

# A deep dive into the regulatory framework for fund structures in Mauritius

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In our previous article, we spoke at length about the legal structures in Mauritius, the choice of Mauritius as a jurisdiction of domicile for housing Fund structures and the preferred vehicles of choice. Building on these series, we shall in this piece dig further into regulatory aspects and invite you to browse through the precursor to this snippet, which can be read here (<https://www.axis.mu/uplds/Setting-up-a-Fund-in-Mauritius-Axis-Insights.pdf>).



## A. Basic Fund Typologies

At its simplest, a Fund vehicle can be regulated as either a collective investment scheme (“CIS”), which is essentially an open-ended fund, or as a closed-end fund (“CEF”). The main distinction lies with the redemption mechanism.

### *Collective Investment Schemes (CIS)*

In an open-ended structure, an investor can choose to subscribe for shares or redeem its investment at any point, based on the provisions of the constitutive documents of the CIS. A CIS is obliged to redeem a participant’s shares at their request, at a price corresponding to the net asset value of those investments (minus fees and commissions). Typically, a CIS would be constituted to invest in portfolios of securities or other financial assets, real property or non-financial assets, subject to the approval of the Financial Services Commission (the “FSC”).

### *Closed-end Funds (CEF)*

Conversely, in a CEF, investors are locked-in, i.e. they do not have control on exiting the fund and distributions are at the option of fund in line with its distribution waterfall. It goes without saying that this is an oversimplification and that the constitutive documents will in all likelihood be very detailed and prescriptive.



## B. **Retail Funds and Non-Retail Funds**

### *Retail Funds*

The Fund regulation in Mauritius caters for both retail and non-retail Funds. Simply put, retail Funds are Investment Funds that are intended for ordinary investors as opposed to institutional investors which are more adequately catered for in non-retail Funds. That being said, there is nothing preventing a Development Finance Institution, Institutional Investor or Family Office from investing into a retail Fund. Another characteristic of a retail Fund is that there is no minimum investor ticket size – although the offering document may include a minimum subscription price for investment eligibility.

Given that the target market for retail Funds includes retail investors, they are subject to higher regulatory scrutiny from the FSC. That entails a number of investment and borrowing restrictions.

### *Non-Retail Funds*

The main types of non-retail Funds recognized in Mauritius are:

- 01 Professional collective investment scheme (PCIS) which can be either open ended or close ended; or
- 02 Expert funds (which can only be open ended); or
- 03 Specialized schemes.

A PCIS is only available to expert or sophisticated investors, as defined in the Securities Act 2005, or on a private placement basis, where the minimum ticket size is USD 200,000. There are also certain post licensing conditions which are applicable to PCIS; for example, the latter must notify the FSC 15 days before the offering is made, and simultaneously file a copy of the offer document. Additionally, a PCIS is also obligated to inform the FSC of the conclusion of an offering, indicating the total amount and value of shares sold. A private equity fund would usually be structured as a closed end PCIS.

An expert Fund, on the other hand, is only available to an investor making an initial investment on its own account of no less than USD 100,000, a sophisticated investor or a similarly defined investor in the securities legislation of another country.



## C. **Licensing Requirements**

### *Global Business Licence*

The Global Business Licence (“**GBL**”), unlike other licences is what is termed a “nature-based” licence. Essentially, a Fund that conducts business principally outside of Mauritius, the majority of whose shares/voting rights/legal or beneficial interests are held by non-citizens, is required to hold a GBL.

Holding a GBL entails appointing a duly licensed management company which acts as the administrator of the entity. The administrator is the principal point of contact between the holder of the licence and the regulator, i.e. the FSC.

### *Fund Authorization*

Every so often we are queried as to the exact licence that a Fund would require to be able to operate in the Mauritian International Financial Centre. Strangely enough, there is no such thing as a Fund licence under the laws of Mauritius. It is simply referred to as a Fund authorization and we canvassed the details of the application in our previous article.



## D. **Investment Manager**

An Investment Fund is required to be managed by an investment manager. Our regulatory regime provides 3 different options as outlined below:

- 01 Setting up an investment manager in Mauritius, which would need to hold a CIS Manager licence issued by the FSC;
- 02 Appointing a foreign Investment Manager in the case of a Fund which holds a GBL – the prior approval of the FSC would need to be sought before effecting such an appointment; and
- 03 Where a Fund is constituted as a company, the board of the company can act as manager to the fund – this is also termed as a “Self-Managed Fund” and requires the approval of the FSC.



## E. **Anti-Money Laundering Regime**

Mauritius is fully compliant with the requirements of the Financial Action Task Force and provides a conducive environment for conducting business. The Mauritian IFC offers a sophisticated array of laws, rules, guidelines and practice/guidance notes which are geared towards preventing licensees from being abused by ill-intended money launderers and financiers of terrorism.

There are 2 main pieces of legislation which apply from a compliance perspective:

- 01 The Financial Intelligence and Anti-Money Laundering Act 2002 (the “**FIAMLA**”);
- 02 The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019.

A Fund is characterized as a reporting person and is therefore subject to a wide array of reporting requirements including but not limited to customer due diligence obligations, ongoing monitoring, suspicious transaction reporting and screening for listed parties.

As a reporting person, a Fund is also required to carry out an independent audit to test and verify the anti-money laundering framework and procedures implemented by the Fund.

In conclusion, Mauritius has positioned itself as a leading jurisdiction for investment funds offering a stable and investor friendly environment, backed by a robust regulatory framework. The Financial Services Commission, with its vigilant oversight, ensures that investor interests are protected, while the diverse range of investment fund structures cater to various investment preferences.

As we look towards the future, the regulatory framework for investment funds is likely to evolve to meet the changing needs of the global financial industry. By gaining a deep understanding of the regulatory framework, investors and fund managers can confidently navigate the depths of Mauritius' financial waters, leveraging its strengths while ensuring compliance, governance, and transparency.

AXIS plays a pivotal role in ensuring compliance for our Fund clients with the regulatory framework. Our value proposition lies in our expertise in navigating complex and ever-evolving regulatory landscapes. Through our diligent monitoring, we help fund managers stay ahead of compliance requirements and mitigate the risk of non-compliance penalties.

Should you wish to learn more about the regulatory framework of investment funds in Mauritius, feel free to reach out to our team at [info@axis.mu](mailto:info@axis.mu).



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