphasises: "The Virtual Asset Business Bill has the potential to carve a niche for us in an emerging asset class with significant upsides including high-end employment opportunities for the educated youth." On this point, he highlights that the impressive evolution of the investor services industry in Mauritius since the '90s points to the sector's adaptability, learning capability, and portable service culture.

With this praiseworthy culture of the jurisdiction's service providers, well supported and governed by proactive regulations such as the Virtual Asset Business Bill, "we can confidently say that the service sector shall be able to raise up to the challenges and opportunities posed by virtual asset management," he concludes.

Broadening the exchange system

Crowning the slew of significant amendments to the financial services sector is the Securities (Amendment) Act 2021, which was passed on 30 June with a view to bringing much needed changes to the Securities Act 2005.

"The Amendment Act progresses and strengthens the capital market sector in Mauritius in line with the key recommendations of the Financial Sector Blueprint Report issued in 2018. It builds up and keeps Mauritius on par with global best practices and developments in the financial sector," explains Priscilla. It may be recalled that the Blueprint was commissioned by the FSC and Ministry of Financial Services, and issued by McKinsey in June 2018.

Sunil adds, "The recent changes made to the Securities Act fit with the broader aim of opening up the Mauritius IFC to international players. As underscored in the Blueprint, there is a need for the Mauritius IFC to attract talent and new players to help scale up the breadth, depth, scope and substance of activities conducted in our jurisdiction."

The two key changes the Act seeks to usher in are the establishment of additional securities exchanges alongside the SEM; and setting up of novel clearing and settlement facilities in addition to the Central Depository and Settlement (CDS).

Priscilla notes that another interesting amendment is the change in the definition of 'reporting issuer' which now dispenses foreign reporting issuers from the requirement of being registered with the FSC, bringing Mauritius in line with other leading listing jurisdictions.

Sunil elaborates, "More specifically, some of the recent changes to the Securities Act reduce the regulatory compliance burden placed on issuers, especially international issuers. These changes constitute a first and yet important step in better positioning Mauritius as an attractive capital-raising and listing platform targeted to niche international issuers." He adds that these amendments reinforce the numerous changes brought to the SEM's Listing Rules and operational framework to attract more international issuers to leverage on its multi-asset class and multi-currency trading and settlement platform to raise capital, list, trade and settle in currencies which appeal to their targeted investors.

Michal Szymanski, CEO, Mauritius Africa FinTech Hub (MAFH)

> "The FinTech innovations in Africa are world class, because they are very user-centric. The Africa FinTech Festival is a great way for them to showcase their abilities on a global stage"
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> Michal Szymanski, CEO,
> Mauritius Africa FinTech Hub (MAFH)

Additionally, Priscilla highlights that the Act introduces the concept of "retail investors", who are investors, other than sophisticated investors, as the FSC may determine. "This would allow for the recognition of foreign funds whose securities are marketed to retail investors in or from Mauritius. Such changes shall encourage foreign funds to be listed on the securities exchange at a lesser cost and, in the process, also simplify the general administrative process."

As also mentioned, the amendment paves the way for new exchanges to be established, and, further to the promulgation of the Act, Afrinex Ltd was launched as the first pan-African trading platform in Mauritius. "Afrinex is a pan-African exchange with global reach and its presence in Mauritius is a great support to the vision of the Mauritian Government and the FSC to turn Mauritius into an IFC. Afrinex is a multi-currency and multi-asset universal exchange, operating equity, fixed income and derivatives across asset class. Such an environment will be conducive to investment opportunities," highlights Priscilla.

She concludes that the Amendment Act broadens the operation of approved exchanges in Mauritius, paving the way to promoting participation of international intermediaries, and, at the same time, attracting and catering for various types of investors. "It is envisaged therefore that the Amendment Act, and consequently the Securities Act 2005, shall enhance the competitiveness of Mauritius in capital markets," she opines.

Driving the innovation and sustainability agenda

Even with all these forward-looking developments around the corner, one of the most significant changes that will have the greatest impact on the FinTech industry is the issuance of Regulatory Sandbox Licences (RSLs) by the BOM and the FSC for activities which fall under their respective purviews.

Currently, RSLs are issued by the EDB, and, while the scope of the RSL covers all innovative activities, a majority have hailed from the FinTech sector. Hence, the move to transition the RSL to the BOM and FSC respectively would mean a concerted focus on FinTech, which should yield more successful projects that qualify for a licence under the experimentation route.

Faraz elaborates: "Mauritius was one of the early movers in Africa when it comes to introducing a Sandbox License. The Sandbox regime allowed both start-ups and established companies to roll out innovative projects for which there was/is no regulatory framework in Mauritius. Since its launch, ten licenses have been granted for FinTech projects by the National Regulatory Sandbox License (NRSL) Committee. These encompass a diverse portfolio of projects, including Initial Coin Offerings (ICOs), cryptocurrencies exchange platforms, digital wallets, crowdfunding platforms and a blockchain-enabled alternative securities platform."

On this note, Faraz adds that Mauritius' pioneering approach to regulatory frameworks enabling its transition to a digital era have made it the first country in Sub-Saharan Africa to have a specific regulation related to P2P lending. Indeed, in the recent past, a successful instance of a FinTech activity making it through the full regulatory cycle from the EDB's RSL to an FSC framework was seen by way of the P2P Lending Rules promulgated in August 2020, with licences issued since to cover players operating under regulatory sandbox approvals so far, such as Fundkiss and FinClub.

"Mauritius is ranked first in Africa and 13th in the

Mauritius to host the Africa FinTech Festival with an eye on innovation in the continent

It was in October 2019 that the Mauritius Africa FinTech Hub (MAFH) was awarded the rights to host the Africa FinTech Festival (AFF), a concept launched by the Africa FinTech Network (AFN) in 2018. After two successful editions in Nigeria and Uganda, the third is being held in Mauritius this year, following significant delays occasioned by COVID-19.

With the sharpened focus on virtual events in the new normal, the AFF in being held in a new 2-part format around the theme of "FinTech, Sustainability and Innovation – The power trio to fast-forward Africa's growth". Accordingly, the pre-event session of the AFF was held on 16 June 2021 through a 1-day virtual format attended by nearly 500 participants, with registrations from over 60 countries and key representation from Mauritius, Nigeria, UK, India, South Africa and US.

"The FinTech innovations in Africa are world class, because they are very user-centric. The problem is that many of these innovations do not have access to the right skills, mentors and funding, among others. The festival is a great way for them to showcase their abilities on a global stage," notes Michal, adding that the festival also serves to educate consumers and the market about the challenges that these practical innovations solve. Moreover, he highlights that the festival provides a platform for regulators, academia and all the other stakeholders to gain insights into the world of innovation that Africa's resourceful entrepreneurs are crafting with their world-class initiatives.

Accordingly, participants at the pre-event session had the chance to connect virtually with players in the industry, learn more about FinTech in Africa, and broaden their knowledge on a wide range of topical issues such as the importance of digital IDs, blockchain and crypto asset regulations, digital financial literacy, digital transformation in banks, financial inclusion for MSMEs, fighting against financial crime, and capacity building/upskilling for the future.

The second and main event will be held next, over 13-15 October 2021. In this edition, which will be held in a hybrid format, MAFH will host panel discussions, keynotes and other activities relevant to the Pan-African FinTech development scene, with valuable insights on key topics ranging from innovation, regulations, investment and deal flow, to skills and capacity building.

"Providing a learning environment, while exploring new ways of thinking, doing and learning, lies at the core of the festival," concludes Michal.

World Bank Ease of Doing Business Ranking. Amid the fast-changing global landscape, Mauritius is consistently improving the business environment to ensure it remains a highly competitive jurisdiction for global investors. The Budget comprised additional measures, including the setting up of a Business Support Facility; setting up of Commissions by the EDB; introduction of a Regulatory Impact Assessment Bill and the setting up of a business Regulatory Reform Council, amongst others," Faraz highlights, adding that the time taken to resolve commercial disputes will be reduced, with a view to complementing other reforms such as the introduction of the e-judiciary system, even as the regulatory framework against money laundering is being revamped and harmonised in line with international standards.

> "The issuance of the first sovereign sustainable bond by Mauritius is much awaited and it is expected that it will pave the way towards more issues in the future"
>
> Sunil Benimadhu, Chief Executive, Stock Exchange of Mauritius (SEM)

"All of the above-mentioned measures mean that the Government is paving the way for a hassle-free FinTech ecosystem which would enable start-ups and FinTech operators to grow and prosper," he concludes.

For his part, Sunil unfolds the path ahead for the capital markets to facilitate investments towards sustainability and to encourage companies to embrace sustainability, with FinTech and sustainability being closely linked in cause and effect. "When the SEM launched its Sustainability Index, SEMSI, it was felt that, as the platform listing some of the largest companies in Mauritius, the SEM was uniquely positioned not only to promote sustainability, but also to trigger a shift in the mindset of local companies in favour of a greener, sustainable, well-governed and more inclusive Mauritius," he comments.

More recently, Sunil highlights that the SEM chaired a Committee set up by the Bank of Mauritius to come up with Guidelines for the issuance and listing of Sustainable Bonds in Mauritius. These clearly define the process of issuing sustainable bonds, the compliance and reporting requirements for issuers of sustainable bonds and the risks associated with green-washing, constituting a strong statement of the Government's commitment to sustainability, he emphasises.

"The issuance of the first sovereign sustainable bond by Mauritius is much awaited and it is expected that it will pave the way towards more issues in the future," he concludes.

FinTech future forward: From Mauritius to Africa

Now, with Mauritius all set to host the Africa FinTech Festival (AFF) from 13-15 October 2021, it is indeed an exciting time for the island economy as it joins the dots between the FinTech revolution taking place on the mainland continent and investors from advanced economies who wish to participate in this fast-paced movement by investing through the jurisdiction.

"The AFF 2021 is a great way to tackle the numerous challenges that have been highlighted across Africa. With Mauritius being awarded the right to host this event, it shows our intent and ability to integrate and work with all the other jurisdictions. Being nominated to the Africa FinTech Network board, a collaboration of 34 African countries and jurisdictions, was the first step in achieving this objective. Having built these relationships and partnerships, we have started to collectively address the issues not only in our own respective countries, but holistically as a continent," concludes Michal.

Ultimately, with the African Continental Free Trade Area (AfCFTA) implemented since 1 January 2021 already serving to push the agenda for a harmonised framework for FinTech regulations and cross-border payment innovations, the AFF could not have come at a better time for Mauritius to position itself as the de-facto gateway to FinTech in Africa.

Sunil Benimadhu, Chief Executive, Stock Exchange of Mauritius (SEM)

The Mauritius Equation: Re-imagined

With the Government of Mauritius prioritising the return of the island nation to a positive trajectory of development in the new normal, this article tells us how measures announced under Budget 2021-22 have done much to restore investor confidence and attract entrepreneurs, with innovations such as the Premium Investor Certificate, FinTech Innovation Hub, and Premium Visa scheme.

**By Faraz Rojid,
Director of Financial Services at the Economic Development Board (EDB) of Mauritius**

The novel coronavirus pandemic presents arguably one of the most significant public sanitary crises in living memory, with its impacts being felt on a global scale, touching both social and economic realms, and sparing no community, nation, or other social unit. In this overwhelming state of health emergency, Governments around the world have had to take drastic measures such as nationwide lockdowns, curfews, and the closing of borders.

Mauritius was not spared as well, and buoyant economic pillars suddenly required extensive intervention and had to strive to survive on a day-to-day basis. Along with this came the importance of scouting for new opportunities, more than ever before, by using technological advancements and charting new levels of resilience to adapt to this new normal.

Reversing the strong headwinds induced by the pandemic and launching the nation back on its positive development strategy has been the overriding priority of the Government of Mauritius. Accordingly, the 2020/2021 Budget Speech of Dr. the Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development, which was delivered shortly after Mauritius' first wave, was entitled "Our New Normal". The Honourable Minister sought to steer the economy out of this unforeseen predicament as well as bolster economic recovery with major considerations towards achieving self-sufficiency, financial support to companies, and a set of more than 150 measures to assist in the economic recovery.

This year's Budget 2021/2022 further cements the bold reforms announced last year and fosters hope and renewed aspirations for several sectors, including the tourism sector. Entitled "Better Together", the Budget 2021/2022 was delivered by the Honourable Minister of Finance, Economic Planning and Development in June 2021, and established a three-pronged approach that focuses on the three Rs, namely, Recovery, Revival and Resilience, to ensure sustainable recovery from the pandemic and long-term economic transformation. The saving of livelihoods, protection of jobs, and restoration of competitiveness in key sectors have been imperatives for the Government.

Mauritius has forged a strong reputation as an international financial centre (IFC) over the years and the financial services sector has, despite a changing and convoluted business environment during the pandemic, registered a growth rate of 1.1%. It was, therefore, important to further support the sector and the business environment, and bring in the necessary add-ons to ensure its attractiveness lives on.

Progress on the AML/CFT front

The Budget proposed a series of institutional amendments to enhance our AML-CFT framework, which is currently being assessed by the Financial Action Task Force (FATF) after the inclusion of Mauritius in the list of "Jurisdictions Under Increased Monitoring". Building on the regulatory and policy announcements, and following the work undertaken by the competent authorities in Mauritius, the FATF has, at its June 2021 Plenary session, endorsed the substantial and expeditious progress made by Mauritius to consolidate the jurisdiction's AML/CFT regime and warranted an onsite inspection to validate it. The FATF's onsite assessors were in Mauritius from the 13th to 15th of September 2021,

and the next Plenary Session will be held from the 17th to 22nd of October 2021.

It is noteworthy that Mauritius has significantly completed the FATF Action Plan well ahead of the agreed deadline of January 2022 with a myriad of reforms undertaken at the highest level of the country, including an Inter-Ministerial Committee chaired by the Honourable Prime Minister, a High-level multi stakeholder Core Group under the chairmanship of the Financial Secretary, a dedicated sub-committee led by the Director General of the Independent Commission Against Corruption, and a Mauritius delegation led by the Governor of the Bank of Mauritius to present and defend the progress made by Mauritius.

This endorsement by the FATF bears testimony to the host of bold policies and measures undertaken by the Government of Mauritius, in honouring its political commitment and in adhering to the highest international standards in combating money laundering and terrorism financing.

Opening up to the global community

As the global pandemic rages on, Mauritius has been witnessing growing demands from international professionals and entrepreneurs looking to relocate to a COVID-safe environment for work, leisure, or retirement. Accordingly, the Government introduced the Premium Visa scheme that makes it possible for citizens from over 110 countries to come to Mauritius as tourists, digital nomads, retirees, investors, business professionals, or parents of children studying in Mauritius. The idea behind it is to bring into reality the "Working from Home" to "Working from Mauritius" concept.

Moreover, to grease the wheels of our reopening strategy and to attract new talents, amendments have been brought to the Occupation Permit and Permanent Residence Scheme to adapt to the modern market trends.

> This year's Budget further cements the bold reforms announced last year

International students enrolled in a recognised educational institution in Mauritius will benefit from a work permit for 20 hours per week. The validity of a young professional Occupation Permit upon graduation will henceforth be, initially, for a period of 10 years. Additionally, the monthly salary applicable to Occupation Permit holders in financial services has been brought down to MUR 30,000 (or around USD 710) per month while the validity of Occupation Permits for Professionals has been extended from 3 years to 10 years.

Furthermore, the Family Occupation Permit has been introduced to authorise the applicant, his spouse, dependent child, parent, other dependent, or such other person working exclusively for the family unit, to become a resident for a period of 10 years upon contributing USD 250,000 into the COVID-19 Projects Development Fund. The recent measures also concern holders of the Permanent Residency Permits who will have the validity of their permit automatically extended to cover 20 rather than 10 years.

Premium Investor Certificate

In line with the spirit of reopening, the Budget makes provision for a new Premium Investor Certificate exclusively meant for attracting innovative activities, high-tech manufacturing, medical, biotech and pharmaceutical, and knowledge industries. With this scheme, we are altogether promoting emerging sectors' industry pioneers to move to Mauritius and benefit from a range of tailor-made facilities, grants, and exemptions.

This certificate also allows eligible companies to further negotiate incentives with the EDB, subject to the approval of the Honourable Minister of Finance, Economic Planning and Development.

Enhancing our corporate environment

Mauritius remains one of the most business-friendly jurisdictions in the world. The Budget introduced a series of measures to further enhance this, with the majority having a substantial impact on the international community using the Mauritius IFC.

From a fiscal point of view, tax privileges available for Family Offices as well as Fund and Asset Managers have been extended to a period of 10 years. Additionally, the required assets being managed by Assets/Fund Managers have been reduced to USD 50 million and their fiscal exemption on income has now been extended to 10 years.

Secondly, the trusts and foundations framework has been reshaped to meet OECD standards. The Mauritius Revenue Authority has accordingly come up with a Statement of Practice to ensure that our competitive edge remains compelling.

The timely introduction of the measures is fully in line with our strategy for making our jurisdiction more resilient in the face of natural calamities and even take it a step further. With its judicious implementation, we encourage and look forward to welcoming the international community to adopt Mauritius in the capacity of both their personal and professional abodes.

Other measures to support corporate efficiency and innovation

Likewise, to allow businesses to operate efficiently, firstly, a Business Support Facility has been announced. The EDB will champion this initiative and offer dedicated Accounts Managers to all registered businesses, thus having an ear to the ground regarding the development of each segment of the economy.

Mauritius remains one of the most business-friendly jurisdictions in the world

Secondly, the Bank of Mauritius (BoM) is making provisions to set up a FinTech Innovation Hub and Digital Lab for the purpose of fostering innovation and the use of emerging technologies to facilitate the provision of banking and payment solutions and other related services falling under the purview of the central bank. The BoM has been empowered to issue guidelines, directives, rules, or instructions on sustainable bonds, including blue and green bonds. Regarding the introduction of digital currencies, the BoM will also be allowed to make rules to provide for the framework under which digital currency may be issued by the Bank and may be held by the public.

Ushering in economic recovery and resilience

In essence, the measures undertaken in the spirit of making our economy more resilient against a backdrop of daunting challenges have unearthed new potential and opportunities for the Mauritius IFC and have undoubtedly sowed the seeds for our economic recovery.

Most of these measures are already being implemented, while others will be introduced during the financial year. The overarching ambition of the measures is to negate the fallout endured because of the pandemic – and these measures ultimately represent our unwavering determination to reopen our economy to the world.

Financial Services Commission MAURITIUS

The Financial Services Commission, Mauritius (FSC) is the integrated regulator for the non-bank financial services sector and global business since 2001. In line with its mandate, the FSC ensures the orderly administration and sound conduct of financial services and global business activities, whilst ensuring the good repute of the Mauritius jurisdiction. In so doing, the FSC collaborates closely with its peer regulators, and is an active member of international standard-setting bodies including the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the International Organisation of Pension Supervisors (IOPS).

The financial services sector in Mauritius is a major pillar of the economy contributing 12.3% to GDP in 2021. Global business, which is one of its most vibrant segment, is contributing 6.4% to GDP with 188 management companies administering 1,012 global funds. With its compelling value proposition, Mauritius is indeed a preferred international financial centre for corporate finance, treasury management, wealth and fund management, as well as, for quality cross-border investments enabling development and economic growth in the African region and beyond.

