

THE DIRECTORY OF

# FINANCIAL Institutions

A COMPLETE GUIDE OF THE MAURITIAN FINANCIAL SECTOR

*The African chapter*  
*A window of opportunity*



- Mauritius ambitions to become a leading business and investment hub for the region

- How Artificial Intelligence can help bridge the financial infrastructure deficiencies in Africa



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# Mauritius: a leading and innovative business and investment hub for the region

DESPITE THE INITIAL SCEPTICISM FROM NOBEL PRIZE WINNER PROFESSOR JAMES MEADE, MAURITIUS HAS DEFIED ALL ODDS AND EMERGED AS ONE OF AFRICA'S MOST ATTRACTIVE AND FAVOURABLE COUNTRIES FOR BUSINESS.

The Financial Services sector in Mauritius has roots tracing back to the 17th century, when it served as a regional hub for trader payments and settlements. Today, the Financial Services sector contributes to the tune of 13.1% to the Mauritian GDP and is one of the pillars of the local economy.

Additionally, the Global Business sector has also made significant strides, contributing 8.4% to the country's economic growth. While its journey hasn't been without challenges, this industry now stands tall as a major player in Africa. However, despite its success thus far, the Financial Services industry in Mauritius anticipates more hurdles on its path to progress. These challenges will require continuous adaptation and innovation to maintain its position as an attractive destination for businesses worldwide.

## Keeping up with international regulations and governance as a jurisdiction of repute and substance

As the global landscape of finance and investments continues to evolve, it is imperative for jurisdictions to stay abreast of international regulations and governance practices to maintain their status as reputable and substantive financial centres. The Mauritius International Financial Centre (IFC) is no exception.

Over the past 2 years, the Mauritius economy faced a number of challenges, most notably in terms of compliance with international standards. The introduction of strong policies and measures enabled Mauritius to comply with the highest international standards, most notably in terms of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT).

Mauritius, a well-established IFC, is committed to upholding the highest standards of compliance and transparency to ensure the integrity of its financial services. The jurisdiction recognises the importance of aligning its regulatory framework with international best practices, such as those set forth by orga-

nisations like the Financial Action Task Force (FATF) and the Organisation for Economic Cooperation and Development (OECD). This progress demonstrates that Mauritius, with three decades of expertise, has the capabilities and competencies to be a major IFC.

We should not rest on our laurels and must focus and build on our strengths, learn from our competitors, and continue to develop and improve our financial centre, to remain a trusted, attractive and competitive jurisdiction of repute and substance for global financial services.

## Preparing for an era of digitalisation

The evolution of financial technology (fintech) and artificial intelligence (AI) has the potential to unlock new opportunities. By enabling efficiency and effectiveness, cost optimisation and better-quality service, technology allows to offer clients the best-in-class experience. Staying continuously up to date is a challenge, especially for a small country like Mauritius, where our resources in this industry is very small compared to big countries investing billions in high-tech centres.

Developing a skilled workforce is also crucial for the successful digitalisation of the financial services industry. Training programs and initiatives should be implemented to equip professionals with the necessary digital skills and knowledge. This will ensure that the industry remains competitive and can fully leverage the opportunities presented by digitalisation.

Technology advancement (fintech and AI) implies the need for more stringent regulations to better regulate financial transactions. Its usage for committing frauds, financial crimes, or terrorism is not to be undermine. Blockchain data company Chainalysis pointed out, in its 2022 report, that crypto money laundering increase by 30% in 2021 to an amount of USD 8.6 billion, mainly coming from ransomware attackers, malware operators, scammers, human traffickers, dark web market operators, and terrorist groups.



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While it is undeniable that fintech and AI have unlocked many possibilities for companies, data security has become a pressing issue. The growing number of devices increases the need for sustainable cybersecurity measures to address today's environmental and social challenges. According to the 2022 Official Cybercrime Report, at the current rate of growth, the value of the damage caused by cyberattacks will amount to around \$10.5 trillion a year by 2025, compared with \$3 trillion in 2015, an increase of more than 200%.

To address these misuses and risks, laws, policies and procedures have to evolve or be created at the same pace as technology. The biggest challenge lays in the implementation of these measures, which will take time and resources. Laws are already being implemented to protect client data, including GDPR, HIPAA and PCI DSS. Others, which are not mandatory, such as ISO 2700 Series, NIST Cybersecurity Framework and NIST SP 800-53, might be a marketing tool as further protection.

## A competitive international landscape

The Mauritius International Financial Centre (IFC) operates in a highly



competitive landscape, with numerous Financial Centres vying for prominence in the global market. In order to remain relevant and attractive to investors, it is crucial for the IFC to continually assess and adapt its strategies to meet the demands of prospects and international organisations.

The increase in competition within the different jurisdictions is another aspect to take into consideration. While each jurisdiction has its own specifications and may be complementary to each other, there is a desire to take steps to establish a genuine level playing field, which takes account of the positions of both developed and developing nations, in an ever more globalised world.

In certain jurisdictions, there is a trend towards adopting more advanced procedures, such as online client onboarding, which disrupts the traditional methods. For instance, countries like China and India, lacking a well-established physical banking infrastructure, have been quick to embrace innovative solutions. Likewise, some jurisdictions have already accepted online company registration, a transition that may pose challenges for Mauritius given our stringent compliance requirements.

As Charles Darwin famously stated: "It is not the strongest of the species that survives, nor the most intelligent. It is the one that is most adaptable to change." Adapting to evolving business practices

has always been challenging. Nonetheless, there are processes and procedures in place to anticipate these changes. Over the past two decades, we have witnessed major multinational corporations worth billions struggling because they failed to adapt to new conditions.

#### **Facing the challenge of brain drain**

As the Mauritius (IFC) continues to grow and thrive, it is faced with the significant challenge of brain drain. While the IFC has established itself as a leading financial hub for Africa, the allure of opportunities abroad, especially in well-established financial centres, especially in Europe, has led to a significant outflow of skilled professionals. This brain drain can have detrimental effects on the sector's long-term prospects.

One of the main factors driving this cultural shift is the desire for career advancement and professional growth. Mauritians are increasingly looking for opportunities to work in international financial hubs, where they can gain exposure to global markets and enhance their skillsets. Working in these global financial centres provides them with access to a larger pool of clients, greater career prospects, and higher remuneration.

Another important factor influencing the decision to work abroad is the perceived notion of better working conditions. Mauritians, like many profes-

sionals, value a work-life balance and a supportive work environment. While Mauritius has made significant strides in creating a positive work culture, many individuals still believe that European IFCs offer greater job security, more competitive benefits packages, and a more flexible work schedule.

To address this challenge, the Government of Mauritius has announced measures to retain talent and attract seasoned professionals. The recent national budget includes measures intended to address talent migration. These measures, which are yet to be approved and implemented, aim to streamline the employment process for expatriates seeking work in Mauritius and help bridge the talent gap. This approach not only serves as a corrective action but also presents an opportunity to enhance and diversify our professional environment.

Mauritius has proven itself to be a leading and innovative business and investment hub for the region. Despite its small size and relatively modest wealth, the nation has achieved remarkable success in building a diverse economy, democratic political system, and strong social safety net. According to Joseph Stiglitz, the Nobel Laureate in Economics and chief economist of The Roosevelt Institute, the achievements of Mauritius serve as a valuable example for other countries, including the United States, to learn from.