

Challenges and opportunities in the financial services sector post three decades of operational existence

THE financial services sector owes its existence, since its creation more than three decades ago, to a bunch of patriots, amongst whom one may find astute politicians, sound regulators, professionals hailed from legal, financial and other backgrounds and, last but not least, vivid entrepreneurs armed with conquering minds and hearts. It was in this very particular context that the Mauritian economy opened itself to the world, with the suspension of exchange control, the creation of the global business sector, the setting up of the Stock Exchange and the implementation of the Freeport Zone. The transition from an agricultural economy following independence in 1968 to the creation of the Zone Franche and the consolidation of the hospitality sector bore its fruits along the way. However, the late 1980s saw the emergence of the financial services sector which was viewed both as a logical step towards vital diversification of the domestic economy as well as the renaissance for a new Mauritius likely to play a different role in the region and by extension, the whole world.

It is undeniable that our economy, being that of an island off the southeastern coast of Africa by approximately 1,100 nautical miles, geographically quite far away from the main markets of Europe and Asia, would have fared well in time with only a few traditional pillars of growth. It was inevitable that the financial grease that is needed for economies to, on the one hand, sky the heights in terms of attracting capital, investments and talent, and, on the other hand, weather the storm faced by other sectors in difficult times, would present itself as a viable component in the economic fabric of the country.

The financial services sector comprises a multitude of functions, from the facilitation of savings and investment, protection and mitigation against risks to the promotion of job creation and the

setting up of new enterprises. The sector represents broadly 13% of the Mauritian GDP and acts as a vital support to the other sectors of the domestic economy. The sector contributes largely to reducing the unemployment gap and has facilitated the transition of the country towards a services-oriented economy.

The Covid-19 pandemic has been like an eye opener to the country, in fact to the whole world, in the sense that we came up to the conclusion that nobody owes you a living and that you will always be in need of fending off for yourself. When the borders were closed with not a single tourist showing up for so many months, the impact on our foreign currency earnings was felt for quite a long enduring period. The partial rescue came from the financial services sector whose operations did not falter and which somehow continued to register the steady flow of forex in hard currency throughout the whole period. The inclusion of Mauritius, a couple of years ago, on the grey list of the Financial Action Task Force (FATF) followed by its insertion on the black list of the European Union (EU) had cast a spell on our jurisdiction for a matter of months which was somehow lifted when Mauritius got off those two lists. This was again a reminder that as a jurisdiction we need to be very wary of our reputation and the perceptiveness of people who are constantly watching us, be they international institutions, global investors, other professional players or more importantly competing jurisdictions.

The challenges faced by the jurisdiction going forward may be regrouped under two main categories, the first one being internal factors peculiar to our own remit which are under our control while the second one would be geared towards external shocks that are outside the scope of our influence. The whole issue about internally-generated capabilities to move forward rests on building the appropriate legal and compliance



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architectures in conformance with international standards of best practice, acquiring and retaining the best talents be they local or foreign, dispensing proper knowledge and training to a constantly-upskilled workforce and imparting to all and sundry concepts in relation to responsibility, accountability and ethical behaviour. Prestige and success do not come along on their own but are certainly achieved after all appropriate rules and adequate procedures are complied with across all levels of hierarchy in a particular organisation which can be a firm, a corporation, a partnership, a team of people with a definite objective in mind or even the state at large.

The current global environment is replete of exogenous factors that would tend to pose themselves as absolute



threats to the growth and development of our financial services sector, not to mention the jurisdiction as a whole. The turmoil occasioned by the geopolitical tensions existing across the globe, from East to West, North to South, has reached quite a critical point, especially with the war between Russia and Ukraine. The Cold War that we have been witnessing post World War Two between the US and its allies on the one side and Russia and its friends on the other side is no

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longer cold; rather it has moved into another heated dimension. The global plight is being exacerbated by the commercial war between US and China. In essence, the world is divided into two factions, where vested interests, nationalism and an urge towards dominance are the order of the day. Mauritius International Financial Centre (IFC) has an impending need to look for the best and smartest strategy to steer its course through the rumblings that lay on the side and all around in order to thrive in that new world order.

Africa would seem to be well poised to reclaim and consolidate its status vis-à-vis the Mauritius IFC given its geographical proximity notwithstanding cultural and business ties that have been woven over time. The focus should be for the whole Mauritius business community to start to think big in terms of what can be done for Africa to rise up. Africa is comprised of 54 sovereign countries who may have a lot of things in common while at the same time be so different with each other that the approach needs to be carefully crafted. The right strategy needs to be developed at the level of the state followed by intelligent discussions at the bilateral level with the end objectives in mind. The needs of the Mauritian business community

including those of the financial services sector would have to be taken into earnest consideration while developing a unique particular agenda with each and every African country that would have been targeted.

The next ten years will be crucial for the Mauritius IFC to position itself in terms of attracting global flows for investments into Africa in the first place notwithstanding the fact that other investment opportunities will arise either in Asia or South America at the same time. There is a vital need to look for multi-talented individuals both in-country and abroad and this will be more felt as Artificial Intelligence (AI) gains more and more ground. The country will need to have at least two additional pillars of growth which may include the blue economy, a for long desire from the authorities to tap into that opportunity which would certainly unleash a considerable amount of allied opportunities in other sectors as well. The Mauritius IFC of tomorrow needs to be daunting while at the same time incorporate inclusiveness, flexibility and innovation in its approach in order to gain access to markets that will become more and more dynamic. Consistency in adopting sustainable practices in business ventures will also play a greater role going forward and the jurisdiction needs to take a bold step in regard to this issue.