



in collaboration with



# FUTURE OF BANKING IN MAURITIUS

Abridged report

# FOREWORD

**Mr Harvesh Seegolam**  
Governor  
Bank of Mauritius



We are in a transformative era for the banking industry. The borderless and disruptive nature of technology is transforming the way in which financial services are accessed and delivered. Coupled with that, fast-evolving consumer demands, competition from fintechs and non-bank financial institutions, the climate crisis to name just a few are reshaping banking business models. The pandemic, a sobering moment for humanity, also accelerated recourse to digital channels for expediting financial transactions. These unprecedented developments are altering the way financial resources are managed in the wider economy, undeniably posing major challenges to the banking industry.

The banking sector continues to play a crucial role in the economy of Mauritius, having grown unremittingly over the past three decades to better serve the domestic economy as well as economies in the region through the Mauritius International Financial Centre. With a size of over four times the economy, the banking industry has to remain at the cutting edge of innovations and international regulatory developments. Moreover, as competition intensifies, evolving expectations of domestic as well as cross-border customers have to be continuously met. Fostering a vibrant banking sector in Mauritius will obviously support the people and the economy in the journey to higher prosperity.

Mindful of the challenges and opportunities for the banking sector, I initiated in July 2020 a deep industry-wide reflection on a strategy for the future of banking in Mauritius. The Mauritius Bankers Association has collaborated closely with the Bank of Mauritius in this exciting and constructive journey, together with highly experienced banking and financial services experts. The collaborative forum crafted a vision and identified the key strategic objectives for the sector.

Furthermore, the aim is to double the contribution of the financial services sector to the economy. With the banking sector having the largest share in the financial sector, the objectives will assuredly contribute to attain this goal.

For this project, we enlisted the services of a leading international consultancy firm, Oliver Wyman. The consultancy firm was tasked to work out the roadmap to achieve the strategic objectives and concurrently maintain Mauritius as a centre of choice, excellence and repute in the region for banking services. This report is the result of extensive discussions by the consultancy firm with various stakeholders in the public and private sectors as well as the civil society. The design of the solutions was based on comprehensive research and benchmark analysis as well as close interactions with experts and market specialists across Africa, Europe and Asia. A key focus of the roadmap is to build capacity and enhance existing skills. Human capital therefore remains at the forefront of the development of the banking and financial services sector and the deployment of the roadmap.

The translation of the roadmap into reality will be overseen by the Bank of Mauritius, in close partnership with all concerned stakeholders. The execution of the roadmap will be staggered over the next few years to uphold the robust expansion of the banking sector over the medium to long term.

The preparation of this report necessitated contributions from various stakeholders. I thank members of the collaborative forum and all chief executives of banks for their valuable insights and inputs. I also extend my appreciation to all other stakeholders who have contributed to the design of this strategic roadmap.

# FOREWORD

**Ms Bonnie Qiu**  
Chairperson  
Mauritius Bankers Association Limited



The Abridged Report for the Future of Banking in Mauritius is the result of a thorough and extensive collaboration with the Bank of Mauritius, Mauritius Bankers Association Limited (MBA) and Oliver Wyman.

The report brings to light concrete actions that will be taken to bring Mauritius to new heights as an International Financial Centre (IFC). The recommendations in this report will provide the Mauritius International Financial Centre (MIFC) with the competitive edge to succeed in the face of a fast-moving banking industry in terms of strategic vision, new technology and business models as well as developing and attracting talent to Mauritius. The Economic, Social and Governance strategy of the banking sector is equally important which will improve the greening of the financial system and support sustainable initiatives.

With the world emerging from COVID-19 to face new major challenges and the country having successfully come out from the list of the Financial Action Task Force, this report comes at a good time to position and articulate the value proposition of Mauritius as an IFC.

On behalf of all members of the MBA, I would like to thank Mr Harvesh Seegolam, Governor of the Bank of Mauritius, for his support and vision throughout this exercise, alongside with Mr Mardayah Kona Yerukunondu, First Deputy Governor and Mrs Hemlata Sadhna Sewraj-Gopal, Second Deputy Governor.

I will also extend special recognition to my colleagues from the member banks of MBA for their valuable input and contribution as well as the Steering Committee for the Future of Banking in Mauritius project. Together, with the collective efforts of members of the Future of Banking secretariat, which has been invaluable, the report has been accomplished. I will also thank the consultant firm, Oliver Wyman, for their comprehensive analysis and guidance.

Finally, I am confident that the international vision from the Future of Banking report will positively spin the MIFC into one of the best in Africa and Asia. 2022 marks the 55th anniversary since the setting up of the Bank of Mauritius and the MBA. The members of the MBA look forward to continuing this long and collaborative journey together with the Bank of Mauritius.

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# EXECUTIVE SUMMARY

The banking industry is facing global disruptions of unprecedented scale and scope. These demand significant adaptation and change, which International Financial Centres (IFCs) must lead. In Q4 2021, a broad industry consultation was conducted with representatives of Mauritius' banking sector, public sector and civil society. The aim was to develop a baseline view of the current Mauritius banking sector and co-create a new strategic vision for its future.

The Mauritius banking industry has many proven strengths that have contributed to its success to date. Sitting at the crossroads of Asia and Africa, it has been channelling investments for decades, supported by one of the most business-friendly and stable economies in the region. However, the Mauritius banking sector also faces several challenges and threats. These must be addressed to ensure Mauritius maintains its positioning and growth as an attractive IFC.

In this report, we have selected five core themes to shape the future of the Mauritius banking sector: innovative products and services; new technology and business models; compliance with international standards and regulations; Environmental, Social, and Governance (ESG); and human capital development.

The international vision for the future role of the Mauritius banking sector is to deliver best-in-class services to African and Asian customers, and to act as one of the main bridges connecting the rest of the world to Africa. With this objective in mind, the banking sector will focus primarily on developing differentiated and coordinated offerings in treasury, trade finance, cross-border investments and private banking for African mass affluent clients, with other innovative solutions being developed over time. In parallel, the

Mauritius banking industry will increasingly leverage digitisation to serve its domestic market. In this context, 12 tangible initiatives have been prioritised to deliver the future vision for the sector, combining structural changes to the market with new developments in products and services.

The Mauritius banking sector is committed to ensure it is safe and sound and to continue adhering to the highest international standards of compliance. More than ever, the vision for Mauritius is to be business-friendly and welcoming for foreign financial institutions (FIs). Continued efforts will be made to ensure that foreign organisations and professionals receive services of the highest possible quality. To support delivery of this goal, the strategy for the banking sector is designed to be ambitious and innovative while building on the sector's core expertise. Accordingly, the Mauritius banking industry is investing in new markets, new business models, and new products.

More broadly, the Mauritius financial ecosystem is strongly dedicated to achieving success by cooperating, continuously adapting, and scaling investments into the future. In particular, in recognition of the fact that execution is paramount, a dedicated structure has been established to deliver and oversee the implementation of the strategic vision.

The strategy for the future Mauritius banking sector augments the June 2018 Mauritius IFC 'Blueprint for success', by prioritising efforts and proposing concrete steps to further the continued development of Mauritius into a jurisdiction of substance. Thorough implementation of the strategy will help to raise the global profile of Mauritius and reap significant socio-economic benefits for the nation.

## APPROACH AND METHODOLOGY

A co-creation approach was used to outline the vision and prioritise a shortlist of initiatives. The vision and initiatives were developed on the basis of extensive engagement with the public and private sectors across the Mauritius market. In addition, market research and benchmark analysis were carried out to identify initiatives to turn the vision into reality. International experts and market specialists across Africa, Europe, India, and Asia Pacific also contributed to the ideation and testing of initiatives, covering areas such as Private Banking, Digital Currencies, Treasury, and Trade Finance.

### Outside-in view

- Supported by Oliver Wyman, a global management consulting company
- Interviews with world-class experts
- Benchmarking of other International Financial Centres (IFCs) and trends in banking sectors globally
- Desk research

### Consultation in Mauritius

- Driven by a Steering Committee comprised of distinguished leaders of the banking sector and of the Bank of Mauritius
- Around 60 interviews and workshops conducted across approximately 25 institutions with stakeholders from the private sector, public sector and civil society

### Current state diagnostic

- Profile of the Mauritius banking sector against peers
- SWOT (strengths, weaknesses, opportunities, and threats) analysis

### Solution design

- Definition of the vision for the future of the banking sector in Mauritius

### Implementation planning

- Refreshed governance of strategy implementation, including accountability mechanisms
- Detailed implementation roadmap for the key initiatives selected, including metrics for assessing success

