

Launching of Regulatory Framework on Crowdfunding

Speech of Mr. Mardayah KONA YERUKUNONDU

Chairperson of the Financial Services Commission

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

Mr Rajeshsharma RAMLOLL SC, Solicitor General and Vice Chairperson of the Financial Services Commission, *who is following this event virtually*

Mr Sarwansingh PURMESSUR, Permanent Secretary of the Ministry of Financial Services and Good Governance and Board member of the Financial Services Commission

Fellow members of the Board of the Financial Services Commission

Mr Dhanesswurnath THAKOOR, Chief Executive of the Financial Services Commission

Representatives of the Industry,

Friends of the Press,

Distinguished Guests, including those following virtually

Ladies and Gentlemen,

A very good morning to you.

It is indeed a great honour for me to welcome you at the seat of the Financial Services Commission today for the launching of the regulatory framework on Crowdfunding.

Mauritius, Ladies and Gentlemen, is out of the FATF Greylist. I opted to start my intervention on this today in recognition of the hard work which the FSC has put on, to get us out of this list. The FSC has been instrumental in this arduous and laborious task. As you know, in most such reviews, it is the GBC sector which is most targeted. This is why for us, at the FSC, we take it as a great achievement. It is indeed a pride for us that other countries are now seeking our expertise.

I have seen a sample of the country, for the love of their motherland, work with such dedication, on the face of such adversity. I saw a sense of patriotism in all of them, who worked against all odds. I saw the true Mauritius. This reminds me of what late Shrimati Indira Gandhi said when she came to Mauritius. She said *“Mauritius is a great little country”*.

We are also pleased that the UK followed suit in less than a month's time. I would wish, here, to congratulate the staff of the FSC and say a big thank you to all those who have helped make, within record time, the de-listing of Mauritius a reality.

We are now only awaiting our removal from the EU list of high-risk third countries. There is no reason to believe this would not happen very soon.

Ladies and Gentlemen, in the recent past, the FSC launched the Peer-to-Peer lending, a framework enabling individuals to obtain loans directly from other individuals. The FSC, has already licensed two Peer-to-Peer lending operators, which are both up and running. This also means the creation of new jobs.

Today we are here for yet another new product, the investment-based crowdfunding.

I like the word crowd. It is symbolic of democracy. The crowd is a means by which many things may be gauged. Something which benefits the crowd can only be beneficial to society. Funding by the crowd for the achievement of a common goal is more virtuous. It is for the benefit of the community.

To most of us here gathered, crowdfunding may seem like a new concept. Ladies and Gentlemen, crowdfunding has a long history, going back to the 16th century. It was then used for philanthropic purposes. Crowdfunding emerged as an alternate source of finance in the wake of the 2008 financial crisis, largely due to the difficulties faced by entrepreneurs and early-stage enterprises to raise funds.

Simply explained, crowdfunding is an initiative undertaken to raise money for a new project proposed by someone, by collecting small to medium-size investments from several other people, that is, a crowd. Different players are involved:

1. There are the proponents of projects to be funded. They present their projects.
2. Then there is the crowd who is interested in the projects and decides to financially support these projects, of course taking a risk and expecting a certain payoff in that respect.
3. And finally, the crowdfunding organization, which brings together those who want to deliver the new initiatives using crowdfunding mechanisms.

For investment-based crowdfunding, which is the focus of today's event, this business activity gained momentum in April 2012 when "the crowdfunding bill," was passed in the United States to facilitate the general solicitation of funds from the public. Since then, other jurisdictions have developed their own frameworks to regulate crowdfunding and promote healthy competition. In 2013, the World Bank Report entitled '*Crowdfunding's Potential for the Developing World*' highlighted that crowdfunding and investment crowdfunding have several important roles to play in developing the entrepreneurial ecosystem.

Ethan Mollick, Associate Professor at the Wharton School of the University of Pennsylvania, where he studies and teaches innovation and entrepreneurship,

said: *“The unique value of crowdfunding is not funding, it is community. Raising money online is not an easy task. People will not throw their hard-earned cash just because you have created an awesome campaign. You need to engage the crowds in a compelling way.”* Crowdfunding is not only about ideas. It is also about making ideas happen.

Ladies and Gentlemen, the FSC has introduced the regulatory framework for investment-based crowdfunding to further diversify the product base of Mauritius as an International Financial Centre. The objective of this new framework is to create an ecosystem conducive for improving access to finance for both individuals and entrepreneurs. The FSC is no doubt confident that this new regulatory framework for investment-based crowdfunding will contribute to shape and improve access to finance for entrepreneurs, thus bolstering an entrepreneurial spirit in our country.

As a forward-looking and responsible regulator, the FSC will ensure that licensed institutions conduct their businesses in a safe and sound manner and comply with all applicable laws. This will in turn spur growth in the Fintech sector, thus transforming it into a new pillar of the Mauritian economy.

It is, therefore, of paramount importance that we ensure that regulatory and supervisory structures remain robust, allow risks to be appropriately managed, while enabling innovations to flourish. In this respect, our regulatory frameworks need to

be constantly adapted to changing technologies and business models, to remain relevant and effective. Regulation need to catch up with innovation.

The domestic crowdfunding market might be in its infancy, but the potential is significant. The crowdfunding is a powerful platform and opportunity for new start-ups. Stakeholders, I will therefore urge you to make the maximum use of this new digital platform. The FSC team stands ready to assist you with any of your queries or request for clarifications. Trying times, Ladies and Gentlemen, are times for trying.

I have reached the end of my address. But I still have one key message. The FSC is working diligently to broaden its product base and digital platforms. I personally, and we, at the FSC, will continue to pursue our efforts so that the jurisdiction continues to be in the list of IFCs of repute, far from the grey and black lists!

On this note, Ladies and gentlemen, I thank you for your attention.

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