

# Internationalisation of the SEM and Positioning Mauritius as an International Financial Services Centre of substance

## *Listing of Specialist Debt Instruments and of GBL 1 Companies*

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# Presentation outline

- Strategic shift underway at SEM
- Recent initiatives to internationalise the SEM and move-up the value-chain of products
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- Extending recent initiatives to embrace the listing of a wider range of products to list on SEM
- Introduction of a new Chapter 18 to the Listing Rules: the key objectives
- Chapter 18: Key Requirements to list
- Advantages for specialist debt products and GBL 1 companies to list on SEM
- SEM's expectations in five years



# Strategic shift underway at SEM

*Key Near Term Objective: Move away from an equity-based, domestic Exchange to a multi-product, internationally-oriented Exchange*

- Enter new asset classes and diversify product offerings by moving up in the value-chain of products (Global funds, foreign companies, Government securities, Exchange-Traded funds)
- Attract new foreign players to the market to scale up activities of the industry and foster product innovation
- Improve the international visibility of the SEM and consolidate the SEM's link to the international Exchange space



# Recent initiatives to internationalise the SEM and move-up the value-chain of products

- Review of Chapter 16 of Listing Rules in January 2010 to position SEM as an attractive venue for the listing of Global funds
- Opening-up of the Official market to attract the listing of a wide-spectrum of fund structures – Expert funds, Professional funds, Specialised funds etc., both local & international
- Linking up with major international institutions like Bloomberg, Financial Times, I-net Bridge to relay live data to international investors
- Discussions between SEM/CDS, Central Bank, FSC and Commercial Banks on a framework to develop an active secondary market in Government Securities



# Recent initiatives to internationalise the SEM and move-up the value-chain of products

- Seeking of international recognitions and securing the status of designated Stock Exchange by the UK Her Majesty's Revenue & Customs (HMRC) and Cayman Islands Monetary Authority (CIMA)
- Joint SEM/CDS/BOM initiative to position SEM as first Exchange in Africa to list, trade and settle in USD, Euro and GBP
- Setting the stage for the SEM to emerge as a listing venue for structured products that have an Africa nexus (e.g. African Exchange Traded Funds, special purpose vehicles investing in Africa)



# Concrete outcome of some of the recent initiatives

SEM is slowly but surely emerging as an attractive listing venue for Global funds

<b>List of Global Funds listed recently</b>		
	<i>Currency of Listing</i>	<i>Investment Objective</i>
Africa Sustainability Fund	USD	The principal investment objective of the Fund is to make direct investments in African equity securities in order to generate long-term positive returns for investors.
Grand Towers Africa Fund PCC	USD	The investment objective of the Fund is to achieve long term returns by making privately negotiated equity and equity-related investments in commercial properties in Sub-Saharan Africa (excluding South Africa).
Global Investment Opportunities Fund	USD	The investment objective of the Fund is to invest in a portfolio of securities comprising principally of shares, depositary receipts, convertible bonds, debt securities, derivative instruments and units of mutual funds worldwide.
Kotak Investment Opportunities Fund	USD	The investment objective of the Fund is to invest in a portfolio of securities comprising principally of shares, depositary receipts, convertible bonds, securities, derivatives and units of mutual funds worldwide.



# Concrete outcome of some of the recent initiatives

List of Global Funds listed recently		
	<i>Currency of Listing</i>	<i>Investment Objective</i>
Global Diversified Fund PCC	GBP	The investment objective of the Fund is to invest (mainly in Europe, with an initial focus in UK and Germany) in a broad range of investment vehicles with a focus on property investments, in global equities and bonds and any other instruments.
Cerulean (Mauritius) PCC	USD	The investment objective is to target lasting investments in any jurisdiction other than South Africa and Mauritius with the aim of generating capital growth.
Imara Portfolio Selector PCC	USD	The principal investment objective of the Fund is long-term capital growth from investment primarily in listed equities on the Zimbabwe Stock Exchange that cover a wide range of industries and sectors.
The Four Elements PCC	GBP	The investment objective of the Fund is to achieve steady long term capital growth through an investment in a mixture of residential developments, houses, apartments as well as commercial properties and developments.
JPT Capital PCC	GBP	The investment objective of the Fund is to target significant long-term income and capital appreciation with a focus on property investments in Australia.
Fidelis Opportunity Fund PCC	GBP	The investment objective of the Fund is to seek superior, risk-adjusted returns by investing in a portfolio of international property, fixed Interest, cash/ near cash, offshore fixed-rate, and convertible bonds issued by Indian entities.