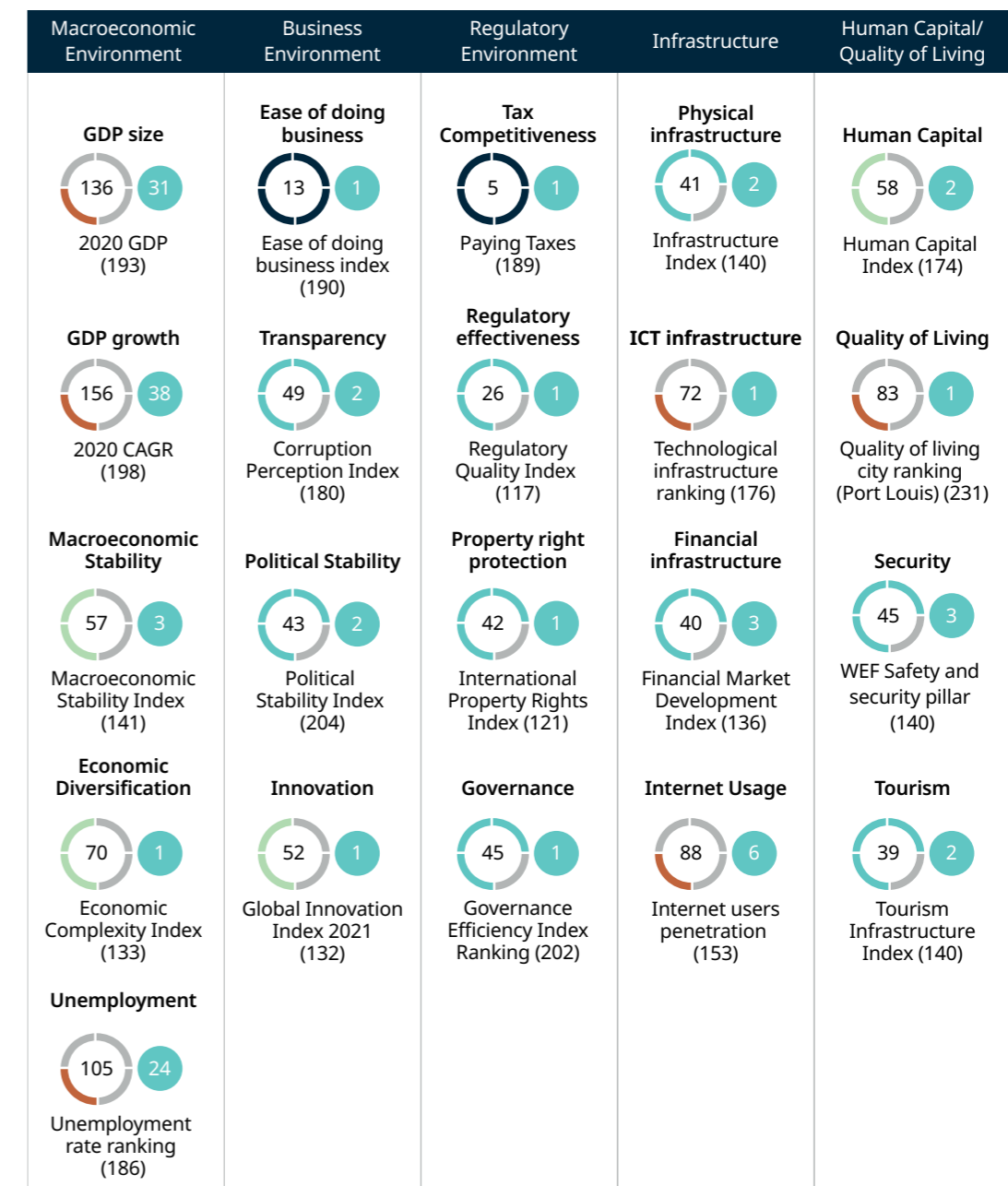
- Co-creation and prioritisation of key initiatives to support the vision

This document is an abridged version of a comprehensive report detailing the strategy and implementation roadmap for the future of the banking sector in Mauritius.

## THE MAURITIUS BANKING SECTOR TODAY

The Mauritius International Financial Centre (MIFC) benefits from some distinct competitive advantages relative to other global IFCs. In particular, Mauritius has better sovereign ratings than its African regional peers, is politically stable, and is conveniently located close to both Africa and Asia. However, the MIFC's Unique Selling Proposition (USP) is less strong in several key respects.

**Exhibit 1: Overview of the macro-environment of Mauritius across key success factors of IFCs** (as per latest available date)



Coloured quartile based on the rank among top 100 countries worldwide (total number of countries shown in brackets)
 Ranking among African countries

Source: World Bank, Harvard University, Transparency International, Global Innovation Index Report 2021, Property Rights Alliance, Mo Ibrahim Foundation Report, PWC

In general terms, Mauritius currently lags behind global IFC-country leaders such as the United Kingdom (UK) or Singapore, but is best-in-class in Africa. Mauritius is a relatively small economy (US\$11 billion GDP in 2021) and its population, one of the wealthiest per capita in Africa, is stable. It boasts one of the only investment grade sovereign ratings in Africa (Baa2). Its economy is relatively diversified, with tourism as the main contributor to GDP (~25% of GDP), followed by financial and insurance services, wholesale and retail trade, manufacturing, and agriculture. Mauritius has a supportive business environment, with an attractive tax regime, political

stability, and a strong judicial system. The physical infrastructure is sound, with world-class tourism infrastructure, and while the nation lacks strong tertiary education, the human capital is overall good.

The report assesses the performance of the Mauritius banking sector through analysis of 11 ratios across depth, stability, access, efficiency, and compliance.

Compared to peers, the Mauritius banking sector is deep and stable. The country is well banked, with only 10% of the population unbanked. Banking performance delivers strong return on equity (RoE) but relatively lower return on assets (RoA) compared to peer markets.

Overall, Mauritius is strongly committed to apply international banking standards; recent progress to adhere to Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) controls have been rewarded by an exit from the Financial Action Task Force (FATF) grey list and from the European Commission list.

**Exhibit 2: Mauritius banking sector performance** (as per latest available date)

| Depth  | Stability  | Access  | Efficiency                           | Compliance   |
|--|--|---|--------------------------------------|--|
| <b>438%</b><br>Banking assets to GDP                   | <b>5%</b><br>Non-performing loan ratio (NPL)     | <b>160%</b><br>Bank account access <sup>1</sup> | <b>1%</b><br>Return on Asset (RoA)   | <br>OECD Tax Transparency  |
| <b>79%</b><br>Domestic credit to private sector to GDP | <b>49%</b><br>Bank's loan to deposit ratio (LDR) | <b>15</b><br>Bank branches access <sup>2</sup>  | <b>10%</b><br>Return on Equity (RoE) | <br>Removed from FATF-Increased Monitoring list                          |
| <b>79%</b><br>Claims on central government to GDP      | <b>20%</b><br>Capital adequacy ratio (CAR)       |   |                                      | <b>51</b><br>Financial Secrecy Index Bank                                |
| <b>341%</b><br>Client deposits to banks, % of GDP      |  |   |                                      | <br>Removed from the European Commission list of high-risk third country |

Source: Bank of Mauritius, Fitch, International Monetary Fund, Financial Secrecy Index, S&P Capital IQ

1. Depositors with commercial bank as % of population

2. Branch per 100,000 adults

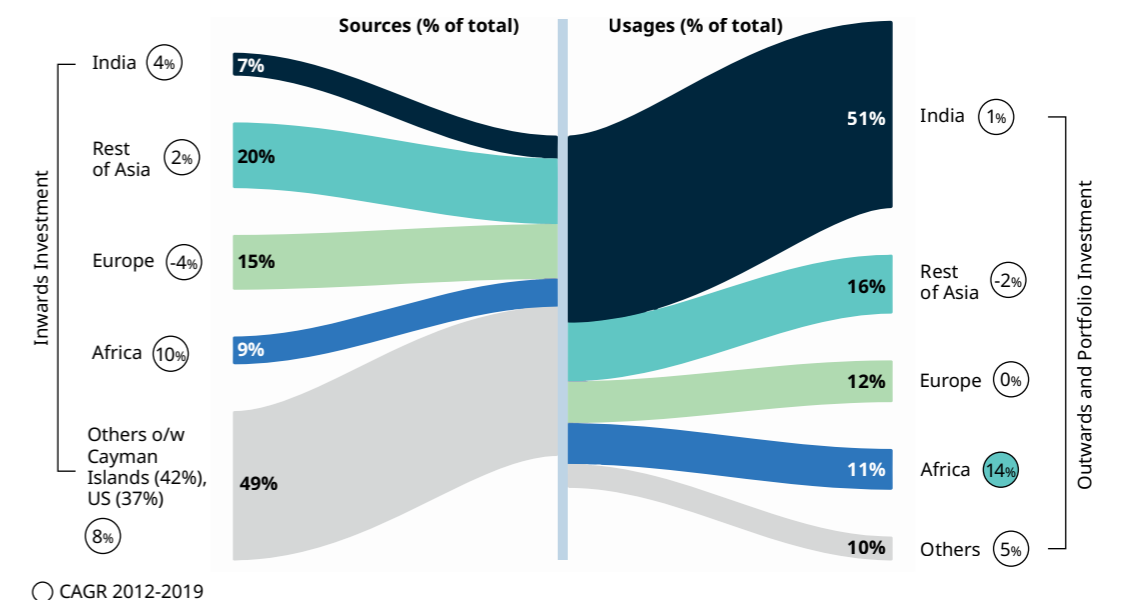
## THE SUPPLY AND DEMAND BASELINE OF THE FINANCIAL SECTOR

On the supply side, 19 banks constitute the Mauritius banking sector with, cumulatively, over MRU 2,000 billion of assets. With the recent exit of two global banks, only two global banks now remain. The banking sector is relatively concentrated, with two banks representing 45 percent of total assets.

The offering (both to the domestic and global market) is relatively broad. Digitisation of financial services is underway, led by the public sector (the MauCAS payment system, for example), banks (such as the Juice app for the retail segment) and non-banks (such as My.t, a mobile money wallet provided by Mauritius Telecom).

Beyond banks, the IFC includes around 1,800 licensed entities, mostly geared to serve the global business sector (approximately 19,000 Global Business Companies — resident corporations, formed or registered in Mauritius, that can take the form of a Trust, Société or Partnership). The FinTech landscape is relatively nascent, with few active players and the regulatory and enabling infrastructure still being put in place.

**Exhibit 3: Investments flows into and out of Mauritius (June 2020, stock data)**



Source: FSC June 2020, Investment data collected as part of the IMF Coordinated Portfolio Investment Survey (CPIS) and Coordinated Direct Investment Survey (CDIS). Note: No liability of CPIS shown on graph

On the demand side, most customers by value are corporates and entities outside Mauritius. Most inward flows come from Europe and the United States (US)/Cayman Islands (54%), with most outward flows going to Asia (67%), in particular India (51%), and minimal flows to Africa (11%). While still limited, flows to Africa are the fastest growing (14% CAGR) and are expected to represent a significant share of total outflows by 2030. The global business sector primarily uses Mauritius for booking cross-border flows, with limited sophistication in other products such as treasury, trade finance, wealth or fund management (beyond fund administration).

The domestic market is well banked, but remains driven by cash and cheques, with significant potential to increase digitisation.

# THE FUTURE VISION FOR BANKING IN MAURITIUS





The future vision for the Mauritius banking sector follows a three-pronged market strategy, spanning the domestic market, Asia global business strategy, and Africa global business strategy. The Africa and Asia plays, while not mutually exclusive, will nevertheless require the right level of focus and prioritisation. Foundational developments in Mauritius will underpin all three market strategies.

The strategic vision, based on a number of initiatives outlined in the following pages, addresses five key themes for the Mauritius banking sector.

