

MAURITIUS as a Base for International Mutual Funds

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Mutual Fund Industry - Origin

- Established in 1989 with the enactment of :
 - Stock Exchange Act 1989
 - Unit Trust Act 1989
 - Companies Act 1984
 - The National Mutual Fund was launched
 - In 1992 the MOBA Act 1992 was enacted which gave rise to offshore funds

FUND INDUSTRY IN MAURITIUS

- Domestic Funds
- Global Funds

Definition : Investment Entity

“Investment entity” means :

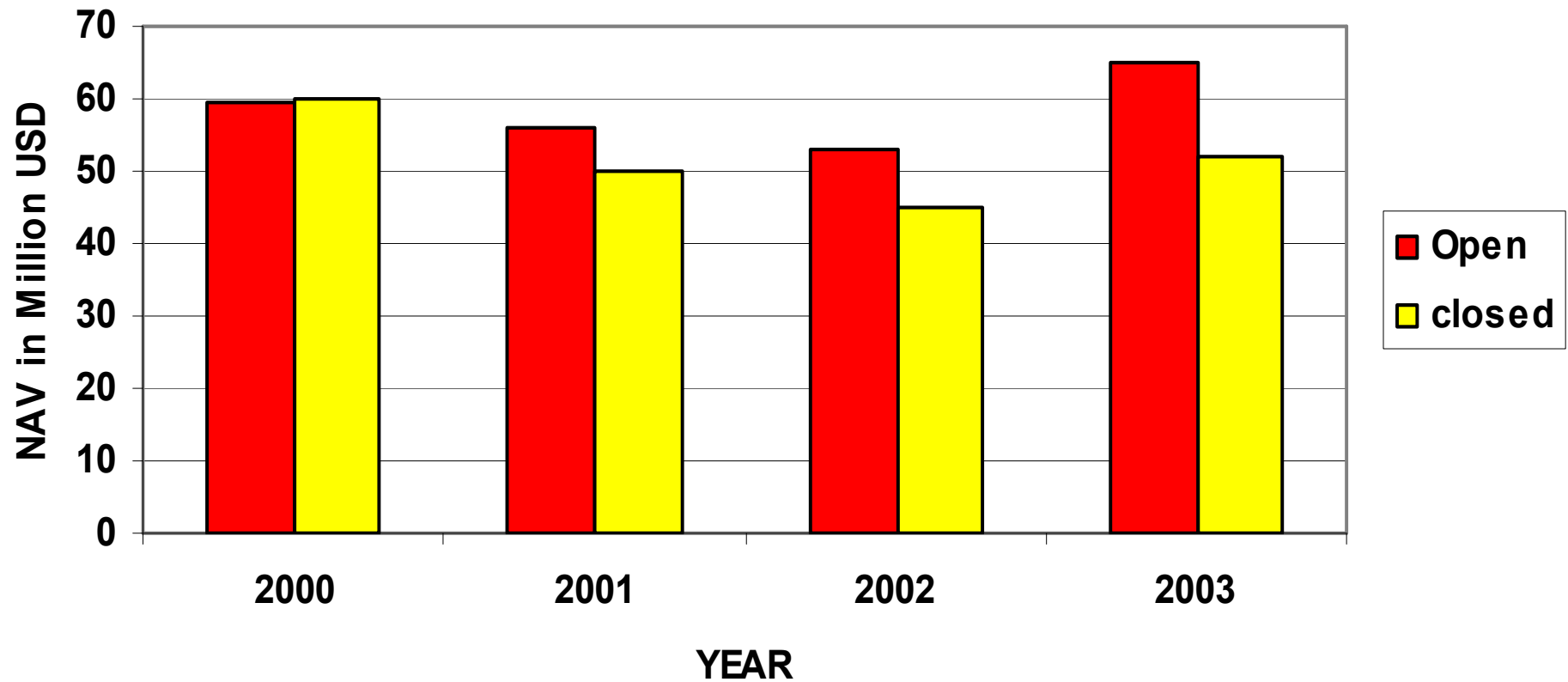
- An Investment Company
- An authorised Mutual Fund
- A Unit trust scheme
- Any other Collective investment arrangement established with objective of allowing participants to spread their investment risk and benefit from the management of asset.

FUND INDUSTRY IN MAURITIUS

- Domestic Funds
 - Open and closed ended
 - Unit Trust
 - Funds and Fund managers regulated by FSC
 - Minimum capital requirement for fund manager is MUR 5 million (approx. USD 175,000).
 - Up to 40% of the corpus can be invested overseas subject to FSC approval.
 - 10 open ended {out of which 8 Unit trusts (1 listed) and 2 companies} and 12 close ended funds (all listed)
 - Taxed as tax incentive companies at 15%

Domestic Fund Industry in Mauritius

Close and Open Ended Funds in Mauritius



Global Funds in Mauritius

- Over 263 funds representing NAV of USD 6.6 bn.
- Primarily India related Funds
- Also Asian Regional funds and Africa Fund
- Hedge funds
- Single- tier or two tier
- Open or close ended
- Listed Portfolio funds
- Private Equity funds
- Debt funds

Legal Framework

- The Companies Act 2001
- The Financial Services Development Act 2001
- The Protected Cell Company Act 1999
- Unit Trust Act 1989
- The Financial Intelligence and Anti-Money Laundering Act 2002
- The Prevention of Corruption Act 2002 and The Prevention of Terrorism Act 2002
- Income Tax Act 1995

Protected Cell Companies

- Used for Funds or Insurance Companies
- Single legal entity
- legal segregation and protection of assets / liabilities
- No minimum capital requirements
- Creation of cellular and non cellular assets
- Unlimited number of cells
- Incorporated/continued/converted
- Formal procedure for liquidation/receivership of any individual cells

Regulatory Framework

- FSC – Licensing and supervision of all non-banking financial services
- Non-banking financial services includes:
 - Global Business Activities
 - Insurance
 - Fund Management
 - Leasing
 - Capital Markets

