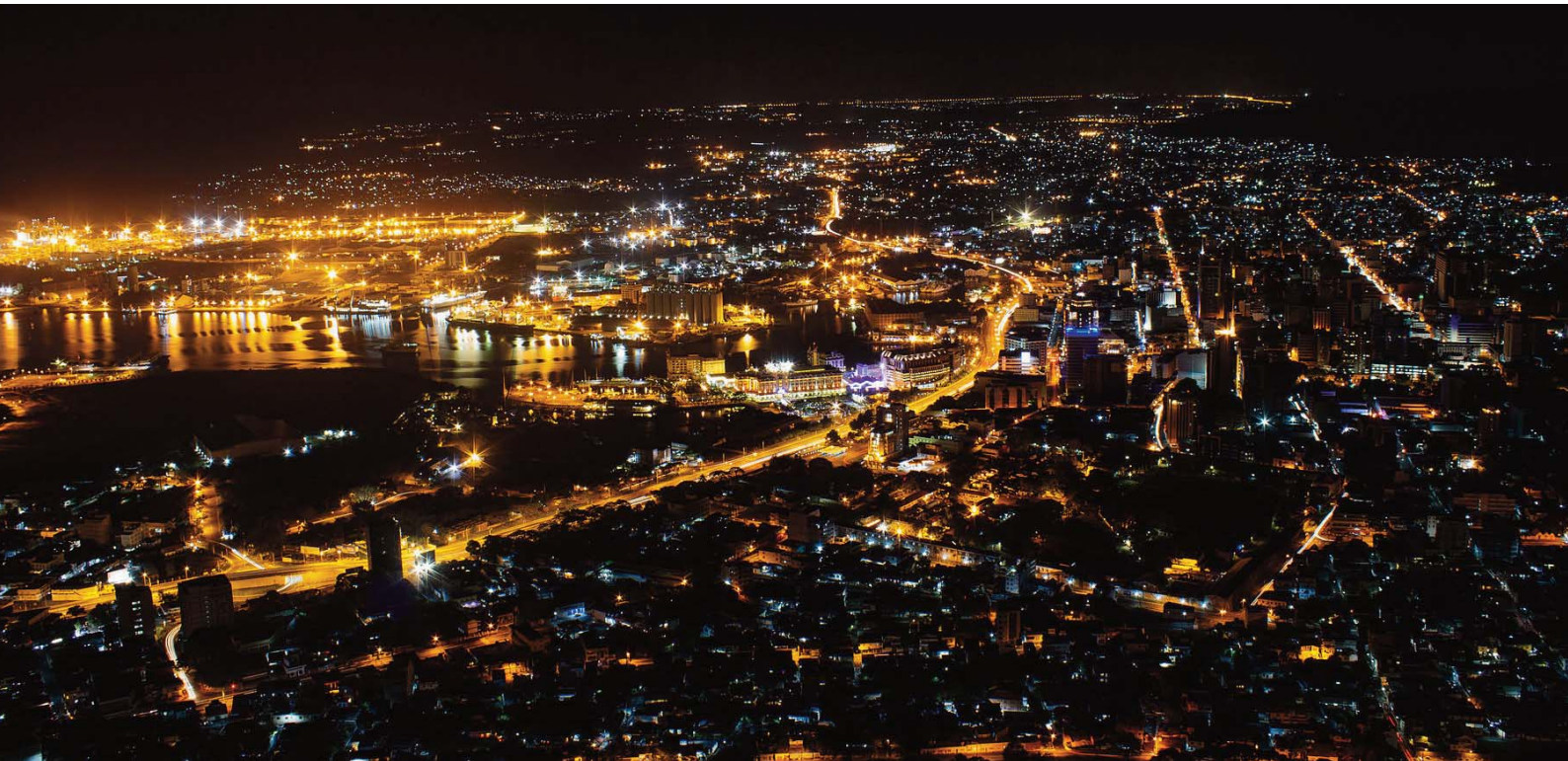


30 years of the MIFC: How Mauritius has successfully strategised to give impetus to business

As the Mauritius International Financial Centre celebrates its 30th anniversary, it is time to reflect on how a journey that began with setting up structures for corporate India has paved the way for a vibrant sector that now supports investments into every corner of the globe.



The Euromoney Conference that took place in the early 90s has played a pivotal role in shaping the International Financial Services sector in Mauritius that currently contributes double-digit GDP growth to the economy while generating significant direct employment.

The humble beginnings of the sector which celebrates its 30th anniversary this year were laid by the offshore banking legislation, the MOBAA (Mauritian Offshore Business Activities) Act 1992, in seeking to ensure that

licensed banks could undertake offshore business activities by leveraging the Double Taxation Avoidance Agreement Act (DTAA) between India and Mauritius.

Starting its journey in 1992, the sector has witnessed a gamut of challenges – first in the late 2000s with the DTAA between India and Mauritius being subjected to much debate, and, more recently, the inclusion of the jurisdiction in the EU list of high-risk third countries and the FATF list of jurisdictions under enhanced monitoring.

