

# DECENTRALISED FINANCE ('DeFI')

REGULATORY  
CONSIDERATIONS ON  
FINANCIAL COLLATERALS



## 1.0 INTRODUCTION

1.1 Advancements in digital technologies have, in recent years, led to significant transformations in the global financial system. Indeed, financial services providers are increasingly making use of new technologies which allow financial transactions to take place without the need for intermediaries. This concept, commonly referred to as 'Decentralised Finance' or 'DeFi' is a new financial paradigm that leverages upon technologies, particularly distributed ledger technologies<sup>1</sup> ("DLT"), to offer financial products/services without relying on any traditional "*trusted central intermediary*" for *inter-alia* enabling investments and trading, payments, lending and borrowing, as well as providing insurance and other financial services.

1.2 The application of DeFi may take various forms, including for example:

1.2.1 **Decentralised Autonomous Organisations ("DAOs")** - blockchain based organisations whose activities and decision-making are co-ordinated by self-executing codes, also known as smart-contracts<sup>2</sup>.

1.2.2 **Decentralised exchanges ("DEXs")** – online platforms that allow for direct peer-to-peer trading of several virtual assets via automated market-makers ("AMMs")<sup>3</sup>.

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<sup>1</sup> Distributed ledger technologies refer to the technological infrastructure and protocols that allow the simultaneous access, validation and updating of records that characterise distributed ledgers. These technologies work on a computer network spread over multiple entities or locations.

<sup>2</sup> The term "smart contract" is defined in section 2 of the Virtual Asset and Initial Token Offerings Services Act 2021 as "a form of technology arrangement consisting of a computer protocol or an agreement concluded wholly or partly in an electronic form, which is automatable and enforceable by computer code, though some parts may require human input and control and which may be enforceable by ordinary legal methods or by a mixture of both."

<sup>3</sup> AMM is defined as an autonomous trading mechanism which eliminate the need for centralised exchanges and related market-making techniques. AMMs rely on mathematical formulas to price assets automatically in which two different assets come together to form a trading pair within liquidity pools.

- 1.2.3 **Decentralised lending** – online platforms that enable the provision of credit facilities to businesses or the public on a peer-to-peer basis with no intermediaries involved.
- 1.3 Within the context of DeFI, it has been observed that the global financial services industry and regulatory community have *inter alia* been exploring whether DLTs can effectively be applied to financial collateral arrangements.
- 1.4 As a forward-looking and risk-focused regulator, the Financial Services Commission, Mauritius (“FSC”), supports the adoption of such positively disruptive arrangements and technologies in the non-banking financial services sector.
- 1.5 In light of the foregoing, the FSC is issuing this **consultation paper** to:
- 1.5.1 create awareness about the adoption of financial collateral arrangements in the context of DeFI;
  - 1.5.2 provide salient information in relation to the different benefits and challenges of financial collateralisation within DeFI;
  - 1.5.3 benchmark with relevant jurisdictions, in that respect;
  - 1.5.4 analyse how financial collateralisation in DeFI can be integrated within or may impact upon the laws of Mauritius; and
  - 1.5.5 solicit the comments/feedback from the industry stakeholders and general public with a view to further inform, as well as guide the FSC, in the formulation of appropriate actions/plans on how to address DeFI most effectively. To that end, please refer to the questions listed in the **Appendix**.

## 2.0 COLLATERAL ARRANGEMENTS IN DECENTRALISED LENDING

- 2.1 Debt is an essential tool in traditional finance (i.e. in a non DeFi context) and particularly within the lending and borrowing environment. In its simplest abstraction, a debtor or borrower may enter into any credit agreement<sup>4</sup> or conduct a financial transaction with a creditor or lender against a "collateral"<sup>5</sup> *via* a centralised intermediary.
- 2.2 Traditionally, the collateral takes the form of a tangible asset (such as land and building) or intangible asset (such as securities<sup>6</sup> or other financial instruments) that may be used as security against a debt. This arrangement ensures that the lender maintains the best enforceable position against third parties and priority in receiving payments under the credit agreement.
- 2.3 When a borrower pledges any collateral, the lender or centralised intermediary will usually conduct an appraisal or evaluation of the collateral to determine its current market value. If the borrower defaults on the repayment of the borrowed amount, the lender may seize the collateral and sell it to recover its losses. If the value of the collateral exceeds the amount due, the borrower may receive the excess funds after the liquidation or sale of the collateral.
- 2.4 The above principle may be applied to decentralised lending whereby collateral arrangements are however accommodated *via* DLTs. DLTs, in fact, facilitate borrowers to deposit collaterals (mainly intangible assets such as security tokens and virtual assets) as part of their financial transactions. Accrued interests are continuously paid upon repayment of the borrowed funds, to the lenders.