The FSC, as a key enabler, is geared towards providing sophisticated financial products and services within a regulatory framework complying with international best practices. As a pioneer amongst its peers in the African region, the FSC has also has recently implemented a modern regulatory framework for a spectrum of innovative financial products/services such as peer-to-peer lending, custody of digital assets, securities token offerings, and investments into digital assets by expert, professional, specialised funds or investors, special purpose funds and robotic and artificial intelligence-enabled advisory services, amongst others.

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MR MARDAYAH KONA YERUKUNONDU
CHAIRPERSON

"Mauritius is today acclaimed as a leading investment destination, and has, over the years, positioned itself as a jurisdiction of choice proposing a diversified product offering for firms wanting to expand their businesses around the globe. The FSC will continue to deliver on its mandate of ensuring that Mauritius remains a world-recognised international financial centre, and that the financial services sector remains efficient and untarnished."

MR DHANESSWURNATH THAKOOR
CHIEF EXECUTIVE

"The FSC, as a forward-looking regulator, is playing a key and enabling role in ensuring that the Mauritian financial services sector is conducive to attracting global players and investors whilst striking the right balance between innovation and tradition, in line with the FSC's adherence to international norms and standards."

Photo by Benjamin Bindewald on Unsplash

Reopening of borders: Challenges and expectations of the tourism industry

With Mauritius set to re-open its borders from October 2021, Nilen Vencadasmy, Chairman of the MTPA, tells us what this momentous milestone means for the tourism industry, which serves as a major driver for the development of the economy and the local community of the island nation

In the history of the tourism industry in Mauritius, the stakes have never been higher than for the October 2021 reopening of our borders. The stakes are as high as the hopes of all the stakeholders of the sector, from the biggest hoteliers to the villa rental operators, the beach hawkers, skippers, taxi drivers, restaurant owners, street food vendors – as high as the importance of that recovery for the country as a whole.

Indeed, under the impetus of the public and private sectors, our tourism industry has been a major driver for the development of our country and of local communities. It has, obviously, been a vital source of foreign currency. But it has also continuously improved the reality of local businesses because they are part of the supply chain for the tourism sector. Our industry has also been a regular creator of employment, including for women and the local youth.

The latest data shows that forward bookings as from 1st October, the date of our grand opening to the world, are encouraging – although it is too soon to draw any significant conclusions. We remain nonetheless cautiously confident for our forthcoming high season.

Strong response to pandemic and high vaccination rates

Health being a key travel criteria nowadays, the fact that Mauritius has a strong management of the pandemic remains a solid lever for our way forward. Praised as one of the best responses to the pandemic on an international scale, observations show that the country's relatively low COVID-19 figures in the last 18 months and our relatively high vaccination rates are, in fact, in line with two of the main reasons why travellers would choose a destination over another.

At the time that I am writing these lines (19th August 2021), 667,063 people have been fully vaccinated in Mauritius, and 772,097 others have received a first dose. We are currently averaging more than 10,000 doses administered daily. Moreover, the government has started administering the approved single dose vaccine. At that rate, it will take less than one month to get 60% of the population fully vaccinated. There is thus, absolutely no doubt that we will attain herd immunity by the time we reopen. Over and above this, we have fine-tuned our contact tracing mechanism, which remains a crucial element of COVID-19 management at a national level.

Expectations of tourist footfalls and revenue figures

After in-depth consultations with experts and stakeholders of the industry and analysis of the data in relation to global travel trends, we expect 650,000 tourists' arrivals during the next 12 months following the reopening. We believe that this is achievable given the strong public-private partnership now in place in the industry and all tourism stakeholders are gearing up for this objective to be attained.

The strong probability in favour of our expectations has been confirmed by experts through various studies, such as a recent one done by a specialised local research firm (AXYS Research). According to this study, during the 15 months following the reopening, the sector could target revenues between Rs 28 and Rs 41 billion. More realistically, our maximum revenue for this period should rise to Rs 32 billion. This is not much compared to the pre-COVID economic input of the tourism industry, but it would still be a solid start on which to build upon.

Again, we remain, however, not overly optimistic, and do not expect a speedy recovery of our tourism industry, as aligned with most of the industry specialists locally and worldwide. Indeed, McKinsey has predicted, in a recent study, that the world's leisure travellers won't get back to pre-pandemic figures before 2024. In Mauritius, if everything goes according to plan, it is estimated that we could get back to the pre-pandemic results within the next three years.

The four pillars for the tourism industry to bounce back

Through consultations between public and private operators, four important steps emerged as crucial for Mauritius: improving traveller confidence in the destination; understanding and following new market trends and demand drivers; availability of air transport; and, from a longer-term perspective, the commitment to build a more resilient and inclusive tourism sector in the face of rising sustainability. These are in line with international trends for the relaunch of this sector around the world. And those factors are what we have been working upon during the past year.

For several months now, both our public and private sectors have been working hand-in-hand to define a relevant strategy for the relaunch of the industry based on these pillars. Our country has so much to give to visitors. Our beaches and lagoons remain the obvious crowd pullers, but there is so much more to discover. Being in the midst of an international health crisis, we have further improved the country's health security and fine-tuned health protocols. We have understood the value of strict health protocols and this has percolated into our phased reopening strategy which aims at protecting both visitors and local populations. Together with our prudent reopening approach, Mauritius also has the relevant infrastructure, including the requisite health facilities, which few independent island nations can boast of.

The way forward for a tourism and travel revival

Resilience in our sector also stems from the priority given to sustainability and inclusiveness in the tourism sector's ecosystem. The shift towards even more sustainable tourism is taking place as a joint effort where responsibility does not rest solely on the shoulders of the traveller. The local industry already offered attractive sustainable choices, but the pandemic has prompted both the organic and was already offering structured growth of more initiatives.

All in all, the key word for a renewal of the industry is definitely "adaptability". Added to this, innovation and collaboration are key to the recovery of tourism and travel. While the pandemic is far from over, we have been planning not only for a new normal, but for a better one.

By Nilen Vencadasmy, Chairman of the Mauritius Tourism Promotion Authority (MTPA)

Innovation and collaboration are key to the recovery of tourism and travel

"Mauritius can act as a keystone for attracting trade and investment flows into Africa"

Alain Law Min,
CEO, MCB Ltd

While the COVID-19 pandemic has significantly disrupted the business and investment climate in almost every corner of the world, the financial services industry in Mauritius has remained sound and resilient. This offers reasons for optimism as the country recovers from the crisis and seeks to build back better. Alongside assisting operators on their recovery path and helping to embed a nation which is greener and smarter over the medium term, the Mauritian financial sector can act as a keystone for attracting, managing, structuring and channeling trade and investment flows especially into Africa, while offering a conductive, efficient and secure operating set-up to foreign entities. Towards these ends, it can capitalise on the country's intrinsic strengths linked to its business climate, investment-grade status and compliance with international norms and standards, institutional and governance framework, political and social stability, investment protection conventions, connectivity and infrastructure set-up and skilled and bilingual workforce. Furthermore, with the recent signing – as a first in Africa – of Free Trade Agreements with India and China coupled with other agreements such as the African Continental Free Trade Agreement and the country's adherence to regional economic blocs, the Mauritian IFC is ideally placed to become the preferred regional platform for trade and investment in the Asia-Africa corridor.

As the leading bank in Mauritius, MCB is committed to playing an active role in furthering the country's positioning as a reputable IFC in the region. Since the early 1990's, the Bank leveraged its core competencies to cater for the needs of diverse customer segments doing business within and into Africa and beyond. Today, the Bank has established itself as a niche player on the continent, in the provision of specialised finance solutions across selected sectors, such as Energy and Commodities, hospitality, power and infrastructure. It is also constantly enhancing its value proposition to attend to the transactional needs and strategic ambitions of global and international clients and provide tailored solutions for the non-resident high net worth individuals. Furthermore, as part of our 'Bank of Banks' initiative, the Bank is continuously collaborating with other financial institutions to help improve their value offering and build stronger and meaningful partnerships. Overall, while leveraging our investment-grade rating, we anchor our regional growth on the extensive business network we have nurtured on the continent. In addition to strengthening our partnerships with peers by capitalising on our correspondent banks, including over 100 in Africa, the Bank seeks to tap into synergies with the Group's foreign banking subsidiaries in Madagascar, Maldives and Seychelles, its overseas associates, while also leveraging our strategically positioned Representative Offices notably in Johannesburg, Nairobi, Paris and Dubai. They play a pivotal role to reinforce existing coverage and relationship with clients and strengthen risk understanding, identification and management through on-field intelligence. This allows us to gather 'know-your-customer' insights, which are crucial when it comes to doing business, especially in the current uncertain operating context. The forthcoming upgrade of our Representative Office license in the Dubai International Finance Centre (DIFC) to Advisory Office under Category 4 should equip the Bank with an enhanced scope of intervention and closer proximity to build rapport and nurture close relationships with clients and business partners across targeted market segments. Through this upgrade, the Bank seeks to enhance its network in support of sound business growth while capturing emerging market opportunities linked to the growing attractiveness of the DIFC jurisdiction.

How Mauritius' International Financial Centre compares with the Dubai IFC

Didier Viney, Head of International Operations & Outsourcing at DTOS Mauritius, takes us through the key corporate structures offered by the two leading, Africa-focused IFCs of Mauritius and Dubai, and explains how the two jurisdictions are well equipped to cater for investments into the continent

For decades, the economic development of The United Arab Emirates (UAE) was based on their crude oil and gas reserves. However, in the early nineties, the UAE federal government decided to pursue a diversification programme with a view to reduce its monetary dependence on oil.

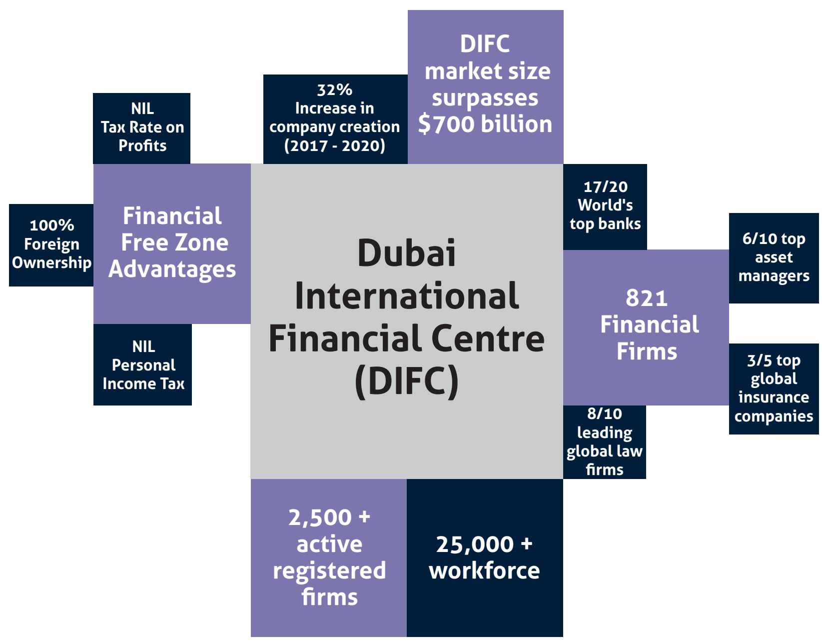
As a result, the UAE grew an appetite for developing its financial service sector, with the aim of becoming an International Financial Centre (IFC) of note. IFCs serve as clusters of excellence and expertise in economic and financial services and strive to deliver inclusive and sustainable development as part of an integrated network. They display modern networks and infrastructures, flexible yet sound regulation, and the ability to attract foreign investors.

It was thus that the government of Dubai founded the Dubai International Finance Centre (DIFC), along with the Dubai Financial Service Authority (DFSA) as its regulator, in 2002.

UAE, an alternative gateway to invest in Africa

Since its inception in 2002, the Dubai financial services sector has become an integral part of the global financial services space, featuring as it does both onshore and offshore jurisdictions. The Dubai offshore sector is housed within the DIFC and is independent of the federal system.

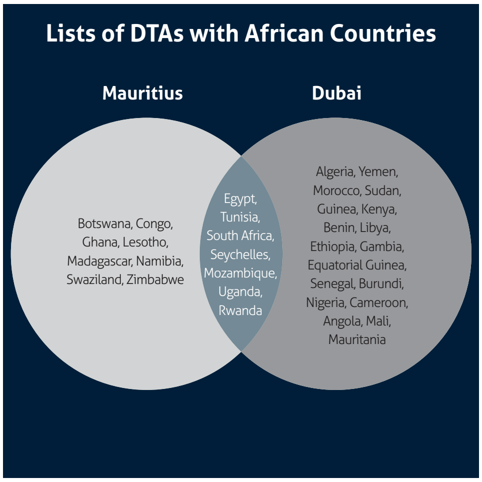
Aptly positioned at the crossroads of the MEASA (Middle East African and South Asian) region, the DIFC acts as a perfect gateway for both continents with huge potential: Africa and Asia. Here are some statistics that show the success of the DIFC:



How Mauritius stacks up vis-a-vis Dubai

As popular International Financial Centres, Mauritius and Dubai have many common characteristics and attributes, similar competencies, and offer complementary services, albeit with a few key distinctions.

Coming to the similarities, both Mauritius and the UAE have Africa as their focal point. Overall, Dubai has signed 117 Double Taxation Agreements (DTAs) featuring 25 African countries within, whilst Mauritius has signed 46 such conventions, 15 with African



states. Together, these two jurisdictions' DTAs cover more than 60% of African countries.

In terms of the key differences, while Dubai has a natural proximity and a lot of business and cultural affinities with Northeast African countries, Mauritius has maintained close ties with Southeast African countries. Moreover, when it comes to trade blocs, Mauritius is part of the SADC (Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa) and the AfCFTA (African Continental Free Trade Area), a combined market of more than 406 million inhabitants, while Dubai is part of the GCC (Gulf Cooperation Countries), a trade bloc of more than 54 million inhabitants.

Corporate structures offered by the Mauritian and Dubai IFCs

Taking a leaf from the IFCs themselves, the legal vehicles available in Dubai and Mauritius showcase some similarities and differences too.

When it comes to similarities, both jurisdictions allow for corporate structures which can be 100% foreign owned. For instance, the Mauritian GBC (Global Business Company) structure shares many characteristics with the Free Zone companies offered by the UAE. To elaborate, there are 45 Free Zones in the UAE, with DMCC (Dubai Multi-Commodities Centre) and RAKEZ (Ras Al Khaimah Economic Zone) being key ones, where DTOS also has its presence. These Free Zones are located geographically in the UAE with companies set up in these zones referred to as Free Zone companies. Their activities are to be conducted outside the UAE, and within the free zones, just like the case for Mauritian GBCs. Another corporate structure offered in UAE is the IBC (International Business Company) which can be compared to the AC (Authorised Company) in Mauritius. Both structures have their activities conducted outside their jurisdiction.

However, in comparison to Mauritius where the characteristics of a GBC are always the same, in the UAE, the characteristics of a Free Zone company can differ from one Free Zone to another. Moreover, in terms of the timeframe to set up structures, both jurisdictions have the agility and flexibility to meet the time expectations of investors.

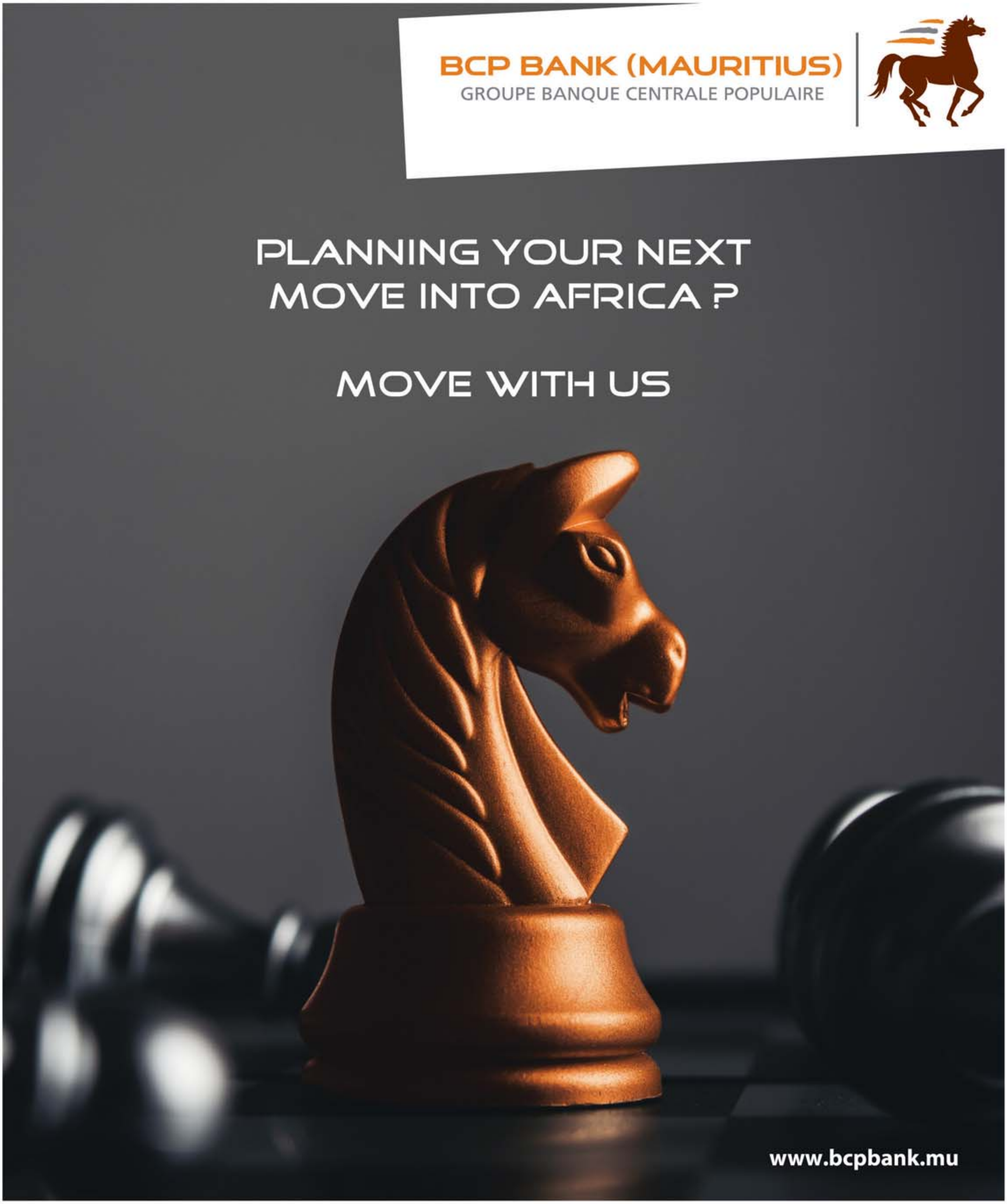
The way forward: FinTech first

With the cause of FinTech in Africa being accelerated in a COVID-19 context, as is the case globally, the continent is well poised to receive investments into its vibrant start-ups in areas such as mobile money and related mobile finance management services like insurance, credit and international remittances.

