

# Banking in Mauritius – the Global Business Perspective

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## Introduction to Banking

Mauritius has a long tradition of commercial banking dating back to 1812 and has historically adopted a cautious attitude to banking development. Until 2004, banking was split into two separate banking regimes – offshore and onshore – with only about ten offshore banking units admitted in Mauritius. The application process was rigorous and required applicants to submit audited financial statements for the previous five years. Since 2004, however, the legal framework has been rationalized and the Banking Act amended such that all banks are now governed by one single Banking licence.

The banking legislation provides for prudential regulations with respect to banks' concentration of risk, weighted capital adequacy ratio, income recognition and classification of loans and advances for provisioning purposes, maintenance of accounting and other records and internal control systems. The Bank of Mauritius, the regulatory and supervisory body, has endorsed the Basle II Capital Accord and adopted the Basle Committee's Core Principles for effective supervision of banks. The Bank of Mauritius has also set up a calendar for all banks to be compliant to the provisions of Basel II framework by December 2008.

Furthermore, the Bank of Mauritius forms part of the Offshore Group of Banking Supervisors and is a founding member of the Eastern and Southern Africa Banking Supervisors Group which is a Financial Action Task Force (FATF) style body for the region.

In August 2008, amendments were made to the Banking Act 2004 that now allows banks in Mauritius to provide Islamic Banking services. Many banks showed an immediate interest in setting up Islamic windows, thus paving the way for Islamic banking in Mauritius. With the introduction of Islamic finance, Mauritius has a great opportunity to diversify its financial sector and provide new services in the fields of banking, wealth management and investment based on Shari'ah Compliance.

Some key indicators for the Mauritian Banking sector as at 30 June 2008:

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|---|---------------|
| No. of operators in the Banking Sector in Mauritius                                 | 19            |
| Total Deposits (USD)<br><i>(of which Non-resident* deposits = USD11.92 billion)</i> | 19.89 Billion |
| Total Advances (USD)<br><i>(of which Non-resident* advances = USD7.28 billion)</i>  | 12.76 Billion |
| Total Assets(USD)   | 26.97 Billion |

Source - Bank of Mauritius Monthly Statistical Bulletin July 2008

*\*Non-resident refers to Global Business licences, non-resident individuals and corporate and banks outside Mauritius*

## Introduction to Global Business

'Global Business' (previously known as 'Offshore Business') is defined in Mauritius law as a corporation holding a Category 1 or a Category 2 business licence issued by the FSC. Such Licensees would include corporations undertaking certain business activities from within Mauritius but with persons all of whom are resident outside Mauritius and is conducted in foreign currency. Examples of such business activities are asset management, investment holding, consultancy, trading, aircraft leasing, shipping and shipping management, information and communication technology. Corporations would include legal entities such as companies, trusts, societies, partnerships or any other body of persons.

Mauritius is emerging as an efficiently regulated international financial centre (IFC) for business and professional services and is not deemed to be a tax haven. Mauritius is committed to its future as an IFC and complies with internationally accepted norms of supervision like the Basle Committee on Banking Supervision, the Organisation for Economic Co-operation and Development (OECD) and the FATF. The business infrastructure facilities together with the numerous tax incentives available to foreign investors continue to attract Global Business to Mauritius.

As of today, there are more than 36,000 Global Business companies set up and registered with the Financial Services Commission in Mauritius. There are some 550 investment funds incorporated in the Country with AUM of over USD43 billion.

Furthermore, Mauritius is also emerging as a Private Banking hub, especially in the light of an increasing number of expatriates working in the Island and with more and more HNWI's buying property in the Integrated Resorts Scheme.

## **Advantages of Banking in Mauritius**

Mauritius is widely regarded as one of the safest IFC in which to bank, invest or establish a trust because it is an economically and politically stable jurisdiction and one which employs the strictest regulatory practices. Some legal and financial advantages of banking in Mauritius typically include:

### **Protection of assets**

In terms of the protection afforded the holder of a Mauritius bank account it is worth noting that the new Banking laws give the Central Bank power to appoint a 'Conservator' to protect the assets of a bank's depositors if 'the financial institution has, or its directors have (i) engaged in practices detrimental to the interests of its depositors, (ii) knowingly and negligently permitted its chief executive officer, any of its managers, officers or employees to violate any provision of the Banking Laws, any enactment relating to anti-money laundering or prevention of terrorism or guidelines and instructions issued by the Central Bank. The law also enables the central bank to establish a deposit insurance scheme as a protection 'against the loss of part of all of deposits in a bank that will contribute to the stability of the financial system in Mauritius and minimize the exposure to loss.

### **Protection against political or financial instability**

Banks provide access to Mauritius as a politically and economically stable jurisdiction. This may be an advantage for those in countries where there is a risk of political turmoil who fear their assets may be frozen, seized or disappear.

### **No withholding tax on interest**

Interest is paid by banks to non-residents and global business companies without tax deducted. This is an advantage to those who do not pay tax on worldwide income.

### **Confidentiality**

Although the new Banking Laws provide for the strengthening of KYC rules, laying down that 'every financial institution shall only open accounts for deposits of money and securities, and rent out safe deposit boxes, where it is satisfied that it has established the true identity of the person in whose name the funds or securities are to be credited or deposited', all those involved in the financial sector are bound by confidentiality laws which are enshrined in Mauritius laws. These confidentiality provisions have been further enforced by the new Financial Services Act 2007.

### **Greater flexibility**

Banks in Mauritius operate in a time-zone (GMT+4) that allows them to trade with both Asia and the US during the same working day. The workforce comprises qualified professionals who are fluent in both English and French.

In addition, Mauritius prides itself in having an effective, yet practical and non-bureaucratic regulatory framework in which Banks operate.

## Examples of Banking Services in Mauritius

It is possible to obtain the full spectrum of financial services from Mauritian banks, including:

- **Deposits** – Banks in Mauritius usually offer the full spectrum of deposits products from current accounts to term deposits in most currencies, including the exotic ones.
- **Advances** -. over and above traditional overdraft facilities, most banks provide financing for both corporate and private requirements. These range from short to long term loans and multi-currency lending facilities are available.
- **Foreign exchange and cash management** - A full range of competitive foreign exchange and treasury services are available for personal and corporate account holders, institutional clients and investment funds including the purchase and sale of most traded currencies on a spot and forward exchange basis.
- **Remittances (and Electronic funds transfers)** - inward and outward international money transmission services. Most banks offer Internet Banking facilities allowing remote and secure access to bank accounts.
- **Trade finance** – a wide range of Trade Finance products and Bank Guarantees including the provision of Letters of credit facilities, back to back and transferable L/Cs , import loans and the full range of bank guarantees required to support businesses.
- **Investment management and custody** refer to the professional management and safekeeping of various securities (shares, bonds etc.) and assets (e.g., cash), to meet specified investment goals for the benefit of the investors. Investors may be institutions (insurance companies, pension funds, corporations etc.) or private investors.
- **Wealth Management and Private Banking** - wealth management and financial planning solutions encompassing asset protection, wealth creation, estate planning, stock trading and legal advice to HINWIS including a diverse range of investment products such as Managed Funds, Short-Term Notes and other specific investment products.

With an increasing business flow in Mauritius and a booming Global Business sector banks in Mauritius have kept innovating in terms of products and services in order to keep pace with new clients requirements. As we move towards the celebration of the 20th anniversary of Global Business in Mauritius, the prospects for the financial sector, in particular, the banking sector have never looked better.

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