"Mauritius must be more stringent regarding the type of business and sectors of activity we are engaging in"

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In this interview, Nadeem Carrim, Head of Relationships - Global Business at AfrAsia Bank, provides a comprehensive and enlightening overview of the global business sector, highlighting its primary obstacles and growth prospects.

What is your sentiment concerning the global business sector in Mauritius?

The Mauritius International Finance Centre (IFC) has successfully positioned itself as a sound and resilient gateway for Africa over the last 30 years. According to the report by Capital Economics for the EDB of Mauritius, USD 82 billion of investment mediated through Mauritius into the continent attest to the strategic role of the Mauritius IFC in enabling sustainable growth and development for Africa.

Mauritius, over the past years, has raised its profile repositioning from a conventional jurisdiction administering and managing fund structures and investment holding companies to a forward-looking hub drawing in companies that possess substance, such as trading companies and clients who require cash management solutions, along with those seeking asset protection and licences for family offices and external asset managers. It is worth noting that despite having a stringent compliance framework, which is a notch higher than other IFCs, Mauritius is still able to provide reassurance and trust to promoters willing to use its banking system for asset protection and cash management. Moreover, Mauritius is fully OECD compliant and the effective implementation of UBO (Ultimate Beneficial Owner), or precisely the controlling person, is an area of focus where the country has invested significantly to ensure clients are compliant.

Despite the past years' challenges, the ease of doing business in Mauritius remains very popular. For sure, South Africa and India have continued to be strong partners for Mauritius. However, we have seen the demand evolving as clients in Eastern Africa have embarked on a massive digital disruption to adopt mobile banking and technological advancement. In West Africa, clients are seeking more cash management solutions for their trading companies while in general, clients in Africa and Europe are looking for asset protection.

Consequently, the Global Business sector, with 199 management companies, is actually a doorway for the corporate, external asset manager, funds structures, individual, trust, foundation, family offices and institutional clients. As per the latest statistical bulletin issued by the Financial Services Commission, we have registered a total of 18,881 Global Business Licences and Authorised Companies in Mauritius.

That said, there is a huge potential to tap in more business from the African continent. Asset managers are referring to nearly 136,000 millionaires in Africa, holding at least USD1M. Those investors are looking for a reputable, experienced and secure place to establish and grow their business and personal aspirations. Coupled with the fiscal and non-fiscal advantages that Mauritius offers to private and institutional clients, there is also the mitigation of investment risks, given that the country has 45 Investment Promotion and Protection agreements whilst we await the ratification of another 15. The fact that we have a common and civil law hybrid system is a great asset for our country in the eyes of investors. Tax optimisation through Double Taxation Avoidance Agreements adds another level of economic substance to the appeal of the Mauritius IFC. Thus, through the global business sector, these investors are finding the right conduit through the Mauritius IFC, which is well-positioned to provide solutions tailored to their corporate as well as private banking and wealth management needs.

However, despite the increasing interest for the island, the whole sector needs to continually work towards responding to the needs of even more sophisticated clients so as to bring more value added to investors and customers and uphold the competitiveness and appeal of the Mauritius IFC globally.

What are the most important markets for the Mauritius IFC?

From what we can see, there is an increasing interest in doing business via Mauritius from Africa, Asia and the Middle East to leverage our trading and financial hub. More specifically, we are talking about South Africa, Nigeria, Kenya, India, China, Ivory Coast, Ghana, Senegal and Benin. Let's take the example of India. They have a growing appetite to invest in Africa. Given the double taxation avoidance treaty between Mauritius and India, India is using our jurisdiction as a springboard into the continent.

On the other side of the equator, it is particularly interesting for the Mauritius IFC to capture the opportunities in Europe with the booming wealth management landscape. Mauritius' resilience was tested and proven by the 2020 pandemic. Today, we can capitalise on our proven resilience with our competitive rates and a personalised service to sell the Mauritius jurisdiction to the European market.

What are the main threats facing the global business sector?

The enlistment of Mauritius in the FATF grey list has resulted in some new fund structures being set up outside of Mauritius. Nevertheless, foreign funds have and are still showing a keen interest for our banking services and our capacity to meet their business requirements. I believe that Mauritius being now fully and largely compliant with all of the 40 FATF recommendations has played a key role in this.

That said, now is not the time to rest on our laurels. On the contrary, we should proactively tackle the challenges that we can perceive right from now. Given the number of countries being meticulously scrutinised and potentially identified to feature in the FATF grey list, Mauritius must be more stringent regarding the type of business and sectors of activity we are engaging in. Players in the Global Business arena as well as regulators need to remain vigilant and work towards establishing a robust framework to completely eliminate the risk of money laundering.
With correspondent banks still scrutinising transactions on unusual patterns these days, a strong and compliant framework will enhance our credibility and, thereby, speed up the transactional process of verifications and validations.

