



Speech of the Chief Executive

Global Cryptoverse Summit

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Intercontinental Resort, Balaclava

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Mr. Benito Elisa, Founder and Chief Executive Officer of Wakanda Mauritius

Mr Vinay Guddye, Director of Financial Services at the Economic Development Board

Mr Ashween Gopee – CEO LEX Frontiere

Representatives of the industry

Distinguished speakers, delegates and participants

Members of the Press

Distinguished guests

Ladies and Gentlemen

All Protocols Observed

A very good morning to you all.

It gives me an immense pleasure to address such a huge fintech savvy audience that has gathered from different countries under one roof. I wish to also convey my sincere appreciation to those fintech enthusiasts from the different parts of the world who are following this landmark summit virtually.

At the very outset, please allow me to thank Wakanda Mauritius for inviting me to this summit. I always derive immense pleasure in addressing a tech-savvy audience. In fact, when I was invited to talk in this summit, I did not hesitate for long, as such summits

actually complement the work that we regulators, together with the Ministry, are doing in the field of Fintech and virtual assets.

“Cryptoverse”, ladies and gentlemen, taking from its literal meaning, alludes to bringing the universe of “crypto” to you and would encompass the crypto-currency, the Blockchain technology and all related services such as decentralized Finance, smart Contracts, ICOs, Exchanges, Wallets and Non Fungible Tokens. The agenda does justice to the summit and I am sure this summit will go a long way towards establishing Mauritius as a destination of choice for the emerging class of technologies.

Ladies and gentlemen,

Ever since the emergence of the first cryptocurrencies and the interests that big tech companies have placed on the underlying technology, that is the Blockchain, the number of use cases for these technologies have literally exploded over the years. Further, while the original Bitcoin, which, according to the White Paper is a public register, with all rights on immutable ledger. Variants of cryptocurrencies have emerged whereby some level of control have been provided to the users. In other words, there has been such a rapid evolution and adaptation of the technology, that today we have them all around. The world of crypto is now being tipped to be the technology that will either lead or complement our existing services.

Clear use cases already here. Whether it is in the domain of pure FinTech, money transfer and others, the technologies are being used in several domains, but most specifically in the financial technology sphere. All these are very good news. These are even excellent news for the industry. And this is the reason for which the FSC has over the years come up with regulations that are adapted to the actual demand of the market. The Commission has

therefore introduced licensing and regulatory frameworks to promote fintech operations in and from Mauritius. These include:

- Guidance Notes on the recognition of digital assets as an asset-class for investment by sophisticated and expert investors. These guidance notes clarified that funds licensed by the Commission can invest into digital assets such as cryptocurrencies.
- We also have the Peer to Peer lending framework;
- The Crowdfunding rules;
- Payment Intermediary Services licence for businesses exclusively outside of Mauritius;
- Robotic and Artificial Intelligence Enabled Advisory Services Rules;
- Custodian services (digital asset) Rules;
- Framework for Security Token Offerings;

Dear Audience,

If we take a look at statistics in terms of Virtual Assets Usage, Mauritius ranked 76th overall and 16th for P2P trade volume according to the 2021 Global Cryptocurrency Adoption Index. Mauritius received 5 Billion US Dollars in estimated value between July 2020 to June 2021, involving domestic participants. As responsible regulators, we believe that it is better to have these activities carried out in a regulated environment rather than the service providers as well as the consumers of the service being left to the wilderness of the systems and whereby the end consumers might irremediably become the victims of the system.

The FSC has continued to explore the regulatory framework for activities to be conducted in a regulated environment. In this connection, ladies and gentlemen, the Virtual Asset and Initial Token Offering Services (VAITOS) Act came into force, with the specific objective to regulate all activities in the crypto domain, including the issuance of tokens or coins, as

we may call it. The purpose of the VAITOS Act was also to provide inter alia, for managing, mitigating and preventing money laundering, financing of terrorism and proliferation risks associated with virtual assets and initial token offering services. The need to include such a legislation was for us to comply with the famous Recommendation 15 of the FATF. And we are among the first countries in the Eastern and Southern African region to adopt such legislation and which has also enabled us to be compliant or largely compliant on all 40 recommendations of the FATF.

The accompanying rules of the VAITOS which are equally important and give a guidance on how the operators need to put into practice the requirements of the spirit of the law, include:

- Capital and Other Financial Requirements
- Client Disclosure
- Custody of Client Assets
- Cybersecurity
- Publication of Advertisements
- Risk Management
- Statutory Returns; and
- Travel Rules.

