



Mauritius: Already Present For The Future

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OVER THE PAST SEVERAL YEARS, we have seen a lot of fundamental changes in the global financial industry. From technological revolution to new regulatory frameworks, numerous challenges and opportunities have emerged. Amid this period of extreme transformation and uncertainty, investors and companies will be looking to international financial centres which can overcome challenges and maximise the opportunities.

Mauritius has a long tradition in the financial services industry, with over 30 years of offering a complete suite of financial products such as treasury management, global funds, protected cell companies, captives, family offices and trusts. To incentivise new activities, the Government has recently introduced tax holidays for setting up regional headquarters, investment banking and fund management. Mauritius, as a growing FinTech hub in the Eastern and Southern African region, has adopted comprehensive legislation on virtual assets (VAs) and initial token offerings (ITOs) by way of the Virtual Asset and Initial Token Offerings Services Act 2021 (Act). This Act was proclaimed on 7 February 2022. The aim is to regulate new and developing business activities

surrounding VAs and ITOs.

Despite moving towards a progressive global business environment, the country was dealt a severe jolt in late 2020 with its inclusion on the EU money laundering blacklist. EU regulators claimed that the country had strategic deficiencies in its anti-money laundering and counter-terrorist financing (AML/CFT) regimes, backed by a Financial Action Task Force (FATF) report. The new methodology adopted by the EU caught Mauritius by surprise. This decision by the EU came at a time when the country was already experiencing the brutal health and economic effects of the COVID-19 pandemic.

Thereupon and as a matter of urgency, a high-powered committee headed by the Prime Minister was set up to accelerate the implementation of the FATF Action Plan. Mauritius received technical assistance from the EU's Global Facility on AML/CFT and the German government to help with the implementation. The process of implementation involved the submission of progress reports to FATF plenary meetings. Upon satisfactorily addressing all deficiencies, Mauritius was finally excluded from the grey list of the FATF in October 2021, ultimately leading to the removal of Mauritius from the

EU blacklist in February 2022, as well as from the UK in October 2021. This consolidated the country's position as a leading international finance centre.

This episode was a wakeup call for the Mauritius financial centre. It was an opportunity to reaffirm its commitment as a jurisdiction par excellence. Sometimes, the foundations we stand on shall be shaken so that they may be improved with stronger ones.

Ability To Innovate

The defining feature of Mauritius' success over the past few decades has been its ability to innovate. A good example of this has been the roll out of a Central Bank Digital Currency (CBDC) on a pilot basis, announced in the budget speech in June 2021. The inevitable introduction of CBDCs could be the greatest historical and fundamental change to the global financial system since Bretton Woods. CBDCs will allow individuals, businesses and almost everyone in the public/private sector to have a digital wallet or bank account directly with their central bank. This is significant as within our existing financial system, only commercial banks can deal directly with central banks in the form of central bank reserves. Allowing individuals to have a direct

CBDC account would allow the central bank to stimulate and interact directly with individuals, something that cannot be achieved in the present system. Still in their nascent stage, CBDCs are clearly significant in scope and in consequence.

Mauritius has a long history as an international 'digital hub' for businesses operating in sectors such as Information and Communications Technology (ICT) and more recently FinTech, green finance and enterprises utilising emerging technologies. The Financial Services Commission (FSC) has recently taken the leap by introducing the Financial Services (Robotic and Artificial Intelligence Enabled Advisory Services) Rules 2021 (the Rules). As per the Rules, the holder of a Robotic and Artificial Intelligence Enabled Advisory Services licence will be entitled to provide advisory services (including discretionary and non-discretionary investment and portfolio management services) through expert systems and/or computer programmes using artificial intelligence enabled algorithms, with limited human intervention. Several other Rules have been introduced and amended to cater for this new and innovative licence. This endeavour will encourage licensed service providers in Mauritius to adapt to new and emerging technologies.