Licensing : Considerations

- Proven and demonstrable track record, credentials and particulars of promoters/sponsors and all persons involved.
- Structure, Investment Policy, restrictions and objectives of the CIS.
- Mode of raising funds, borrowing policy and restrictions.
- Basis of NAV calculation
- Conditions for issuance and redemption of shares

Licensing : Considerations

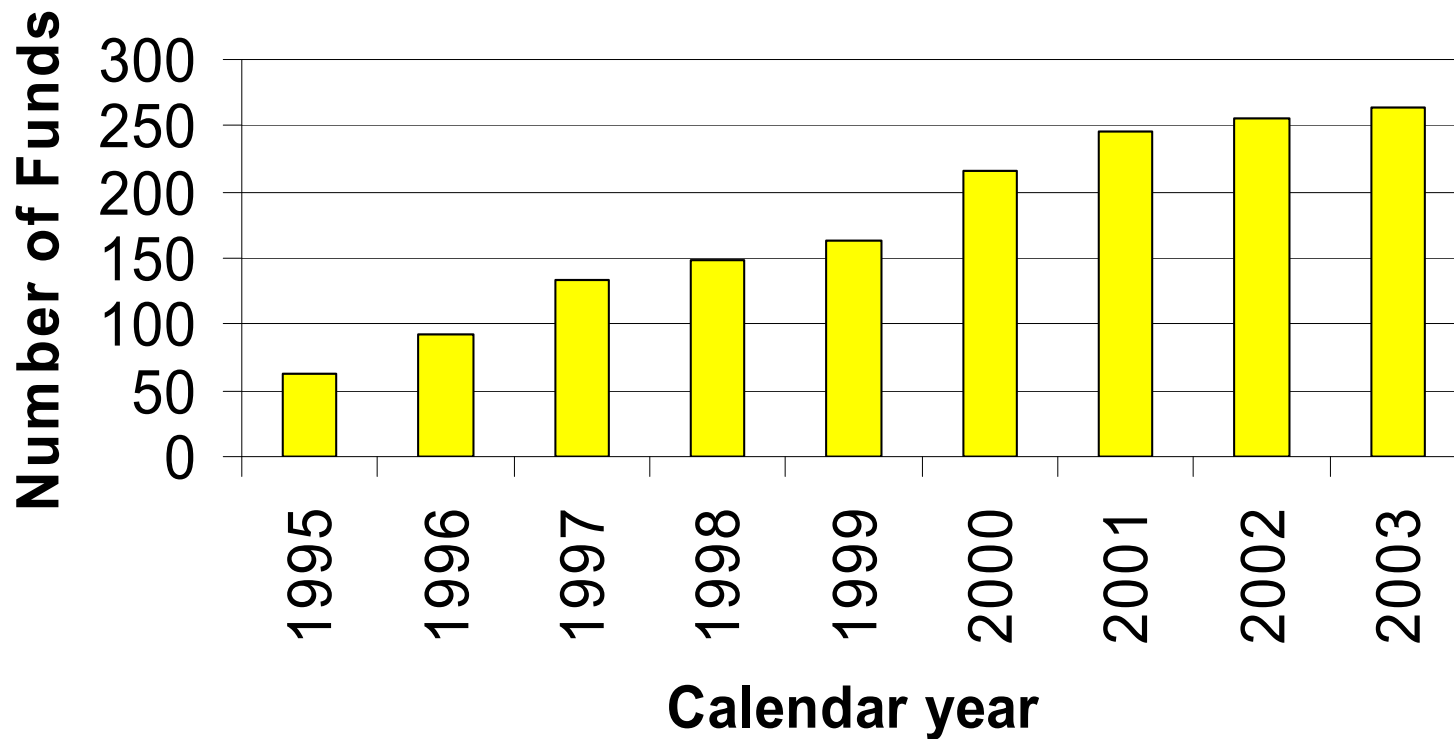
- Risk profile and location of the investors and the markets(s) targeted
- Licence/registration with the foreign regulator
- Compliance with regulations in third countries
- Ability to implement procedures / arrangement to be able to fulfill continuous obligations

FSC : Best Practices

- Changes in objects of the company to be notified
- Restriction on doing business with residents except with FSC approval
- Scheme documents, investment plans and operational agreements to be filed.
- Licence/registration with the foreign regulator before carrying activities in any jurisdiction
- Disclosures for Due diligence
- Registered office in Mauritius mandatory
- Transaction to be routed through a local bank
- Hold directors' meetings in Mauritius
- Maintain accounting records in Mauritius
- Quarterly reporting / NAV calculation
- Adherence to future enactments