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<sup>4</sup> As defined in the Borrower Protection Act.

<sup>5</sup> Pursuant to Mauritian Civil Code's Article 2071, a collateral is "a right given by the debtor to the creditor over a thing belonging to the debtor, to ensure the payment of a debt."

<sup>6</sup> As defined in section 2 of the Securities Act.

2.5 Decentralised lending, in practice, provides efficient and transparent mechanisms to manage collaterals through:

- (a) **the use of smart contracts**, which are self-executing contracts with the terms of the loan or credit agreement directly written into code. Smart contracts may be used to automate the management of collaterals (e.g. lock and hold the collateralised assets, transfer the ownership, and release the collaterals when the terms of the credit agreement are met). If the borrower fails to repay the loan on time, the smart contract can automatically liquidate the collaterals to recover the lender's funds. Smart contracts can also be useful for determining interest rates on the loan agreement.
- (b) **the use of tokenisation**, which refers to the process of representing the collateralised assets into tokens that are usable on a DLT system. These tokens can then be traded and managed in a decentralised manner on DEXs and are often used as collaterals for loans, or to provide liquidity for other decentralised applications. Tokenisation makes it easier to track the ownership and transfer of collaterals. It can also make collaterals more accessible to a wider range of investors.

2.6 As a result, the above mechanisms offer several benefits, including:

- (a) **Transparency:** Borrowers and lenders' historical and current financial transactions are transparently recorded on the blockchain. This ensures that all parties involved in a transaction can verify the authenticity of any transaction. The content of smart contracts is also freely available, as it is often deployed on a public blockchain.
- (b) **Lower fees:** Decentralised lending typically charge lower fees than traditional lending platforms. This is because they do not have the same high costs associated with maintaining physical branches and related infrastructures. They may also automatically update interest rates and ceaselessly reflect the latest market trends.

- (c) **Liquidity:** Funds are pooled together and may be utilised efficiently *via* AMMs. Borrowing and arbitraging<sup>7</sup> may be performed inexpensively and almost instantaneously. By guaranteeing collaterals to lenders, decentralised lending protocols also ensure for full transferability and exchangeability of debt holdings.
- (d) **Faster Processing:** Decentralised lending commonly use smart contracts to automate the lending process which, in turn, allows for faster processing times and eliminates the need for intermediaries. The lenders therefore benefit from a decentralised self-executing arrangement that is safe, simple and minimises risks associated with lending to holders of virtual assets, amongst others, especially in the case of a default.

### 3.0 OVERCOLLATERISATION AND AUTOMATED LIQUIDATION MECHANISMS

- 3.1 Decentralised lending typically requires “over-collateralisation” whereby more collateral is pledged than is required to secure a loan or financial obligation. The value of the collateral deposited often locks at a value of 150% of the amount borrowed<sup>8</sup>.
- 3.2 The purpose of “over-collateralisation” is to have a liquidity pool available since the value of any virtual asset or security token can fluctuate rapidly. This liquidity pool is automatically generated by AMMs. AMMs are defined as autonomous trading and liquidation mechanisms which rely on mathematical formulas to price assets automatically, in which two different assets can be combined to form a trading pair within liquidity pools.

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<sup>7</sup> The process of borrowing at a low interest rate and then investing the borrowed amount at a higher interest rate in the expectation of making a profit.

<sup>8</sup> Source: Decentralized Finance: On Blockchain- and Smart Contract-Based Financial Markets, By Fabian Schär, 2021

- 3.3 For instance, if the collateral value rapidly falls below a given threshold, additional security tokens or virtual assets may be minted and sold on the open market to raise funds to cover any outflows or shortfalls in the amount of the collateral. This leverage system is equivalent to "margin calls" that are traditionally issued by clearing houses in non DeFi transactions (i.e. traditional repos or swaps).
- 3.4 The liquidation mechanism is almost completely automated since it is encoded in a smart contract. As soon as the value of the collateral falls below a pre-determined threshold, the borrower's position is liquidated<sup>9</sup>.
- 3.5 However, the automated liquidation mechanism may be associated with a risk of general collapse of the system as the decrease in value of a security token or virtual asset may trigger the liquidation of a number of positions secured thereby. The automated liquidation of the trading positions may consequently lead to a significant sell-off of the assets concerned. This may add to further liquidations and decrease the value of other virtual assets through a contagion effect, and ultimately bring about a global collapse leading to major losses (including for lenders).