As such, both the Mauritian as well as the Dubai IFCs must gear themselves to cater for investments into the continent's innovative start-ups. Here, Mauritius offers a conducive ecosystem with a Regulatory Sandbox License Regime operated by the Economic Development Board since 2016, and the current Budget announcing that the Bank of Mauritius will be authorised to set up an Open-Lab for banking and payment solutions while the FSC will be similarly vested with powers to set up such FinTech innovation hubs and digital labs for the non-banking financial services sector. Meanwhile, Dubai has recently unveiled the DIFC Innovation Hub, which is the region's first ecosystem dedicated to bringing FinTech and innovation communities together. Significantly, not only will the DIFC Innovation Hub connect start-ups with commercial partners, but it will also actively deliver financial initiatives to provide funding.

Ultimately, with both IFCs equipped with the right infrastructure and mix of product offerings by way of corporate structures that appeal to investors, as well as ably positioned to serve Africa's innovative start-ups with conducive FinTech ecosystems in place, it is clear that Mauritius and Dubai can not only keep pace with the needs of Africa-centric investors – but keep them coming for more.

**By Didier Viney,
Head of International Operations & Outsourcing at DTOS Mauritius**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Eye on AfCFTA: Can Pan-African banks change Africa's future?

With the African Continental Free Trade Area (AfCFTA) being implemented at the start of this year, Sangeetha Ramkelawon of BCP Bank (Mauritius) takes us through what this means for the Mauritius International Financial Centre (IFC), by way of positioning it as a springboard for Pan-African banks

A few decades ago, Europe was the premier destination for African goods, receiving over 60% of the continent's total exports, while Africa itself received only about 7% of its own exports. Today, with numerous developments and established policies, intra-African trade has increased, reflecting the rise of globalisation, new trade corridors and growth opportunities within the African continent. The AfCFTA is considered one of the most ambitious integration initiatives in the continent, aimed at improving intra-regional trade and supporting economic transformation.

The Mauritius IFC, being located strategically at the crossroads of Africa and Asia, remains a fundamental springboard by providing investors with safe and convenient access to an ecosystem of solutions from Pan-African banks, making business easier with Africa as well as protecting their investments.

The 10 AfCFTA promises

According to the World Bank, it is estimated that the successful implementation of the AfCFTA can add US$450bn to Africa's GDP over the next 10 years. The agreement places the African continent in a much better position to negotiate fair trade terms with other economies, provided that the countries' national policies are in line with the AfCFTA.

The 10 major promises of the AfCFTA are:

- Create a liberalised market for products and services
- Make the movement of capital easier
- Encourage investments through the accessibility of a wider market
- Improve competitiveness among the various African countries
- Create more diversification in various industries
- Craft compelling value propositions and product offerings
- Remove tariffs on intra-Africa trade to ensure easier trading between African countries
- Update regulatory measures and policies and remove non-tariff barriers to trade
- Lead the way to developing new technologies
- Promote productivity among African economies

Leverage the advantages of Pan-African Banks

Pan-African banks are becoming increasingly fundamental to their host countries, and, with the advent of the AfCFTA, it shows the path for how they can be important to writing Africa's financial sequel. Africa is currently witnessing significant development projects – from infrastructure projects related to roads, rail, and port, among others, to exploiting mineral resources without endangering the ecosystem. Infrastructure projects will definitely serve to showcase another contemporary side of the continent, leading to increased confidence on the part of global investors and financial institutions within Africa.

The agreement is aimed at helping to fund other critical infrastructure projects on the continent by promoting public-private partnerships, whereby Pan-African banks such as ours can act as facilitators. With the AfCFTA in place, the Mauritius IFC is now better positioned to provide foreign investors with secure access to the African continent, based on geographical, financial, and legal aspects.

As highlighted recently by the CEO of Groupe Banque Centrale Populaire, Mr Kamal Mokdad, the AfCFTA solves the challenges of intra-continental trade to create phenomenal potential for the African continent. He explains that by 2035, the AfCFTA agreement should generate potential revenue of US$450 million. The presence of Pan-African banks reinforces the relationship-driven approach and

By Sangeetha Ramkelawon,
Deputy CEO,
BCP Bank(Mauritius)

The Mauritius IFC provides easy access to solutions from Pan-African banks simultaneously facilitates the movement of capital with an ecosystem of financial solutions tailored for investors who choose to use Mauritius as the investment gateway to Africa. Cross-border payment infrastructure, trade offerings, risk management and other digital solutions are also easier while working with Pan-African banks, given that the AfCFTA is in place.

Indeed, with the AfCFTA established, banking groups will be well poised to trade with African currencies in the future, which will lead to less reliance on US dollars. This can ease the impact on small enterprises and microfinance sector, and help them stay competitive in their local markets. Trading in an alternative currency will also depend on how international banks in the region react, as their access to liquidity is easier. In terms of regulations, it is necessary to have both capital and exchange control measures established to help financial sector businesses expand and avoid debt.

Mauritius, the springboard for Africa

Africa represents over 50 countries, with numerous untapped economies, offering opportunities for diversification and significant growth potential. Mauritius serves as a tried and trusted investment route, being a long-standing proponent of building trade links between itself and other African countries by capitalising on its sophisticated financial sector, its bilingual and skilled workforce, its ideal time zone, as well as its status as Africa's best place to do business according to The World Bank.

The Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) memberships have also distinguished Mauritius as a regional trade hub, unlocking investment flows to Africa. Being increasingly used as a trade and financial gateway to the continent, the AfCFTA represents a major growth stimulus for Mauritius, with an objective to grow intra-African trade while boosting investments in trade-related infrastructure and enabling the island to support private equity funds in diverse areas including infrastructure itself.

In addition to the MoUs, DTAs and IPPAs with many African countries, the AfCFTA further positions the Mauritius IFC as the continent's investment gateway. Being at the crossroads of Africa and Asia, the AfCFTA comes to strengthen Mauritius's strategic partnerships with India and China, supported by the newly implemented agreements with India and China by way of the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) and the Mauritius-China FTA respectively.

Despite the COVID-19 pandemic, having the AfCFTA in force eases Mauritius' path to importing products in semi-finished form, and then adding value in the jurisdiction before exporting the products back to mainland Africa. Considered as a regional hub for high-end financial services and investment structures regionally and globally, Mauritius is well poised to serve as a bridge between investors and ventures, as well as buyers and sellers, to promote intra-African trade with its well-developed network of banks.

The way forward

The World Bank states that Africa has a population of 1.3 billion people with a combined gross domestic product estimated at US$3.4 trillion. However, despite the continent being rich in natural resources, Africa only contributes around 3% to total world trade, whereas intra-African trade is less than 20% of total trade on the continent. The AfCFTA has everything the continent needs to shift the patterns of trade and growth towards ushering in a better, stronger future for its people.

Banks that have the strategy to invest in Africa's growth have the tremendous and ambitious opportunity to leverage the AfCFTA, because, ultimately, the value found on the continent will only be for the benefit of the various African countries and their people. Pan-African banks such as ours are well positioned to support market players in exploring the significant opportunities of the continent unlocked by AfCFTA while showcasing the Mauritius IFC as the gateway to Africa.

SADC and COMESA memberships distinguish Mauritius as a regional trade hub

INTERVIEW: H.E. SHOWKUTALLY SOODHUN GCSK

DEPUTY COMMISSIONER GENERAL FOR MAURITIUS PAVILION - EXPO 2020,
AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY FOR THE KINGDOM OF SAUDI ARABIA, UAE, BAHRAIN AND KUWAIT

"Mauritius and the Middle East nations share a privileged diplomatic relationship"

Over the past few years, there has been a remarkable relationship between Mauritius and the Middle East nations and there is still more potential to collaborate, especially while investing and expanding in the African market. Against this backdrop, His Excellency Showkutally Soodhun explains how a strong collaboration and synergy between these nations can turn the island into an extensive source of development for the region, providing commercial and business opportunities

How is Mauritius taking steps to further enhance and consolidate bilateral ties with the Middle East nations, in terms of economic and trade issues?
Mauritius and the Middle East nations share a privileged diplomatic relationship. As you may be aware, Mauritius and UAE inked an economic agreement in October 2015 in pursuit of promoting investment and trade between the two countries. The Economic Development Board of Mauritius also hosted a business forum and networking event in October 2018, themed "Mauritius-United Arab Emirates: Embarking on a New Economic Collaboration" to ramp up economic ties between the two countries. It is noteworthy that a business delegation from the UAE led by H.E. Humaid Mohamed Ben Salem, Secretary General of UAE Federation of Chambers of Commerce and Industry, was present for the event.

In order to bolster economic and trade opportunities between Mauritius and Saudi Arabia, the Consulate General of Saudi Arabia was opened in Mauritius in the year 2018 while Mauritius established an Embassy in Riyadh in 2017. It is noteworthy that the Government of Mauritius has also agreed to provide a plot of land for the construction of the Consulate. To recall, the Kingdom of Saudi Arabia made a generous donation of USD 10 million to provide humanitarian

assistance to Mauritius, in the aftermath of the vast damage and severe loss suffered due to a cyclone in May 2019.

Additionally, in 2019, Saudi Arabia supported Mauritius through the provision of 50 tons of dates as a contribution during the Holy Month of Ramadan. This bears testimony to the unique, privileged and special bond between the two countries, a bond that goes beyond Government-to-Government interaction and beyond mere economic ties.

The Kingdom of Saudi Arabia has also been instrumental in the realisation of a host of key projects in Mauritius through three loan agreements with the Saudi Fund for Development and numerous grants. The projects comprise a Teaching Hospital, Cancer Hospital, Multi-sports Complex, which hosted the 'Indian Ocean Island Games' in July 2019, and Social Housing Sector Projects, including the construction of 2,000 housing units.

Lastly, I wish to add that we witnessed the inauguration of the Emirates Swimming Pool and Sports Complex in June 2021. It is worth noting that this major project has been fully funded by Emirates Airlines, and it cost approximately MUR 200 million. The UAE has also funded the new Eye Hospital to the tune of some USD 21 million.

The UAE is recognised today as a major business hub in the Middle East and has become an attractive destination for major international investments. The UAE has been ranked first as the most competitive country in the region and second in the world. Noting that Mauritius and the UAE signed a Double Taxation Avoidance Agreement and an Investment Promotion and Protection Agreement in 2018, what has been the impact on FDI flows since then?

The Double Tax Avoidance Agreement (DTAA) and Investment Promotion and Protection Agreement (IPPA) signed between Mauritius and the UAE have definitely been a boon in bolstering investments, generating an annual stock of investments of approximately USD 10 billion between the two countries for the year 2019 and the year 2020.

Prior to the pandemic, the collaboration between Mauritius and UAE was represented through extensive air connectivity, with over 14 scheduled weekly flights. What is the position currently, and what further actions can be implemented to boost the trade and investment opportunities between the two countries?

The DTAA and IPPA between Mauritius and the UAE have been a boon in bolstering investment

The onset of the pandemic has hammered the global economy, and the airline industry has not been spared. As you are aware, Mauritius is kickstarting the process of recovery and has gradually started to open its borders to international tourists, and Emirates has accordingly been operating two weekly flights since the 15th of July 2021.

The Government of Mauritius is working strenuously to ease travel restrictions and is exploring operating daily flights between the two countries, as from the 1st of October 2020, whereby entry to Mauritius will also be opened to non-Mauritians holding valid residence and occupation permits, as well as tourists. We have also initiated talks with the Chambers of Commerce present in the UAE to look at avenues of collaboration and we hope that same will materialise soon.

A joint committee has been set up between the UAE and Mauritius - what have been the outcomes so far?

The Joint Committee was set up to explore investment opportunities and mutual avenues of collaboration between the two countries. In July 2019, Abu Dhabi Ports and the Mauritius Ports Authority inked an MOU to explore areas of collaboration between the public and private sectors and to pool their combined expertise to consolidate the maritime sector across the Indian Ocean. Just as recently, in July 2021, the UAE donated 5,000 doses of the Sinopharm vaccine to Mauritius.

Mauritius is participating in the Dubai 2020 Expo to represent and showcase Mauritius' unique history, diverse culture and diverse economy. What are the Unique Selling Points that Mauritius can convey at the event?

Anchored in the "The Golden Triangle" linking Middle East, Asia and Africa, Mauritius is set to become a node of excellence for channelling investments into Africa.

As a stable and democratic country in Africa, the Mauritius IFC offers a suite of sophisticated products and services and possesses all the right ingredients which embolden the international community to use the jurisdiction as a financial centre.

With a hybrid and transparent legal system, political and economic stability, robust regulatory framework, competitive operational costs, a vast network of bilateral treaties and a large pool of multilingual professionals, amongst others, the Mauritius IFC has carved out a distinctive place on the international arena.

Mauritius is ranked 1st in Africa in numerous international accolades, including the World Bank Doing Business, Global Competitiveness Index, and Forbes Survey of Best Countries for Business. Our outstanding economic performance bears testimony to the tremendous progress we have made in becoming an inclusive and resilient economy.

Additionally, the jurisdiction plays a leading role in major African organisations such as SADC and COMESA and offers unique access to the African market.

Mauritius is party to an extensive network of IPPAs allowing for risk mitigation and investment protection, as well as to a number of DTAAs with key African countries. As at date, the jurisdiction has inked 22 agreements on avoidance of double taxation with major African countries, as well as 23 agreements for the promotion and protection of investments.

Mauritius plays a leading role in major African organisations such as SADC and COMESA

Mauritius has recently inked several Free Trade Agreements (FTAs), including the Comprehensive Economic Cooperation Partnership Agreement with India, the FTA with China and the African Continental Free Trade Agreement (AfCFTA). The AfCFTA invariably ramps up the attractiveness of Africa as a place to do business, whilst the CECPA and the China FTA unravel a host of prospects, including preferential market access and tariff concessions, for Mauritius as the ideal springboard for Indian and Chinese investments, respectively, into Africa and beyond.

What are the main sectors of interest for investments from the Middle East and why?

Mauritius offers a range of investment opportunities in different sectors, owing to its favorable business climate, strong investor protection laws, ease of doing business rankings and stable governance record. The country boasts a broad-based and well-diversified competitive economy, and through strong and sound policies over the years, we have been able to become one of the highest per capita income countries in Africa. Domestically, we have a market population of 1.3 million people, and globally, through our preferential and free trade agreements with Africa, Asia, Europe and United States, we have market access for over 70% of the world population, and we are open to investments in 15 sectors, some of which are of interest to investors from the Middle East, given their exposure in these fields traditionally:

Financial Services: The financial services sector currently contributes 12.3% to our GDP (2020) and forms the backbone architecture for the Mauritius International Financial Centre. The Mauritius IFC boasts more than two decades' track record in cross-border investment and finance and offers an unparalleled, well-regulated and transparent platform. As an internationally recognised jurisdiction of repute, the Mauritius IFC is home to a number of international banks, wealth managers, legal firms, corporate services, investment funds and private equity funds. It is also the ideal financial centre and business hub for investing into Africa, and offers solutions to all categories of the exceptionally affluent and multinational corporations:

Creative Industries: The Mauritian Government's vision is to position this sector as a valuable segment of our economy, offering incentives and opportunities segments such as Digital Animations, Film Production, and Visual Effects. The Government also provides a rebate scheme for films produced and shot on the island. The creative sector currently accounts for 3.5% of our GDP (2019), representing approximately half a billion USD.

Healthcare: The healthcare sector in Mauritius contributes 4.6% to the GDP (2019), and has evolved into an integrated cluster comprising high-value added activities such as hi-tech medicine, medical tourism, medical education and wellness. With state-of-the-art medical facilities and highly qualified personnel, Mauritius caters for the growing needs of regional patients.

Manufacturing: The manufacturing industry is an engine of growth for the Mauritian economy, with a GDP contribution of 12.1% (2020). Mauritius has a history of more than 50 years of industrialization, having transformed from a monocrop to a broad-based and forward-looking economy. Segments within the manufacturing sector include fabrics, seafood, agro-processing and high-precision manufacturing and engineering, jewelry, pharmaceuticals and medical devices, metal fabrications, and OEMs and automotive components.

Real-estate and hospitality: The real estate development in Mauritius is being undertaken with the aim of supporting a competitive economy, a sustainable environment and a high-quality of life. Investors are given the opportunity of acquiring residential properties for exceptional living, or as an asset class, in luxurious developments and smart cities, which are integrating residential, business, leisure facilities into a "live-work-play" concept.

> Mauritius offers a range of investment opportunities in different sectors

What kind of employment opportunities can we see for Mauritians in the Middle East?
In the aftermath of the world crisis, the Middle East nations are working hard, across different economic sectors, to reverse the headwinds whereby the labour force is a key ingredient for the economy to thrive in the new decade. There is an array of job opportunities across the tourism, hospitality, aviation sectors, and various prospects exist in the field of technology.

It is worth noting that Mauritians are acclaimed for being well-suited and better trained to meet the demand of customers, given the fact that there is a big francophone community in the UAE. The UAE has implemented a system for long term residence visas for investors, entrepreneurs and specialised talents and researchers in various fields of science and knowledge. These visas are issued for 5 or 10 years and are renewed automatically.

It is noteworthy that the UAE has, in July 2021, launched a National Program for Coders, which is an initiative to attract software developers and coders in the country over the next five years. The Government will offer 100,000 Golden visas to foreign nationals. Golden visas are long term renewable residence permits that are valid for 5 or 10 years, depending on the foreign national's criteria and application category.

Moving to Mauritius - doing business in style

With the island economy offering a rare blend of pristine beaches and serious business, Priscilla Balgobin-Bhoyrul of Dentons Mauritius tells us how foreign nationals looking to move to Mauritius can benefit from a stylish lifestyle as they work with their toes in the sand, and an eye on the topline

Mauritius unanimously resonates with all and sundry as a vibrant tropical island nestled in the Indian Ocean, with an abundance of sunshine, sandy beaches, warm crystalline waters, and a picturesque mountain scenery.

What needs to be highlighted is that – beyond the scenic image – there is a strong underlying foundation which encapsulates the whole country. We are talking about a stable democracy, a prudently regulated economy, and the stylish lifestyle which ties everything together.

Indeed, Mauritius is continuously refining its good corporate governance and excellent business practices, resulting in the island economy ranking 13th globally and 1st in Africa in the Ease of Doing Business list of the World Bank, also reflected in its preferential market access to Africa, Europe, China, India, and the United States. Traditionally known as the 'star and key' of the Indian Ocean, Mauritius is ideally situated. Moreover, it is also known as the 'gateway to Africa'. It has equally been, for years, one of the biggest investors into India.

It has therefore, not only positioned itself as a destination of exquisite lifestyle but also as the ideal jurisdiction for international business and investment opportunities and is considered a strategic international financial centre (IFC).

Accessibility of prime real estate to foreign nationals

The sandy beaches that border the island are mostly comprised of what is referred to as the Pas Géométriques, which are the reserved lands along the coast, starting from the shoreline which is reached by high water at spring tide. The Pas Géométriques, whilst forming part of the public domain of Mauritius, are nevertheless capable of being leased, hence the deluxe hotels and real estate developments along the coast.