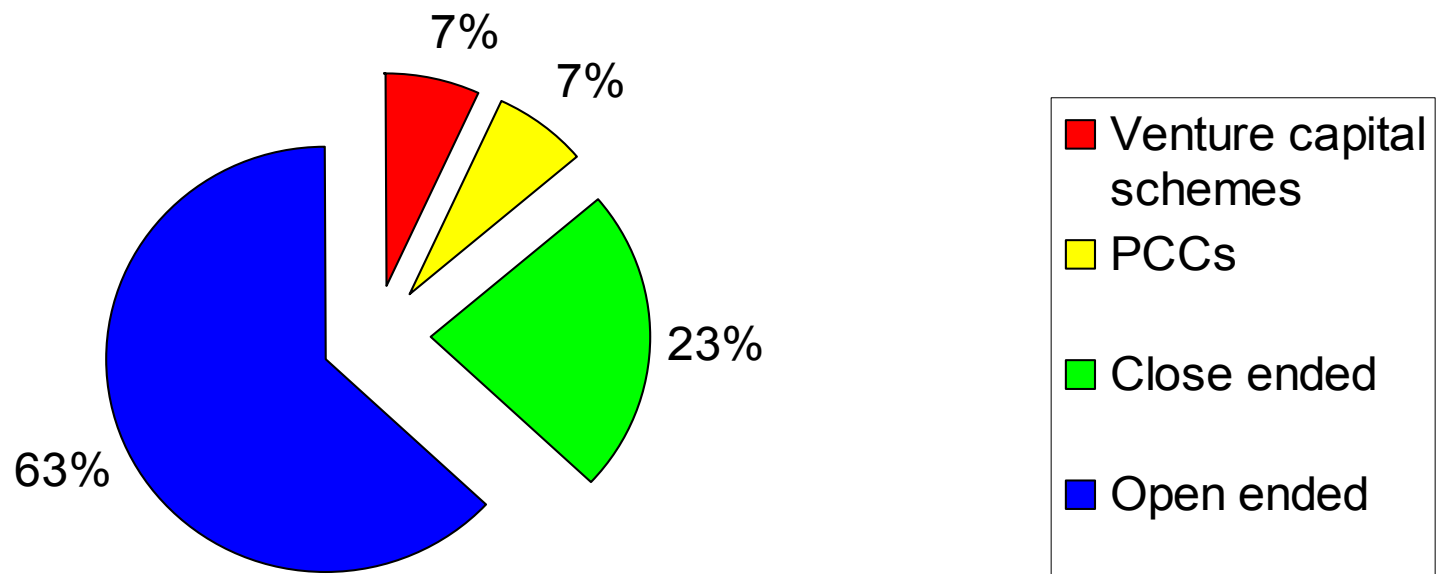
Global Fund Statistics

Number of Registered Global Funds



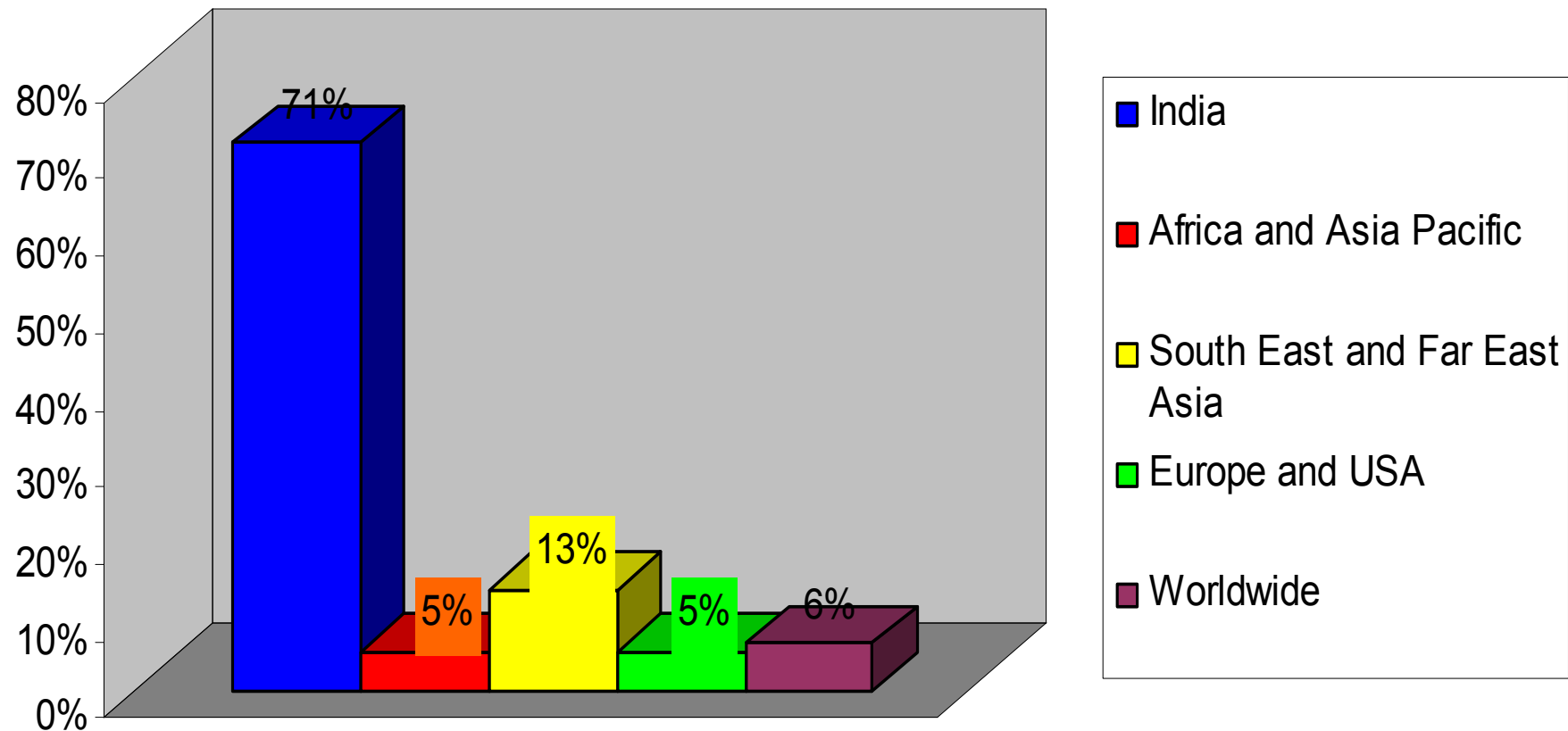
Source: FSC

Analysis of Funds by type



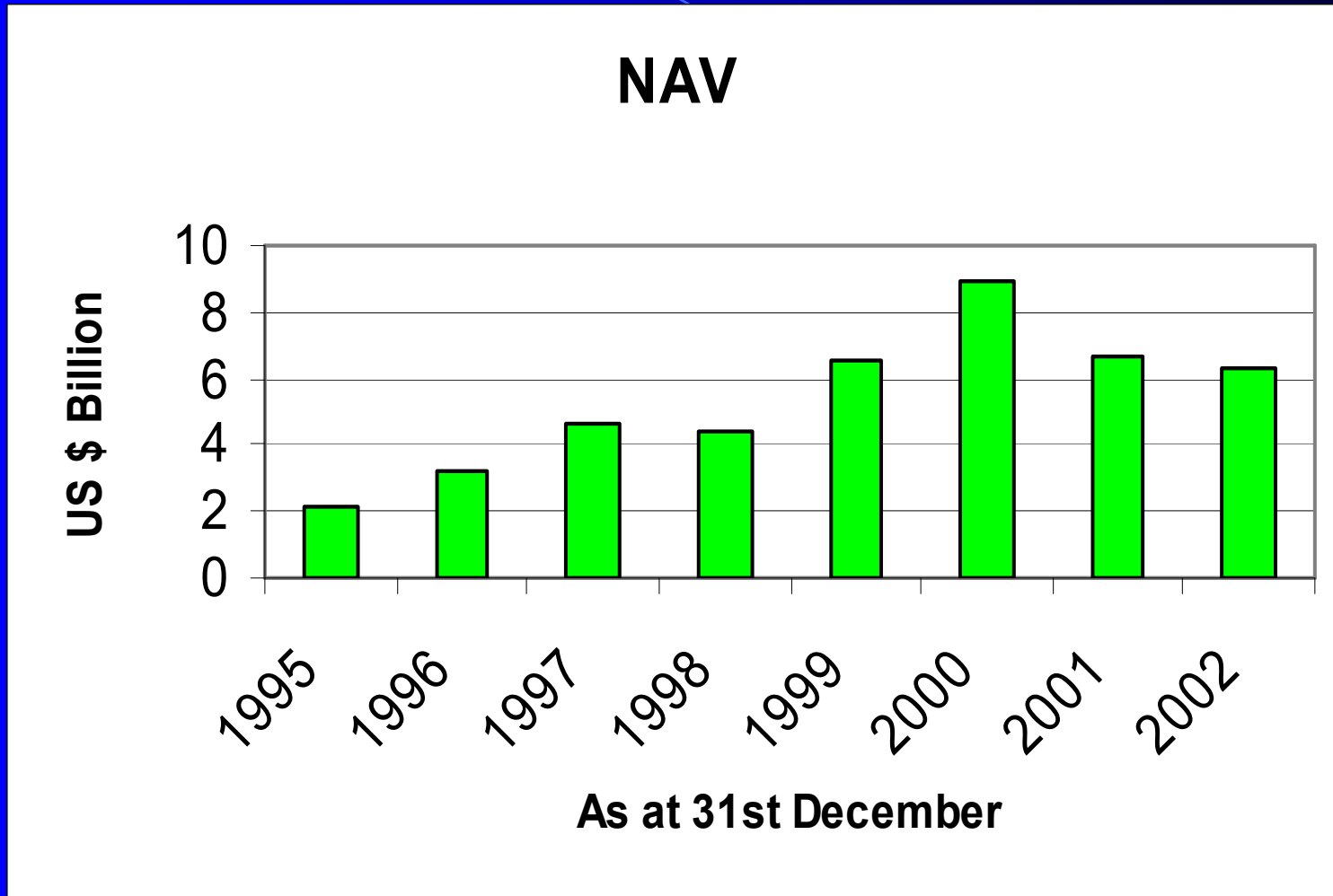