#### **4.0 PROMINENT TYPES OF COLLATERALS USED IN DECENTRALISED LENDING**

While any type of assets may be used as collateral in decentralised lending, the most prominent assets are:

(a) **STABLECOINS**

- 4.1 Stablecoins are increasingly being used as collaterals, due to their intrinsic nature as an investment instrument, in DeFi. A stablecoin is a type of virtual asset that is designed

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<sup>9</sup> "The liquidation process is then carried out with the help of a third party called a "liquidator" – usually a robot -, which reimburses the lender the amount due and proceeds to liquidate the collateral by charging a commission."  
Source: Decentralized Finance: On Blockchain- and Smart Contract-Based Financial Markets, By Fabian Schär, 2021



to maintain a stable value, typically by fixing its value to a fiat currency (such as the US dollar), commodity (such as gold) or another virtual asset.

- 4.2 The stability makes stablecoins an attractive and safe option for collateralising loans, trades, and other financial transactions. Unlike other virtual assets that can prove to be very volatile, it is often advocated that stablecoins have a predictable value that makes them more suitable for use as financial collaterals.
- 4.3 Stablecoins can, in addition, be easily transferred and tracked on DEXs which makes the collateralisation process more efficient and transparent.
- 4.4 However, it is important to note that stablecoins are not without risks, as collaterals. Similar to any other virtual assets, there is always a risk of market volatility, disruption or manipulation.
- 4.5 The liquidity of stablecoins is another important factor which affects their usefulness as a medium of exchange or store of value. If a stablecoin has low liquidity, it may be difficult to use it as a financial collateral, and this could limit its adoption.
- 4.6 There are several factors that can equally affect the liquidity of stablecoins, including the size and activity of the decentralised markets where they are traded, the demand for the stablecoins, and the ability of market makers to provide liquidity. In such instances, AMMs play an important role to provide liquidity and match pairs for trading purposes.

(b) **SECURITY TOKENS**

- 4.7 Security tokens are becoming increasingly popular as collaterals via DEXs, as they offer a number of benefits over traditional securities, including fractional and digitalised ownership, increased liquidity and faster settlement times. They also have the potential to make investments more accessible towards a wider range of investors by reducing the costs and barriers to entry associated with traditional securities.



4.8 While security tokens offer, as collaterals, a new and innovative way of investment, investors should be aware of the potential risks linked to volatility. The volatility of a security token refers the extent to which the token's value fluctuates over time. This may potentially affect a borrower's ability to repay his/her debt or meet other financial obligations.

## 5.0 CHALLENGES OF USING VIRTUAL ASSETS AND SECURITY TOKENS AS COLLATERALS

5.1 Several challenges, as described below, may be encountered when using virtual assets or security tokens as collaterals, in decentralised lending.

- (a) **Volatility:** Virtual assets are notoriously volatile, and this can pose a challenge when using them as collaterals. The value of collaterals may drop significantly in a short period, leading to liquidations, which can be disadvantageous to the borrowers and lenders.

For borrowers, the primary concern is the potential for rapid price declines in the collateralised virtual assets. If the value of the collateral drops significantly, borrowers may face margin calls or be required to provide additional collaterals to maintain the required loan-to-value ratio. Failure to do so, may result in the liquidation of the collaterals, leading to financial losses for the borrower.

Lenders, on the other hand, face the risk of accepting collaterals that may rapidly lose value. If the collaterals depreciate substantially, they may not be sufficient to cover the outstanding loan in the event of default. Lenders must hence carefully assess the volatility and liquidity of virtual assets before accepting them as collaterals if they want to minimise their exposure to such risks.

In addition, virtual assets may undergo changes in their blockchain protocols (such as splits or forks). The success or failure of the changes in protocols can

influence the value of the collaterals. For instance, if a swap is successful, the collaterals may retain or even increase their value. However, if the swap encounters issues or lacks market acceptance, the value of the collaterals can be adversely affected.

Roll-backs, which involve reversing transactions on a blockchain, can also impact the value of virtual asset collaterals. If a roll-back occurs due to a network vulnerability or a contentious decision, the collateralised virtual asset may lose value, leading to potential disputes between borrowers and lenders.