Then again, we have the brain drain dilemma. We note an increasing number of local experts emigrating for better professional opportunities. It is becoming harder and more resource-intensive for companies to rehire these days: the time to rehire, the financial aspect, finding the right talent for the job, and training the new recruits.

Finally, there is the cost element. With the enlistment of Mauritius in the FATF grey list in 2020, there has been an increased level of Enhanced Due Diligence (EDD) and risk assessments. The additional measures put in place represent an increased cost for the organisation, which may eventually be passed onto the end customer. In such cases, can digitalisation help curtail the cost increase or avoid having the whole burden shifted onto the customers? Centralising the EDD and Know Your Customer (KYC) process at a national level can certainly help us reduce the lead time for client onboarding and file reviews. So, I believe automation

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should be a key focus area for Mauritius to increase our overall efficiency, reduce the cost incidence and eventually enhance the overall customer experience.

What are the opportunities?

The competition between financial centres is heating up, with more IFCs establishing themselves worldwide. Some may have the advantage of being geographically closer to countries and investors. That said, the Mauritius IFC enjoys a longstanding reputation and its notable achievements attest to its high potential. So, I believe the surging of more IFCs is seeding a healthy competition for us. We are being challenged to up our game by fine-tuning the public-private sector collaboration. It's time to sit down together and see how we can invest in newer technologies to scale up our digital transformation agenda. E-wallet and mobile money should encompass the 'Mauritius offering' with a fully compliant framework enabling straight-through processing for transactions 24-hours a day. Regulators should facilitate E-KYC so all banks can work on a common secured platform. A centralised archiving system should be established and paperwork should be phased out for both banks and fiduciary companies. Ultimately, these will help further the attractiveness of the Mauritius IFC.

Our enlistment in the FATF grey list has been a boon in disguise. We have successfully and in a record time, exited the list. Now countries that have been blacklisted are approaching the Mauritian government for help on how to address their identified strategic deficiencies. This is a key pointer that the sector players can leverage during their roadshows, regionally or internationally, to reassure clients and investors about the relentless drive of our IFC to forge ahead.

Moreover, the instability in some countries, from an economic or political perspective, is also favouring Mauritius as a jurisdiction of choice. PE Fund promoters, LPs/GPs, DFIs and Sovereign Funds are showing a strong interest in the Mauritius IFC for their new investment opportunities. The island's ease of doing business for investors is clearly experienced. Complementing this aspect, Mauritius is offering an enhanced value proposition for treasury and financing options, catching investors' eye. Mauritius also has experienced and skilled talent in the fund administration area. The country is onboarding clients from different countries and continents within a spectrum of sectors, thereby mitigating all concentrated risks. Coupled with the fact that we are bilingual and operate from a strategic location with a secure investment environment, we are able to respond to the needs of clients in an agile manner and collectively, these are all a great value addition to our IFC.

Lastly, I think the growing momentum around Envinronmental Social and Governance (ESG) investment is playing out in our favour as we are very much geared towards same. The growing concern around environmental risks associated with lending and investments are prompting companies to consider ESG-compliant banks rather than traditional ones. Mauritius has already embarked on this journey and we see more and more of companies adopting ESG practices, which confirms that we are treading in the right direction.

Kenya, and Rwanda are establishing themselves in the area as a financial conduit for investment on the continent. Should Mauritius be concerned about this competition?

As I highlighted earlier on, I believe that the emergence of these IFCs represent healthy competition for us. In fact, these IFCs are somehow of a complementary nature to ours. For example, Rwanda's government representatives and other parastatal bodies have been to Mauritius on several occasions to seek help from our stakeholders in developing their IFC. Kenya has had very strong ties for decades with Mauritius. Our island has always been regarded and known for its transition from being a treaty-based jurisdiction to a jurisdiction of substance. With the support of regulatory bodies, the government, and the private sector, including banks and fiduciary companies, our stakeholders are continuously working towards redefining Mauritius as an attractive jurisdiction. The service excellence standards of our financial sector have remained very high and hence popular. We have seen the enhancement of our system and we have continued to work on the human experience to bring both the technical expertise coupled with the hospitality to drive efficient service delivery. This is the reason other emerging IFCs are benchmarking us as a model to establish themselves.

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I believe Mauritius is doing what needs to be done in order to maintain its leading position regionally, which is the reason why we should not be worried about the other IFCs. Mauritius has the stability and know-how that originates from the strong reputation built over the years. There is a strong commitment and collaborative efforts from regulators, policymakers, intermediaries and operators to help in the capacity building of our country. The country is acting to facilitate the entry of highly skilled workers, entrepreneurs, and researchers to share their knowledge with the industry. International investors and experts are also choosing to live and work in Mauritius as the government has been establishing relevant schemes to make it a remarkable place to live, work and play. Moreover, institutions like Mauritius Finance are working effortlessly to empower and upskill young graduates. Undeniably, the country is currently well positioned, but it must continually work to build a stronger footprint to maintain its lead.