## THE FIVE KEY THEMES

-  Innovative products and services
-  International standards
-  Technology
-  Capacity development
-  ESG

## DOMESTIC MARKET





-  **Cash-lite society**  
Moving to a cash-lite and cheque-lite society will yield numerous benefits by leapfrogging the current Mauritian economy and level of sophistication of the domestic banking sector
-  **Improved service to customers through modularised services / FinTechs**  
Increasing competition in the domestic banking market, creating better client experiences, increasing competitiveness and transparency
-  **Enhanced offerings to address the needs of small/medium-sized enterprises (SMEs)**  
Improving SMEs' access to credit and to more sophisticated banking services to support the growth of domestic companies, and of the overall Mauritian economy
-  **Leading digital and innovation hub**  
Becoming a digital and innovation hub for Africa, attracting foreign companies, capital and talent while also becoming the regional centre from which FinTechs and startups can expand into Africa

## GLOBAL BUSINESS STRATEGY

### ASIA

-  **A specialised IFC for Asian corporates on select solutions areas**  
Attracting Asian Corporates to the Mauritius IFC
-  **The alternative IFC for overseas Indian business**  
Building on the Mauritius IFC's current client-base and legacy of cross-border investment business with India, there is an opportunity to expand solutions for Indian corporates' overseas business (including in treasury, trade finance and cross-border investment)
-  **The access point for Asia corporate business into and out of Africa**  
Establishing Mauritius as the connectivity hub between Asia and Africa

### AFRICA

-  **An attractive value proposition for Africa-literate talent**  
Becoming a destination of choice for Africa-literate banking talent to live and work
-  **A hub to invest in Africa**  
Positioning Mauritius as a hub for investors targeting Africa
-  **A specialised IFC for African corporates and an offshore centre**  
Serving as an IFC for African corporates expanding overseas and for overseas Multinational Companies (MNCs) operating in Africa
-  **A private banking hub for affluent Africans**  
Positioning Mauritius as a go-to IFC for private banking, focused on the growing African mass affluent segment

### PRIORITISED PRODUCTS

Treasury  
Cross-border investment

Trade finance  
Private banking for mass affluents

## FUNDAMENTALS

### Solidified investment grade IFC and financial stability protection

Ensuring the current sovereign rating, a key USP, is defended and improved

-  **Adherence to highest standards of ESG**  
In continuity with the work being carried out by the Bank of Mauritius Climate Change Centre, greening the financial system, becoming best-in-class in ESG and exporting competency in Africa

### Known globally for its value proposition

Clarifying the value proposition and scaling the promotion of the Mauritius banking sector abroad, especially in select key markets

### Predictable and favorable tax regime for investors & Double Tax Agreement (DTA)

Recovering the favourable tax environment and reducing uncertainty to remain competitive and attractive to corporates and individuals

### Regulatory agility and digitisation of the financial infrastructure

Adopting more regulatory agility to respond better to market developments, digitisation to enhance the customer experience in line with peers and advanced digital financial infrastructure to facilitate the delivery of financial solutions and allow interoperability

### Fully compliant with international standards

Sustaining progress on compliance with international standards, and making this progress more widely known

### Thriving local capital market

Strengthen, deepen, digitise and scale the local capital market to better serve the domestic market and attract more international volume, notably in FX

### Capability and knowledge regional hub in banking

Building and attracting banking talent to support the development of world-class banking solutions



# PROGRAMME OF INITIATIVES FOR THE FUTURE OF BANKING IN MAURITIUS

## Accelerating the transition to a cash-lite society in the domestic market

### Problem statement

How can Mauritius reduce the dependence on non-digital payments to foster a more thriving and modern domestic market?

### Proposed initiatives

- A1. Cash payment limitation reduction
- A2. Financial literacy campaign

## A1 — CASH PAYMENT LIMITATION REDUCTION

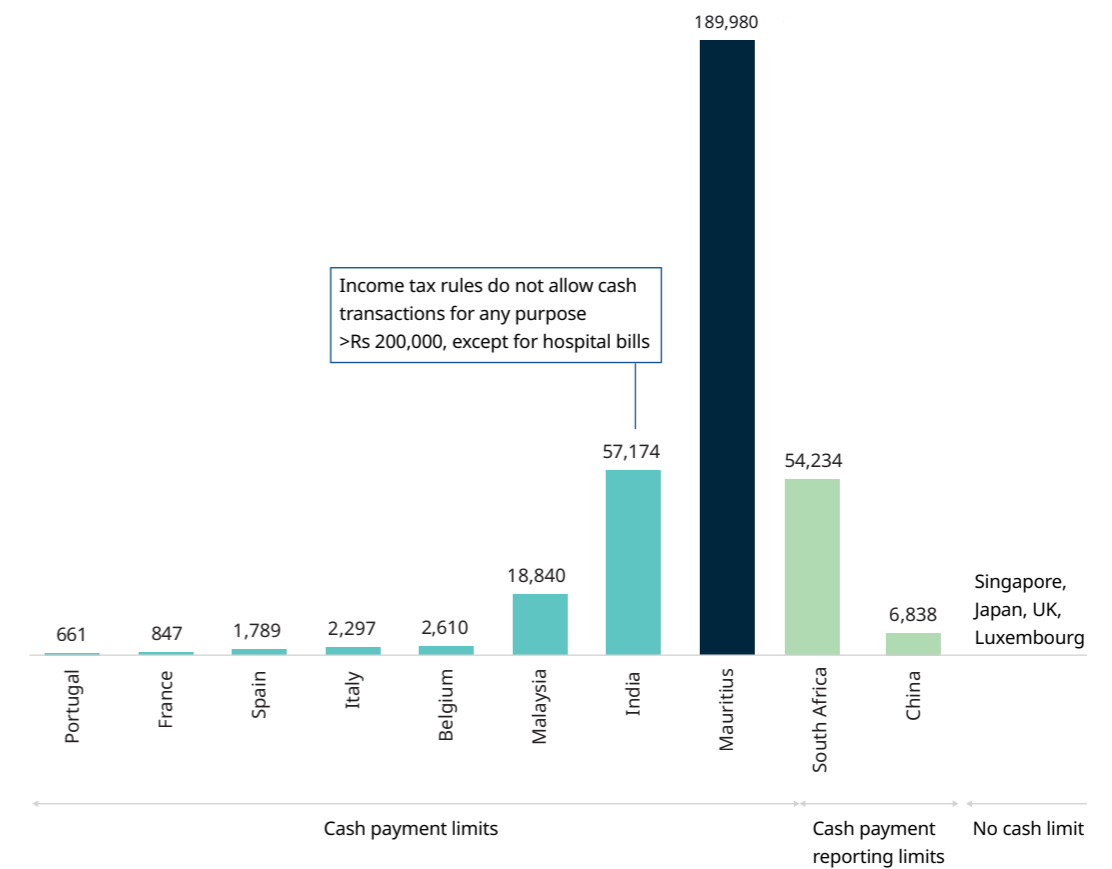
**Initiative description:** Reducing the cash payment limitation from MRU 500,000.

Alternatively, formulating a holistic plan to further accelerate reduction in cash and cheques adoption, as illustrated by the actions undertaken by other peer countries.

**Initiative rationale and benefits:** The initiative will accelerate the move to a cash-lite society and improve the adoption of digital payments. Digital transactions will provide insights into how customers spend and save, while helping to mitigate fraudulent activity. Additionally, because digital payments are inextricably linked to identity, they will provide a digital identity for users that can be validated by multiple sources, and is safe and transparent. The initiative will also build on the move towards an advanced digital financial infrastructure in Mauritius.

### Exhibit 4: A number of markets are imposing lower cash limitations to encourage usage of digital payments

Cash payment limit (USD PPP), reporting limit (USD PPP) (2020)



Calculation = Cash limit in local currency \* Conversion rate to USD \* GDP (PPP)

Source: Respective government websites, World Bank, European Consumer Centre, Tax Reports 2020, Indian Business News, National Crime Agency

## A2 — FINANCIAL LITERACY CAMPAIGN

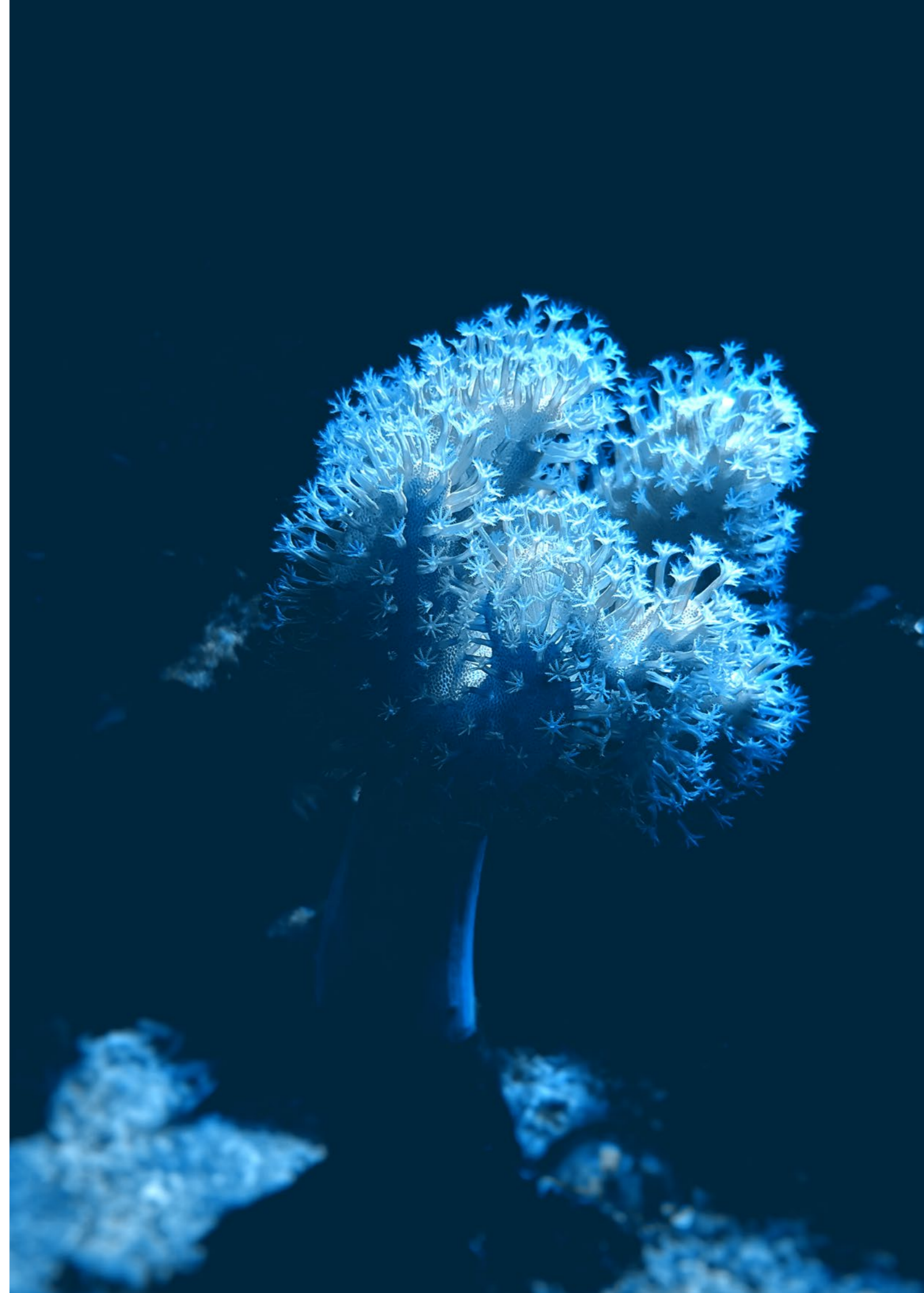
**Initiative description:** Sustaining and strengthening the current financial literacy campaign within the domestic market to:

- Increase trust in digital finance, especially around digital payments
- Reduce fraud
- Curb the culture of cash
- Educate the population on the reduction of the cash payment limitation
- Promote more sophisticated financial products (banking and non-banking products, such as credit cards and investment solutions, including in the local capital market)

The campaign will be targeted at specific segments, particularly older generations and women, and should leverage a mix of communication channels (spanning digital, billboard, media, and workshops in smaller towns).