More funds listing in the pipeline



# Extending recent initiatives to embrace the listing of a wider range of products to list on SEM

- Objective now is to reach out to a new range of products to list on SEM
- To achieve this objective, SEM has opted for an extension of the flexibility introduced on Global funds listing to new products, namely specialist debt products and Category 1 Global Business companies
- In other words, the Listing Rules of the Official Market will henceforth, incorporate flexible rules which will not only be targeted to the listing of Global funds, but also to specialist debt instruments and to GBL 1 companies





# Introduction of a new Chapter 18 to the Listing Rules: the key objectives

- The new Chapter 18, coupled with the modified version of Chapter 16, potentially raises the SEM's profile as an attractive listing venue for specific global products
- It scales up the SEM and puts the Exchange at par with the Irish Stock Exchange, Luxemburg Stock Exchange, Channel Islands Stock Exchange, in certain product areas
- It sets the tone for the SEM to emerge as an international Exchange in this region of the World



# Introduction of a new Chapter 18 to the Listing Rules: the key objectives

- It contributes to Mauritius' emergence as an international financial services centre of substance
- Chapter 18 will enable SEM to add another important dimension to the spectrum of services offered in the Global Business space, namely the listing component
- Mauritius, as an emerging international financial services centre, can be positioned as a vertically integrated centre offering a wide spectrum of services ranging from incorporation of Global Business companies, to front/back-office operations and listing



# Chapter 18: key requirements to list

## □ Specialist debt instruments

- Specialist debt instruments are targeted to qualified investors
  - Qualified investors are investors who are knowledgeable and understand risks of investing in specialist debt instruments e.g. sophisticated investors, expert investors
- Issuer of specialist debt instrument needs not have a three-year track record
- Nominal amount of debt should in general be greater than Rs 25 million
- Holders of the specialist debt instrument may be less than 100



## Chapter 18: key requirements to list

- However, issuer of debt instrument must comply with other relevant disclosure requirements including the quarterly reporting requirements
- ❑ **Category 1 Global Business companies**
  - A GBL1 company may list without having a three-year track record. But applicant should demonstrate satisfactory experience in the management of the business and its sustained viability through a solid business plan
  - The applicant must have a market capitalisation of Rs 20 million



## Chapter 18: key requirements to list

- The applicant may have less than 200 shareholders and less than 25% in public hands
- However, the applicant must comply with other relevant disclosure requirements and adhere to quarterly reporting requirements



# Advantages for specialist debt products and GBL 1 companies to list on SEM

- SEM is a well-recognised Exchange in the African Exchange space, through its affiliation to a number of stock exchange standards setters (WFE, UK HMRC, CIMA) and stock exchange associations (ASEA, SAFE, COSSE)
- SEM offers international issuers of specialist debt securities and GBL 1 companies the unique advantage of listing, trading and settling in Mauritian Rupee, USD, Euro and GBP
- SEM is committed to a speedy processing of applications with a turnaround time of two weeks once the final application is complete



# Advantages for specialist debt products and GBL 1 companies to list on SEM

- A listing on SEM will add to the attractiveness of the company from an investor's perspective, whilst representing an important way of demonstrating substance, specially when the product is marketed to investors who can only invest in listed products
- To list on the SEM, there is no requirement to have registered sponsors as in other jurisdictions, like Luxemburg, Ireland, London, etc. The issuer may use its own internal resources to ensure pre & post-listing obligations
- A listing on the SEM constitutes a “demonstrable” way of showing substance for Global Business companies and adhering to high standards of disclosure and compliance



# SEM's expectations in five years

- A major shift from a domestic–equity-focused Exchange to a multi-product-internationally-focused Exchange
- The split of listings will overwhelmingly consist of international funds, international issuers, specialised debt instruments, Africa-focused Exchange-traded funds and other structured products
- Value of products traded and settled in USD, Euro, etc. is expected to increase over time, confirming the internationalised status of the SEM
- The SEM will bring a meaningful contribution to the integration of the Mauritius financial services sector within the international financial system





# SEM's expectations in five years

- The SEM should aspire to emerge as a capital-raising platform for Africa-focused investments routed through the Global Business Sector
- The SEM platform will growingly be used to channel investment flows from USA/Europe/Asia into Africa and from USA/Europe into Asia
- The number of issuers, players and investors in our market will increase, increasing the breadth and depth of our market and resolving the structural constraints of a small economy



**Thank You**

