



DRAFT GUIDELINE ON THE ISSUE OF MONEY MARKET INSTRUMENTS

Bank of Mauritius
18 December 2018

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INTRODUCTION

Money market instruments (MMI) refer to secured or unsecured instruments having maturities of not more than 12 months.

MMIs are usually issued to fund short-term cash flow requirements. Their use is expected to support the development of financial markets in Mauritius. MMIs will allow issuers to diversify their sources of short-term funding while investors will benefit from an additional short-term financial instrument, with market-determined rates of return.

This Guideline governs the issuance of MMIs in Mauritius. It outlines the minimum requirements that issuers and investors should meet, the general procedures to be followed for MMIs issuance as well as the duties and obligations of all parties involved in the process.

Authority

This Guideline is issued under the authority of Sections 14E and 100 of the Banking Act and Section 50 of the Bank of Mauritius Act.

Interpretation

In this guideline,

- a) 'Bank' means the Bank of Mauritius established under section 3 of the Bank of Mauritius Act;
- b) 'company' means a company incorporated or registered under the Companies Act;
- c) 'custodian' means a financial institution that provides custodial services for securities held by the investor, including holding investor positions and managing transactions in terms of the investor's instructions;
- d) 'External Credit Assessment Institution (ECAI)' means an entity that issues external credit assessments and which is recognized by the Bank;
- e) 'investor' means the initial investor or subsequent buyer of MMIs in the secondary market;
- f) 'issuer' means an eligible institution which holds an issuer of money market instrument licence;
- g) 'Issuing and Paying Agent (IPA)' means a bank or a non-bank deposit taking institution that acts on behalf of the issuer to facilitate the issue of MMIs and effect principal at maturity and interest payments to MMI holders;
- h) 'licence' means an issuer of money market instrument licence granted by the Bank;
- i) 'net assets' means total assets less total liabilities;

- j) ‘Certificate of Deposits’ means a negotiable money market instrument issued by a bank or a non-bank deposit-taking institution licensed by the Bank against funds deposited by an investor.

Scope of Application

This guideline shall not apply to:

- (i) Interbank borrowings; and
- (ii) Repurchase agreements involving a bank.

Effective Date

This Guideline shall come into effect on

1. INSTITUTIONS ELIGIBLE TO ISSUE MMI

The following institutions are eligible to issue MMIs :

- 1.1 A financial institution or a company incorporated or registered under the Companies Act in Mauritius having:
 - (i) at any point in time, not earlier than 12 months prior to the proposed issue of a money market instrument, net assets of a total value exceeding 300 million rupees, as certified by its auditors and reflected in its audited financial statements;
 - (ii) operating cash flows at least equal to the size of the issue of the money market instrument; and
 - (iii) a credit rating by a recognised external credit assessment institution.
- 1.2 An entity established under an Act of Parliament and which has the power to borrow funds under that Act.
- 1.3 Any other body corporate as the Bank may approve.

2. GRANTING OF LICENCE

- 2.1 Eligible institutions must make an application to the Bank duly accompanied by the documents specified in Annex 1 and any other information as the Bank may specify to obtain an issuer of money market instrument licence.
- 2.2 The Bank shall publish, on its website, the application form as well as the list of documents and information to be provided to it for the grant of the licence.
- 2.3 The application shall be accompanied by the payment of the non-refundable processing fee prescribed in the Banking (Processing and Licence Fees) Regulations.
- 2.4 The Bank may, against payment of the licence fee prescribed in the Banking (Processing and Licence Fees) Regulations, grant a licence to an eligible institution meeting the above requirements and such other criteria as may be specified by the Bank.
- 2.5 The licence shall be subject to such terms and conditions as the Bank may impose.
- 2.6 The licence shall be valid for a period of one year.

3. PROCEDURES FOR MMI ISSUANCE

- 3.1 The issuer shall –
 - 3.1.1 obtain the approval of its board of directors regarding the size and tenor of any MMI to be issued.
 - 3.1.2 seek a credit rating for the MMI, from a recognised ECAI. The rating letter from the ECAI should be not more than 2 months old.
 - 3.1.3 appoint an IPA and a custodian for the issue of a MMI.
 - 3.1.4 apply for a licence from the Bank under section 14E of the Banking Act and Regulations made in that respect, duly accompanied by the documents specified on the Bank’s website.
 - 3.1.5 bear expenses related to the MMI issue.

- 3.2 The IPA shall –
 - 3.2.1 certify that it has entered into a valid agreement with the issuer and that documents, as set out in Annex 2, are in order.
 - 3.2.2 open the MMI issue for subscription upon the issuer being granted a licence by the Bank.
 - 3.2.3 credit, on behalf of the issuer, the MMI to the account of the investor with the custodian against proof of payment.
 - 3.2.4 close the offer for subscription of the issue of MMI within a period not exceeding one month from the date of opening of the issue for subscription.