However, it is clear that the Mauritius IFC has weathered these storms successfully, first by diversifying its geographic focus from India to Africa and later by taking immense strides in bringing its compliance framework up to the best international standards to the point that it is currently one of the premier global jurisdictions to be compliant with all 40 FATF Recommendations. Looking ahead, the coming into effect of the Variable Capital Company (VCC) Plus, is only designed to give the jurisdiction a further edge in providing investors with an innovative structure that promises both flexibility and security of investments.

Looking back at a high growth, modern and fully compliant IFC

From clocking in 4.2 percent contribution to GDP growth in the 1990s to 7.7 percent in 2000 and in excess of 12 percent of the national income today, the financial services sector has indeed grown by leaps and bounds. In addition, it contributes an employment base of around 26,400 people. This is what the Group Head of Research & Strategic Planning and Execution and Lead Economist, SBM (Bank) Holdings, Nuvin Balloo, affirms as he assesses the growth of the Mauritius IFC and mulls over what has paved the way for a success story spanning over three decades.

The significant contribution of the financial services sector to the national income is considered critical to the sector's success. At the same time, it is crucial to continuously tap into value-added products to make it a unique offering. This sentiment is echoed by the Managing Director at Apex Fund Services (Mauritius) Ltd, Mahesh Doorgakant, in discussing how the sector has successfully overcome a string of challenges lately, with a positive future lying ahead of it now. He asserts: "It is important to continuously straddle this path that brought us to where we currently stand, and it involves implementing the highest standards in what we do as a business."

He emphasises that the reputation of the jurisdiction is intrinsic to its future success. "Our reputation is everything and this is where we need to strengthen our efforts to promote and stress on our achievements and how well we have done over the years. This is an area where we can improve going forward with the right marketing efforts, coupled with continuously adding new products such as the VCC, while looking ahead with optimism," he adds.

It is an argument that finds resonance with the

Managing Partner of KPMG Mauritius, John Chung, as he speaks about the jurisdiction having matured over time, "In this process of growth, we have gone through a lot of learning and challenges where, without an iota of doubt, our experience will keep us in good stead over the next few years as we establish ourselves as a modern, efficient and fully compliant IFC."

Engineering the right eco-system for capital raising, sustainable finance

When it comes to the capital raising capabilities that are intrinsic to any IFC, the Managing Director at Perigeum Capital, Shamin Ahmad Sookia, offers an interesting perspective as he harks back to the period when the Stock Exchange of Mauritius (SEM) was set up in 1989 and speaks about the various product offerings launched over the years, accompanied by the creation of the relevant legal infrastructure to help oversee the implementation of the global business sector. This, he said, came together with the start of the Freeport operations in an open economy ecosystem characterised by the suspension of exchange control.



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

The last 30 years have seen the capital markets and the Exchange space, in particular, evolve from a domestic equity-centric market environment to a multi-asset class internationalised market ecosystem.

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"The challenges were both exciting and gigantic, and had it not been adequately supported by the authorities, the then bunch of entrepreneurs risking both capital and reputation would not have witnessed the success they are enjoying today," he underscores.

As one speaks of the significant role played by the exchange in terms of market liquidity and capital markets, the SEM Chief Executive, Sunil Benimadhu, makes the following observation: "The last 30 years have seen the capital markets and the Exchange space, in particular, evolve from a domestic equity-centric market environment to a multi-asset class internationalised market ecosystem. From six domestic listings in 1989, the Exchange ecosystem today harbours 195 listings cutting across various



John Chung, Managing Partner, KPMG Mauritius



Mahesh Doorgakant, Managing Director at Apex Fund Services (Mauritius) Ltd

asset classes and includes 67 international securities and 13 dual listed securities.”

Of course, there is a need for new initiatives that will see the capital market play an important role and help cement the jurisdiction’s position as a leading player on the continent. Sunil Benimadhu points out: “The new initiatives to enhance the depth and breadth of capital markets activities in the Mauritius IFC should focus on: 1) increasing global order flows to the SEM platform by attracting international intermediaries to connect to SEM’s platform as remote members, 2) establishing the appropriate ecosystem for the Mauritius IFC and SEM to emerge as an attractive capital-raising and listing platform for niche international products and 3) making the first steps towards positioning Mauritius as a jurisdiction for sustainable finance.”

The market dynamics, one would argue, are witnessing change with the emergence of new challenges and thus, calling for a sector reinvention by offering value-added products. Shamin Sookia highlights the need for Mauritius to renew its ties and long-standing friendships with all countries while posing as a jurisdiction offering novel products and services, and leveraging emerging technologies such as Artificial Intelligence (AI) and Blockchain to ensure security, efficiency, rapidity and timely delivery of financial services.

He added: “The jurisdiction is well placed to reclaim its stature vis-à-vis the African continent and beyond, particularly for those looking towards servicing Africa from both Africa and rest of the world.”

Post FATF, EU listings: Promoting highest standards in compliance

In what came as a significant development to help brighten the outlook for the financial services sector, the jurisdiction was successfully removed from the FATF’s list of jurisdictions under enhanced monitoring and the UK’s list of high-risk countries, coupled with exiting the EU’s list of high-risk third countries earlier this year. To top it all, during the recent meeting of the ESAAMLG Council of Ministers, the jurisdiction was given the ultimate seal of approval, that of compliance with all 40 FATF recommendations.