In terms of real estate, Mauritius is a popular destination for foreign nationals, placing a huge emphasis on lifestyle and luxury. The legal framework surrounding real estate is constantly adapting to meet the demands and preferences of expatriates and, as a result, foreigners now see Mauritius as an attractive jurisdiction to invest, work, live and retire.

Indeed, foreigners are in a position to acquire lavish residential properties, including villas, senior living residences, and exclusive hotel units through regulated schemes managed by the Economic Development Board of Mauritius (EDB). The EDB schemes have been designed to allow seamless access by non-citizens to prime real estate in Mauritius. One of the most popular schemes is the Property Development Scheme (PDS), which is mainly aimed at facilitating property acquisition by non-citizens. The PDS comprises of luxurious residential properties, high quality public spaces, high-class amenities, and day-to-day management services.

There is no restriction on the minimum price for the acquisition of a residential property under the PDS. However, a residence permit is granted to a non-citizen upon acquisition of a residential property not less than USD 500,000. The non-citizen then benefits from the status of resident in Mauritius, and he possesses such status so long as he holds the relevant property acquired under the PDS.

By Priscilla Balgobin-Bhoyrul,
Senior Partner,
Dentons Mauritius

The good news is that foreign nationals are still eligible to acquire property other than the ones available through the EDB schemes provided they meet the criteria and comply with the procedures under the law, which include applying for the relevant approval with the Prime Minister's Office. In order to alleviate the residential woes of potential travellers or investors who do not wish to commit to purchasing property yet, there is also the possibility of renting equally gorgeous properties for terms not exceeding four years.

Sun, Sea, Sand and Visa?

Undoubtedly, Mauritius has been particularly innovative in launching the Premium Travel Visa in 2020. It was the Government's thoughtful response to the unprecedented COVID-19 pandemic which led Mauritius to become more open to foreign nationals looking to enjoy a flexible way of life. With the rise of remote work, foreigners can now live in Mauritius for up to a year whilst working remotely. It is an opportunity not to be missed for people wanting a taste of the digital nomadic lifestyle complemented by the idyllic lush blue lagoons and silky sandy beaches.

Furthermore, under this scheme, provided that foreign nationals do not enter the Mauritius labour market and keep their main place of business and source of income and profits outside of Mauritius, they can ultimately partake of one of the best experiences which this century has to offer - with their toes in the sand of course!

(Serious) business

The regulatory and legal framework in Mauritius is dense, making it is an economically secure country for investors to establish their business, and to trade to and through Mauritius. The main regulators are the Registrar of Companies and the Financial Services Commission of Mauritius (FSC).

The FSC regulates, monitors, and supervises the conduct of business activities in various financial sectors, including the global business sector and is responsible for ensuring the soundness and stability of the financial system. The FSC is regularly updating its framework in order to keep abreast of the latest financial and technological developments in the industry. The rise of new industries, such as FinTech, has led the FSC to recently issue the Robotic and Artificial Intelligence Enabled Advisory Services Rules.

Mauritius also comes with more pleasant economic

advantages such as having no real estate wealth tax, a single tax bracket of 15% on personal income, including rental income, no capital gains tax in the event of a resale of the property, a partial exemption regime, which provides for an 80% tax exemption on specified passive income of Global Business Corporations, and no property or housing tax.

Legal professionals in Mauritius are vastly experienced in the hybrid legal system comprising of English law and the French Napoleonic Code. The ultimate court of appeal in Mauritius is the Judicial Committee of the Privy Council, a division of The Supreme Court of the United Kingdom.

Beauty, with brains

The beauty of Mauritius is not just superficial; it goes further and encompasses the whole system, be it, legal, economic, or social. Consequently, Mauritius remains a striking paradise and holiday destination, but prospective investors are urged to look way beyond that.

All in all, there are undeniable opportunities to be able to live and work in Mauritius or to simply take an extended (work) holiday.

VINOD BUSSAWAH
CHIEF OPERATING OFFICER, MAURITIUS FINANCE

"Mauritius must equip financial services professionals with the latest tools to remain a competitive jurisdiction"

The financial services sector has seen growth and development over the past 30 years. As this industry keeps evolving, it requires more resources and needs to train people to keep pace with international standards. Against this backdrop, Vinod Bussawah, Chief Operating Officer, Mauritius Finance, shares his views on how the association is bringing facilities such as training, education, and development to improve the local labour force, with focus on training initiatives that were recently launched in the presence of the Minister of Financial Services and Good Governance, the Hon. Mahen Kumar Seeruttun.

Mauritius Finance (MF) recently launched its training initiatives with international partners. Can you please tell us a bit more on the purpose of this event and how it fits into the role of MF?
The Mauritius Finance training initiatives were launched on 9 September 2021 with the Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance, as Chief Guest, in the presence of Her Excellency Mrs. Charlotte Pierre, the British High Commissioner in Mauritius, and Mr. Mardayah Kona Yerukunondu, the Chairman of the Financial Services Commission. Our international partners were also in attendance virtually, with a live intervention of the CEO of CISI.

The advancement of knowledge and learning in areas relevant to the financial services sector and assisting our members in maintaining professional and ethical standards through education and training fall within the mandate of Mauritius Finance. The findings of a recent survey amongst our members revealed that to remain competitive as an attractive jurisdiction, it is imperative that we not only employ highly qualified staff, but we also equip them with the latest tools to be more efficient. Members also requested for qualifications to be internationally recognised. As a responsible organisation, we have been attentive to the demands of our members whilst fulfilling our role.

The focus was mainly on CISI's AML Assessment. Could you please elaborate on this?
The Chartered Institute for Securities and Investment (CISI) is the largest and most widely respected professional body for the securities and investment profession in the UK and in a growing number of financial centres globally, including Mauritius. The AML Assessment has been customised as per the Mauritian laws and regulations. Three hours of study is normally required before taking an online assessment. Being an interactive module, it is accessible anywhere and at any time through desktops, laptops, tablets, and mobiles.

More importantly, the course helps to meet AML/CFT training needs for those working in banks, financial institutions, relevant professions, or occupations, amongst others. It is also highly recommended to Foreign Directors who are required to show evidence of their AML/CFT knowledge based on the requirement of the jurisdiction. This course meets the purpose perfectly. To remain pertinent, this assessment will be reviewed and updated as and when required, following changes brought in AML/CFT laws and regulations. The pricing is very competitive and different packages have been designed to suit the needs of different stakeholders.

How important, according to you, are the specific

objectives in terms of training and capacity building in the financial sector?

Training and capacity building are interlinked and work hand-in-hand to help organisations empowering a second line of competent officers to undertake more responsible positions. A properly designed and implemented Training and Capacity Building programme also helps in minimising the challenge of succession planning in any organisation and in meeting future resource requirements for sustainable growth.

The financial services industry is known for the quality of manpower it employs. To remain competitive and provide cutting-edge service to clients, it is imperative that we keep our teams abreast of the latest developments in the sector, and this can only be achieved through ongoing training and capacity-building initiatives. Findings from a recent survey with our members revealed that there is a need for trained professionals in the following fields at all levels:

- Fund Administration and Fund Accounting
- Anti-Money Laundering
- Corporate and Trust Management

Coupled with the above, employers are also on the look-out for people with management and leadership skills, as well as soft skills. In addition to this, there is a need for continuous upskilling of professionals in the industry with international best practices.

How is MF directly contributing to capacity building through advanced knowledge, sharing and technology?

MF has been at the forefront in upskilling initiatives in the industry. Our collaboration with internationally recognised partners such as the Centre for Learning and Training International (CLTI), the International Compliance Association (ICA), Society for Trusts and Estate Practitioners (STEP), and the Chartered Institute of Securities and Investments (CISI) allows us to offer training opportunities for new skills.

In the post-Covid era, the delivery mode for trainings had shifted completely from face-to-face to online channels. The courses offered by our partners cater for qualifications ranging from certificates to diplomas and post graduate diplomas. All these courses are offered through a structured interactive online portal together with live virtual classes. Participants have flexibility in accessing the courses from their laptop, mobile or tablets from anywhere at any time. Assessments that form part of the modules are also carried out online.

> The financial services industry is known for the quality of manpower it employs

How does Mauritius Finance identify the areas and specialisations where training and capacity building is most needed?
Training and capacity building initiatives of Mauritius Finance are primarily geared towards meeting members' demands in specific areas where a shortage of skills is identified. We also aim at providing additional knowledge to employees so that they can better perform their current roles. The areas for training and capacity building needs are identified mostly through surveys and other interactions with our members. We are also in constant contact with regulators and other stakeholders in the sector to get a better insight into their training expectations in respective fields.

Mauritius Finance has set up a Technical Committee (TC) on Learning and Capacity Building whose role is, amongst others, to advise the Board on the competencies in shortage in the industry and the corresponding training needs. Members of this TC comprise of professionals who are directly involved in the recruitment and management of human resource within their organisations – and hence are very well placed to apprise us of the challenges at hand.

Board discussions and decisions in the field of Training & Development (T & D) are also taken into consideration in designing our offerings.

How does Mauritius Finance collaborate with public authorities to support Government policy to elaborate its training strategy?
The responsibility of training, skilling and upskilling is not limited to the Government or the private organisations alone. As a responsible membership association, we are convinced that it is our duty to work together with the Government on such initiatives.

Mauritius Finance is a member of HRDC's Financial Service Sectoral Committee whose main mandate is to advise the HRD Council on emerging economic trends and relevant training needs in the sector. This Committee serves as a platform to design schemes which will improve the employability skills of the trainees.

We have collaborated with the Human Resource Development Council (HRDC), and the Ministry of Labour and Human Resource Development, thereby supporting Government initiatives with respect to training on several occasions, namely:

- Graduate Training for Employability Skills;
- Sectoral Skills Development Scheme; and
- National Training and Reskilling Scheme;

whereby more than 300 trainees have been provided with opportunities to reskill themselves and be employed in the Financial Services sector. Also, feedback received from our members is that more than 90% of these trainees are still working in the sector.

In the last National Budget, the Ministry of Finance, Economic Planning and Development (MoFEPD) has listed an array of incentives to attract and retain foreign talents. These include:

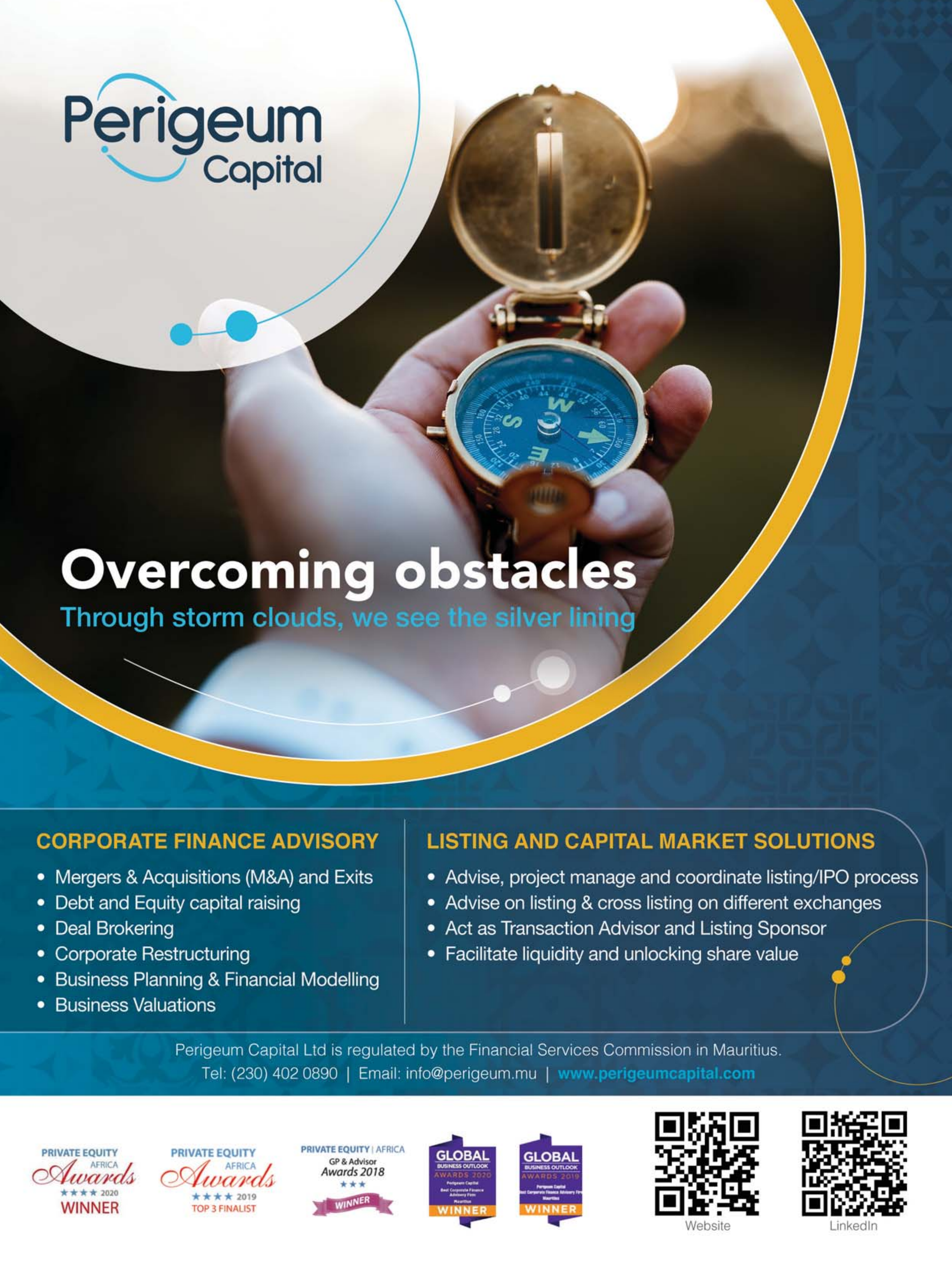
1. Occupation Permit for Professionals to be extended from 3 years to 10 years and spouses of OP holders wishing to invest or work in Mauritius to be exempted from applying for an Occupation Permit or a work permit.

Training and capacity building are interlinked and work hand-in-hand to help organisations

2. Similarly, permanent residence permits validity will automatically be extended to cover a 20-year period.
3. International students enrolled in a recognised educational institution in Mauritius will benefit automatically from a 20 hours per week work permit and a 10-year renewable Young Professional Occupation Permit upon graduation.
4. The monthly salary applicable for an Occupation Permit for professionals with 3 years relevant work experience and offered employment in fund accounting and compliance services by a company holding a license from the FSC will be brought down to Rs 30,000.

Mauritius Finance welcomes these initiatives and believes that such measures will help to fill manpower needs in scarcity in the sector over the short term and will also help local employees to work closely with foreign professionals. This will allow them to gain additional skills and lift their own standards to international norms.

For more details, please contact:
trainings@mauritiusfinance.com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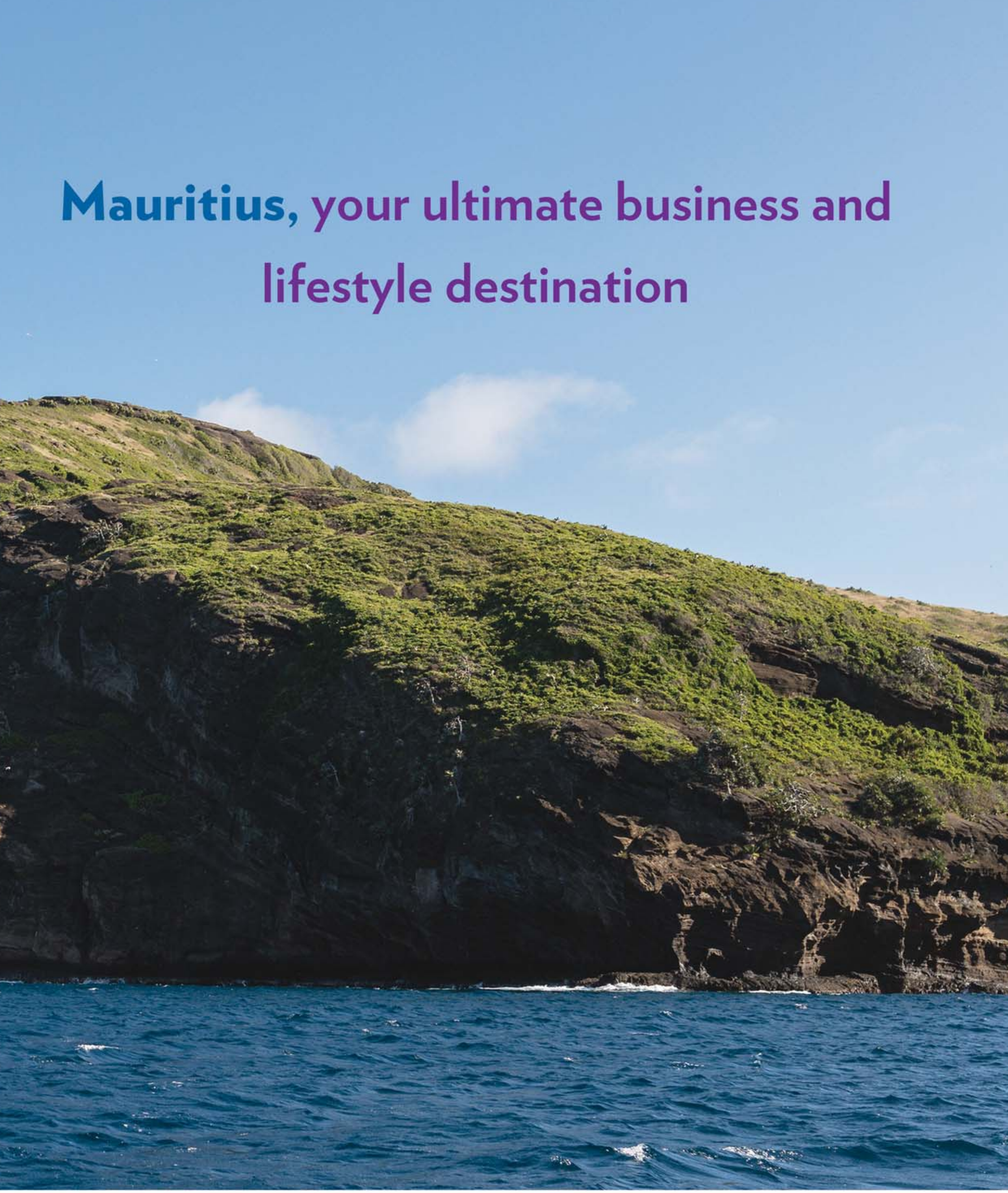


大成 DENTONS

What can you do with a brick?

Gordon Stuart, Managing Director of Accuro Mauritius, and Mustafa Hussain, Private Office Legal Counsel of Accuro London, elaborate on how succession planning for wealthy families must be approached with a sustainable and holistic mindset, and why looking at the bigger picture, in terms of the firms they work with and jurisdictions they operate in, is an integral aspect of such an exercise – much like looking at a brick and seeing its potential to transform into a house

What can you do with a brick? The immediate answers off the top of your head as you read this might include holding it, throwing it, or maybe even using it as a weight. However, when we take a few moments to pause and focus our thoughts, the answers become more aspirational. We realise that the immediate response focused on the brick alone. The considered response is broader – we envisage what the brick can achieve together with other bricks: a wall, a house, a street, and a city.