Source: FSC Annual Report 2002

Funds : Geographical spread



Source: FSC Annual Report 2002

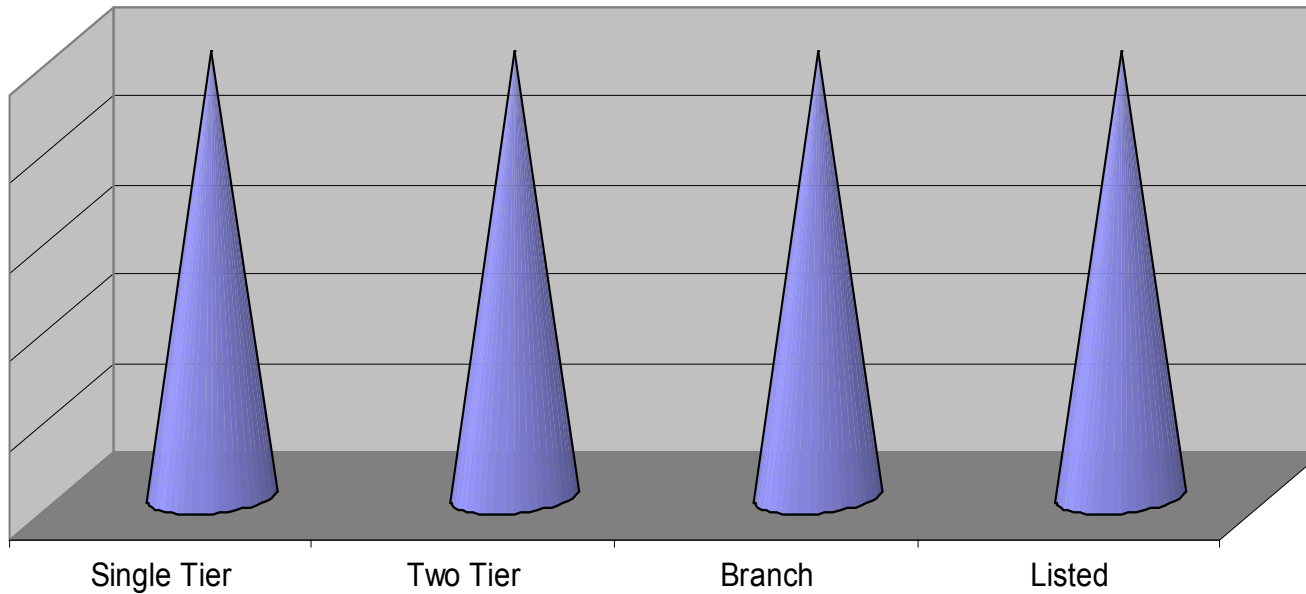
Global Funds Valuation



Source: FSC Annual Report 2002

Note : The active NAV as at 30th June 2003 was USD 6.