In the aftermath of such developments, global investor sentiment on where Mauritius stands on risk surveillance to ensure financial stability is expected to make it a preferred jurisdiction, and

position the IFC to change the rules of the game on the continent.

Mahesh Doorgakant terms the AML/CFT framework and general compliance the ‘name of the game’ for IFCs today, before going on to explain: “Here, we have always promoted the highest standards, making life a bit more ‘difficult’ for our clients. It is better to endure some short-term pain to ensure long-term gain. These high standards are now becoming normalised across the world and Mauritius already has a head-start on the competition which will greatly benefit our clients and save them from unwanted surprises.”

It is often said that if you are not progressing, you are indeed regressing. The competition among IFCs is no different.

John Chung, Managing Partner, KPMG Mauritius

In addition, looking out and preparing for competition would be key for the jurisdiction in the aftermath of exiting the various lists that would ensure that the IFC braces itself for a bigger role on the global map. As succinctly put by John Chung, “It is often said that if you are not progressing, you are indeed regressing. The competition among IFCs is no different and is the reason why there is a need for us as a jurisdiction to remain innovative and be alert to the changes in the leveraged solutions and services.” He adds that as the jurisdiction enters an accelerated phase of digital transformation, it is expected to make a huge impact on the industry, calling it ‘the next battle we need to win.’

A review of the current business model, and confidence building for the future

While industry experts have been hailing the achievements of the jurisdiction in exiting from the EU and FATF lists, among others, there has been an urge to review the current business model.

Sunil Benimadhu explains the significance of the developments that can be seen to give impetus to

the jurisdiction. He says, "Exiting the FATF list of jurisdictions under enhanced monitoring, the EU list of high-risk third countries, and the UK high-risk countries list has undoubtedly raised the profile of Mauritius as a credible and well-regulated IFC and enhanced its attractiveness as the jurisdiction of choice for structuring companies, funds and other financial vehicles to undertake cross-border investments into Africa, Asia, and other emerging regions."

The onus is now on relevant stakeholders to unleash convenient roadmaps leading to timely executions to help bolster resilience, sustainability, and goodwill of the MIFC's growth pillars.

Nuvin Balloo, Group Head of Research & Strategic Planning and Execution and Lead Economist, SBM (Bank) Holdings

"However, a fundamental review of the business model that has underpinned the success of the Mauritius IFC during the last 30 years is long overdue. Striving to gradually transform the Mauritius IFC into a platform for front-office high-value-add operations should become the anchor of the country's new strategic orientation."

In the same vein, Shamim Sookia reflects on the fact that, on one hand, featuring in such lists may be viewed as damning to the jurisdiction, alluding to the attendant impact on the sector, and, on the other, exiting such lists can be construed as both as a wake-up call as well as a renaissance to garner attention to doing business differently amid global happenings.

He urges: "Mauritius cannot and must not falter on its commitment to sustain and build upon what has been achieved recently in helping to consolidate its laws, regulatory frameworks, and processes. There is

a dire need for the above commitment to be warranted from all stakeholders across the board such as policymakers, the regulators, the operators, and the end users, as a whole."

Without an iota of doubt, these 'gloomy listings' will help pave the way for the growth and development of the jurisdiction, he avers. What is needed is to build the level of confidence and trust regularly among both the members of the local population and foreign players likely to use the jurisdiction for fulfilling their strategic business intentions.

He says, "Investments normally flow to the country only if the jurisdiction is clean and also seen to be clean, which in turn generates confidence in the institution and creates seamless interactions that usher in growth, development and diversification strategies."

Banking, risk surveillance, and adapting to global mega trends

The banking sector has been playing a predominant role in financial services and helping to buttress its growth prospects. The latest case in point is the Future of Banking Report where the Bank of Mauritius (BoM) discusses various initiatives for risk surveillance to ensure financial stability while having in place a robust banking system. Nuvin Balloo discusses the role of banking in the financial services sector, underlining that the report launched by the banking regulator should hopefully pave the way for a new era of growth, innovation and competitiveness for the jurisdiction.

He affirms: "The onus is now on relevant stakeholders to unleash convenient roadmaps leading to timely executions to help bolster resilience, sustainability, and goodwill of the MIFC's growth pillars."

Against the backdrop of a White Paper produced by the World Alliance of International Financial Centres, which advocated that in 2030, financial centres will be green, smart, innovative, focused, digital and inclusive, the lead economist at SBM is convinced that the prime challenge is to collectively prepare the Mauritius IFC to successfully adapt to longer-term global megatrends. A fast-paced environment makes it incumbent on the jurisdiction to rise to challenges pertaining to demography, societal transformations, climate change, and the Fourth Industrial Revolution, while emphasising competitive differentiators such as Artificial Intelligence and Big Data, to take the IFC to the next level.



Nuvin Balloo, Group Head of Research & Strategic Planning and Execution and Lead Economist, SBM (Bank) Holdings



Shamim Ahmad Sookia, Managing Director, Perigeum Capital Ltd