As you read this special second edition of Mauritius Finance, Expo 2020 is bringing together the world's communities in Dubai. Expos are international gatherings that showcase and strive towards solutions to humanity's problems. If you are lucky enough to experience first-hand the inspirational pavilions conceived and constructed in Dubai for the Expo, you will sense how bricks, architecture, and connecting minds come together to show us what we can aspire to be.

The core of a sustainable community

The impressive and impactful scale of Expo 2020 – much of it emphasising sustainability as a core theme – mirrors these issues of innovation, connectivity, and sustainability for all humanity. At the opposite end of the spectrum, the smallest but most necessarily core component of society is, of course, the family. The family is to the community what a brick is to a wall.

> Mauritius is committed to sustainable business

Taking steps to look after family – including planning for its future – is therefore key to the fabric of humanity's societal goals. When it comes to succession planning, Mauritius offers sound solutions for trusts, family investment companies and other vehicles or arrangements that can be successfully deployed for the purpose of implementing family governance, providing a platform for capital growth and investment for family assets and effecting succession plans for family inheritance.

Sitting at the strategic crossroads between Africa and Asia, Mauritius' qualified, hardworking, and multi-lingual professional talent pool is its secret strength. Coupled with an impressive range of tax treaties and a strong legal system, Mauritius offers a viable and value-driven proposition for families seeking to structure their assets. Not unlike Dubai, which forms an effective regional hub for financial services, trade and tourism in the Middle East, Mauritius is also committed to sustainable business.

Partnering with the right experts

An important aspect for families in planning for the future is to work with fiduciaries, trustees, or administrators that truly understand the needs of private clients and enshrine sustainable business beyond "greenwashing" towards effecting real and meaningful change. Such an approach recognises that good governance is part of sound risk assessment and enshrining commitment to change constitutionally demonstrates responsibility to more than just ourselves.

Indeed, this forward-looking responsibility is a key factor for families to look for in assessing which fiduciaries, trustees, or administrators to select. It is a mistake to focus on the rate card or the largest number of assets under administration. Examining the values and purpose of the firm helps families understand why they are in business. This informs the principles that guide their operational decision making. Good judgment and transparent processes are vital for reinforcing trust in trustees and fiduciaries and value alignment is a great way for families to verify this.

Indeed, families are now keen to see an alignment of values between their philosophy and that of the firms they work with, the jurisdictions they choose to set up their structures in, and the industry sector overall. This is particularly the case because second and third generation family members have increasing influence over family values and philosophy – which is both much less patriarchal and more impact-minded than it has been in the past.

Building sustainable societies, one family at a time

Ultimately, to attempt a separation of any one of those components without seeing them in the context of the whole would be tantamount to looking at the brick alone without seeing the potential of the wall or city it helps to build. That would be a missed opportunity for all concerned.

So, whilst Expo 2020 showcases the best of the world's cultural, scientific, and creative talent – in the face of such a wonderfully visual and physical reminder of what we can and should aspire to – do not forget those closest and nearest to you (and who may even be alongside you at the very moment you are reading this).

Family is constant, ever-present, and a key priority for us and our society. This makes planning for its protection and smooth transition through difficult times all the more important. Tackling this task through a sustainable and holistic approach is sure to be a self-fulfilling prophecy – and one that will endure for generations to come.

By Gordon Stuart,
Managing Director of Accuro Mauritius

Mustafa Hussain,
Private Office Legal Counsel of Accuro London

Mauritius as a future-proof jurisdiction for asset protection and estate planning

With shifting tax frameworks forcing international financial centres (IFCs) to adapt to the evolving needs of their increasingly sophisticated clientele as well as their multi-jurisdictional asset planning strategies, Ashvin Krishna Dwarka of Dwarka Chambers tells us how Mauritius' legal framework ably positions it as a world-class jurisdiction offering future-proof solutions to discerning investors

Short-term tax planning is dead, and the OECD's base-erosion, profit-shifting (BEPS) initiative hammered the final nail in its coffin.

Furthermore, the G20's current plans for fiscal harmonisation through a 15% global minimum rate are designed to prevent any resuscitation of harmful tax competition, especially in the field of digital commerce.

In the same vein, international financial centres whose essential raison d'être was to serve as a conduit for low-tax structures are inevitably destined to lose their attractiveness.

And yet, beyond the wish for fiscal optimisation, high net-worth individuals (HNWIs) remain driven by the fundamental need to protect their assets during their lifetime (asset protection), and to ensure that their estate is transmitted to their heirs with minimal disruption (estate planning).

The shifting landscapes of tax frameworks worldwide have led to a rethinking of priorities for international entrepreneurs, who are progressively eschewing short-term tax savings in favour of long-term legal certainty and security.

How IFCs must adapt to the shifting tax landscape

In this new environment, the only IFCs that will survive are those who can meet the evolving needs of their increasingly sophisticated clients as well as their multi-jurisdictional asset planning strategies, without being vulnerable to fluctuations in applicable rules over time.

In other words, IFCs need to be future-proof.

Mauritius is, demonstrably, such an IFC.

> Asset protection trusts are a well-honed technique for wealth preservation

It possesses the right legal environment that is conducive to offering long-term, secure solutions to international clients, be it to safeguard their assets during their lifetime, or to pass on their enterprise and properties to their heirs or other beneficiaries after their demise.

The Mauritian legal system: combining predictability with agility

Mauritius was a French colony from 1710 to 1810, and British thereafter – until it gained independence in 1968.

From the French period, the island inherited a civil-law system, modelled on the Napoleonic Code, as the cornerstone of Mauritian law, which has steadfastly governed such areas as legal capacity, property ownership, matrimonial regimes, successions, contract, tort, and security interests (pledges, mortgages, etc.).

Statutes inspired from English law were later enacted in areas outside the ambit of the Civil Code, such as company law as well as financial and business legislation.

The world's two major legal systems have divergent philosophies: civil law aims at the protection of individuals and seeks to prevent litigation as far as possible; conversely, common law rests on a Laisser-faire approach, and relies on the intervention of the courts to remedy any problems that arise.

While common law tends to suit fast-moving business circumstances where the rapid conclusion of deals is critical, civil law rests on the premise that long-term predictability and certainty are paramount.

The Mauritian legal system comprises a third component, Equity, which is the legal environment wherein trusts can be created. Thus, the Charter or Judicial Constitution of 1851 provides that "The [Mauritius] Supreme Court shall be a Court of Equity", and indeed, the Court has consistently upheld this principle [1].

Against this backdrop, let us examine two areas in which the agility of the Mauritian legal system may be put to good use.

Lifetime protection of wealth: asset protection trusts and other civil-law mechanisms

Asset protection trusts are a well-honed technique for the preservation of wealth and enterprises. By creating an autonomous set of assets, over which no third party has ownership nor control rights, the trust – provided it is created in good faith – serves as a shield against external claims.

Thus, in the case of foreign or non-resident settlors, Section 11 of our Trusts Act provides that, subject to limited exceptions, "a trust shall not be void or voidable, or otherwise invalidated in the event of or by reason of the settlor's bankruptcy of liquidation of his property or in any action, or proceedings

By Ashvin Krishna Dwarka, Law Practitioner & Notary, Dwarka Chambers

1. In the judgment rendered in the 1897 case De Robillard v Bachet, the Supreme Court held that: "We are an English Court of Equity, and we must act on the equitable doctrine if we can".

against the settlor at the suit of his creditors". Likewise, the Courts of Mauritius are precluded from recognising the validity of any cross-border claim against the trust property in respect of "the personal and proprietary consequences of marriage or the dissolution of marriage".

While Mauritius is an attractive jurisdiction for the creation of asset protection trusts, those are only effective if the settlor irrevocably and effectively relinquishes ownership and control of the assets.

However, a major concern for HNWIs is the ability to retain significant control over their assets, especially in an international context.

> Mauritius has the right legal environment to offer secure solutions to international clients

In that regard, Mauritian civil law offers a number of efficacious measures, such as the creation of usufruct rights over assets, or even personal lifetime occupancy rights in respect of real estate assets. The combination of trusts with such civil-law mechanisms is only possible in the sophisticated hybrid legal environment provided by Mauritius, and serves to ensure the long-term viability of asset protection solutions.

Planning for generations ahead: anti-forced heirship trusts and family-owned companies

Estate planning strategies are par excellence the field where long-term legal certainty is of utmost importance.

This requirement is compounded where HNWIs' assets are susceptible to forced heirship, as is the case in France and several other French-speaking and Latin civil-law States: this refers to the principle whereby one cannot strip one's children of all hereditary entitlements. Forced heirship provisions also extend to assets given away during the deceased's lifetime. These are notionally pooled back into the estate on death, to be apportioned amongst protected heirs.

The main risk inherent in forced heirship is the splitting of family businesses after the founder's death, as each child becomes an independent owner of a large chunk of the enterprise with the freedom to sell off his share.

Anti-forced heirship structuring is therefore an essential element of asset-planning strategies.

An obvious solution is to create a trust to place an individual's assets out of reach of his forced heirs. Indeed, under Article 1100-3 of the Mauritian Civil Code, where a settlor is neither a Mauritian citizen nor domiciled in Mauritius at the time of death, and where no Mauritian immovables form part of the estate, forced heirship would not be applied, and such a trust would be immune to any claims from forced heirs.

This clearly constitutes an incentive for the settlement of trusts in Mauritius by non-resident, foreign settlors.

In addition, Mauritian law allows for the creation of civil-law unlimited partnerships (sociétés) in which the rights of shareholders and directors are solely governed by the articles of association, thereby eliminating the nuisance capacity of minority shareholders. This is an ideal vehicle for ensuring a durable concentration of decision-making powers in a family business, notwithstanding the passage of generations and the apportionment of shares amongst forced heirs.

Mauritius: an unparalleled IFC offering future-proof solutions

Mauritius is the only State in the entire world that has achieved a seamless integration between English law and French law.

As such, it is the only jurisdiction that is capable of offering future-proof solutions for internationally mobile entrepreneurs and high-net worth individuals.


Ai
BIG DATA

The future of investment and wealth management after the global economic turbulence

With more and more HNWIs turning to wealth and investment managers – even as a digital approach to wealth and investment management sees it transform into an increasingly borderless process – it is clear that the new normal is opening up a fresh avenue of possibilities for wealth management hubs such as Mauritius

The seminal Wealth-X World Ultra Wealth report 2021 notes that, despite the disruption caused by the pandemic, the volatile capital markets, and the deepest contraction in world economic output for a generation, the global population of Ultra High Net Worth Individuals (UHNWIs) grew 1.7% in 2020 to a total of 295,450. In addition, the net worth of the entire UHNWI population increased by 2% in 2020, taking the consolidated amount to $35.5 trillion.

Meanwhile, with US$68 trillion in assets set to transfer to younger generations over the next 30 years, an Economist Intelligence Unit survey notes that younger UHNWIs are substantially more enthusiastic about foreign investing. The US is a particularly high-profile example of a country where a long-standing preference for investments in local markets appears set to be transformed.

Given that the Wealth-X Report 2021 states that the US is the country with the most UHNWIs, such a borderless approach is definitely indicative of new avenues for private wealth jurisdictions. In particular, this exciting trend opens up fresh opportunities for wealth management hubs such as Mauritius, which are already attractive to global investors from a financial reputation and political stability standpoint.

How Mauritius is positioned to capture the wealth market

Significantly, the Blueprint for the Financial Services Sector commissioned by the Ministry of Financial Services and the Financial Services Commission (FSC), and published by global consulting firm McKinsey in June 2018, had emphasised Mauritius' potential as a private wealth structuring jurisdiction.

More recently, a report issued by Capital Economics for the Economic Development Board of Mauritius in August 2021 highlights how the island economy serves to mediate investment from private individuals. For investment into Africa, this accounts for almost one-fifth of the foreign investment activity, while it represents a lower share of investment activity outside of Africa. This likely reflects the increased risk in doing business in parts of Africa, which can be duly mitigated by the use of Mauritius as a secure, well-regulated, and cost-efficient jurisdiction that offers security to individuals from countries where their wealth is not necessarily safe. Such security is critical to encouraging growth in developing countries, as entrepreneurs want the assurance that the wealth they create will be their own.

Harking back to the Blueprint, it crucially noted that offshore private banking and wealth management is the IFC's third-largest sector, with a banking revenue pool of USD94 million, Assets Under Management (AuM) of USD8.2 billion, and approximately 300 full-time employees. Within this, offshore private banking and wealth management for Africans was identified as a major opportunity, offering potential growth of 7-8% per annum to create a USD20 billion revenue pool by 2030.

How the global landscape of wealth management is shaping up

Looking beyond the shores of the island, it is clear that the wealth and investment management industry is entering unchartered territory. Indeed, the global economy as a whole has entered a period of significant uncertainty, with Covid-19 presenting a dramatically changed reality and placing investment management firms under pressure to deliver returns in a muted economic environment.

Soberingly, a report by Morgan Stanley Research and Oliver Wyman sees global HNW wealth lose more than a year of growth versus pre-Covid-19 forecasts before rebounding to growth in 2021. The volatility of the markets in the past year is seen as a sound reason for HNWIs to pass their portfolio management to experts and improve their risk management via diversification.

Complementing this study, Accenture's recent survey of C-level executives in wealth management affirmed their desire to focus on responsible leadership and strategy, differentiated client experience, intelligent operations and technology, and empower talent and change, by 2025 – all with a view to drive outperformance over the next five years. The report also forces us to confront the deeper question of how wealth managers can grow their businesses sustainably in these testing times.

A borderless and digital wealth management world

Going forward, industry observers note that while 2020 proved the industry's resilience and its evolving role in societal and environmental trends, 2021 is expected to see greater innovation that is delivered at scale through new enabling technologies.

In this context, an insightful thought leadership on Forbes by Forrester examines how innovative wealth-tech firms are using digital technologies to drive better digital experiences for customers and render financial advice more efficiently. With digital transformation accelerated by Covid-19, such technologies include digital onboarding that allows customers to open and fund a new account in less than five minutes and digital servicing that allows customers to connect short-term financial wellness with longer-term financial goals.

Certain changes go far beyond the pandemic though, with environmental crises such as wildfires in the western United States and global social unrest highlighting the importance of sustainability like never before. No wonder then that the environmental, social, and governance (ESG) theme is increasingly coming up in client conversations. Consumers, especially those hailing from the young, millennial generation, now include ESG factors such as addressing climate change and supporting social causes in their investing agenda. Hence, Forrester sees ESG playing a significantly larger role in wealth management in 2021 for retail investors, wealth management firms, and portfolio managers.

By Nitish Benimadhu, Managing Director, Private Client Services – Rogers Capital

> Younger UHNWIs are substantially more enthusiastic about foreign investing

With its compelling value proposition for private banks, wealth managers and HNWIs, Mauritius in an ideal position to capture a significant share of this market. And, with the Bank of Mauritius having recently published the guide for issue of sustainable bonds, it is clear that the island economy is well aligned with the expectations of global investors for ESG-centric investments.

Ultimately, as the world of wealth and investment management becomes increasingly borderless in a post-COVID context, it appears that wealth management hubs such as Mauritius are uniquely poised to help HNWIs from Africa – as well as the rest of the world – to meet their wealth planning aspirations and to grow their assets sustainably.

RAJNISH AUBEELUCK
HEAD CLIENT COVERAGE AND CCIB, STANDARD CHARTERED (MAURITIUS)

“Mauritius’ sustainable finance framework is on track for end-2021”

With the Bank of Mauritius having released a guide for the issuance of sustainable bonds in Mauritius, Rajnish Aubeeluck of Standard Chartered discusses how the island economy can take the next steps towards developing a broader sustainable finance framework and truly establish itself as a sustainable finance hub for the region

We note that Standard Chartered collaborated with the Bank of Mauritius and the UNDP, among others, on the Guide for the issue of sustainable bonds in Mauritius, following the announcement in Budget 2020-21 that the Central Bank would work on a framework for green and blue bonds towards building a green and sustainable financial ecosystem. Could you please elaborate on the key takeaways from this momentous publication?
Mauritius is recognised as having one of the most sophisticated Financial Services sectors across Africa and the country can play an important role in channelling green investment to emerging markets across Asia and Africa. The Guide for the issue of sustainable bonds in Mauritius is forward-looking and will ensure that potential issuers can use the Mauritius IFC as their preferred jurisdiction to raise funds for such projects. The partnership with the Bank of Mauritius, the Stock Exchange of Mauritius, the Ministry of Financial Services and Good Governance, and the United Nations demonstrates our commitment to leverage both the public and private sectors in developing sustainable finance for the economy.

Most significantly, on the heels of the Guide’s publication, your bank showed its commitment to green finance by launching the first ever sustainable deposit in Mauritius, as a crucial

development for the country that aims to position its IFC as a sustainable finance hub for the region. How does it feel to be a pioneer on this front?

As an IFC, it is important that Mauritius continuously develops new product offerings that are able to adapt to the needs of investors. Investors using Mauritius as a platform for onward investment have a need for ESG/Sustainable products, hence the launch of the sustainable deposits. The deposit works by referencing banking assets that meet the Green and Sustainable Product Framework that we have developed in collaboration with Sustainalytics. This asset base incorporates green financing, sustainable infrastructure projects, microfinance, and business banking. Being the pioneer in the Sustainable Finance space is for us a testimony of how an international organisation can add value to the Mauritius jurisdiction by leveraging on its product knowhow and global expertise to contribute to the development of the market.

While announcing this milestone, your CEO noted that just 60% of the financing needed to achieve the 17 Sustainable Development Goals (SDGs) in low and middle-income countries is being met, while in Africa, this is as low as 10%. As a global bank that is present in the largest number of sub-Saharan African markets of any international banking group, how is Standard Chartered leveraging this product to attract private capital to sustainable assets?

We have a dedicated sustainable finance team covering Africa to support our clients in all areas of sustainability. Through our network across Asia, Africa and Middle East, we are leveraging our ability to connect our global clients to on-the-ground sustainable projects in Africa. Standard Chartered has also launched new products such as sustainable trade finance that go above and beyond the basic green bonds and sustainability linked loans to support on-the-ground working capital needs at a smaller scale.

At Standard Chartered, we are committed to innovate for our clients with sustainability solutions such as acting as sole sustainability structuring advisor for Ecobank in their recent debut sustainability Tier 2 issuance – the first public sustainability Eurobond for an African bank. In addition, we have issued two sustainability bonds that give international investors the ability to put their funds to work supporting our sustainable banking activity on the ground.

Could you tell us more about the broader Green and Sustainable Product Framework under which the sustainable deposit product has been issued? As the reference framework which sets out the bank's qualifying themes and activities aligned to the SDGs, what are some of the focus areas that ensure Standard Chartered can live up to its evocative slogan 'Here for good'?