In a bid to further strengthen its muscle as a 'digital hub' in the African region, the Mauritius Africa FinTech Hub (MAFH) has been set up to bring substance to the environment needed to promote Mauritius. This hub brings together innovators, entrepreneurs, government agencies and corporates, as well as working with regional African FinTech Hubs to allow financial service providers and FinTech companies to work together to create products in a safe, innovative and nurturing environment. Mauritius, through the Economic Development Board (EDB), participated in the 'Expo Dubai 2020' event, which started in October 2021, ending in March 2022. During this event, the country spun out its great evolution from a low-end value to high-value services offering.

AAMIL Africa Capital Partners PCC (AACP), AAMIL's flagship investment vehicle for Africa, was created and tasked with providing investors with different interests to invest in, through the establishment of their own distinct investment strategy. AACP is a versatile regulated vehicle, attractive to investors

and emerging managers willing to tap the huge African opportunities. This investment vehicle provides flexibility, is highly tax efficient and has relatively low expenses. The African continent is following Asia's development path and the coming years will see a strong rise in incomes, continued reduction in poverty, and substantial economic gains for the investors who get in early. AACP is well positioned to provide the springboard for investors.

New Amendments

The FSC has issued the Financial Services (Crowdfunding) Rules 2021 in line with its strategy to sustain the growth of the FinTech ecosystem within the Mauritius International Financial Centre. This new regulatory framework for Crowdfunding will help to shape and improve access to finance for individuals, entrepreneurs, as well as Small and Medium Enterprises (SMEs) operating in or from Mauritius. Both retail and expert investors will have the opportunity to contribute, in a regulated environment, to the growth of SMEs, thus bolstering entrepreneurial spirit in the jurisdiction.

Another landmark development to enhance the image of the Mauritian jurisdiction has been the setting up of the Central Know Your Customer (C-KYC) concept. Most regulators across economies face challenges in enforcing regulations around customer due diligence, performing AML and CFT screening and in identifying the ultimate beneficial owners of the structured companies. A C-KYC Registry is a forward-looking step towards eradicating the information asymmetry of customer information within the financial services ecosystem, and to ensure that the information obtained by the financial services entity is accurate, updated, and relevant. It also aims at providing an enhanced customer experience by eliminating the need for producing the same set of documentation and going through the same procedures across multiple Financial Institutions (FIs), over what is often a lengthy process. The C-KYC Registry can also provide added value to the respective entity data by checking and confirming whether the customer is on any blacklist or negative list, a politically exposed person (PEP), or has some adverse media report in its/their name. In accordance with the rules and guidelines of the Mauritius government, the C-KYC Registry may provide the available information to any such

regulatory body globally, required, for the purpose of curbing ML/TF activities.

Recognition

Mauritius maintained its first position on the African continent in the Global Innovation Index (GII) in 2021. The GII assesses the innovation landscape of some 130 countries and ranks them based on their annual performance. Co-published by the World Intellectual Property Organisation (WIPO), Cornell University of New York and Institut Européen d'Administration des Affaires, and released on 20 September 2021, the index concluded that the country has made great strides when it comes to its innovative capacity. Mauritius was ranked at a commendable 52nd position globally (2020: 52nd worldwide), ranking the highest in the Sub-Saharan region.

Another landmark achievement was the inclusion of Mauritius in the Global Cybersecurity Index 2020 (GCI). This provides a snapshot of how 194 countries have built their commitment to adapt to a more resilient cyber environment. It is obvious that the rapid digital adoption, driven by the COVID-19 pandemic, has leapfrogged the requirement for a transparent and secure cyberspace. Mauritius was ranked 17th globally and 1st in Africa with an impressive score of 96.89, which represents an improvement of 8.89 points from the previous score. This ranking shows the efforts of relevant stakeholders in devising new strategies to combat cybercrime. The newly introduced Cybersecurity and Cybercrime Bill is expected to further strengthen the legal framework through increased compliance, international cooperation in cybercrime matters and adoption of comprehensive measures against cyber threats.

Conclusion

The pandemic has shifted businesses into a new digital reality and there is no looking back. As businesses transform, they will be enticed to international financial centres, which have sophisticated and cutting-edge frameworks already in place to conduct their operations and maximise the opportunities. Over and above having a long-standing heritage and a stable political and economic landscape, Mauritius stands at the forefront of a new era. The country remains confident and enthusiastic for the future.