- 3.3 Investors shall pay the discounted value or face value of the MMI to the account of the issuer. Payment shall be made through the IPA, where applicable.

- 3.4 MMIs may be issued –
 - 3.4.1 in accordance with a preset annual programme of issuance submitted to the Bank; or
 - 3.4.2 on a discretionary basis during the validity period of the issuer’s licence, with due notification and reporting to the Bank.

4. FORM OF MMIs

- 4.1 MMIs shall be issued in certificated or book-entry form through a custodian.
- 4.2 While the option to issue MMIs in certificated form is available, issuers are strongly encouraged to issue MMIs in book-entry form.

5. TENOR OF MMIs

- 5.1 MMIs shall be issued in maturities of not more than 12 months.
- 5.2 The maturity date of any MMI shall not exceed the validity period of the issuer/issue credit rating assessment made by the ECAI and of the licence granted by the Bank.

6. MODE OF ISSUE

- 6.1 MMIs shall be issued –
 - 6.1.1 with a minimum size of Rs50 million or its equivalent in such convertible currency as the Bank may approve;
 - 6.1.2 in minimum denominations of Rs100,000 or its equivalent in such convertible currency as the Bank may approve;
 - 6.1.3 at a discount to face value, whereby the discount to face value shall be determined by the issuer based on prevailing Government of Mauritius Treasury Bills/Bank of Mauritius Bills yields and a risk premium in accordance with the credit rating of the issuer or the credit rating of the issue, as the case may be; or
 - 6.1.4 as an interest-bearing note whereby the investor pays the face value and, at maturity, receives the face value and accrued interest. Interest shall be determined by the issuer based on prevailing Government of Mauritius Treasury Bills/Bank of Mauritius Bills yields and a risk premium in accordance with the credit rating of the issuer or the credit rating of the issue, as the case may be, and may be fixed or floating.
- 6.2 MMIs may be issued through Special Purpose Vehicles;
- 6.3 MMIs may be issued as bullet or evergreen instruments;
- 6.4 The following market conventions shall be applicable -
 - 6.4.1 Interest on the MMIs shall be rounded to 2 d.p. and prices shall be rounded to 3 d.p.
 - 6.4.2 The day count convention shall be Actual/365.

7. LIMIT ON THE AMOUNT OF ISSUE

- 7.1 The aggregate amount of the MMI raised by an eligible issuer shall at all times be within the limit approved by its board of directors and/or in line with the quantum indicated by the ECAI for the issue, whichever is the lower.

8. TRANSACTIONS IN MMIs

8.1 Trading

- (i) All Over the Counter (OTC) trades in MMIs shall be reported to the Bank within the prescribed time period and in such format as may be determined by the Bank.
- (ii) Settlement for OTC trades in MMIs shall generally be either T+0, T+1 or T+2.
- (iii) Clearing of OTC trades in MMIs shall be through the Mauritius Automated Clearing and Settlement System.

8.2 Buyback

- (i) An issuer may buy back MMIs from current holders before maturity, subject to the approval of its Board of Directors.
- (ii) Buyback of a MMI shall take place through the IPA or through the secondary market, with due notification to the IPA, at prevailing market prices.
- (iii) The buyback offer shall be extended to all investors in the MMI issue.
- (iv) MMIs bought back shall stand extinguished.

8.3 Transfer

- (i) The MMI shall be transferable, subject to the transfer being registered through the custodian.
- (ii) The issuer shall recognize the investor whose name is last registered at the custodian as the owner of the MMI.

9. REDEMPTION

- 9.1 On maturity, the investor shall receive payment from the issuer.
- 9.2 The IPA shall receive payment from the issuer and shall effect payment to the holder of the MMI.

- 9.3 Where the maturity date falls on a Saturday, public holiday or bank holiday, payment shall be made on the next working day.

10. DUTIES AND OBLIGATIONS OF PARTIES INVOLVED

The duties and obligations of the issuer, IPA, and ECAI are set out below.

10.1 The issuer shall:

- (i) deliver to the IPA and ECAI a duly adopted resolution from its Board of Directors authorising the issue of MMIs and duly signed by the Chairperson and the Company Secretary of the Board.
- (ii) make the disclosure as specified in Annex 3 in the offer document, as a minimum.
- (iii) route all subscriptions/redemptions/payments through the IPA.
- (iv) arrange for crediting, against proof of payment, the MMI to the investors' accounts with the custodian through the IPA.