- (b) **Over-collateralisation upon tokenisation:** The main challenge of over-collateralisation is that it can lead to higher borrowing costs for the borrowers. For instance, if the borrowers cannot provide enough collaterals, they may face higher interest rates or even be denied financing altogether. This vulnerability even tends to be exacerbated by the automated liquidation mechanisms that are nowadays the norm in the DeFi ecosystem.<sup>10</sup>
- (c) **Limited collateral options:** The DLPs accept a limited range of collateral types which may not be ideal for some borrowers. This may limit access to credit and make DeFi less attractive for certain borrowers.
- (d) **Cybersecurity risks:** Transactions in virtual assets and security tokens are subject to higher risks of cyber theft, phishing scams and loss of access to information, such as keys and passcodes.

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<sup>10</sup> “Decentralised” or “disintermediated” finance: what regulatory response? Discussion paper - Olivier Fliche, Julien Uri, Mathieu Vileyn Fintech-Innovation Hub (April 2023).

## 6.0 BENCHMARKING

- 6.1 The International Organization of Securities Commissions ('IOSCO') most recently, in December 2023, published a comprehensive report containing its finalised policy recommendations with a view to address market integrity and investor protection issues in DeFi. The report fundamentally aims to assist the members of IOSCO in developing their respective DeFi regulatory frameworks. The policy recommendations effectively acknowledge that certain jurisdictions have already regulatory frameworks in place that cover DeFi, whereas others are currently in the process of developing such frameworks.<sup>11</sup>
- 6.2 In October 2023, the Crypto Council for Innovation ('CCI') also released a comprehensive report entitled as "*Key Elements of an Effective DeFi Framework*". The report delves into the potential advantages and risks associated with this emerging field, as well as the regulatory hurdles it presents for jurisdictions. The report essentially suggests a regulatory approach for DeFi that deviates from the principles applied to conventional finance. It furthermore provides corresponding policy observations/recommendations for regulators and developers to address the rapid expansion of this industry.<sup>12</sup>
- 6.3 Commensurate with the policy observations/recommendations made in these reports, multiple jurisdictions are nowadays exploring the establishment of a regulatory framework governing the use of collaterals in the context of decentralised lending by leveraging or amending their existing traditional regulatory frameworks on financial collaterals. Our benchmarking has particularly revealed that Luxembourg is amongst the

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<sup>11</sup> IOSCO: Final Report with Policy Recommendations for Decentralized Finance (DeFi) December 2023. Source: [FR14/23 Final Report with Policy Recommendations for Decentralized Finance \(DeFi\) \(iosco.org\)](https://www.iosco.org/publications/iosco/fr14/23-Final-Report-with-Policy-Recommendations-for-Decentralized-Finance-(DeFi)-iosco.org)

<sup>12</sup> [media.cryptoforinnovation.org/2023/10/Key\\_Elements\\_Effective\\_DeFi\\_Framework-report\\_2023.pdf?utm\\_source=Web&utm\\_medium=page&utm\\_campaign=Defi+Framework+Report&\\_gl=1\\*v5n0rd\\*\\_ga\\*Mjg5NjQ4NjU0LjE2OTcwMjE5OTU.\\*\\_ga\\_F9NE23R22E\\*MTY5NzAyMTk5NS4xLjAuMTY5NzAyMTk5NS42MC4wLjA](https://media.cryptoforinnovation.org/2023/10/Key_Elements_Effective_DeFi_Framework-report_2023.pdf?utm_source=Web&utm_medium=page&utm_campaign=Defi+Framework+Report&_gl=1*v5n0rd*_ga*Mjg5NjQ4NjU0LjE2OTcwMjE5OTU.*_ga_F9NE23R22E*MTY5NzAyMTk5NS4xLjAuMTY5NzAyMTk5NS42MC4wLjA) (accessed on 11 October 2023)

first European jurisdictions that has taken a progressive approach towards regulating the use of security tokens as collateral in the context of DeFI.