**Initiative rationale and benefits:** This will support an increase in both the financial literacy of the country and in the sophistication of banking habits, while also accelerating the transition to a cash-lite society.

Financial literacy is a key driver of development in the domestic economy, an area where Mauritius currently lags behind some of its peers. A higher level of financial literacy is conducive to a more modern, efficient, and thriving society and economy.



## Developing a unique value proposition to grow Mauritius' global business positioning

### Problem statement

How can Mauritius evolve its offering to attract more international business?

How can Mauritius win and develop differentiated innovative products and business models?

### Proposed initiatives

**B1.** Regional Treasury Centre incentive scheme

**B2.** Cross-bank digital trade finance platform

**B3.** New private banking business model

**B4.** Banking sector ESG strategy

**B5.** Virtual assets and distributed ledger technology adoption

## B1 — REGIONAL TREASURY CENTRE INCENTIVE SCHEME

**Initiative description:** To establish a fully-fledged regional treasury scheme along the lines of Singapore's Finance and Treasury Centre (FTC) and Hong Kong's Corporate Treasury Centre (CTC), details of which are provided below:

- Well-packaged and promoted scheme to build awareness and confidence
- Redefined tax incentive (for example, stretching beyond five years)
- Infrastructure incentives
- Best-in-class experience, including concierge service for set-up

While the initiative is targeted at corporate treasury activity, it is also expected to have a direct impact on the wider banking sector (because it will consume more banking treasury services).

**Initiative rationale and benefits:** By establishing and promoting a fully-fledged regional treasury scheme, leading to a heightened value proposition and increased visibility, Mauritius will attract more MNC corporate activities to set up regional treasury headquarters. The scheme will build on Mauritius' existing USP. The growth in demand for treasury solutions in Mauritius will support the broader market ecosystem and further develop the banking sector's treasury product offering.

### Exhibit 5: Example of fully established treasury schemes

| Singapore: FTC   | Hong Kong: CTC   |
|--|--|
| <ul style="list-style-type: none"> <li>• Tax incentive valid for 5 years, but eligible for extension</li> <li>• A specific scheme in place managed by the Economic Development Board (EDB) for the treasury management</li> <li>• In 2005, the government enhanced the scheme to include associated companies as approved network companies</li> <li>• Tax exemption is granted on               <ul style="list-style-type: none"> <li>– Interest on loans outside Singapore</li> <li>– Interest on bonds held by persons who are not tax resident in Singapore</li> <li>– Loan rebate fees and price differentials in respect of securities lending</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Tax incentives for CTCs</li> <li>• Gazetted a legislative bill on 4 December 2015 introducing the Corporate Treasury Centre ("CTC") incentive</li> <li>• Companies do not require pre-approval for the CTC incentive and benefit from the concessionary tax rate by electing for it in writing</li> <li>• Based on the legislative bill, there are no restrictions on the companies' choice of banks, financial institutions or the sources of funding, unlike Singapore's FTC incentive</li> <li>• New interest expense deduction rule applied</li> <li>• Deeming provision for interest income</li> </ul> |

Source: Respective IFCs' website, Treasury Today, KPMG The Structure, Role and Location of Financial Treasury Centres: A Process of Evolution, EDB Singapore, Deloitte Corporate Treasury Centre report 2017

## B2 — CROSS-BANK DIGITAL TRADE FINANCE PLATFORM

**Initiative description:** To build a cross-bank Mauritius banking sector digital trade finance platform to:

- Aggregate international demand in Mauritius on a central platform
- Create a best-in-class client experience powered by data and digital, modularising the value chain with potential FinTech involvement
- (Second priority) Centralise automation of some back-end processes (such as sanctions checks, and document discrepancies) to secure efficiencies

The platform would act as a client-centric procurement and application portal, where banks can share some of the risk — with most back-end operations still in the hands of banks (potential API-bridge between platform and individual banks’ systems). This cooperation between banks enables scale (of expertise, investment, outreach, and volume) and development of a differentiated customer experience that competes with global leaders, while broadening the addressable market (in Africa and Asia). The platform may leverage key features of the digitalisation of financial infrastructure in Mauritius, such as the interconnection of real-time national payments systems.

**Initiative rationale and benefits:** Given the target markets, initial positioning on standard products, high volumes and offshore positioning, digitisation is key for the Mauritius banking sector to win in trade finance. Because of the high level of investment needed to create a competitive differentiated digital trade finance platform, cooperation and pooling of capabilities within a consortium of Mauritius banks will increase the likelihood of winning.

This platform will enable Mauritius to propose a differentiated and world-class customer experience, powered by the latest technological innovations and modern architecture, which will open up markets for the MIFC banks (especially in Africa and Asia). Additionally, the platform will establish Mauritius as an innovative IFC, clarify its trade finance offering, and deepen local digital skills.

## B3 — NEW PRIVATE BANKING BUSINESS MODEL

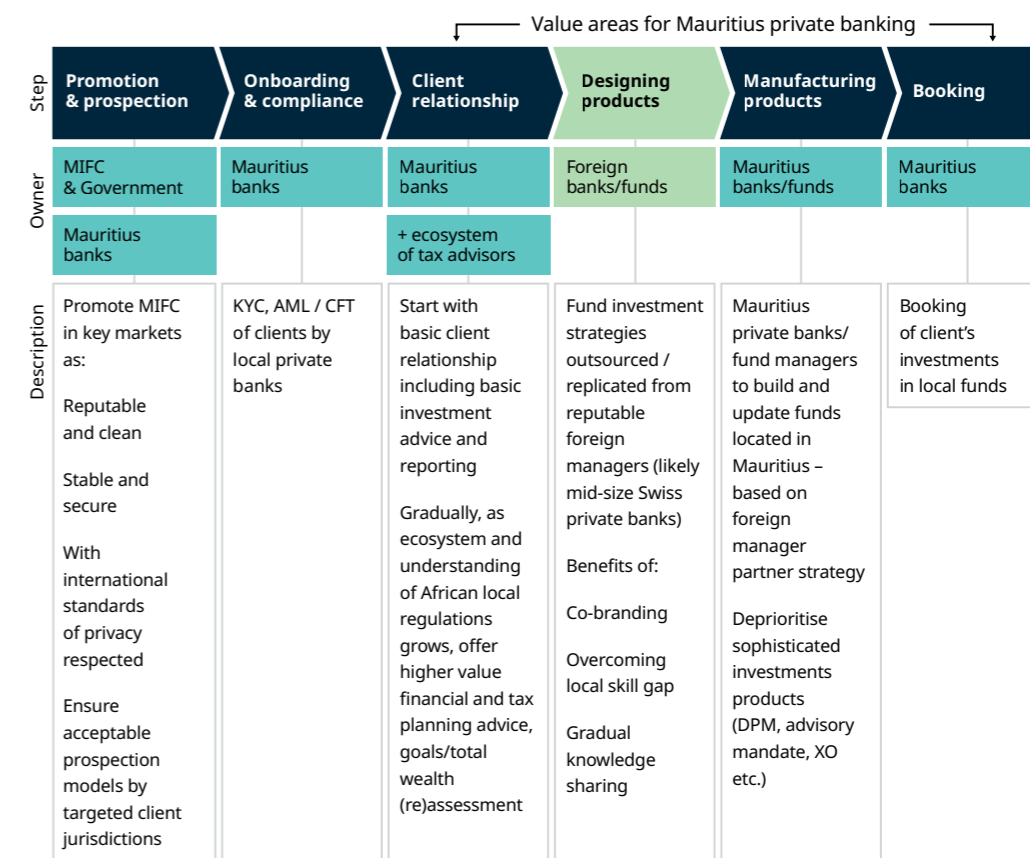
**Initiative description:** Establishing Mauritius as a global private banking destination, particularly targeted at the African mass affluent segment and Mauritian wealth.

The Mauritius banking sector should modularise the private banking value chain, leveraging partner strategies and outsourcing investment strategy, with the focus on developing and scaling local infrastructure (Luxembourg model). As shown in Exhibit 6, local private banks will manufacture products (funds) shadowing/mirroring the funds and investment strategies of partner private banks.

Co-branded products will then enjoy the credibility and trust engendered by leading private-bank brands. Mauritius banks’ African clients will therefore receive the ‘best of both worlds’: on one hand, benefiting from the proximity, relationship, and safety of Mauritius, while, on the other, benefiting from world-class expertise.

**Initiative rationale and benefits:** This initiative will drive the development of private banking in Mauritius and broaden the product offering of the MIFC to African clients. It will also strengthen the image of Mauritius as a reputable IFC and, over time, help to attract foreign private banks to the island. This will overcome the challenge of low availability of local private banking expertise.