Structure of Funds



Single Tier:

- Mauritius Domicile
- Pooling of Interests
- Listing
- Manager domiciled in various jurisdictions, incl. Mauritius

Two Tier – Parent in:

- Guernsey and Jersey
- Luxembourg
- Cayman Islands
- Ireland
- Singapore
- UK
- Switzerland

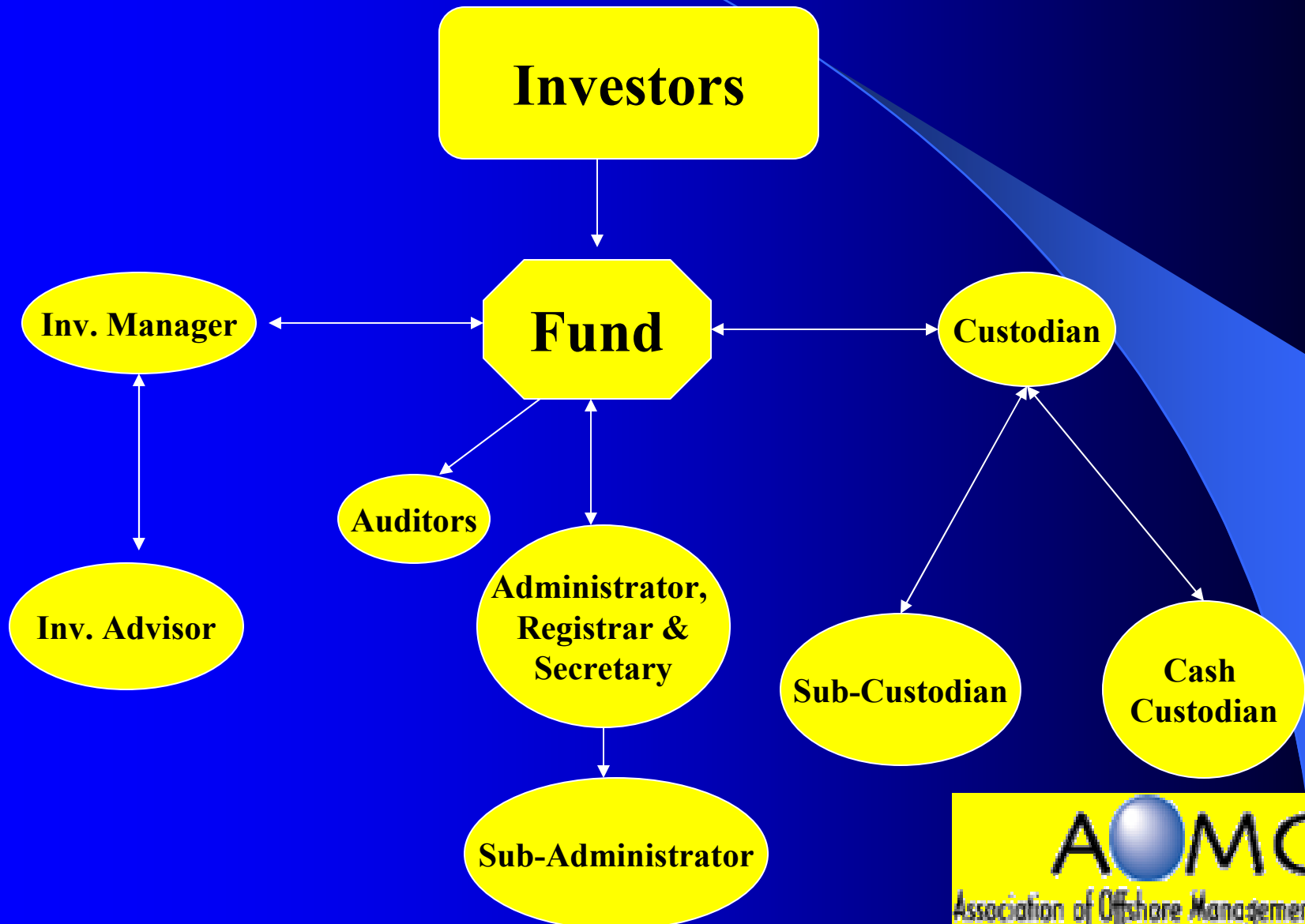
Listed:

- Luxembourg
- Ireland
- London
- Zurich
- New York
- Mauritius

Taxation of Global Funds in Mauritius

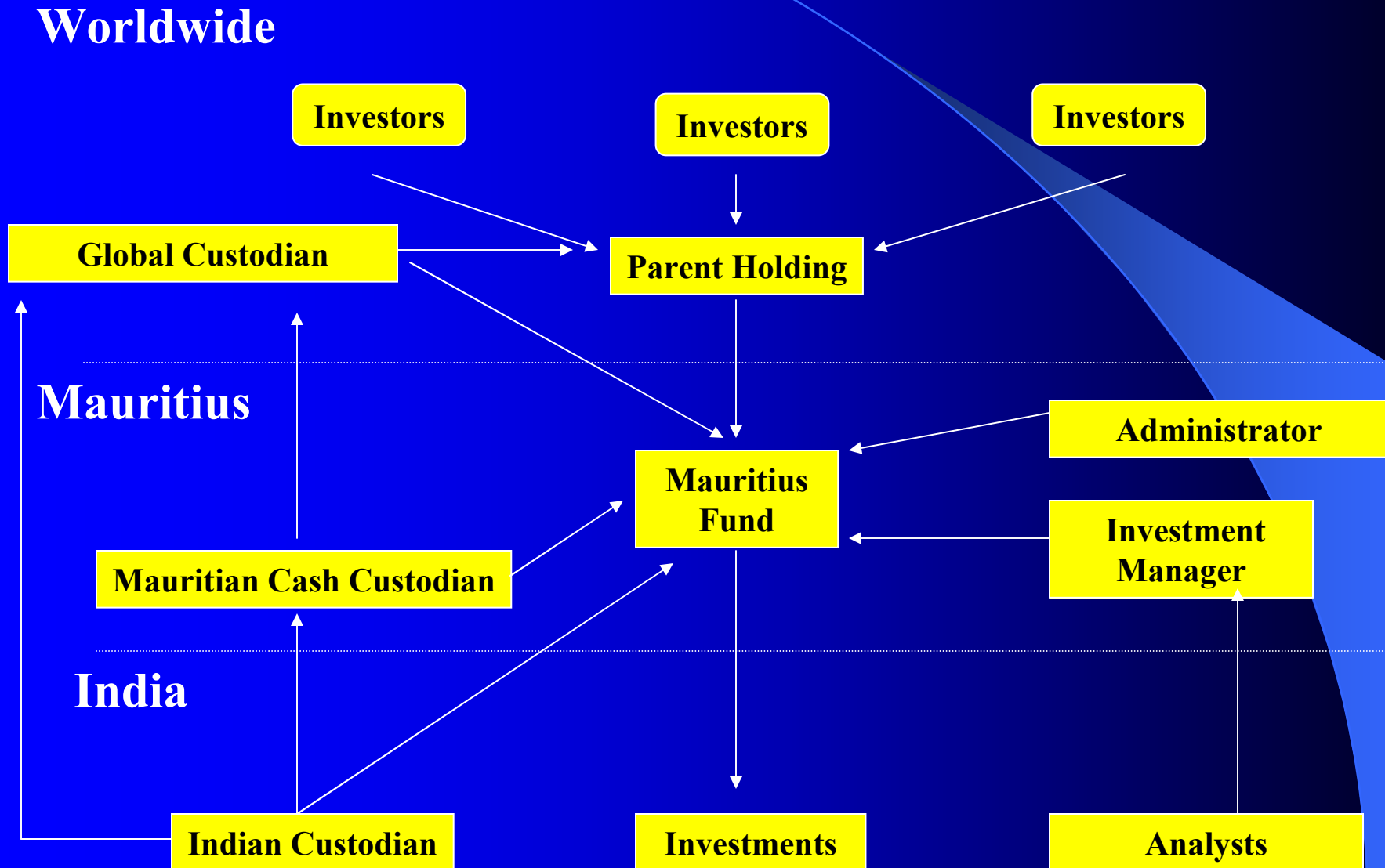
- Tax incentive company: liable to income tax at the rate of 15%.
- Entitled to a tax credit equivalent to the higher of :
 - actual foreign tax suffered and
 - 80% of the Mauritian tax on its foreign source of income.
- Gains on disposal of securities is exempt in Mauritius
- No withholding tax in Mauritius

