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Keynote Address

Virtual asset regulatory developments and highlights from Mauritius

Z/Yen Webinar

18 April 2023 – 13.30hrs

Introduction

Thank you for this kind introduction Hugh.

It gives me an immense pleasure to again address the Z/Yen community.

I wish you all a very good afternoon and thank you for your presence to this webinar, which aims to promote Mauritius as jurisdiction of choice for Virtual Assets.

Indeed, recognizing that Regulation is vital to fintech growth, Mauritius has put in place a number of enabling legislative provisions to position itself as a Fintech Hub.

VAITOS Overview

In a statement¹ issued in July 2022, the Financial Stability Board (FSB) said *“the recent turmoil in crypto-asset markets highlights their intrinsic volatility, structural vulnerabilities and increasing interconnectedness with the traditional financial system ... An effective regulatory framework must ensure that crypto-asset activities posing risks similar to traditional financial activities are subject to the same regulatory outcomes, while taking account of the novel features of crypto-assets and harnessing their benefits.”*

¹ [FSB Statement on International Regulation and Supervision of Crypto-asset Activities](#)

The FSC, as a forward looking regulator, was an early adopter of the approach advocated by the FSB.

Indeed, Mauritius, as an international financial centre and growing Fintech hub, is among the first countries in the Eastern and Southern African region to adopt a comprehensive legislation on virtual assets and initial token offerings through the enactment of the Virtual Asset and Initial Token Offerings Services Act 2021 (VAITOS). The Act, which came into force in February 2022, regulates the new and developing business activities surrounding Virtual Assets (VAs) and Initial Token Offerings (ITOs), and makes provisions for, inter alia, managing, mitigating and preventing money laundering, financing of terrorism and proliferation risks associated with VA and ITO services.

I must highlight that VASPs and ITOs, categorized as Financial Institutions, are subject to the full prudential and AML/CFT legislative frameworks, as are traditional FIs. At a time when the global regulatory landscape is uncertain, our regulatory framework provides clarity and consistency. Indeed, our regulatory landscape provides for all dimensions of the public's interface with VAs to protect them and at the same time, address prudential and AML/CFT risks.

Types of Licenses

We have developed Fintech as a pillar of future growth, in line with the FATF Recommendation 15 on New Technologies. The five different types of licenses we offer are:

1. Virtual Asset Broker Dealer
2. Virtual Asset Wallet Services
3. Virtual Asset Custodian
4. Virtual Asset Advisory Services
5. Virtual Asset Market Place, and
6. Issuers of Initial Token Offerings.

To date, we have issued licenses to five entities already, namely as Virtual Asset Broker – Dealer, Virtual Asset Wallet Services, Virtual Asset Custodian, Virtual Asset Market Place.

Rules and Guidance Notes issued

Ancillary to the Act, we have also issued the AML/CFT Guidance Notes, which set out the main areas of concern when it comes to Virtual Assets. Virtual Assets have also been recognized as a means for money laundering and has caught the attention of the FATF. The AML/CFT Guidance Notes provide not only for an outlook on the significance of Money Laundering/Terrorism Financing risks associated with virtual asset activities, but also serve as a guideline for VASPs and ITOs with respect to their Anti-Money Laundering and Combatting the Financing of Terrorism compliance obligations under the VAITOS.

The FSC has also issued a series of Rules under the VAITOS, namely:

- i. **Capital and Other Financial Requirements**
- ii. **Client Disclosure**
- iii. **Custody of Client Assets**
- iv. **Cybersecurity**
- v. **Publication of Advertisements**
- vi. **Risk Management**
- vii. **Statutory Returns**

With these legislative instruments, we have captured the majority of transactions and services being offered in the field of Virtual Assets. With the rapid change in technology, the Financial Services Commission will remain attentive to any new activities and adapt its regulatory framework accordingly.

Fast tracked licensing process

In terms of licensing, I am pleased to highlight that we have put in place a new streamlined process for applications. Applications are assessed based on information submitted on the FSC One Platform, and on the confirmations, undertakings and declarations submitted, following which, the licenses are granted within 10 to 12 days.

Financial Literacy Campaign

With a new legislative framework in place, it was therefore our duty, as regulator, to conduct/undertake a financial literacy paradigm to educate consumers about virtual assets and to create an overall understanding and awareness about those assets so that investors are aware of the risks that they entail.

The purpose of this financial literacy campaign on virtual asset is threefold.

1. First, to send a very strong message to the international standard setters, that activities if any, in this asset class are being carried out in a regulated and controlled environment. We are a jurisdiction of substance and of purpose and therefore, we have ensured that the endpoints that could potentially allow money laundering to occur have been closed and that the customers would not be unnecessarily misled by unscrupulous service providers.
2. The second message is towards the actual service providers informing them that they need a licence from the Commission to provide any such service in the Mauritian jurisdiction.
3. Lastly, investors should now be aware that they have to deal, for their own protection, with only those service providers who have been duly licensed.

FATF Recommendation 15

Let me also highlight, that, Mauritius remains committed to meeting international norms and standards. With the re-rating upgrade of the FATF Recommendation 15, the compliance of Mauritius with the FATF Recommendations enhances the status of the jurisdiction as a transparent jurisdiction in the global financial services sector and reinforce its position as a prominent investment destination. The FSC will continue to protect the integrity of the virtual assets eco-system with a view to uphold the reputation of Mauritius as a robust and credible jurisdiction.

Conclusion

I would like to reiterate that, as the integrated regulator for the non-bank financial services, the FSC's focus remains the full-fledged supervision as well as improving and streamlining our licensing processes.

I am very hopeful that going forward, we will be able to build a jurisdiction of repute when it comes to the services in the field of virtual assets while being in compliance with the international standard setting bodies.

On this note, I wish you fruitful deliberations in this webinar, which as you are aware, focuses on the latest regulatory and market changes, and aims to shed light on the practical implications of the ongoing initiatives on the virtual asset ecosystem.

Dhanesswurnath Thakoor

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