Our Green and Sustainable Product Framework defines what activities we, at Standard Chartered, view as sustainable. This has been developed alongside Sustainalytics, a leading provider of ESG certifications, to ensure that our eligibility criteria are in line with market best practices. The themes within our Green and Sustainable Product Framework include renewable energy, energy efficiency, access to finance, water and water management, sustainable infrastructure, climate change adaptation, access to finance, healthcare, education, and partnerships. Access to finance encompasses

> Mauritius must continuously develop new product offerings that meet investor needs

loans to SMEs and microfinance institutions which contribute to sustainable economic growth and help empower entrepreneurs. Around the theme of education, eligible financing activities include the construction of public schools and universities, the construction of student housing, and training for educational professionals. In healthcare, we would look at healthcare infrastructure and providers of supporting healthcare-related products and services. Under renewable energy and energy generation from renewable sources, we would finance the generation of electricity from wind, solar, hydropower, waste to energy and geothermal. Projects that are large-scale (>25MW) dam or reservoir-based hydro-projects will, however, be excluded.

Last year, just before the pandemic broke, Standard Chartered had signed a partnership with the Mauritian government to develop a sustainable finance framework that will help mobilise financing for projects to support economic growth in emerging markets, while taking into account ESG criteria. Could you elaborate on how this crucial initiative is proceeding, given the enhanced

importance of ESG financing in 'building back better' following the COVID-19 crisis?
The partnership with the Mauritius government dates back to an engagement of the Prime Minister of Mauritius and Standard Chartered Group CEO, Bill Winters, during the UK- Africa Summit in London in January 2020. At that time, the plans of the government were to develop a green and blue economy and hence the sustainable finance framework. COVID-19 has fast tracked the implementation of the remaining Sustainable Development Goals of the United Nations and many countries are now tapping into the capital markets to support blue, green and social projects. The framework is on track and is expected to be finalised by the end of 2021. The COVID-19 situation and lockdown have required a rethinking of the framework to align it to the needs of the Mauritius economy.

The 'Zeronomics' report commissioned by Standard Chartered brings to light several insights on barriers to financing the transition to a net-zero world, with an especially thought-provoking one being the perceived investment risk in emerging economies, such as those in Africa. How is Mauritius, and Standard Chartered within, poised to help emerging-market companies in Africa with their aspirations to reach net-zero carbon emissions?
More than half of emerging-market companies are not transitioning fast enough, leaving them in danger of missing the Paris Agreement target of net-zero carbon emissions by 2050.

Many companies are looking to delay significant action to after 2030, with the 2020s looking set to be a lost decade. Accessing transition finance is not the only hurdle companies face. Business leaders believe their company's progress is being hampered by an absence of affordable alternative technology to help them transition.

The Transition Finance Imperative is our commitment to facilitating the net zero transition. Our objectives are to reduce our financed emissions and help clients transition, with extra focus on eight of the most carbon-intensive sectors in our portfolio, in the regions of the world that need this most.

In 2020, Standard Chartered committed USD75 billion in financing through 2024 to support our clients as they transition to a low-carbon economy. When it comes to clients in our highest-emitting sectors, we made it a condition of our financing that they must have a transition plan by the end of 2022. For clients who are in the early stages of their net zero journeys, we provide guidance on what they must do to prepare for a low-carbon future. And, for those who have not yet started that journey, we help them to identify the most relevant transition levers.

> Our sustainable product framework defines what activities Standard Chartered views as sustainable

Hearteningly for the sustainable economy in Mauritius, Budget 2021-22 proposes renewable energy as a new pillar of growth with an increase in its contribution to total energy from 13% to 60% by 2030, further enhanced by the objective of phasing out of coal. As a leading international bank committed to the Paris Agreement, which took the bold step of ceasing any new coal fired financing since 2018, how is Standard Chartered supporting this initiative that has the potential to give the sustainable economy in Mauritius an unprecedented boost?
This initiative of the government is aligned to Standard Chartered's strategy. Our group has committed to not provide financial services directly towards new coal-fired power plant projects in any location and any coal-fired power plant expansions, retrofits, or dedicated infrastructure, in any location. We have also committed to further reducing our exposure to coal-dependent clients – by 2030 we will not provide any financial services to clients that have more than 10% of EBITDA from thermal coal, with interim reduction targets set as well.

The same applies to our clients and stakeholders in Mauritius. For our clients who are just starting their net zero journey, we will provide sector-specific guidance on what they must do to prepare for a low carbon future, tailored region by region. For clients who haven't launched their climate transition effort yet, we will help them identify the most relevant transition levers – ensuring our clients create climate transition plans aligned to our climate ambitions.

Sustainable Finance and FinTech: A necessary marriage

With a global reputation as the preferred gateway for investment in and out of Africa, and as an International Financial Centre of repute and a FinTech hub for the region, Mauritius can become the "Sustainable FinTech Hub for Africa" if all stakeholders follow the right path, says Anish Chandra of PwC Mauritius

The Perspective - Sustainable Finance & FinTech

"A sustainable financial system is… one that creates, values and transacts financial assets in ways that shape real wealth to serve the long-term needs of an inclusive, environmentally sustainable economy." (UNEP, 2016)

In a post COVID-19 world of financial services, green and sustainable finance is increasingly getting due attention, and is now moving into the mainstream through policy, regulation, market forces and, most importantly, through consumer demand - both Corporate and Retail. The finance sector's role in any economy puts it in the driver's seat to lead the transition to a low-carbon and more sustainable world. Also, in the wake of the latest IPCC (Intergovernmental Panel on Climate Change) report that is aptly termed as "a code red for humanity", it has become even more imperative to ensure the optimum allocation of capital (requirement estimated to be ~$6-$7 trillion per year) towards this transition.

Over the decades, the financial sector has also been one of the primary adopters of cutting-edge technology and saw the rise of FinTechs, using smartphones, application of artificial intelligence (AI) and machine learning (ML), data analytics, the Internet of Things (IoT), distributed ledgers (blockchain) and the likes, have entirely disrupted the way financial institutions operate and service their customers.

How FinTechs can further the cause of Sustainable Finance

The basic characteristics of FinTechs have always been around innovation and contribute positively towards sustainability. FinTechs' role in supporting policy formulations aimed towards transitioning to a low-carbon world is aptly recognised by policy makers and regulators. Some of the unique use cases in the area of green and sustainable finance are:

- Financial Inclusion – This is a primary need across emerging markets that cuts across all the 3 pillars of Sustainability (Environmental, Social and Governance). Making financial services available to communities through various means like mobility devices would enable them to access services such as loans and insurance, invest in climate mitigation/adaptation activities and become part of the overall financial system, thereby securing their future.
- Lower costs of delivery – Financial services institutions are increasingly applying innovative technologies like mobility, advanced data analytics, machine learning and the likes. These create efficiency, productivity, personalisation and also identification and quantification of risks, while delivering products and services in a more cost-effective manner and making those affordable for communities.
- Ease of access to capital markets – Digitisation of business processes through usage of technologies such as intelligent process automations (IPA) and distributed ledgers (DLT) help in issuing and transacting of bonds and other securities in a cost-effective manner. This allows greater access to capital for small businesses that hitherto were only accessible to larger corporations.
- Targeting investors – Retail or institutional investors with an appetite for green and sustainable finance investments should be given a platform to route their investible surplus. There is a plethora of FinTech aggregator platforms that allow such pooling of investments towards the right avenues dealing with sustainability.
- Improving risk management – Tracking of multiple data points through multiple means and the advanced analysis of these allow financial institutions to identify, assess, manage and disclose risk in a much more efficient manner. This also enables an efficient pricing of products and services through internalisation of multiple risk factors, thereby facilitating the creation of new green and sustainable products.
- Inculcate sustainable consumer behaviour – FinTechs offer tools and techniques that are increasingly used by financial institutions to track customer transactions and create nudges towards sustainable spending behaviours. This also facilitates developing innovative sustainable products and services.

Mauritius as the Sustainable FinTech hub for Africa

A couple of questions that we try to answer are 'why Sustainable Finance in Africa and Mauritius?', and 'how may FinTechs play pivotal roles in the pathway towards a low-carbon sustainable future?'. As various global surveys suggest, almost 30 out of the 40 most climate vulnerable countries are in Africa but they receive less than 5% of the allocation of the entire global pie of sustainable finance. Though Africa is not a net contributor to carbon emission and global warming, it is at the forefront of the looming climate risk through various climate-related calamities such

By Anish Chandra, Associate Director, PwC Mauritius

as droughts and famine, rise of sea levels, epidemics etc. Hence, a substantial allocation of capital is required into Africa, especially for climate risk adaptation, and ensuring that it reaches the right beneficiaries.

Recognising the potential of digital revolution, that also caters to the previously mentioned use cases towards sustainable finance, the Government of Mauritius recently announced a plethora of initiatives including the setting up of an 'Open-Lab' and a 'FinTech innovation Lab' for banking and payment solutions, implementing a centralised digital platform for motor insurance claim recoveries, setting up of a single desk for FinTech related applications, and also a probable introduction of a Central Bank Digital Currency (CBDC). The setting up of the Mauritius Africa FinTech Hub (MAFH) has also been one of the most progressive steps in fostering the FinTech culture in the region.

> The financial sector has also been one of the primary adopters of cutting-edge technology

In addition, the acknowledgement of the need to develop a sustainable finance and a green economy led Mauritius to join PAGE (Partnership for Action on Green Economy) in 2014, and the Government is also looking to develop a comprehensive sustainable finance framework through public-private partnership (PPP). In February 2021, the Bank of Mauritius published a 'Guide for the Issue of Sustainable Bonds'.

But at the same time, there have been a few challenges at execution level like the time taken to open bank accounts, adoption of the RSL (Regulatory Sandbox License), adoption of sustainable finance goals by local financial institutions and introduction of sustainable/ green financial products. We are also waiting for the launch of our first Green/Blue bond issuance from Mauritius.

However, given the potential and the need in the region, the authorities in partnership with the private sector and industry bodies (e.g., Mauritius Bankers Association, MAFH, Made in Moris and others) are looking to implement the required mitigating steps. At PwC, we strongly believe that the following measures would further ensure the success of this marriage of FinTech and Sustainable Finance in the long run:

1. Define a Regulatory Framework to govern the growth of sustainable finance and taxonomies to clearly articulate what is 'green' and 'sustainable' along with disclosure norms.
2. Make the RSL process more 'on tap'. The recent National Budget has already laid down certain steps towards ensuring this.
3. Introduce a specific Open Banking / Digital Banking license regime and integrate with the current RSL.
4. Introduce a centralised KYC ('Know Your Client') mechanism to make customer onboarding an activity of a few 'hours and days.
5. Provide differentiated incentives to Private Equity (PE) / Venture Capital (VC) players to invest in FinTechs and Green institution initiatives such as setting up of Open banks, Green banks.
6. A stronger PPP model is required since 80% of the capital requirement for transitioning to a low-carbon economy has to come from the private sector.
7. Private sector financial institutions, especially the local ones, must play pivotal roles in adopting FinTechs and launching sustainable products, positively influence the regulators in amending legislation to make them more contemporary, and effectively leverage RSL to launch innovative sustainable products.
8. Private sector financial institutions should look at leveraging assistance available from multilateral development banks like the IFC, AFD etc, to curate and launch green and sustainable financial products.

Mauritius has already gained a global reputation as the preferred gateway for investment in and out of Africa. It is also an International Financial Centre of repute and a FinTech hub for the region. This puts the country in a rightful position to become the 'Sustainable FinTech Hub for Africa', subject to all stakeholders taking the right path and making it happen.

The rising prominence of Mauritius as a FinTech hub

With UAE and Mauritius enjoying a long-standing history of cooperation and friendship, Ian Dillon of NOW Money discusses how both the economies can support each other's efforts to position themselves as innovation hubs in the FinTech arena, with an eye on fast-rising African start-ups

Mauritius and Dubai share many similarities, more than just a timezone. Both have historically been trading hubs. Both have been centres for managing wealth. However, more recently, both have positioned themselves as centres of excellence for innovative, technology-driven enterprises.

Being both a co-founder of NOW Money - a FinTech company headquartered in Dubai - and non-Executive Director of the Mauritius Africa FinTech Hub (MAFH), I have a unique perspective on how both nations are positioning themselves in the future economy.

MAFH: Joining the dots from Mauritius to Africa

Mauritius has always been a prominent centre for asset management and management companies. Much of the private equity and venture capital that flows into Africa does so through the sound business and financial environment offered by Mauritius, and so Mauritius' latest successes at becoming the FinTech hub for Africa are a natural progression.

The Government of Mauritius backed the privately run MAFH in 2018. At that time, Mauritius had a strong vision for where it wanted to be positioned for the future, but there was little in the way of tangible progress in the FinTech space.

> The FinTech scene in Africa has exploded in the past two years

Since then, the shift has been profound. The hub has fostered numerous highly successful partnerships between start-ups and corporates. It has supported home-grown FinTech companies holding equity fundraising rounds, and this year Mauritius will play host to the Africa FinTech Festival (AFF). This is a significant step for Mauritius and the hub as a whole, in moving from growing the domestic ecosystem to starting to connect the disparate African FinTech sector.

A supportive ecosystem for rising African FinTech start-ups

The FinTech scene in Africa has exploded in the past two years, but remains fragmented. Despite being the continent where FinTech innovations can - and do - have the biggest impacts on the day to day lives of its population, it has only three FinTech unicorns. This compares to the over 100 worldwide. The ability for companies to operate across the borders of the fifty-four African countries is limited, and the venture capital funding ecosystem - particularly for early stage companies - remains confined to domestic networks.

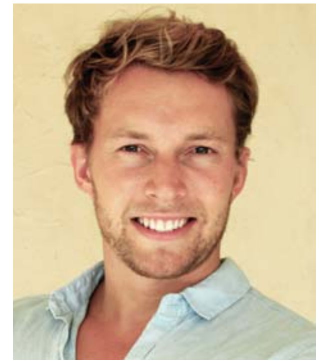
Mauritius, through MAFH, aims to change this. It brings together companies, large and small (from one person start-ups through to the biggest banks in the continent); capital; education; and governments. Only with all of these combined can the whole ecosystem flourish. It aims to do this not only within Mauritius, but across the continent. By doing so, it will allow companies to access a large pool of capital in one place; a variety of banks and corporates for partnership; and the best talent to help grow their business.

> MAFH has fostered numerous, successful partnerships between start-ups and corporates

Fostering FinTech: How Mauritius and Dubai can collaborate

Dubai has long had access to the capital and vision of the Government to grow such an ecosystem, and has only recently started to unleash this to full effect in the technology space. The UAE and Mauritius have a long history of cooperation and friendship, and these ties are only growing stronger over time.

I am sure that as both countries continue to grow and increase their standing in the tech and FinTech sectors, we will see close collaboration between both to the benefit of all parties. Africa has a long and prosperous future ahead of it- particularly in the FinTech sector- and we can all look forward to the role Mauritius and the UAE will play in this.



By Ian Dillon, co-founder, NOW Money

How Trust and corporate service providers can leverage technology to enhance client onboarding experience

With clients expecting, and even demanding, a digital experience – and with such demands only becoming more insistent in a post-pandemic world – Ally Jaulim of Standard Bank International Fiduciary Services highlights how trust and corporate service providers that thoughtfully apply technology to time-consuming processes such as documentation verification and processing will be able to take client experience to the next level

By Ally Jaulim,
Head of Business Development, International Fiduciary Services, Standard Bank Group

Trust and Corporate service providers are living in an era of increased regulatory scrutiny which, particularly in recent years, has proved to be an unrelenting challenge for businesses in terms of balancing the financial cost and operational impact on clients. The increased use of technology by clients through smartphones and tablets also creates an expectation of digital engagement for many service providers that have historically required files and storage facilities full of paper.

Whilst the COVID-19 outbreak has underpinned the importance of digitisation to enable staff to work from home and maintain, if not improve, client experience, the industry has felt under pressure to satisfy regulatory compliance obligations without requiring servicing compromises or having to apply upward fee pressure.

Indeed, in the last decade itself, we have seen several technological advances in the onboarding process including the verification of client's identity and residential address, the execution and storage of key documents, and the collation of static data usually input into an application form.

Why the onboarding process lies at the heart of client experience

Client onboarding is a key stage in the lifecycle of a client as it sets the tone for the client experience – indeed incremental business can be won or lost simply because of the client experience at the onboarding stage. Designing and creating a frictionless onboarding experience whilst complying with Anti Money Laundering (AML) regulations has been the holy grail for many service providers.

Let's face it - no one really enjoys the traditional onboarding process which often includes the need to obtain a paper photocopy of your passport certified by a trusted professional. The pain points around documents completion, submission, verification, and execution are very real and can render the process annoyingly slow, impacting the desired client experience.

> Client onboarding is a key stage in the lifecycle of a client

With the right Customer Relationship Management (CRM) portal in place, clients can now be empowered to scan and upload their Know-Your-Client (KYC) documents and use digital vaults, so that sensitive documents can also be exchanged securely and rapidly between the client and service provider.

How technology can improve client experience on the documentation side

For instance, ID or passport verification has been a legal requirement for many years and is a critical check as high-quality forgeries can make it difficult to spot if the document is genuine or not. Where the human eye may fail to detect a forged document, technology can assist in identifying anomalies by comparing items to databases of authentic documents. Some service providers also facilitate a biometric validation of facial features by requiring the client to carry out a liveness check, usually in the form of a selfie, which is then matched to the client's uploaded ID document.

Similarly, a residential address verification remains an important component of the identification process. Application Programming Interfaces (APIs) can be used to call upon data held in third party databases, registers, and credit reference agencies to carry out this check. Service providers can also leverage APIs to improve client experience. For example, a client can enter key sections of his/her residential address prompting the system to display choices or even autofill data which eventually avoids the risks associated with manual keystrokes and inconsistency in data.

> Service providers can also leverage APIs to improve client experience

Digitisation is also phasing out paper forms and wet ink signatures. With digital client onboarding, processes can be automated so that every step is connected as a workflow. This eliminates duplications, like rekeying data, and unifies the different touchpoints in the company which would have otherwise been siloed. As an example, the moment a client completes the KYC section, the information can be automatically mapped to the fields on other forms which are required in the onboarding journey. This automated field mapping exercise reduces the risk of human error that can occur through manual processing. Once the onboarding fields are completed for submission, the next step is to digitally sign the forms. From a compliance perspective, digital signature supports the audit trail as there is transparency around the document signing process.

The key benefits of digitisation

An increasing advantage of digital onboarding is the reduction in the Time to Value (TTV). Simply put, the

TTV is a metric that measures how quickly both you and/or your clients can derive value from your product or solution. After all, this is what clients want – simplicity, efficiency, and a great overall experience.

Over time, additional benefits can be drawn from the CRM as it becomes the lens that provides the business with insights into client behaviour, enabling them to iterate processes and enhance client experience.

