Mauritius Raises IFC Game, Says Practitioner

Tom Burroughes, Group Editor , 28 August 2018

In the never-ending battle for business among IFCs, one jurisdiction that appears to be pushing its charms to the fore is Mauritius.

Mention the words “international financial centre” to even a more well-informed person and he or she might come up with a name such as Hong Kong or Zurich, or possibly a posh Mediterranean jurisdiction such as Monaco. The island of Mauritius, a former British and French colony in the Indian Ocean, will not usually crop up. But that may be changing.

Practitioners say that its qualities (political stability, steady economic growth, legal robustness, friendly multi-cultural relations, etc) are becoming harder to ignore. And the country is upping the ante by joining the ranks of dozens of other places that are developing citizenship-by-investment schemes – sometimes dubbed “golden passports”.

The country has also featured in a number of hires in the private client wealth management arena. SANNE, the provider of alternative fund asset and corporate funds services, for example, recently recruited a Mauritius country head. In the M&A arena, as reported last year, Switzerland-based Summit Trust bought the 61.4 per cent stake in the trust business that was previously owned by Sanlam, the South Africa-based wealth management and financial services group. As part of that deal Sanlam simultaneously acquired Summit Trust International’s stake in Summit Trust Mauritius. The latter will be renamed Sanlam Trustees International Limited.

And at the start of 2018, Geneva Management Group, which provides a mix of wealth management, corporate structuring and advisory services around the world, with offices in multiple countries and regions including Switzerland, South Africa, the Caribbean, GCC and the UK, appointed 30 people to its Mauritius operations. It now employs about 90 people in the country, out of a total global payroll of 150. The fact that such a high ratio of its staff are based in Mauritius is instructive.
Among international banks on the island are HSBC, Standard Chartered, Deutsche Bank and Investec.

Mauritius is calling
Mauritius is attracting organisations, ranging from companies, funds to sovereign wealth funds that seek a stable, legally robust platform from which to invest into Africa, Marco Rapaglia, chief operating officer at GMG, told this news service in a recent interview. (He joined the firm on the island about four years ago. Prior to this, he worked in real estate investments and had a career before that at Accenture, working in France and Belgium.)

“The family office that we serve today wants global offices/services and jurisdictions on tap,” he said. “We see demand [from family offices] for our services increasing but in a cautious way.

Most of them will use multiple jurisdictions," he said.

While the firm is expanding in different sectors such as insurance, investment management and real estate, Mauritius continues to grow its corporate services and wealth planning business. To some extent this has been driven by increasing "onshore" pressures globally, Rapaglia continued.

The local economy is positive, he said. About 280 South African millionaires (when measured in dollars) have relocated to Mauritius in the last 12 years; there are about 3,800 individuals with $1.0 million or more on the island, and 170 persons with $30 million or more. Gross domestic product growth is rising by around 3.6 per cent a year; inflation is in the 1-2 per cent range and at $25,700 per capita wealth, this is the richest African nation. The island has access to 44 double-taxation treaties; there are tax rebates on foreign income and dividends and no tax on dividends, capital gains or inheritance. Total wealth held in Mauritius now amounts to $43 billion (source: AfrAsia Bank and New World Wealth).

The island's government has recently approved a passport regime, which requires an investment of $5,000,000 into the sovereign fund and a citizenship regime for $1 million investment. This puts it in the same kind of arena as Portugal, Spain, Malta, the UK, the US and other nations that offer citizenship in return for significant investments. This citizenship/residency market is controversial, however, with some organisations such as the European Union recently raising concerns about controls.

Attractions

Mauritius ticks a lot of boxes, Rapaglia said, in terms of its virtues. The IFC is attracting French, South African, British, Indian and African citizens, amongst many. Proximity to Africa, Europe and Asia make it very connected and an easy option to travel to. For instance, Mauritius is just a hop to/from Reunion, the French "department" island. One attraction of Mauritius is a relatively benign time-zone (straddling Asia and Europe); it is an English-language country and large enough to have multiple attractions. (Total population around 1.3 million.)

Indian and Chinese organisations are interested in using the island as a platform; Marco also gave an example of an Australian company wanting to invest in the African mining industry in a range of countries such as Zambia, Zimbabwe, etc, and used a platform created in Mauritius. For a long time, the country has also been an important platform for non-resident Indians, he said. (It is worth noting that a few days ago, officials from the Indian and Mauritius governments met to discuss bilateral ties.)

The island has traditionally been an important destination for South Africans and given South Africa's recent worries – a sharp fall in the rand's exchange rate and concerns about a government plan to confiscate white-owned farmland – it is possibly even more likely that stable jurisdictions will hold an appeal. Stability, in fact, is a quality that is bound to stand out not just in the African sphere, but more widely. One suspects that Mauritius is going to be talked about more in the years ahead.