

**The Honourable Mahen Kumar SEERUTTUN**, Minister of Financial Services and Good Governance

**Mr Dheerendra Kumar DABEE**, Solicitor General and Chairperson of the Financial Intelligence Unit

**Mr Dhanunjaye GAONEADRY**, Permanent Secretary of the Ministry of Financial Services and Good Governance

**Mr Rajeshsharma Ramloll**, Vice Chairperson of the Financial Services Commission

**Board members of the Financial Services Commission**

**Mr Dhanesswurnath Thakoor**, Chief Executive of the Financial Services Commission

**Mr Virendra Kumarsingh DABY**, Permanent Secretary of the Ministry of Industrial Development, SMEs and Cooperatives

**Dr Satyabhooshun Gupt DOMAH**, Chairman, Financial Reporting Council

**Mr Raj MAKOOND**, Chairperson, Financial Services Institute

**Ms Luxmi APPADOO**, Chairperson and Members of Financial Services Fund Managing Committee

Representatives of the Industry Associations

Members of the press;

Distinguished Guests,

Ladies and Gentlemen,

All protocols observed

**A very good morning.**

On behalf of the Financial Services Commission, I wish to extend a warm welcome to all the distinguished guests for your presence today, at the launch of the Peer to Peer, P2P in short, Lending Rules in Mauritius.

When I joined the FSC in May 2020, one of my aims was to pursue the good work already undertaken by my predecessors and deliver among others, on the objectives set out in the Blueprint for the Mauritius IFC. The P2P Lending Rules come into this continuum and represents the first of a series in the Fintech domain.

The launch of P2P lending rules serves a number of key objectives to the Mauritius IFC, the Government and the Commission. These rules ensure that:

- (i) The Mauritian IFC has a dedicated guidance and a regulatory framework for these activities;
- (ii) The operators of these platforms and users of this activity are under regulatory supervision; and
- (iii) The FSC oversees the compliance of future licensees with respect to AML/CFT norms.

**Distinguished Guests,**

Speaking of P2P, allow me to delve on the relationship between finance and technology.

Infact, technology has always supported the world of finance, but technology now underpins the Fintech industry which, in turn is disrupting how financial services are being delivered and creating space for new services and product offerings. This is triggered by the convergence of several technologies such as Cloud Computing, Big Data Analytics, AI and IoT coupled with the notion of a customer centric approach.

There are two main types of FinTech propositions: “disrupted” and “invented”. A disrupted service is one that comes to change the way in which an existing service, such as motor insurance or foreign exchange trading is offered. FinTech providers use technology to disrupt these services by offering consumers a more compelling product with enhanced capabilities, convenience, or lower prices and

fees. This profoundly changes customer expectations in the process, pressuring other service providers to develop their similar services in order to stay competitive and retain market share.

An invented service on the other hand, is one that didn't exist before but, is now possible by technology and alternative business models. Some invented services fill niches in the market, and others have the potential to redefine and transform entire financial subsectors.

P2P lending comes into the category of a disruptive service that allows non-traditional players to compete into the lending market.

According to the BIS Quarterly Review, Peer to Peer lending or Fintech Credit activity has expanded rapidly in many countries over the recent years, albeit from a very low base. Estimates from the Cambridge Centre for Alternative Finance indicate that 284 billion dollars in such credit was extended globally in 2016 up from 11 billion dollars in 2013. Interestingly the feature also indicates that the quantum of fintech credit activity is positively correlated with the country's income and negatively correlated with the level of competition in the banking sector. Fintech credit volumes are also greater in countries with less stringent banking regulation.

### **Ladies and Gentlemen,**

We believe that once launched, the P2P lending which is a brilliantly innovative new form of finance, has the potential to grow and evolve in our market as well.

Globally, China is currently the country with the most P2P loan approvals followed by the United States and United Kingdom. Some of the other major countries which regulate P2P lending include Australia, Korea, Malaysia, France and Germany. In relation to GDP, P2P was relatively high in smaller economies such as the Estonia, Georgia, and New Zealand.