**Exhibit 6: The proposed private banking value chain for the Mauritius banking sector**



## B4 — BANKING SECTOR ESG STRATEGY

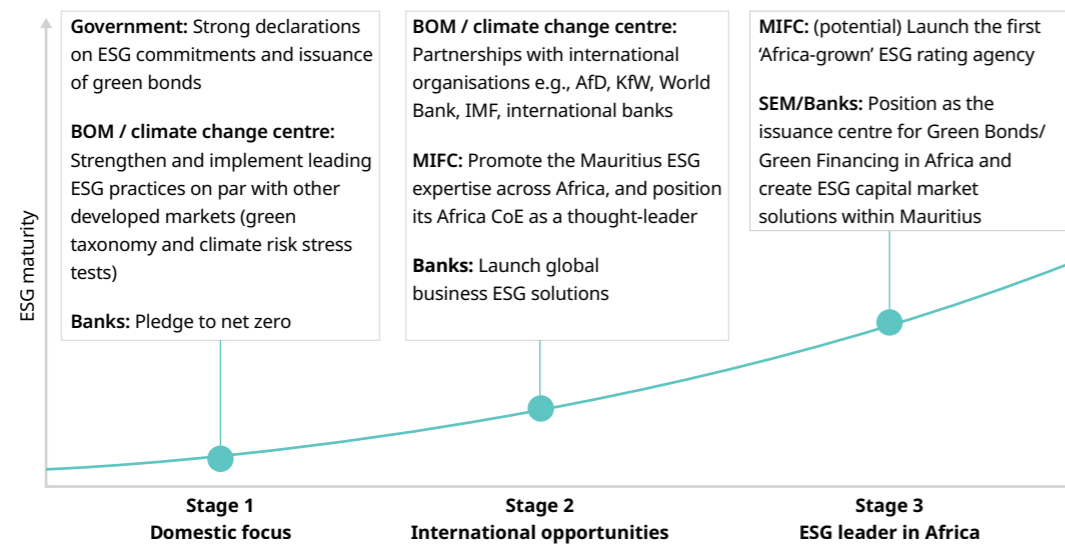
**Initiative description:** Greening the financial system and positioning Mauritius as an ESG leader in Africa, with a multi-lever and multi-stage plan. This will build on the work of the Climate Change Centre towards improving the resilience of the financial system against climate change risks and support development of sustainable finance.

- The Future of Banking in Mauritius will work with the Government to communicate on its ESG commitments, including by issuing green bonds to underline these commitments
- The Bank of Mauritius, via its existing Climate Change Centre, will strengthen and implement the basic ESG central bank toolkit, including a green taxonomy and climate risk stress-tests, as well as ensuring that Mauritius adheres to international ESG standards

- The Climate Change Centre will develop partnerships with international organisations such as Agence Française de Développement (Afd), Kreditanstalt für Wiederaufbau (KfW), World Bank, IMF, and international banks
- Banks will be encouraged to commit to becoming net zero (reducing their emissions to the atmosphere while increasing the amounts they remove)
- The MIFC will promote Mauritius' ESG expertise across Africa, and position its Centre of Excellence for Africa as a thought-leader
- Banks will create relevant ESG offerings
- In the mid-term, the MIFC could also launch an Africa-grown and Africa-centric ESG rating agency

**Initiative rationale and benefits:** A fully-fledged ESG strategy will positively impact the image of the MIFC jurisdiction as best-in-class and help to build upon the standing and expertise of the MIFC in Africa. It will also attract international organisations to Mauritius and create opportunities for Mauritius' banks in African ESG product business.

**Exhibit 7: The different stages of the outlined ESG strategy for the MIFC**



Numerous participation models in virtual assets can be envisaged for banks in Mauritius, for instance:

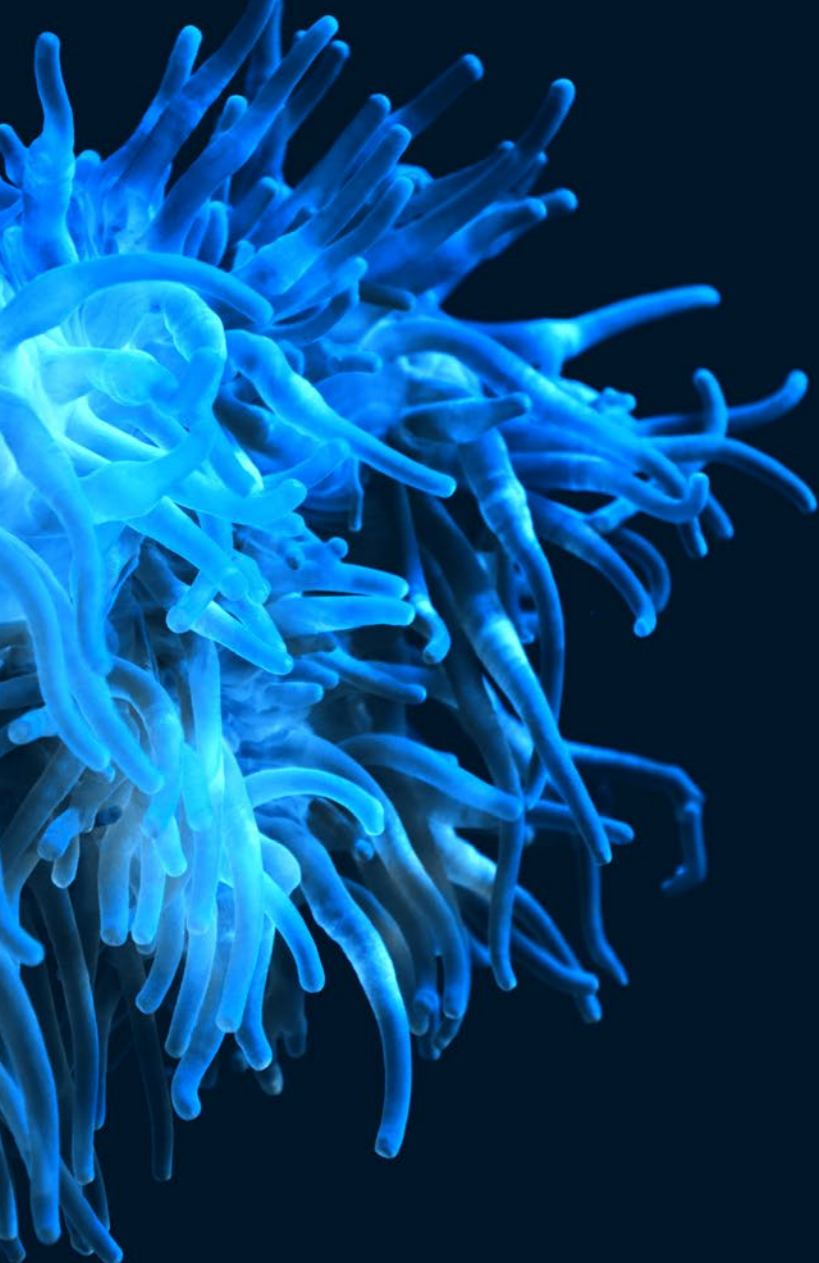
- Custodian services (Ensuring management and security of virtual assets)
- Provision of exchange, staking and lending services (Providing customers an opportunity to interact with adjacent services — rather than relying on other platforms such as Binance or Coinbase)
- Creation of virtual assets, for instance creating digital fixed income products such as bonds or syndicated loans on the blockchain or ESG smart contracts

**Initiative rationale and benefits:** The global virtual assets market is large and fast-developing. For instance, the crypto asset market is roughly \$2 trillion in value, and the global digital asset management (DAM) market is projected to grow by \$7 billion (2021-2025). By nature, virtual asset solutions are mostly location-agnostic. Right to win factors are the supporting regulatory framework and quality of the private sector offering.

In Mauritius, building blocks of the virtual asset ecosystem are already in place. Indeed, the financial sector regulators are highly welcoming of virtual asset activities and distributed ledger technology solutions. The Virtual Asset & Initial Token Offering Services Act 2021 sets out a comprehensive framework, under the Financial Services Commission (FSC), to regulate these emerging activities while meeting the Financial Action Task Force (FATF) standards. The Bank of Mauritius and the FSC are establishing labs and FinTech innovation hubs; and a Central Bank Digital Currency (the Digital Rupee) is being developed around which the banking sector can build new solutions. Through innovation, the banking sector can open new markets, increase operation efficiency and reduce costs (especially in payments), attract and build digital talent, while adhering to and strengthening compliance requirements.

## B5 — VIRTUAL ASSETS AND DISTRIBUTED LEDGER TECHNOLOGY ADOPTION

**Initiative description:** Mauritius can build upon work conducted to date to become a hub for virtual assets and grow as a recognised specialist in distributed ledger technology. The banking sector can embrace the new opportunities offered by virtual assets and gradually introduce distributed ledger technology-based solutions. A next step is for banks to identify the specific use cases to pilot (test and learn approach) and launch. Through the Future of Banking in Mauritius, learnings will be shared amongst participating banks and opportunities to cooperate are expected to arise. Banks may also partner with the growing number of FinTechs based in Mauritius.



## Strengthening the fundamentals of the Mauritius Banking Sector

### Problem statement

How can the existing institutional set-up be strengthened to further enable the banking sector?

What priority enablers are needed to facilitate the domestic market and global business strategy?

### Proposed initiatives

**C1.** Reinforced MIFC branding, accountability and strong promotion arm

**C2.** MIFC banking training centre

**C3.** Centre of Excellence for banking in Africa, including ESG

**C4.** Reinvigorated economic diplomacy

**C5.** Clearer expatriate value proposition

## C1 — REINFORCED MIFC BRANDING, ACCOUNTABILITY, AND STRONG PROMOTION ARM

**Initiative description:** In line with peer IFCs, further developing a strong MIFC structure to clarify, promote and build on Mauritius' global market value proposition. Going forward, the MIFC structure could drive:

- The promotion of the MIFC value proposition globally in cooperation with the private sector, building on a detailed understanding of the banking sector and its strategy
- The orchestration or ownership of some MIFC-wide initiatives
- Strategy research serving as a thinktank for the MIFC

In the short term, the MIFC's role will be driven by existing structures with reinforced coordination. Going forward, a standalone MIFC structure could be set up as a public-private partnership.

**Initiative rationale and benefits:** This reinforced branding will yield broader and clearer promotion and awareness of the MIFC value proposition, greater execution discipline and accountability, and an 'owner' for MIFC-wide capabilities and knowledge.