Typical Fund Stakeholders



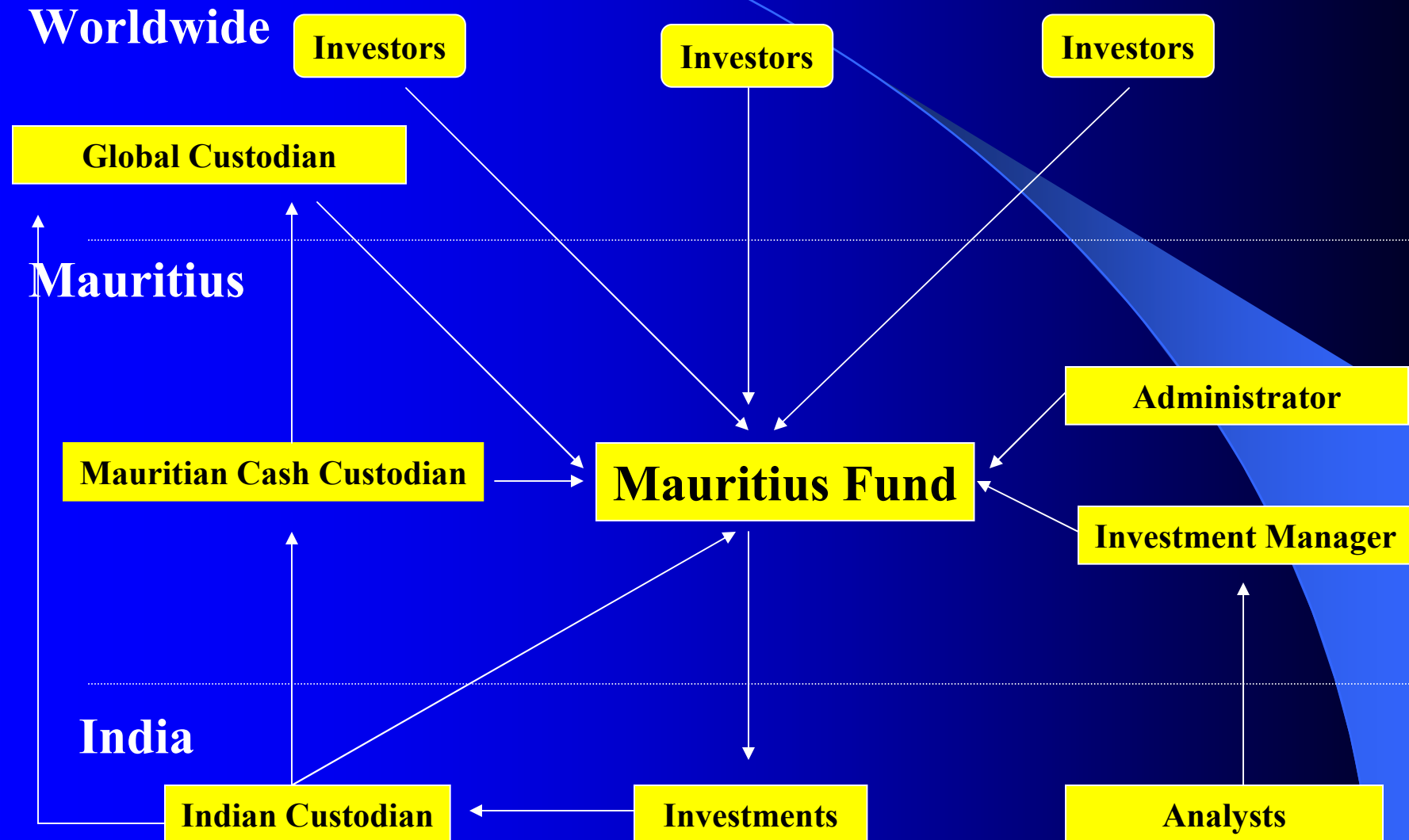
Fund Structure : India

STRUCTURE A



Fund Structure : India

STRUCTURE B



Fund Structure: Multiclass

Worldwide

Investors

Global Custodian

Mauritius

Administrator

Fund

Custodian

**Investment
Manager**

Investee Countries

**Investment
Adviser**

Sub-Custodian

Class A

Class B

Class C

Class D

Debt

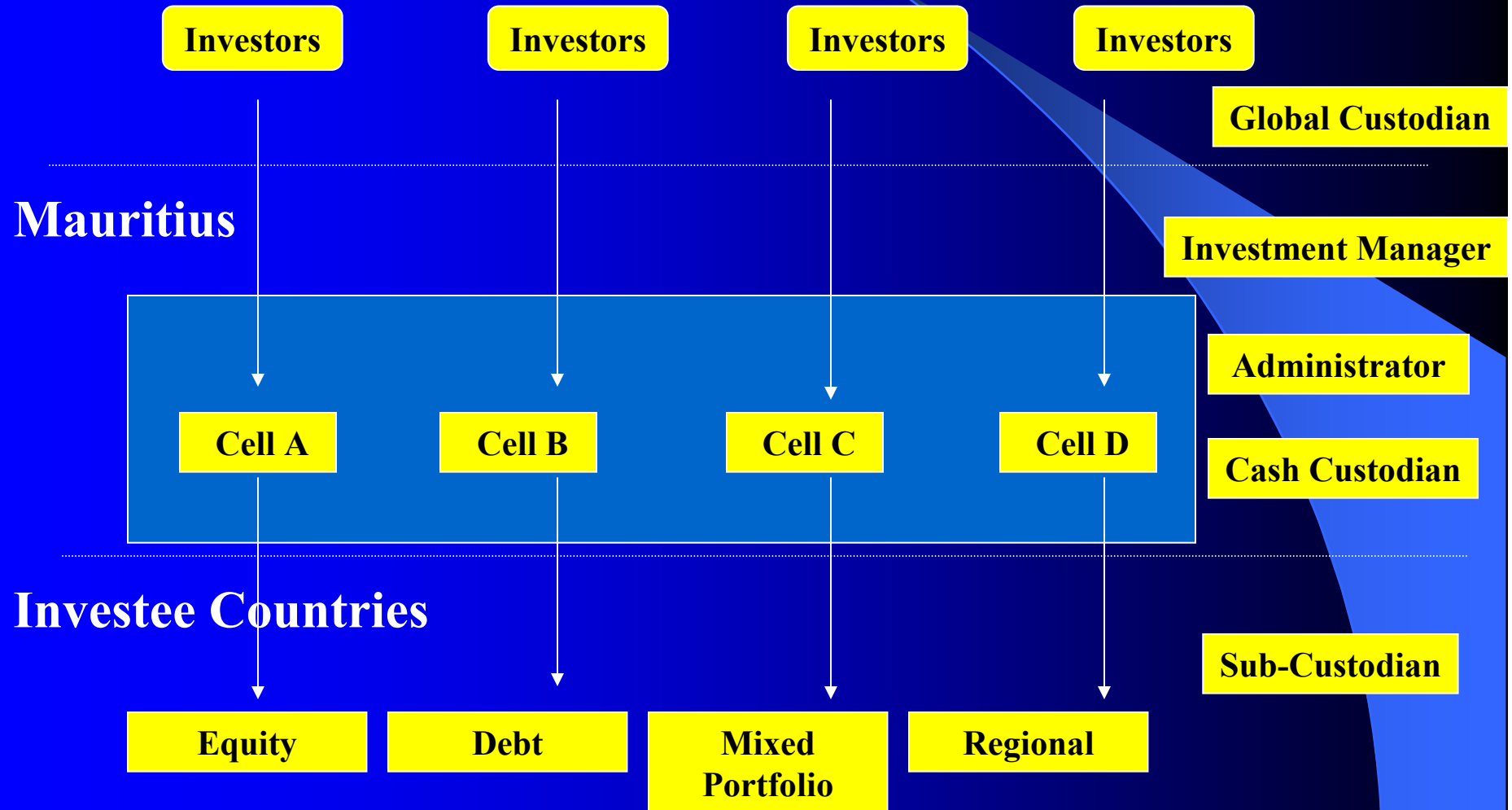
Equities

Debt & Equity

Regional Investments

Fund Structure : PCC

Worldwide



Supervision by FSC

- **Onsite visits**
- **Offsite supervision**
 - Through audited accounts prepared in accordance with International Financial Reporting Standards
 - Through contacts with other supervisory bodies for purpose of exchange of information on cross border supervision