Today, the global P2P lending market is valued at 68 billion dollars and expected to grow at 29.7% for the next 7 years to 559 billion dollars. Despite the rapid development of P2P lending globally, the activity differs markedly across countries thus, giving rise to opportunities and challenges.

The intensity and quality of financial regulation is one of the factors that impacts the P2P lending activity. The emergence of this activity will pose for broader monitoring challenges as concerns for financial stability and regulatory arbitrage may emerge as the sector grows. According to the “Integrative Business & Economic Research paper 2019,” while the technological platform provides the quality and speed of service and there is a perception of greater social value, the P2P has a high risk of information asymmetry and moral hazard of the borrowers.

Nonetheless, the FSC believes that P2P is set to become a Fintech activity which will evolve and mature. Consequently, the FSC is standing on the side of innovation with the right dose of regulation to help the activity grow.

Consequently, the P2P lending rules has a set of provisions to protect the borrowers, lenders and the integrity of the financial system, namely:

1. A lender, who is a legal person, shall not lend more than Rs 3 million in any 12- month period;
2. Any lender, who is a natural person, shall not lend an amount exceeding Rs 1.5 million in any 12 month-period;
3. The maturity of all lending executed through Peer to Peer Lending platforms shall not exceed 84 months.
4. Lenders’ and borrowers’ information are to be kept in conformity with the Data Protection Act of Mauritius; and
5. P2P Operator will be subject to the obligations and responsibilities for putting in place AML/CFT measures, in accordance with the provisions of the AML/CFT Code.

It is worthwhile to note that several improvements and flexibilities have been provided in the Rules.

For instance:

- (i) Increase of borrowing and lending limits through P2P Lending platforms;
- (ii) Flexibility or eligibility for further borrowings through P2P Lending platforms;
- (iii) Extension of re-imburement period of lending;
- (iv) Opportunity of P2P Lending by sophisticated investors to borrowers who are not resident in Mauritius; and

(v) Possibility of establishing a foreign branch.

**Distinguished Guests,**

We further wish to stress that our P2P lending rules match best international standards.

In the elaboration of the P2P Lending Rules, the FSC has undertaken a benchmarking exercise against other international jurisdictions. The regulatory frameworks of various financial jurisdictions (such as Dubai, Malaysia, United Kingdom, Singapore and India,) along with recent reports issued by international standards setters (such as IOSCO) were also considered.

This phase was critically important for the FSC to assess how key regulatory parameters (like governance, disclosure requirements, due diligence, investment limits, credit-risk scoring, amongst others) are addressed under the regulatory frameworks of these foreign financial jurisdictions and to consequently introduce an appropriate bespoke model for the Mauritian jurisdiction.

Moreover, there will be a comprehensive transitional provision that will enable entities under the National Regulatory Sandbox License to apply for a full-fledged licence with the FSC.

Furthermore, the close consultations held with other competent authorities in Mauritius (namely, our parent Ministry, the Bank of Mauritius, the Attorney General's Office and the Mauritius Revenue Authority) as well as with our industry partners and stakeholders, have also been instrumental in the finalisation of the P2P Lending Rules. This collaboration is a critical ingredient in ensuring the success of a Fintech activity, which by nature, spans over several regulatory domains.

**Looking forward, Ladies and Gentlemen,** the launch of the P2P lending rules today marks the start of a new journey in the promotion of Fintech activities by the FSC.

The FSC has also come up with a spectrum of frameworks and guidance notes for:

- (i) Digital Assets as a new asset class for sophisticated and expert investors;
- (ii) Custody Services for Digital Assets; and
- (iii) Securities Token Offerings and Security Token Trading Systems.

The FSC is also working towards the development of a digital platform for the insurance industry that will pave the way for digital insurance products through open standard information exchange.

**Distinguished Guests,**

To conclude, as the foundations of the digital economy are being laid, the FSC will remain supportive of innovation by ensuring that our regulations are fit for purpose and create a safer and more resilient financial sector.

Thank you for your attention.