## C2 — MIFC BANKING TRAINING CENTRE

**Initiative description:** Launching a training centre to focus on building the skills needed to build banking sector positioning, in line with both the overarching future strategy for the Mauritius banking sector, and the needs of the private sector. The target audience will be:

- Post-graduate certificates (subsidised)
- Upskilling local professionals (subsidised)
- Open to other regional talent (could be subsidised, but only if talent stays to work in Mauritius)
- The courses could be delivered through partnerships with international training providers, such as the IFC Global Trade Finance Program, and should be a mix of virtual and in-person training. This training centre initiative will focus on upskilling the local workforce, as well as being a beacon to attract regional talent. The initial primary focus will be on:
  - Treasury management
  - Trade finance
  - Private banking
  - Risk and compliance
  - Credit analysis
  - Financial technology (IT)
  - Virtual asset solutions and distributed ledger technology

### Exhibit 8: Case study of the Dubai International Financial Centre (DIFC) Academy

#### Mandate and activities

- Supporting a knowledge-based economy
- Attracting the region's brightest graduates
- Providing access to Dubai's vibrant community
- Publication of manuals and articles on the laws and courts rules of the DIFC

#### The campus

- Located in the DIFC Innovation Hub at Gate Avenue
- 3 large auditoriums, 21 seminar rooms, 3 lecture halls, a library
- Individual and group study areas
- State-of-the-art IT and A/V equipment, including video-conferencing facilities

#### Examples of academic delivery partners

- Panthéon-Assas University
- Bayes Business School
- London Business School
- Middlesex University, Dubai
- ACCA
- BARBRI

#### Target Audience

- Deliver short certificate workshops up to multi-year executive MBA degrees
- Targeted to UAE residents and nationals
- Existing professionals to deepen their skills and gain professional accreditation and certification, local university graduates can gain further training or internships, mentorships and other work-experiences
- Government of Dubai set up Continuing Legal Professional Development (CLPD) accreditation that are recognised nationally and internationally

#### Other offerings

- **Dolfin e-learning platform:** customizable online training, testing, and certification resources and risk management tools to create AML and Compliance expertise
- **Future Campus (2021):** 25,000 students to access over 400 online programmes on the global finance industry, hybrid university (online and co-working spaces)
- **Networking hub** for over 24,000 professionals working across 2,200 companies in the FS industry

Source: DIFC Academy, Arab News

The training delivered by the training centre should be recognised through an official and formal certification framework, similar to the continuing legal professional development (CLPD) provided by the Dubai International Financial Centre (DIFC), and the continuing professional development (CPD) offered by the Singaporean Institute of Banking and Finance.

This certification framework will be recognised in Mauritius and, over time, across the broader region. The MIFC training centre will complement the existing training offering, and not compete with it. In particular, it will offer a differentiated value proposition that sets it apart from existing business school programmes, with short, focused financial/banking courses as opposed to a longer and more general curriculum.

**Initiative rationale and benefits:** The training centre will grow the required specialist skills needed in the local market, with an agile feedback loop linking it into evolving private sector requirements. This will contribute to establishing Mauritius as a regional knowledge- and capability-building hub for finance. Additionally, this will serve to attract and retain foreign talent, creating an ecosystem for innovation and filling current capacity/expertise gaps in the Mauritius banking sector.

## C3 — CENTRE OF EXCELLENCE FOR BANKING IN AFRICA, INCLUDING ESG

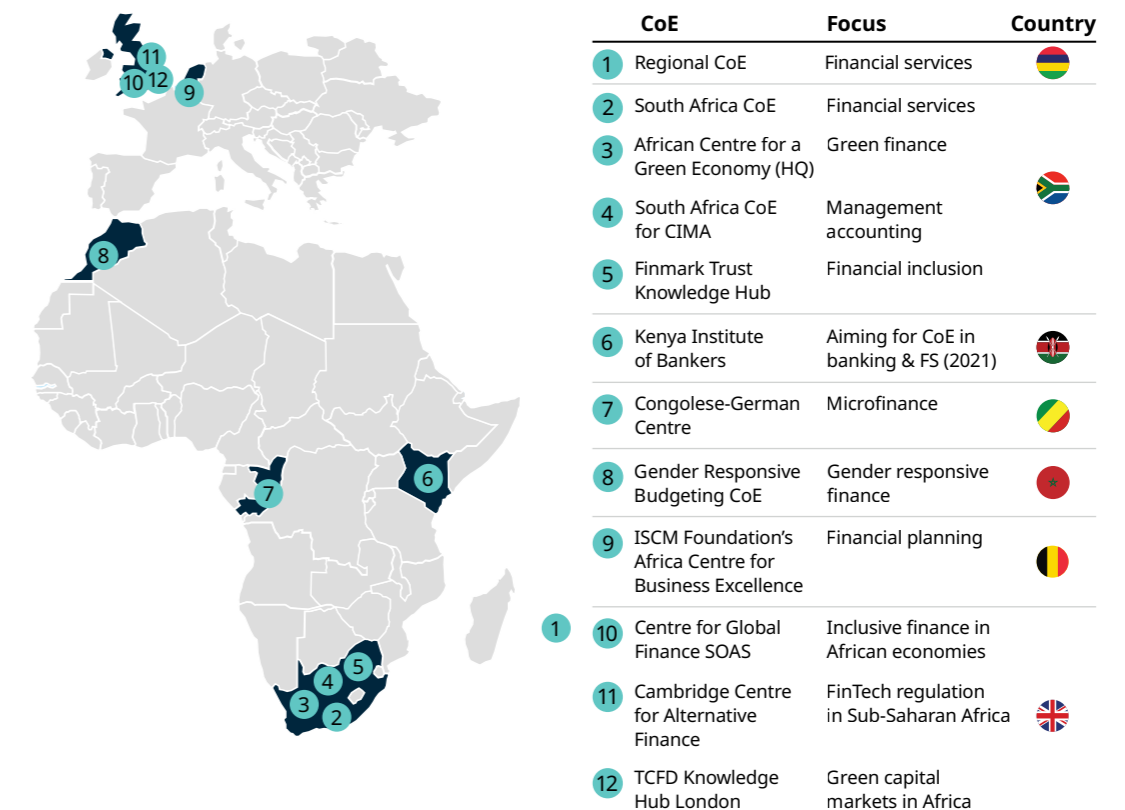
**Initiative description:** Creation of an Africa Centre of Excellence (CoE) to serve as a knowledge centre and thinktank on African banking:

- Assemble a fact base on African banking, investments, and regulations
- Promote African banking opportunities within Mauritius (via published papers, conferences, networking)
- Support training development dedicated to Africa-focused opportunities
- Act as a research centre for ESG and fight against climate change in Africa

The Mauritius banking sector should aim to become a point of reference in Africa, leveraging on the existing Meetings, Incentives, Conferences & Exhibitions (MICE) infrastructure to attract global experts and create momentum in regional events. A public-private set-up will give the CoE scale and credibility. In addition, the CoE should leverage international partnerships to increase reach, scope, and visibility.

**Initiative rationale and benefits:** The Centre of Excellence for banking in Africa will leapfrog the building of skills and knowledge to support the banking sector's Africa play, while creating excitement in Mauritius around Africa. Abroad, it will clarify the positioning of the MIFC as a key African banking stakeholder and lay the groundwork for ESG opportunities in Africa.

### Exhibit 9: Example of Centres of Excellence in and on the topic of Africa on financial services



Source: COEFS, CIMA, DAAD, ISCM Foundation, SOAS, Judge Business School, Finmark Trust, UNWOMEN, KIB, FSC, RCE

## C4 — REINVIGORATED ECONOMIC DIPLOMACY

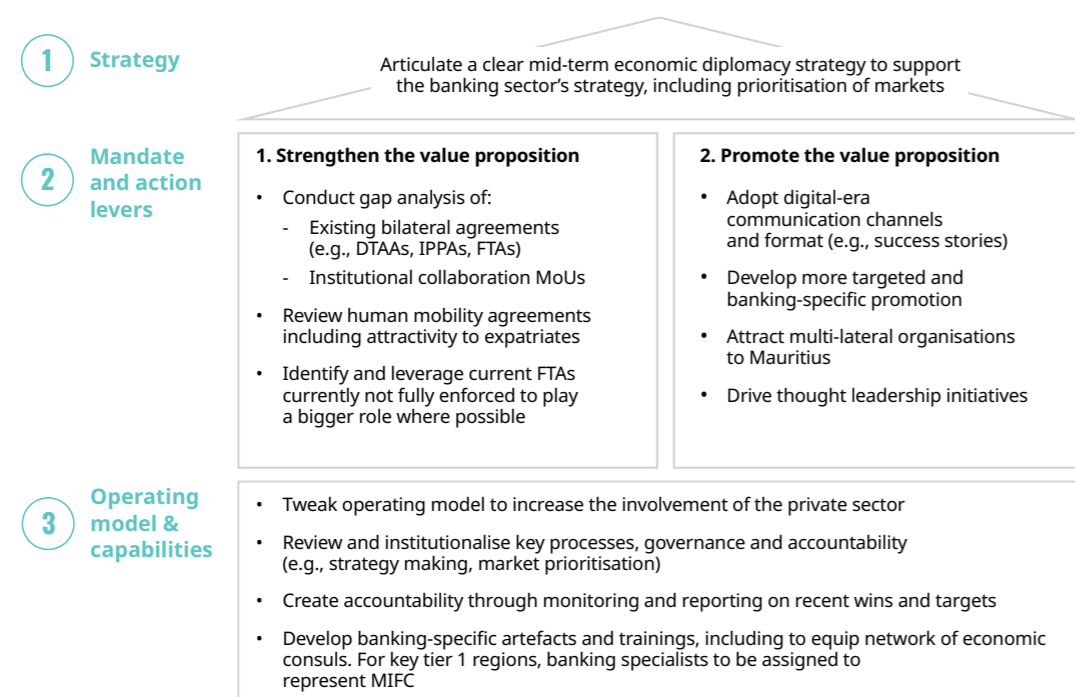
**Initiative description:** Develop a fully-fledged, multi-level economic diplomacy strategy to reinvigorate, adjust and sustain Mauritius' economic diplomacy in service of the banking sector and of the broader MIFC. This initiative will encompass building the value proposition (increasing connectivity, creating relationships beneficial to Mauritius banking sector) and promotion of that value proposition. The report proposes a three-fold initiative:

- Strengthen the economic diplomacy operating model, including the public-private partnership under the aegis of the Economic Development Board (EDB) and the institutionalisation of the economic diplomacy strategy, especially in relation to geography prioritisation
- Strengthen the value proposition of the banking sector via economic diplomacy
- Reinforce promotion of the Mauritius value proposition, especially with regard to the more specialised banking expertise packaged for existing EDB/diplomatic networks, and MIFC representatives with banking expertise in prioritised key geographies

**Initiative rationale and benefits:** An enhanced banking sector value proposition abroad will offer broader, deeper, and more Mauritius-favourable connectivity. It will also reinforce the differentiated advantage for MIFC (robust 'bridge' and 'hub' positioning), and create more awareness of MIFC's value proposition. This initiative will also yield a positive impact for the rest of the economy — including attracting capital inflows, foreign direct investments, and human capital, as well as enhancing the perception of Mauritius abroad.