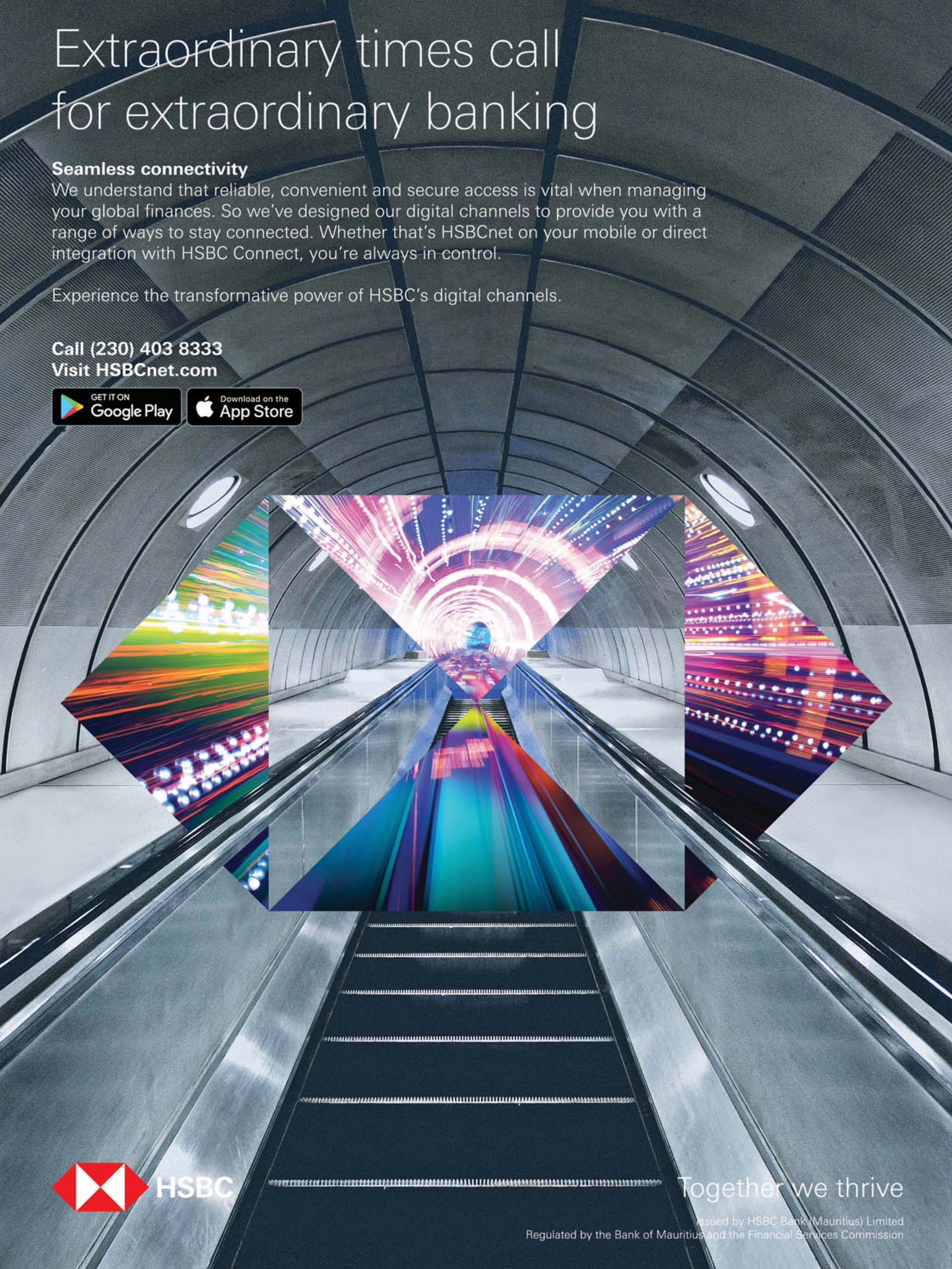
As new generations of clients seek fiduciary services, so does the demand for digital solutions that reduce friction in the onboarding process and administration of client structures increase. Businesses will need to adopt digital technologies as they become mainstream across the industry.

Getting started on the journey to digitisation

Embarking on a journey to digitisation is a strategic decision that can require an overhaul of a business' operational processes with financial payback not seen immediately. Digitalisation is not a one-off project, and it should not have a one-off project cost. Businesses should be allocating funds for continually and incrementally advancing and improving their digital platforms.

Standard Bank's International fiduciary business was an early adopter of a central CRM system used to minimise onboarding and administration friction using associated technologies and benefits from integrations with other group systems. The business' digital and future ready strategies mean that improvements are continually made to the digital infrastructure to enhance both the client and user experience.

The future is digital. Let us prepare to embrace it.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Focus on data analytics in the financial world

The use of Business Analytics in the financial world is virtually infinite, according to Irshad Mallam-Hassam, Managing Director of data analytics company Realign Consulting Ltd, and it can support and help companies streamline operations, reduce risks and quickly identify areas of improvement across the sector

By Irshad Mallam-Hassam, Managing Director of Realign Consulting Ltd

Introduction

Over the past ten years, we have witnessed a sharp increase in the volume of data collected on a global scale which is unprecedented in the history of mankind. The year-on-year increase is a staggering 25% for the past ten years. We have created over the past two years alone as much data since mankind first existed. For instance, 2.5 quintillion bytes of data are created on average every day (1,000,000,000,000,000,000).

The term 'data' generally refers to 'raw data' which is electronic information in whatever form it exists, be it pictures, videos, messages, emails, texts etc. Most of these data are unstructured in the sense that they do not sit nicely and squarely in a database format. Yet, these data carry a lot of valuable information if exploited correctly. For instance, Artificial Intelligence is a key technology that exploits data in the form of videos and pictures generated in order to perform the task of facial recognition and crowd management. Similarly, considerable unstructured data is generated on Facebook and other social media platforms, but it is interesting to note that of all the data generated worldwide only 0.5% is analysed to extract information.

However, with the right technology it should be possible to better exploit this continuous and uninterrupted flow of unstructured data and gain tremendous benefits for commercial or security reasons at a national level. Thus, a whole swathe of new software and technologies have emerged in the past few years to handle these vast amounts of data which are commonly referred to as "big data". The main underlying principle over 'big data' analytics is that although every individual has a unique way of doing things or reacting to a particular situation, if we take a sufficiently large statistical sampling unit of past data and behaviour, we can predict with reliable precision future customer behaviour of a large population.

For instance, Netflix uses big data analytics and business intelligence to propose new movies and TV shows that have the greatest chance to please its audience. On the other hand, Google uses predictive text to guess your searches whenever you use their search engine.

Business analytics in the finance world

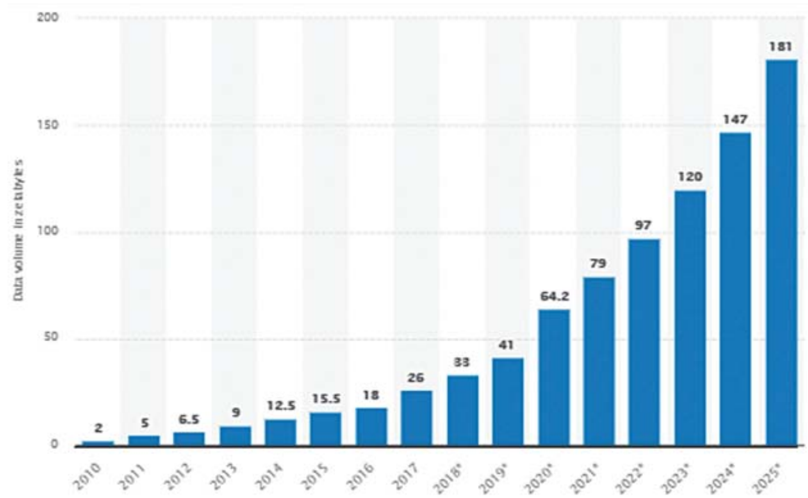
The finance world is another world where vast amounts of data are created every day. This is closely related to the way transactions are recorded in accounting. Given the millions of financial transactions taking place every day, it creates hundreds of millions of records in databases around the world.

> We have witnessed a sharp increase in the volume of data collected on a global scale

The number of transactions and amount of data generated on the backend servers are beyond the human imagination. The immediate challenge is to generate accurate reports to account for these transactions and to ensure that there are no errors, omissions or fraud. Banks and financial institutions are under the spotlight when it comes to the

verification of the integrity of every transaction.
But with the staggering volume of transactions, antiquated spreadsheets are not adequate and new systems are required to collect, aggregate and display the information in a way that anyone can understand. This is where Data Analytics and Business Intelligence meet the financial world.

Business Analytics are IT tools designed to connect directly to the source data and are programmed to undertake complex manipulation of data at lightning speed and display the result in an intuitive manner which is comprehensible to the larger audience. This is a truly remarkable feat whereby, within a few minutes, information of over hundreds of thousands of rows can be summarized in a few easy-to-read charts and where managers can 'drill-down' several layers beneath and reach the individual transaction that constituted the initial graphs, all done in a few seconds.



Volume of data/information created, captured, copied, and consumed worldwide from 2010 to 2025

Examples of analytics in the financial sector:

Compliance

Business Intelligence has found its way nowadays into innumerable applications in the financial services area. For instance, Analytics tools can quickly generate reports and charts in the field of compliance for regulatory bodies. Every transaction recorded can be displayed through a heat map in terms of 'risk of the individual transaction' as well as 'risk of the jurisdiction' and obtain a composite overall risk weightage.

Onboarding of clients

Analytics can be applied for the onboarding of new clients which have different risk profiles, where graphs and reports can be generated for the entire set of transactions over a period of time and where more KYC precautions are directed to high-risk profiles.

Productivity of staff

Financial institutions engaged in the global business sector need to ensure that their staff remain productive and operate within a target profitability level. This needs to be monitored for each client that the staff work on. Analytics can quickly monitor the number of hours spent and cost incurred on a job and correlate this to the billing amount and flag any cost overrun.

Lending

Lending to clients needs to be monitored from a commercial perspective as well as a risk perspective. Again, Analytics tools can help to display and analyse the lending position from every possible angle.

Financial Reporting

Business Intelligence can largely automate the financial reporting process and shorten the time it takes to generate end-of-month Income Statements, Balance sheets, debtors ageing etc..

Finally, we can see that the use of Business Analytics in the financial world is virtually infinite. It is an enabling tool for management to create a data-driven company and one that can support and help companies streamline operations, reduce risks and quickly identify areas of improvement. It helps to drive costs down as less man-hours are required to produce repetitive reports and removes human intervention in the manipulation of reports.

Web site : www.realignconsulting.mu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The role of Universal Banking in the Mauritius International Financial Centre

Universal banks have a vital role to play in reinforcing the position of Mauritius as an IFC of choice, says Dr. Roshan Boodhoo, Deputy Group CEO, SBM Holdings Ltd, by catering for the wide-ranging needs of their customers, from retail to wholesale and investment banking, all under one roof

With increased sophistication and interconnectedness of the financial markets worldwide, turnaround time is one of the distinguishing factors for banks to have an edge over their competitors. Considering time and financial factors, people would always prefer to have a bundle of services from a single seller than to shop around from different ones. Universal banks offer such choices to customers and are usually termed as the financial supermarkets. Are Universal banks the ideal one-stop-shop for all customers though?

What is a Universal Bank?

A Universal bank is a financial institution which caters for almost all of the financial needs of its customers, ranging from simple ones like providing loans to retail customers to more complicated financial products of corporates. The essence of such banks is to offer retail, wholesale and investment banking all under one roof. Normal offerings include credit, loans, deposits, trade services, asset management, investment advisory, payment processing, corporate finance, e-commerce, cash management and treasury services, underwriting and bancassurance. It is, however, to be noted that Universal banks are allowed to offer a wide range of services, but they are not in any way whatsoever compelled to do so. Therefore, the structure and offerings of Universal banks may differ across geographies.

> The structure and offerings of Universal banks may differ across geographies

Historically, SBM was more oriented towards retail customers. Over time, it adopted a Universal banking model and has today evolved into a well-established Universal bank which, leveraging upon the strength of its local and overseas companies, offers a wide range of services to all of its customers. This unique characteristic of a complete bank plays an important role in the economy and gives depth to the Mauritius International Financial Centre (IFC). The Mauritius IFC is known for its ease of doing business and a Universal bank plays a key role in the ecosystem.

Advantages of choosing a Universal Bank

Universal banks can leverage on revenue and cost synergies through economies of scope, ultimately benefitting the final customers. For example, moving funds from one bank to another might be costly and involve a lead time and administrative hassle. On the other hand, with a Universal bank, the funds are treated as an internal transfer, thereby reducing the transaction costs, time and efforts/energy. Having all the business transactions under one roof also gives the customer more leverage and bargaining power.

> A Universal bank plays a key role in the ecosystem

Another example would be account opening. Account opening in a bank is a long process and the cost of compliance is quite significant. For instance, if the operational account is with one bank in Mauritius, and the custody account and the trading account have to be opened with other financial institutions overseas, documents will need to be certified, notarised and sometimes apostilled, which can be time consuming – and at times can lead to a loss of opportunities. Imagine a bank that can provide all the services needed under one roof. It reduces the cost, time and minimises the lost opportunities. The customer does not need to have multiple banking relationships.

Focus on compliance

Following the global financial crisis and the ongoing battle against financial crime, there is a surge of new laws and regulations that banks are called upon to comply with. Whether the bank is a retail bank, a commercial bank or an investment bank, compliance is paramount. Non-compliance is equal to being out of business. There is a financial aspect of compliance but the outcome of non-compliance more than outweighs the cost of compliance. It is said that it is better to spend to do it right rather than spend to say why the bank was right.

Dr. Roshan Boodhoo,
Deputy Group CEO,
SBM Holdings Ltd

The Universal model enhances the flow of information, strengthens compliance around customers and transactions and significantly reduces, if not eliminates, the costs of non-compliance.

Facilitating trading

Banking with different banks and in different jurisdictions can be time consuming and may result in delays. Non-execution of a transaction on time can be extremely costly. An opportunity remains on the market for a short window of time and therefore turnaround time for execution is limited. Universal banking is the solution.

For instance, a customer deciding to invest in a particular stock can convert currency into whatever denomination the equity is, place its order, execute the buy and place them under custody. Transacting each step of the process under one umbrella not only simplifies the tasks of the customer but reduces the turnaround time.

Imagine, for instance, that a commodity trading company requires a bank for its import and export transactions including a trade line for issuance of a letter of credit and discounting of export bills. Over and above this, if a bank can provide hedging solutions against price volatility, it will avoid the customer having to going to another service provider.

International Trading also entails credit insurance, political risk insurance, insurance against damage loss and more. The bancassurance function of a Universal bank will cater for all the various insurance needs which will give comfort to both the commodity trader and the bank financing the trade transactions.

Supporting specialisation, stability and innovation

Another important aspect of a Universal bank as compared to a traditional bank is the benefit of specialisation of the different clusters. Each business segment employs specialists in their respective fields. Normally a customer will knock on different doors to seek advice on a specific business, such as investment, trading, insurance, hedging or corporate finance.

Universal banks tend to bring about more financial stability in an economy than traditional banking models. Due to their diversified model, such banks can easily spread business risks over a range of connected or non-connected markets and are better suited to spot accumulated risks in the market.

Funding costs are usually lower than those of traditional banks because such banks are viewed as low risk and investors require a lower risk premium over their returns. The more balanced form of such banks considerably reduces the customer profiling cost, operating cost as well as their funding cost. Such a benefit is partly transferred to customers through lower rates.

> Universal banks tend to bring about more financial stability in an economy

Universal banks are more prone to bringing about financial innovation in an IFC. Due to their exposure to the varying needs of different customers, such banks are more apt to bring about innovative ideas from the exposure of big customers to the mass retail ones, usually at lower costs. The reputation of Universal banks also adds to the credibility of innovative solutions being proposed and other customers are less likely to be sceptical of accepting new products from Universal banks than from traditional ones.

Universal banks reinforce the position of Mauritius as an IFC of choice

Mauritius is working to position itself as an IFC of choice in the Indian Ocean region. Having Universal banks, such as the SBM Group, sends a strong signal about the level of financial development of the country. In line with this, the Bank of Mauritius, in its quest to revolutionise the payments system in Mauritius, has introduced the Mauritius Central Automated Switch (MauCAS), which is an innovative hub for routing payments among operators through cards, mobile phones and other innovative channels. Such a system allows the flow of the various services that a Universal bank wishes to offer.

All in all, Universal banks, through their banking and non-banking arms, can not only facilitate business in the African-Asian corridor, but can also enhance the growth opportunity and positioning of the African region.

Good corporate governance: A key requirement in the prevention of financial crime

Having an effective roadmap in place to tackle financial crime is essential to protect firms, according to Nagesh Kistnamah, Head of Risk and Compliance at IQ-EQ, Mauritius, and the three lines of defence model is a tried and tested framework designed to ensure effective risk management

By Nagesh Kistnamah, Head of Risk and Compliance at IQ-EQ, Mauritius

Financial crime is one of the biggest issues facing businesses and organisations worldwide. In a recent survey by PwC*, the total cost of losses to financial crime in the last two years was reported to be a staggering US$42 billion, with nearly half of the respondents surveyed suffering at least one fraud in the last 24 months. Despite this, most organisations are still not doing enough to combat the issue.

Why is managing financial crime important?

The repercussions of failing to protect against financial crime can be damaging both financially and reputationally. However, the complexity of detecting and preventing financial crimes within the industry can be extremely challenging. Threats can be domestic and international, and may come from within or outside the organisation.

Financial services firms and/or their clients can fall victim to financial crime. In one of the biggest money laundering scandals in history, a leading banking group failed to prevent the laundering of around €200 billion across Europe through its own Baltic operations. Major financial crime events such as this can cause reputational damage to the firm, the industry and the jurisdiction that can be difficult to recover from.

Regulators around the world have levied heavy fines against financial institutions and their executives for failing to implement robust anti-financial crime frameworks, especially where the proceeds of crime have gone through their system undetected. In more severe cases, regulators have revoked the firms' licence to operate altogether.

Recent regulatory changes in Mauritius

A number of measures have been introduced in Mauritius since 2018 to create a more robust financial crime regime. These include:

- Amending the Financial Intelligence and Anti Money Laundering Act 2002
- Releasing the new Financial Intelligence and Anti Money Laundering Regulations
- Releasing the United Nations (Financial Prohibitions, Arms Embargo, Travel Ban) Sanctions Act 2019
- Issuing the Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT) guidelines or handbook.

Until recently the financial services sector had two regulators - the Bank of Mauritius (Central Bank) regulating banking operations, and the Financial Services Commission (FSC) overseeing non-banking financial services and Global Business. However, in view of strengthening the overall AML/CFT framework, Mauritius has further expanded the regulatory purview as below:

- The Companies and Business Registration Department regulates the corporate service providers
- The Financial Intelligence Unit regulates real estate agents, legal professionals and dealers in precious metals and stones
- The Mauritius Institute of Professional Accountants regulates the accounting and audit professions

Figure: Three lines of defence model

- The Gambling Regulatory Authority regulates casinos and gaming houses.

Mauritius has also tightened the area of regulatory actions and prosecutions over the past year to express its commitment towards combatting financial crime. For example, new financial crime divisions have been created, both at the level of the Intermediate Court and Supreme Court of Mauritius to hear and determine financial crime offences. Regulators have also strengthened their enforcement departments to tackle serious breaches and take timely and robust regulatory actions against their licensees.

What is good governance in the context of the prevention of financial crimes?

The three lines of defence model is a tried and tested framework designed to ensure effective risk management.