10.2 The IPA shall:

- (i) enter into a written agreement with the issuer to act as IPA for the issue of the MMI.
- (ii) verify and hold certified copies of original documents provided by the issuer in its custody.
- (iii) verify all information disclosed in the offer document before issuance.
- (iv) arrange for the allocation of an ISIN code to each MMI issue.
- (v) conduct KYC on the investors and investor funds in compliance with the Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Institutions.
- (vi) conduct a customer suitability assessment to ensure that individual investors understand the risks linked to investment in MMIs, and that such investment matches their objectives and risk appetite and obtain a declaration from those individual investors that they so understand.
- (vii) make clear in the offer document that the investment is subject to credit and other risks and that payment will be made only if the issuer has made the funds available to the IPA.

- (viii) inform initial investors that in case of insolvency of the issuer, they would receive the same treatment as unsecured creditors in terms of priority of claims as laid down in the Insolvency Act.
- (ix) in case of default of the issuer, immediately notify the investors, ECAI and the Bank about such default.
- (x) at maturity, receive funds from the issuer and effect all payments to the investors.
- (xi) report the details of the MMI issue to the Bank within 3 working days of the day of issuance in the format prescribed by the Bank.
- (xii) report to the Bank all instances of buyback of MMIs by the issuer within 3 working days of the day of buyback in the format prescribed by the Bank.

10.3 The ECAI shall -

- (i) act responsibly in rating issuers and MMI issues, continuously monitor the rating assigned to the issuer and the issue, and undertake revisions, as necessary, to the ratings.
- (ii) disseminate ratings to the public through publications, website, and any other means as the ECAI deems fit.
- (iii) advise the concerned IPA about the ratings of the issuer and MMI, and any subsequent change in the ratings on the date of change in ratings.
- (iv) indicate clearly the circumstances in which the rating shall be due for review.

11. COMPLIANCE WITH THIS GUIDELINE

- 11.1 Issuers, IPAs and ECAIs shall comply with the requirements, follow the procedures and carry out their duties and obligations, as prescribed in this guideline.
- 11.2 Sections 1.1(iii), 3.1.2, 3.1.3, 3.2, 7.1, 9.2, 10.1, 10.2, and 10.3 shall not apply to Certificates of Deposits.

12. REVIEW

- 12.1 The above guideline will be subject to review as and when required by changing market conditions and changes in the legislation.

Bank of Mauritius

..... December 2018

Documents Supporting the Application to the Bank of Mauritius for an Issuer of Money Market Instrument Licence

- (i) Company profile, including identity of shareholders and Ultimate Beneficial Owners holding more than 10% interest and senior management;
- (ii) Details of any outstanding MMIs as on date of new issuance including date of issuance, credit rating, name of ECAI and name of IPA;
- (iii) Details of proposed MMI issue including amount, current credit rating, name of ECAI, its validity period, and details of IPA and/or custodian;
- (iv) End-use of funds;
- (v) Copy of IPA certificate;
- (vi) Copy of Credit Rating rationale from the ECAI;
- (vii) Summary of audited financial statements for the last three years;
- (viii) Projected P&L, balance sheet and cash flows for the next two years;
- (ix) Key financial ratios for the last three years and next two years, including Total Gearing, External Gearing, DSCR, Interest Cover, Current Ratio;
- (x) Source of repayment;
- (xi) Statement from concerned eligible institution or its external auditor confirming that any credit exposure of the eligible institution has not been classified as impaired;
- (xii) Details of default, if any, for the past three years;
- (xiii) All outstanding credit facilities from banks and non-bank financial institutions, facility-wise, and their asset classification;
- (xiv) Copy of the offer document;
- (xv) Authorisation to the Bank to access the credit profile of the issuer on the Mauritius Credit Information Bureau;
- (xvi) Any other additional information or document as the Bank may require.

IPA CERTIFICATE

We have a valid IPA agreement with the *(Name of Issuer)*.

2. We have verified the documents, that is, Board resolution and Credit Rating Rationale issued by the External Credit Assessment Institution, submitted by *[Name of the Issuer]* and certify that the documents are in order. Certified copies of original documents are held in our custody.

(Authorised Signatory/Signatories)

(Name and address of Issuing and Paying Agent)

Place :

Date :

Minimum Disclosure in the Offer Document

- (i) Short description of the issuer;
- (ii) Description of the MMI, including form, tenor, mode of issue and credit rating;
- (iii) Copy of IPA certificate;
- (iv) Summary of audited financial statements for the last three years;
- (v) Company information or any other related information likely to assist the investor to invest or not in the MMI.
- (vi) End-use of funds;
- (vii) Tax treatment of payments under the MMI;
- (viii) Inform investors that the investment is subject to credit and other risks and that payment will be made only if the issuer has made the funds available to the IPA;
- (ix) Inform investors that in case of insolvency, the investor will receive the same treatment as unsecured creditors in terms of priority of claims as laid down in the Insolvency Act;
- (x) Inform investors that the MMI will be maintained in dematerialised form (book entry form) through a custodian. While the Bank strongly encourages issuers to issue MMIs in dematerialised (book-entry form), issuers may still opt to issue certificated MMIs through a custodian.