Key criteria for inclusion in an enhanced market prioritisation banking sector could include Mauritius' right to win (existing footprint), the size of the opportunity, and the fit with the overarching banking sector strategy. Prioritised markets can be divided into three tiers as defined in the geographical prioritisation process.

### Exhibit 10: Potential next steps for Mauritius economic diplomacy



## C5 — CLEARER EXPATRIATE VALUE PROPOSITION

**Initiative description:** Launch a study to develop, implement and market a fully-fledged professional expatriate value proposition:

- Consider two tiers of expatriate value proposition (Tier 1 for niche/specialised talent, Tier 2 for low- to mid-level skills, especially Africa-literate talent and Asian talent) — that can be translated into two-tier visas
- Devise initiatives to incentivise cultural shift in Mauritius to further embrace expatriate human capital
- Consider separate tax regimes for expatriates, or committing to no further tax increases
- Consider digitising the expatriate customer experience (work-permit application and approval, for instance)
- Study other initiatives recommended by existing forums (such as the Sub-Committee for Imperative 4), including keeping a shortlist of in-demand skills and institutionalising the underlying update process

To facilitate integration with and acceptance by society, the expatriate value proposition would need to expand beyond the MIFC to other industries. Making attribution of the professional expatriate package conditional on training a specified number of local professionals would also help.

Effective packaging and promotion of the expatriate value proposition abroad will be essential.

**Initiative rationale and benefits:** This initiative is designed to attract the foreign talent and expertise that will help to develop new product segments (especially in key gaps such as trade finance, treasury, private banking, risk and compliance, and credit) and new markets (especially Africa) and create a more dynamic and open ecosystem (including in FinTechs). It will increase the MIFC's reputation as an attractive IFC.

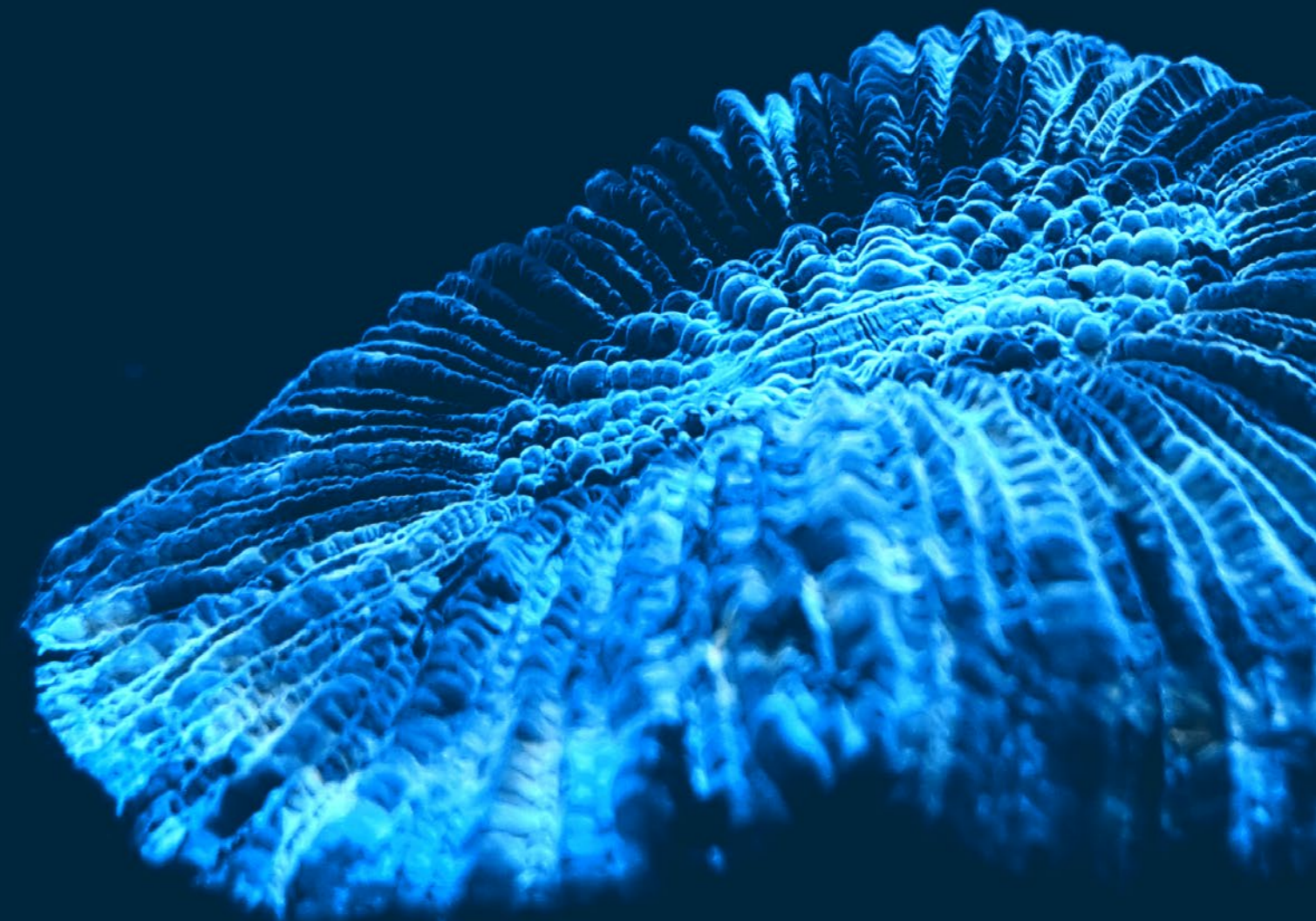
In the competition for talent, IFCs around the world are developing compelling expatriate value propositions. These include leveraging IFC-specific, fast-tracked visas; competitive income tax packages; support for spouses and children; and a clear path to permanent residency and citizenship. Examples include IFCs, such as in Dubai and Singapore, which have put in place appealing visa schemes and IFC-specific schemes for expatriates.



**Exhibit 11: Example of IFCs’ value proposition for expatriates**

| Region    | Top Talent/Professional Visa Scheme  | IFC Specific Scheme   | Tax Rate      | Family Support   | Citizenship  |
|-----------|--|---|---------------|--|--|
| Dubai     | <p><b>1. Sponsored by employer of government:</b></p> <ul style="list-style-type: none"> <li>• Work Permit type: Skills Level 1 (qualified professionals)</li> <li>• Duration: 1-10 years</li> <li>• Eligibility: minimum a bachelor’s degree</li> <li>• Min. monthly Salary: \$ 3,300</li> </ul> <p><b>2. Self-sponsored:</b></p> <ul style="list-style-type: none"> <li>• 1-year remote worker visa</li> <li>• Golden visa (5-10 years) for investors, entrepreneurs and professional talents</li> </ul> | <ul style="list-style-type: none"> <li>• DIFC portal for visa application online (7 days or express 2 days to process)</li> <li>• Replacing end-of-service gratuity with a low-cost savings plan</li> </ul> | No income tax | <ul style="list-style-type: none"> <li>• Since 2019, any type of male professional can sponsor their partner and children’s visas if earning around \$1,000 monthly</li> <li>• With monthly salary \$5000 anyone can sponsor their parents’ visas</li> <li>• Spouses can work in Dubai</li> <li>• Buying property possible in certain areas</li> </ul> | Expatriates to gain citizenship including investors who own property in the UAE, intellectuals and specialists   |
| Singapore | <p><b>1. Sponsored by employer:</b></p> <ul style="list-style-type: none"> <li>• Work Permit type: Employment Pass</li> <li>• Duration: 2 years</li> <li>• Eligibility: Managerial, executive or specialist</li> <li>• Min. monthly salary: \$5,000</li> </ul> <p><b>2. Self-sponsored:</b></p> <ul style="list-style-type: none"> <li>• Tech talent visa (2021) for tech entrepreneurs (earned &gt; \$15,000/year)</li> </ul>   | <ul style="list-style-type: none"> <li>• MAS created a specific skills-in-demand list to facilitate migration</li> </ul>  | 15-22%        | <ul style="list-style-type: none"> <li>• Dependant pass (DP) for spouses and children and spouses can apply for jobs in Singapore on the pass (for those earning &gt;\$6,000 monthly)</li> <li>• Long term visit pass (earning \$6,000-12,000)</li> <li>• Allowed to purchase apartments</li> </ul>  | <ul style="list-style-type: none"> <li>• Convert the employment pass to permanent resident (PR) visa, and 2 years as PR holders are eligible to apply for citizenship</li> </ul> |

Source: UAE Government Portal, DIFC, MAS, Singapore EDB, Mauritius Bankers Association



# PATH TO SUCCESS

Recognising that execution will be paramount, the implementation set-up follows a set of key success factors:

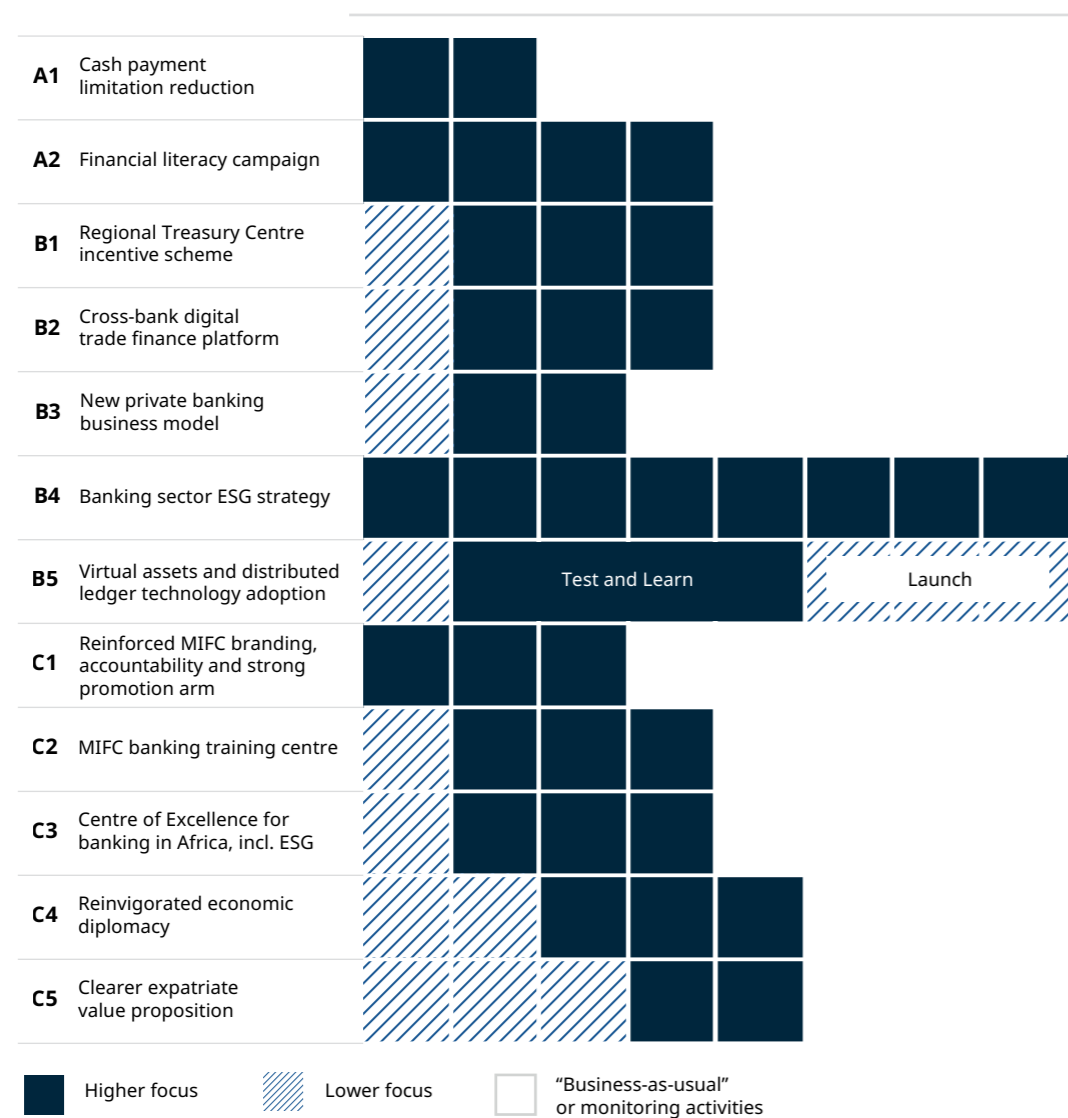
Exhibit 12: Implementation criteria to success



## IMPLEMENTATION TIMELINE

The implementation roadmap prioritises quick wins to create early successes. Given limited inter-dependencies, most initiatives will be launched by mid-2022 to ensure momentum is sustained.

**Exhibit 13: Indicative initiative roll-out sequencing**



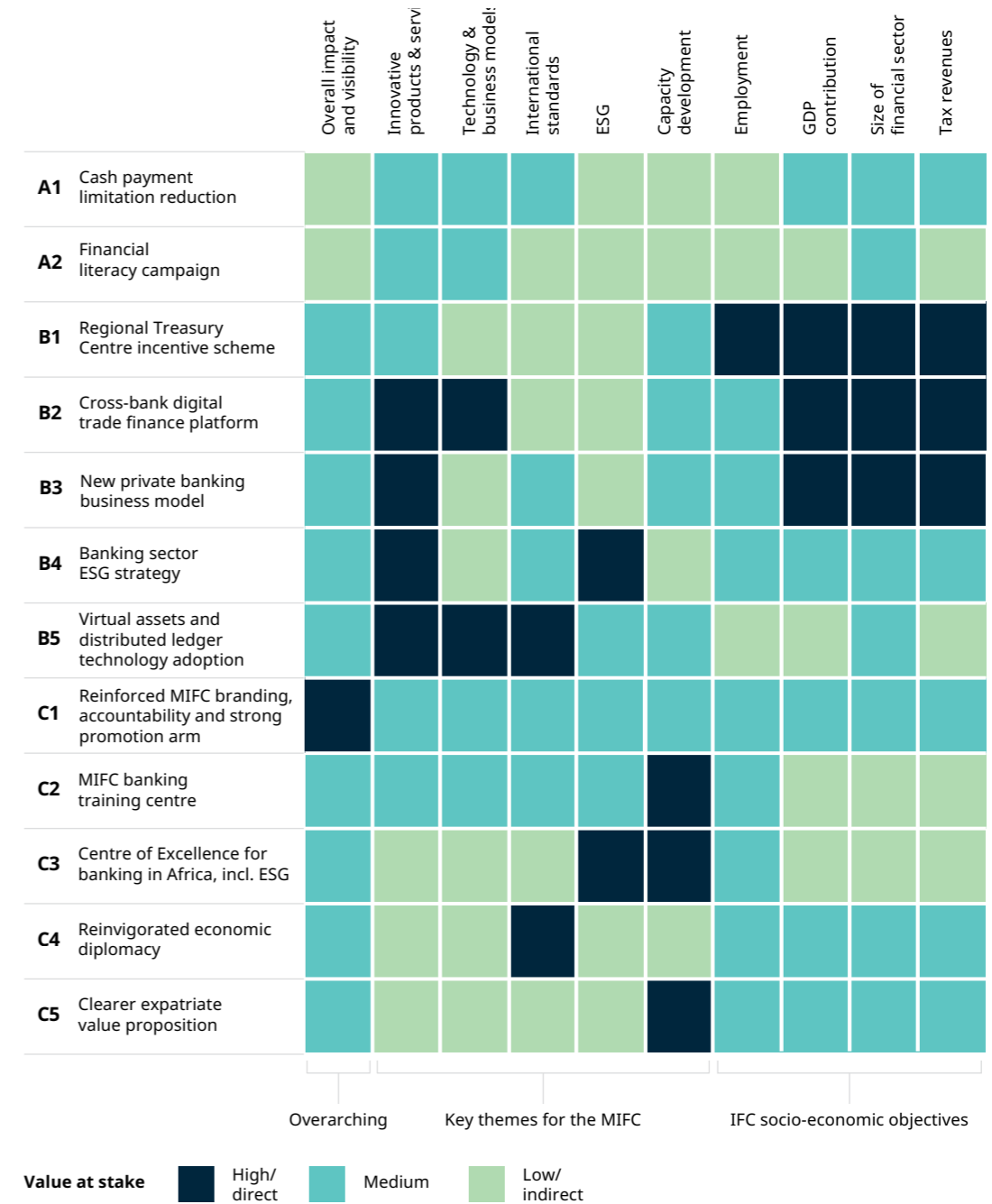
### Primary KPIs for delivery

- Governance and operating model to deliver the strategy in place
- Delivery of priority initiatives within the next 12-18 months with a focus on the domestic market
- Institutionalised private sector participation in MIFC promotion in place
- At least one banking sector-wide initiative delivered within the next 12 months

## VALUE CREATED

Successful implementation could unlock significant value for Mauritius.

**Exhibit 14: Heat map of value created by the programme of initiatives**



## CONCLUSION

The Mauritius banking sector has defined a clear, ambitious and realistic vision for its future: to continue improving its service to the Mauritius domestic market and to expand its footprint in the global market, especially in Asia and Africa.

The initiatives outlined in this report, if thoroughly implemented, will contribute to delivering the vision and set the MIFC on a path of sustained success. By strengthening the positioning of the MIFC as an International Financial Centre of substance, the development of the banking sector will yield significant socio-economic benefits for Mauritius. The Mauritius financial ecosystem is committed to making the 'Future of Banking in Mauritius' strategy a tangible success.

## NOTES

| Abbreviation | Explanation                                    | Abbreviation | Explanation  |
|--------------|--|--------------|--|
| A/V          | Audio / Video                                  | IFC          | International Financial Centre                               |
| ACCA         | Association of Chartered Certified Accountants | IMF          | International Monetary Fund                                  |
| AfD          | Agence Française de Développement              | IPPA         | Investment Promotion and Protection Agreement                |
| AML          | Anti-Money Laundering                          | IT           | Information Technology                                       |
| API          | Application Programming Interface              | KfW          | Kreditanstalt für Wiederaufbau                               |
| BOM          | Bank of Mauritius                              | KYC          | Know Your Client   |
| CAGR         | Compound Annual Growth Rate                    | LDR          | Loan to Deposit Ratio  |
| CAR          | Capital Adequacy Ratio                         | MAS          | Monetary Authority of Singapore                              |
| CBDC         | Central Bank Digital Currency                  | MBA          | Master of Business Administration                            |
| CDIS         | Coordinated Direct Investment Survey           | MIFC         | Mauritius International Financial Centre                     |
| CFT          | Combating the Financing of Terrorism           | MNC          | Multinational Corporation                                    |
| CLPD         | Continuing Legal Professional Development      | MRU          | Mauritian Rupee  |
| CoE          | Centre of Excellence                           | NPL          | Non-Performing Loan  |
| CPD          | Continuing Professional Development            | OECD         | Organisation for Economic Co-operation and Development       |
| CPIS         | Coordinated Portfolio Investment Survey        | PPP          | Purchasing Power Parity                                      |
| CTC          | Corporate Treasury Centre                      | PR           | Permanent Resident   |
| DIFC         | Dubai International Financial Centre           | RoA          | Return on Assets   |
| DPM          | Discretionary Portfolio Management             | RoE          | Return on Equity   |
| DTA          | Double Tax Agreement                           | Rs           | Indian Rupee   |
| EDB          | Economic Development Board                     | SME          | Small and medium-sized enterprise                            |
| ESG          | Environmental, Social and Governance           | SWIFT        | Society for Worldwide Interbank Financial Telecommunications |
| FATF         | Financial Action Task Force                    | SWOT         | Strengths, Weaknesses, Opportunities, and Threats            |
| FI           | Financial Institution                          | TCFD         | Task Force on Climate-Related Financial Disclosures          |
| FSC          | Financial Services Commission                  | UAE          | United Arab Emirates   |
| FTA          | Free Trade Agreement                           | UK           | United Kingdom   |
| FTC          | Finance and Treasury Centre                    | US           | United States  |
| FX           | Foreign Exchange                               | USD          | United States Dollar   |
| GDP          | Gross Domestic Product                         | USP          | Unique Selling Proposition                                   |
| HQ           | Headquarter                                    | XO           | Execution Only   |

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