This involves three layers of protective measures to identify and manage risk across all levels of an organisation. Client facing teams provide the first line of defence against day-to-day risks, essentially acting as 'gatekeepers' against financial crime threats. The second line, the Risk Management function, is then responsible for laying out broader protective measures, creating an anti-crime framework for the business, and for providing challenge and oversight to the First Line. Together these two lines of defence are then tested by the Independent Assurance or third line of defence function, to test and validate both the design and operating effectiveness of financial crime risk management arrangements.

The responsibility of the board and senior management

The board and senior management team also play an essential role in combatting financial crime. They are responsible for ensuring that systems and controls are effectively designed and implemented, taking into consideration the nature, size and complexity of the business. They are also responsible for promoting a transparent, honest and ethical compliance culture. This means strictly adhering to the processes and controls in place and providing effective oversight to deter any inappropriate or unlawful misconduct or behaviour.

The board may also have a dedicated Risk and Audit sub-committee to provide additional guidance, identifying gaps and weakness on key risk indicators, as well as implementing anti-financial crime policies, procedures, processes and technology (e.g. transaction monitoring, sanctions screening, customer due diligence).

Summary

In summary, having an effective roadmap in place to tackle financial crime is essential to protect firms against both current and future threats. This means having a strong anti-financial crime framework in place, backed by robust technology and regular monitoring through governance committees. Financial crime is a complex issue that requires robust solutions, and we need to see a comprehensive, proactive approach to effectively protect businesses and organisations against the potentially devastating reputational and financial pitfalls of financial crime.

* PwC's Global Economic Crime and Fraud Survey 2020

GMT: Is the time ticking for IFCs?

With the clock ticking for the Global Minimum Tax (GMT) implementation, Mohammad Akshar Maherally of WTS Tax Consulting tells us how International Financial Centres (IFCs) are likely to fare, and what are the lifelines available to them, when the 15% minimum tax rate becomes a reality

This article is not about Greenwich Meridian Time. But the other GMT - Global Minimum Tax - indeed appears like a ticking time-bomb threatening IFCs.

Fiscal pandemic: Observed symptoms

As the saying goes, when the US sneezes, the world catches a cold. As soon as Biden sneezed out GMT, we saw IFCs showing symptoms. Some turned quite unstable and vocal, like Ireland. A few, such as the UK, displayed their art in diplomacy to seek a remedy. Some others still – the likes of Singapore – portrayed pragmatism and faith in the future, juggling between advocacy and proactive solutions.

The majority though, diagnosed with high pulse beats and holding their breaths, are just waiting for further health bulletins and the virus lifecycle to be past them. In this whole unrest, Mauritius remains serene, fully focused on being the best-in-class and retaining the validity of its discharge certificate from the OECD / EU.

So, what is this fast-spreading fiscal pandemic all about?

Virus propagation

The virus (re)surfaced on 7 April 2021 when the US Treasury Department released the Made in America Tax Plan to raise revenues to pay for Biden's proposed American Jobs Act. The Plan included, amongst others, setting a global minimum tax rate for US multinationals at 21% (later revised to 15%) and reviving discussions with the OECD to avoid a "race to the bottom" among countries. This dusted OECD's Pillar Two which had been on the back-burner for a while, thus spreading the virus globally.

The historic deal reached by the G7 on 5 June 2021 to introduce a 15% GMT was supplemented, on 1 July 2021, by a statement of the OECD/G20 Inclusive Framework on BEPS announcing that 130 (out of 139) member jurisdictions had agreed to the main principles for the implementation of Pillar Two.

Pillar Two essentially comprises the Global anti-Base Erosion (GloBE) Rules, namely an Income Inclusion Rule (IIR), which aims at topping up the tax bill of an MNE parent entity for undertaxed (below GMT) profits of its group, or alternatively, where the IIR is not triggered, an Undertaxed Payment Rule (UTPR) which denies deductions or requires adjustments on undertaxed profits. The GloBE rules will be complemented by the Subject-to-Tax Rule ("STTR") which imposes limited source taxation on certain related party payments. The GloBE Rules are presented as a common approach, with Inclusive Framework members required to accept their application by other member countries even if they do not themselves adopt the GloBE rules.

Detailed implementation plans are expected to be issued in October 2021 at the G20 Finance Ministers and Central Bank Governors meeting, with Pillar Two aimed at becoming effective in 2023.

Dissecting the virus components: X-Ray required

While analysing the DNA of the GMT, it appears that the virus is not lethal and IFCs may not necessarily be taking their last breaths anytime soon. Of the nine countries which did not provide their consent to the G20/OECD Statement, we note the likes of not only Ireland, Hungary and Barbados, but also Kenya and Nigeria.

Already, we can see the dissidents being at the two ends of the tug-of-war, meaning that the battle on the minimum 15% tax rate is not yet over. On the other hand, countries which signed-in, such as the UK, were seen entering into private discussions with the OECD for financial services firms to be exempt from GMT. One can expect more brinkmanship from some countries by October 2021 and beyond. It also remains to be seen how certain other states will react in the wake of this blatant blow to their fiscal sovereignty.

While details of implementation are awaited, one would be interested to understand whether Biden's GMT is compatible with tax policies in the likes of Wyoming, Nevada and Delaware and whether profits booked in these states will be subject to the GMT by the US Federal Government or whether these states will alter their tax policies. Or, rather, are we set to experience a bis-repetita of the FATCA / CRS experience?

On the other hand, the layman has a simple question on OECD's Pillar Two. At the time of concluding BEPS Action 5, compelling every jurisdiction to renew its tax wardrobe, preferential tax regimes were fully endorsed, if complemented by adequate economic substance in the jurisdiction. How is BEPS Action 5 then compatible with Pillar Two?

Finally, the fundamental question which remains unanswered is whether the intention is really to introduce a GMT for harmonising tax rates, or is it rather a crusade against the FAANG Group (Facebook, Amazon, Apple, Netflix and Google)? If the latter, then a more targeted approach would be appropriate, instead of Pillar Two putting the whole international fiscal architecturein rags in the same manner that the MLI tore thousands of tax treaties into pieces.

IFC vaccination cards

Reading the OECD Statement diagonally, several immediate lifelines appear relevant to IFCs.

First of all, it is clear that MNEs having a consolidated turnover exceeding Eur 750m are those exposed to the virus, even though countries may invoke the IIR for a lower threshold. An IFC client base which has a weaker financial strength is therefore likely to go under the radar.

Similarly, investment funds and their SPVs are set to get their vaccination cards automatically stamped.

On the other hand, while hearsay has it that UK has negotiated a quota of vaccines for its financial services industry, one hopes that the OECD will treat all jurisdictions fairly.

By Mohammad Akshar Maherally, Managing Director, WTS Tax Consulting (Mauritius) Ltd

> Detailed implementation plans are expected to be issued in October 2021

Life expectations and lifesavers

The GMT writing is not yet on the wall. IFCs can still lobby for certain further lifesavers, in the form of participation exemption exclusions or acceptance of multi-jurisdictional tax credit claims, to be inserted in the OECD's prescription.

At the domestic level, an array of possibilities are lined up for IFCs, including isolating positive-tested MNE parent entities into their quarantine jurisdictions and pain-killer injections administered locally, in the form of tax refunds, various subsidies and financial incentives.

The X-Ray results scheduled to be published post the October 2021 OECD/G20 meeting will largely determine the severity of the virus, the probability of survival, and remedies that may be prescribed. But the October deliberations may also simply call for watch-hands to be set to a time-zone other than the GMT.

The evolving international framework with 2 pillar proposals on digitalisation

While the international community has grappled with the concept of global tax rules in a digital world for some time, Nadiah Ramsamy of Prism Chambers highlights that 2021 has been heralded as a breakthrough year on the road to adopting a global tax reform project, with significant changes on the horizon

Background

For over two decades now, the international community has found that reaching a consensus on what would constitute global tax rules, with a view to effectively adapting to digitalisation, has been elusive and most of the efforts have been fraught with divergences on many levels. It is notable that the 2015 BEPS Action 1 Report was deemed to be inconclusive in many aspects.

The efforts were renewed in 2018 when the Tax Challenges Arising from Digitalisation – Interim Report 2018 was issued by the OECD Task Force on the Digital Economy but the latter was still viewed as a work in progress by many. 2021 has been heralded as a breakthrough year as the G7, G20 and, as of date, over 130 countries of the OECD Inclusive Framework on BEPS have provided their high-level political commitment to adopting a global tax reform project.

Key commitments

Whilst it is contemplated that the granular details of the reform will be agreed in October 2021, certain key components of the two pillar solutions have been approved and we will provide an overview of these factors in this article. Pillar One provides a set of rules to address the allocation of taxing rights for digital businesses - the premises of the rules rest on the universally accepted notion that existing tax rules and practices are no longer fit for purpose when it comes to correctly identifying value creation in an increasingly globalised and digitalised world.

Pillar Two, on the other hand, while still being labelled as addressing the concerns of digitalisation, is sharply focused on the taxation of multinational enterprises ("MNEs") and effectively brings the Base Erosion and Profit Shifting plans back into play.

Pillar One

Many companies in the digital sector now operate in markets where they do not need to have or to establish a physical presence. Therefore, Pillar One seeks to provide a level playing field by refining the concept of "nexus" for these types of entities to arrive at an allocation of business income for these "market" jurisdictions. This concept of "nexus" effectively abolishes the arms' length approach in that an amount ("Amount A") is calculated and is taxable by the market jurisdiction. Amount A is calculated by reference to the residual profits of the MNE.

By Nadiah Ramsamy,
Barrister at law,
Prism Chambers

> Reaching a consensus on what would constitute global tax rules has been elusive

This is indeed a significant change to existing tax concepts as appreciation of an entity's assets, functions and risks to determine its taxability is now replaced by what one may call a formulaic approach. In addition, the parameters for accurately applying the revenue sourcing concept will have to be implemented. In these types of industry, the user

base is notoriously hard to identify and may entail the use of IP addresses and a frequent review of the base once it is established.

> Pillar One provides a set of rules to address the allocation of taxing rights for digital businesses

There is a second limb to Pillar One ("Amount B') which seeks to iron out the disparity by regulating the remuneration of related party entities which perform "marketing and distributing activities" in the market jurisdiction. The raison d'etre of Amount B is to reduce tax controversy in this area.

Pillar One provides for rules to reduce the number of in-scope MNEs- those which fall in the scope of the proposal are MNEs with a global turnover above €20 billion and profitability above 10% and this threshold is envisaged to be reviewed to €10 billion upon successful execution. There are further revenue-based criteria to narrow the scope of application.

Pillar Two

The overarching objective of Pillar Two is to set out the rules to make global businesses pay a minimum effective tax rate. Broadly, profits of MNEs which are currently not subject to tax, or subject to an effective tax at a rate lower than the global minimum tax rate, would attract a minimum tax of at least 15%. Again, thresholds have been put in place and this is intended to apply to MNEs with a consolidated group revenue of at least €750m. This would be achieved by mechanisms for the parent jurisdiction to "tax back" if another jurisdiction has not exercised its taxing rights or is a low tax jurisdiction.

On the face of it, the mechanisms should be rather similar to controlled foreign corporation rules. An arduous task lies ahead in devising the rules for correctly identifying the "profits" to which the global minimum tax would apply as not all countries use the same accounting standards. In addition, it is now crucial for the OECD to set out precisely the types of taxes contemplated to be covered under this Pillar.

Further Thoughts

It is clear from the political engagement that these commitments will certainly come to fruition in some way or another. Whilst it was initially contemplated that these proposals would apply solely to the digital economy, they have clearly spilled over onto the wider spectrum with a few carve-out industries identified such as financial services, pensions, funds, and international shipping. It would also be interesting to see how low tax jurisdictions respond even though the global impetus provides little room for manoeuvre.

From a Mauritius perspective, whilst it would appear that some of our key financial sectors will benefit from a carve-out, it is becoming increasingly evident that our tax administration and our practitioners will have to closely monitor the progress of the negotiations to fully grasp the changing landscape of international taxation.

The relevance of bond issuance as a viable financing option for corporates

With the bond market having played a major role in economic recovery following the financial crisis of 2008, Shamin A. Sookia of Perigeum Capital dives deep into corporate bonds and explains how they can serve as an important source of financing for companies struggling to raise cash amid an economic downturn

Going back in time, bonds were a natural offshoot of the loans that early bankers provided to finance wars starting in the Middle Ages. The word "bond" means contract, agreement, or guarantee. An investor who purchases a bond is lending money to the issuer of the bond which represents the issuer's contractual promise to pay interest and repay the principal according to terms specified in the relevant bond documentation.

As the financial appetite of governments grew, bankers were faced with the dilemma of satisfying the demands of all their clients. Bonds came up as a means for governments to borrow from many individuals rather than from a limited number of bankers which also led to a reduction of risk for lenders by allowing the latter to sell their bonds to other parties in case they sensed that the borrower might be unable to repay the debt.

The bond market of today: A popular financial instrument

As of today, bonds feature amongst the most widely used forms of financial instruments with a total size of US$119 trillion worldwide and US$46 trillion for the US market as per the Securities Industry and Financial Markets Association (SIFMA). The main reason for issuing bonds is to diversify sources of funding. The amount banks can lend to individuals or corporates is limited and hence corporates have recourse to the larger base of bond-market investors to raise additional funds without exhausting their traditional credit lines with direct lenders such as banks.

Corporate bonds are issued by a business enterprise, whether owned by private investors or by a government. Many corporates would have large debt balances outstanding at a particular date and would thus want to reschedule those debts or alternatively repay them by the proceeds obtained from bond issues at a relatively cheaper interest rate and prolonged repayment terms. In issuing a secured obligation, corporates would normally pledge specific assets to bondholders.

Corporate bonds and some asset-backed securities are the main components of private sector debt and this particular market has been developing quite substantially over the past decades. Although developing bond markets has been an ostensible aim of policy in several countries for many years, certain shortcomings in implementation have meant that market liquidity has not developed as much as had been hoped, the main reason being the absence of adequate market infrastructure, especially in emerging economies. The crucial triggers culminating in the above situation are the lack of adequate liquid money markets, a system of primary dealers obligated to provide two-way quotes, a repo market for government bonds, and the issuance of benchmark securities.

Why do investors buy bonds?

It is good to note that, until the 1970s, the bond market was principally a primary market where investors would purchase bonds at the time of issuance and hold those bonds until maturity, that is, when the principal was repaid. Their highly predictable cash flow made bonds attractive assets to investors such as life insurance companies and pension funds, the obligations of which could be predicted far in advance. The basic investment strategy was to match assets and liabilities.

> Corporate bonds form a key component of private sector debt

Since the late 1970s, the reasons for investing in bonds have changed, with many investors now actively trading bonds to take advantage of price differences, rather than holding them over the long term. Although many corporate bonds would trade on securities exchanges, a substantial amount of bond trading occurs in the over-the-counter market, directly between an investor and a bond dealer.

Factors corporates must keep in mind while issuing bonds

When making decisions to issue bonds, corporates need to be aware that the market value of fixed-interest securities, including bonds, is inversely related to interest rate movements. This implies that when long-term rates are on a rising trend, the market value of a fixed-interest security portfolio declines. The converse also holds true when long-term rates are on a decreasing trend. The magnitude of the change in the market value of a fixed-interest security, given a certain movement in interest rates, depends on two criteria, namely the outstanding maturity of the asset and the coupon rate of the security.

Additional factors that have to be kept in mind when trading in fixed-interest securities are the opportunity costs of switching from one maturity into another as well as the actual rate at which the coupon receipts can be reinvested. Firms normally pay credit-rating organisations to have their bonds rated with such rating depending on the likelihood of default of payments of interest and/or capital as well as the extent to which the lender is protected in the event of default by the debt issuer.

Meanwhile, investment-grade bond prices and returns tend to move in line with government bond interest rates, influenced by perceptions of future inflation rather than the risk of default. Junk bond prices and their yields, on the other hand, are much more related to the prospects for the company's trading fundamentals.

How corporate bonds can provide much-needed funding amid COVID-19

While corporate bonds offer a higher rate of return than well-respected government bonds, allied as they are with a higher degree of risk, they are usually a useful way by which companies can raise money without issuing equity or accepting the relatively stringent conditions of a bank loan. As opposed to banks which were reticent to lend, the bond markets played a major role in the recovery post the financial crisis in 2008 by allowing a lot of companies to issue new bonds in order to raise cash to survive the economic downturn.

No wonder then that governments and companies around the world are all conscious of the enormous power of the bond markets. Indeed, James Carville, President Clinton's political adviser once famously said: "I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a 400- baseball hitter. But now, I would like to come back as the bond market. You can intimidate everybody."

Ultimately, with COVID-19 seeing corporates struggle to find sources of finance, it may be time for them to tap the bond market to raise much-needed funds to survive these testing times.

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

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From left to right: Vinod Bussawah, Chief Operating Officer of Mauritius Finance; Shamima Mallam-Hassam, Board Member of Mauritius Finance; Mahesh Doorgakant, Chairperson of Mauritius Finance; Her Excellency Charlotte Pierre, British High Commissioner to Mauritius; The Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance; Samade Jhummun, CEO of Mauritius Finance; Mardayah Kona Yerukunondu, Chairperson of the Financial Services Commission

Mauritius Finance launches training initiatives with reputed international partners

Mauritius Finance launched a new series of training initiatives alongside reputed international partners on 9 September to upskill the industry

In line with its commitment to provide opportunities for training and capacity building in the financial services sector, Mauritius Finance launched a series of training initiatives on 9 September in Ebene in collaboration with reputed international partners, namely the Chartered Institute for Securities & Investment (CISI), CLT International (CLTI) the International Compliance Association (ICA) and the Society of Trust and Estate Practitioners (STEP), in the presence of the Hon. Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance and Her Excellency Charlotte Pierre, British High Commissioner to Mauritius.

Speaking at the event, Minister Seeruttun welcomed the launch of the training initiatives, which he noted would strengthen the industry and help Mauritius to successfully compete as a financial jurisdiction. The Minister also congratulated the leadership of Mauritius Finance on their endeavours to upskill professionals through various extensive programmes which he underlined had made significant progress since July 2020.

The Chairperson of Mauritius Finance, Mr Mahesh Doorgakant, emphasised that it was imperative to train people in line with international standards as the industry grows and develops, and he highlighted that the launch of advanced new financial products would also make Mauritius an attractive jurisdiction.

The CEO of Mauritius Finance, Mr Samade Jhummun, explained the organisation's objectives in terms of bringing advanced knowledge in areas of relevance for the financial sector, since Mauritius Finance has been granted its training licence by the Mauritius Qualifications Authority. He noted that the best-in-class training courses to be delivered in collaboration with the renowned international partners would cover areas including anti-money laundering and combatting terrorism financing, fund administration and fund accounting. He emphasised that the courses would be customised to the Mauritian laws and regulations and encouraged members of the industry to participate in the training programmes.

MAURITIUS FINANCE

List of Members of Mauritius Finance

- AAA Global Services Ltd
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- Accuro Trust (Mauritius) Ltd
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- AfrAsia Bank Limited
- Alliance Financial Services Ltd
- Alter Domus (Mauritius) Ltd
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MAURITIUS FINANCE

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