- (a) In this context, the Blockchain Law III of Luxembourg has made amendments to the law of 05 August 2005 on financial collateral arrangements ("Law of 2005"), which is the cornerstone of the Luxembourg legislation on collateral arrangements.
- (b) The aim of Blockchain Law III is to expressly confirm that financial instruments booked in securities accounts held on DLT qualify as financial instruments within the meaning of the Law of 2005. This in turn means that financial collateral arrangements (such as pledges) over such financial instruments benefit from the full range of protection of the Law of 2005.
- (c) Luxembourg's proactive approach towards collateral on digital securities, combined with its legal and regulatory framework, indeed makes it a good case example for other jurisdictions and/or companies looking to facilitate the issuance and trading of collateralised digital securities<sup>13</sup>.

## **7.0 REVIEW OF APPLICABLE LAWS IN MAURITIUS**

7.1 A review of the relevant laws of Mauritius that are applicable to the granting of security and more specifically, the use of virtual assets and security tokens as collaterals, has been conducted.

The findings are as follows:

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<sup>13</sup> [Blockchain Law III: Strengthening The Rules On Collateral Over Digital Assets - Fin Tech - Luxembourg \(mondaq.com\)](https://www.mondaq.com/luxembourg/fin-tech/blockchain-law-iii-strengthening-the-rules-on-collateral-over-digital-assets)

### 7.1.1 Forms of security

There are different types of security being granted over immovable and movable property in Mauritius and each have its own regime governed by specific provisions of the Law.

The most common forms of security are as follows<sup>14</sup>:

#### Security over immovable property

- Mortgage (*hypothèque*) (Article 2163 et seq, Civil Code)
- Fixed and/or floating charge (Article 2202, Civil Code)

#### Security over movable property

- *Pledges of corporeal property (tangibles)*
  - Possessory pledge (*gage*) (Article 2073, Civil Code)
  - Non-possessory pledge (*gage sans déplacement*) (Article 2095, Civil Code)
- *Bank's special pledge (le gage spécial au profit des banques)* (Article 2129-1 et seq, Civil Code). This special pledge is created only on shares or debentures.
- *Pledges of shares*
  - Civil pledge (Article 2077, Civil Code)
  - Commercial pledge (*perfected under the under the Commercial Code – Article 91 and 92*)

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<sup>14</sup> Restructuring and insolvency in Mauritius: overview by Anjeev Hurry, Benoit Chambers - [Restructuring and insolvency in Mauritius: overview | Practical Law \(thomsonreuters.com\)](#)

- Pledges of incorporeal property (intangibles) – follow similar rules to Pledges of corporeal property.
  - Assignments of receivables under the Civil Code (*Articles 1689 to 1701*) or under the Commercial Code (*Articles 82 to 90*)
- Retention of title as guarantee (droit de rétention) – conditions applicable as per court case *Seeboruth v Ghurburrun [1965 MR 254]*
- General privileged debts or privileges over particular movables (Privilèges mobiliers)
  - General privilèges (e.g. the salaries and remuneration due to employees for the last 125 days of work, legal costs, taxes and other governmental fees, or funeral fees) (*Article 2148, Civil Code*)
  - Special privileges (e.g. privileges of banks on all bank accounts that a debtor/creditor has with them) (*Articles 2150-1 and 2150-2, Civil Code*)

### **7.1.2 Assets used as collateral**

According to the Insolvency Act, collateral means -

- (a) cash in any currency;
- (b) securities of any kind, including (without limitation) debt and equity securities;
- (c) guarantees, letters of credit and obligations to reimburse; or
- (d) any asset commonly used as collateral in Mauritius.

Moreover, “collateral arrangement” is defined as any margin, collateral or security arrangement or other credit enhancement related to a netting agreement or one or more qualified financial contracts entered into, including –

- (a) a pledge or any other form of security interest in collateral, whether possessory or non-possessory;
- (b) a title transfer collateral arrangement; and
- (c) any guarantee, letter of credit or reimbursement obligation by or to a party to one or more qualified financial contracts, in respect of those qualified financial contracts.

On the other hand, the Borrower Protection Act, which governs the obligations of lenders and borrowers entering into a credit agreement for a sum not exceeding 3 million rupees, only caters for the use of immovable property as security for the repayment of a credit facility and does not mention other types of assets or property to be used as security.

### **7.1.3 Security Tokens**

As per the Guidance Notes on Security Token Offerings issued by the FSC on 8 April 2019 and updated on 23 August 2022, "security tokens" are "securities" as defined in the Securities Act (the "SA"), represented in digital format.

The definition of "securities" in the SA is very wide and includes *inter alia* shares and debentures.

As mentioned above, securities are recognised as a type of collateral under the Insolvency Act. In this respect, security tokens (the digital representation of securities) would also be acceptable as collateral.