I am pleased to highlight that while drafting the above licensing and regulatory frameworks, the Commission has received the support of the World Bank. I wish to further underscore that with the enactment of the VAITOS, no activity can be carried out from Mauritius or no activity can be offered to Mauritian residents without the appropriate license from the Commission and this is a very strong statement that we put forward to ensure that such activities now occur in the purely regulated domain and there is a reason

for which we have put this forward. It has been observed that end customers have been lured by unscrupulous service providers, on the extraordinary returns on crypto assets. Since this is a domain where few people understand, but a number of them pretend to understand, vehicling information to fake website is a very easy way to catch the attention of people, especially at a time when the traditional financial systems are not giving the required or high returns. We have also ensured that we enforce the requirements of the VAITOS. To this respect we have a desk to monitor the activities and I wish to share that we have in terms of enforcement actions

- issued 23 letters to entities allegedly operating as VASPs regarding the requirement to be licensed
- launched 8 special investigations pertaining to persons potentially operating as VASPs and referred to Mauritius Police Force
- issued 9 directions to persons potentially operating as VASPs
- issued 5 Investor Alerts and the assistance of Computer Emergency Response Team of Mauritius was sought to pull down the said websites of the 5 companies
- referred IP addresses to the Mauritian Police Force.

Ladies and Gentlemen

Now that I have already shared the what actions the FSC might take for non-compliance, me share with you how we go about the licencing process. The Act provides for five glasses of license, which are

- Virtual Asset Broker Dealer
- Virtual Asset Wallet Services
- Virtual Asset Custodian
- Virtual Asset Advisory Services, and
- Virtual Asset Market Place

The different operators may pick and choose the different type of licenses that they may wish to apply for. And at the same time for initial token offerings, the service providers need to seek a registration with the Commission. At the FSC, we are very much aware of the complexity of this domain, that on one hand we have got a space which is emerging therefore, people know about it and at the same time, the process to do it is not always straightforward.

Dear Audience,

I did mention at the beginning that another objective of the VAITOS was to ensure that we are compliant with AML/CFT requirements. This is because the virtual assets service providers and ITOs are categorized as Financial Institutions, and are therefore subject to the full prudential and AML/CFT legislative frameworks, as are applicable to traditional Financial Institutions.

Ancillary to the VAITOS Act, the Commission has also issued the AML/CFT Guidance Notes, which set out the main areas of concern when it comes to Virtual Assets. 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.

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.

With a new legislative framework in place, it was therefore our duty, as regulator, to 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 Commission launched its financial literacy campaign on virtual assets to, firstly, send a strong message to the service providers informing them that they need a licence from the Commission to provide such service in the Mauritian jurisdiction and, secondly, to create awareness among investors that they have to deal, for their own protection, with only those service providers who have been duly licensed.

We are also aware that the licenses under the VAITOS are of complex nature. And we have put at the disposition of the providers, a Help Desk to guide them through the process. And I am pleased to further inform the fintech community that the Commission has streamlined its licensing process for applications under the VAITOS Act. Applications are assessed based on information submitted on the FSC One Platform, and on the confirmations, undertakings and declarations from the applicants.

The Commission may grant a licence within 10 to 12 days, following the completeness of the application. The Commission will have regard to the following:

- Applications must be complete and accompanied by detailed information about the business;
- Applicants must demonstrate that they are able to comply with all relevant legislative requirements, including those pertaining Customer Due Diligence and AML/CFT;
- Applicants must meet the Fitness and Propriety requirements; and
- Applicants must respond promptly to the FSC's queries and fully disclose all requested information that is relevant to the assessment of the application.

I am happy to announce that the new licensing process has enabled the Commission to issue eight in-principle approvals for the following licences: Virtual Asset Broker – Dealer, Virtual Asset Wallet Services, Virtual Asset Custodian, Virtual Asset Market Place and Virtual Asset Advisory Services. The Commission has a number of applications currently under process and is expecting to grant more licences before the end of this year.

As a concluding remark, I wish to 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 reinforces its position as a prominent investment destination. The Commission 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. We will continue to remain focused on the supervision framework as well as continuously improve and streamline our licensing processes.

I am very confident that going forward, we will 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 conference, 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.

I thank you for your kind attention.

Dhanesswurnath Thakoor

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