Listing Requirements on Stock Exchange of Mauritius for investment entities

- Demonstrate an adequate trading and financial record for three preceding years. For investment company this condition may be dispensed with.
- Board of directors must be able to demonstrate that it will act independently of any investment manager
- Distributable income must be principally derived from investments
- Company must not take legal or management control of investments in its portfolio
- Must invest in 10 or more securities each of which has been issued by non related parties
- Dividends must not be paid unless they are covered by income received from the underlying investments
- Within one year of the first marketing of the securities to the public, the company must have a minimum paid up capital of 20 million rupees

Listing Requirements on Stock Exchange of Mauritius for investment entities

- Issue at least 25% of the shares to the public (minimum of 200 shareholders) (may be waived in appropriate circumstances)
- Not more than 20% of the gross assets of the company may be lent to or invested of any one company or group
- The listing particulars must contain information to enable investors to be reasonably well informed about the securities quoted and the issuer

Functions of Administrator

- Set up and launch
- Full administration: Portfolio pricing and NAV calculation at required frequency
- Performing Registrar functions
- Acting as Company Secretary
- Ensuring compliance with legislation and licensing conditions
- Maintenance of all books and records
- Liaison with external parties for settlement of trades
- Monitoring investment parameters

Functions (contd.)

- Comparing portfolio performance with benchmarks
- Processing subscriptions/ redemptions
- Maintaining share register
- Organising board meetings
- Preparing semi-annual and annual reports
- Advising on dividend distributions
- Co-ordinating audits
- Liaison with tax advisers and ensuring that relevant tax returns are filed within deadline

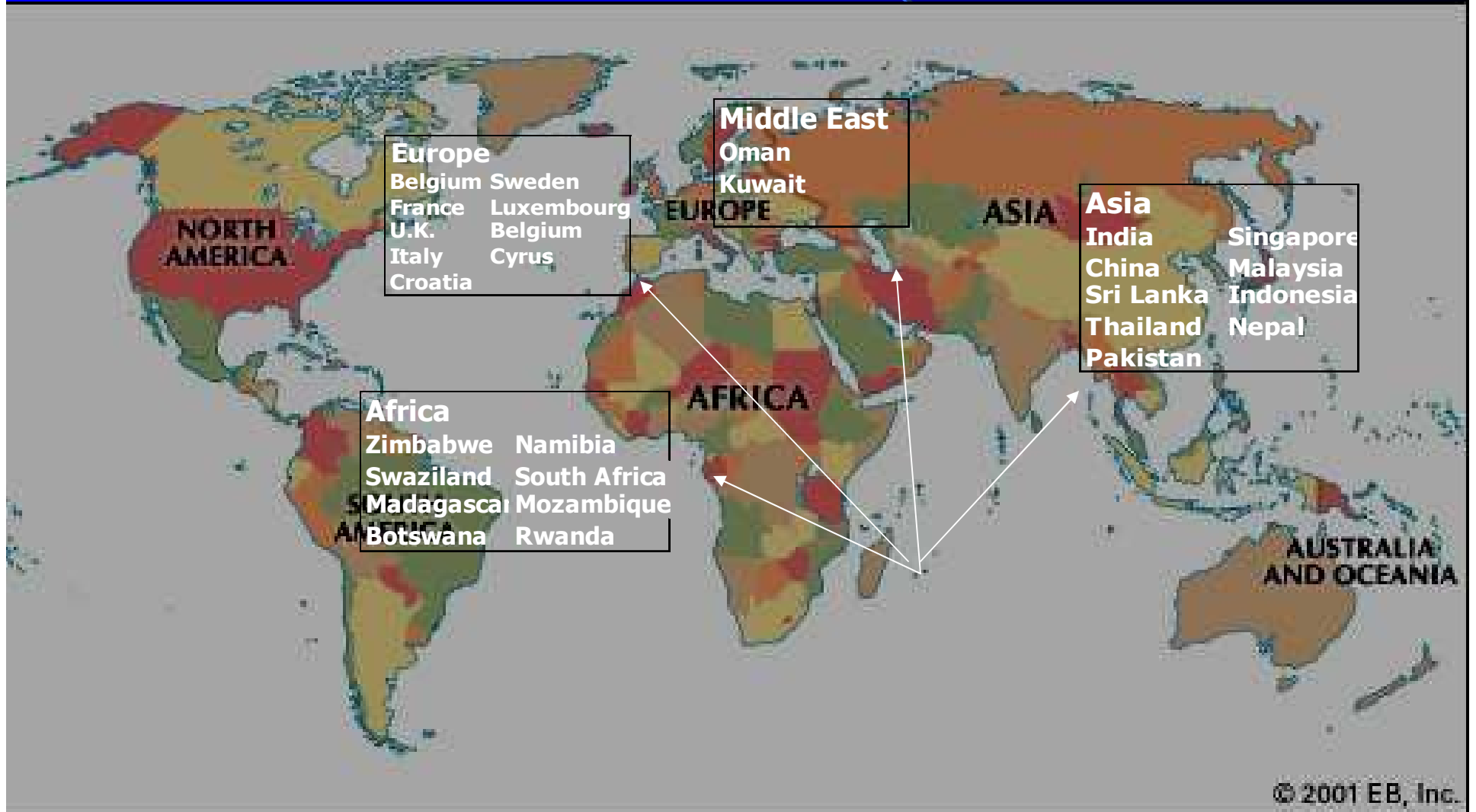
Future Development

- Proposed
 - Securities legislation
 - CIS Legislation
 - Insolvency legislation

Mauritius as a Mutual Fund Jurisdiction

- Common jurisdiction for pooling of investors
- Proven fund administration facilities
- Cost efficiency
- Well regulated and recognised financial services sector
- Availability of banking and legal expertise
- Ideally located between the Far East / Australia / Europe/USA
- DTAs with 28 countries and IPPAs with several countries

Treaty Countries



Opportunities in Mauritius

- Marketing of overseas products
- Fund Management
- Pension Funds
- Gateway to Africa

Thank You



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