In terms of procedure, if the said security tokens are digital representation of shares, the provisions of the Civil Code relating to civil pledges (*Article 2077, Civil Code*) or the provisions of the Commercial Code relating to commercial pledges will be applicable.



In addition, the provision of the Companies Act will also apply. Indeed, section 86 of the Companies Act provides for the use of shares or debentures as pledge and states as follows:

*"(1) Any share or debenture may be given in pledge in all civil and commercial transactions in accordance with the Code Civil Mauricien and any other applicable law.*

*(2) Every company shall keep a register in which - (a) the transfer of shares or debentures given in pledge may be inscribed; (b) it shall be stated that the pledgee holds the share or debenture not as owner but in pledge of a debt the amount of which shall in the case of a civil pledge be mentioned.*

*(3) A pledge shall be sufficiently proved by a transfer inscribed in the register".*

Accordingly, where a share or debenture is represented in digital format (i.e. it is a security token), the provision of section 86 of the Companies Act would apply to its use as collateral.

On the other hand, if the said security tokens are digital representation of securities, other than shares and debentures, the provisions of the Civil Code will apply.

#### **7.1.4 Virtual Assets**

Section 2 of the Virtual Assets and Initial Token Offerings Services Act 2021 ("VAITOS Act") defines "virtual assets" as:

- (a) a digital representation of value that may be digitally traded or transferred, and may be used for payment or investment purposes; but
- (b) does not include a digital representation of fiat currencies, securities and other financial assets that fall under the purview of the Securities Act.

Under the Financial Intelligence and Anti-Money Laundering Act and the Asset Recovery Act, virtual assets are considered as "property".

In view of the definition of virtual assets and specially its recognition in Mauritian Law as “representation of value” and “property”, it can be argued that virtual assets, may be considered as an intangible asset that could be used as collateral in the context of decentralised lending.

The above argument is further supported by the provisions of Rule 9 of the Virtual Assets and Initial Token Offerings Services (“Custody of Clients Assets”) Rules 2022 (the ‘Custody Rules’) which governs “third party security interests”.

Indeed, from Rule 9(1)(a) of the Custody Rules, it is inferred that virtual assets may be granted as security interest, lien or right of set-off in respect of the debts of a person (which in Rule 9 would be one or more of the clients of a Virtual Asset Custodian).

Rules 9(1)(b) and 9(3) additionally provide safeguards in respect of those virtual assets being used as security interest, lien or right of set-off as follows:

- Rule 9(1)(b):

The virtual assets have to be deposited with a Third Party Custodian and -

- i. the security interest, lien or right of set-off is required by the applicable law of a third country jurisdiction in which the virtual assets are held;
- ii. the Virtual Asset Custodian discloses information to the client so that the client is informed of the risks associated with these arrangements; and
- iii. the Virtual Asset Custodian has taken reasonable steps to determine that holding virtual assets subject to that security interest, lien or right of set-off is in the best interests of the Virtual Asset Custodian’s clients.

- Rule 9(3):

Where security interests, liens or rights of set-off are granted by a Virtual Asset Custodian over virtual assets, or where the Virtual Asset Custodian has been informed that they are granted, these shall be recorded in client contracts and the Virtual Asset Custodian's own books and records to make the ownership status of virtual assets clear, such as in the event of an insolvency.

## **8.0 CONCLUDING REMARKS**

- 8.1 This consultation paper marks the beginning of a transformative journey into the world of DeFi. Indeed, it is foreseen that the use of DLTs in financial collateral arrangements will foster exceptional advancements in the way financial transactions are conducted, *inter-alia* by enabling individuals to secure their assets in a decentralised manner. This democratisation of financial services will foster a dynamic environment whereby creativity shall thrive and ultimately lead to the provision of innovative financial products and services that meet the diverse needs of financial consumers.
- 8.2 Embracing the innovative concepts, as elaborated in this consultation paper, will therefore pave the way for a future where financial services are not only accessible, but will also be equitable, secure, and innovative respectively.

## Appendix

### List of questions to industry stakeholders and general public

1. What are your expectations regarding the future of financial collateralisation, based on DLT, in Mauritius? How do you view this concept to evolve in the coming years?
2. What are the commercial and risk appetites amongst the industry stakeholders for engaging into DeFI lending business in/from Mauritius?
3. Are there any specific technological or infrastructure requirements that would need to be addressed for the effective adoption or implementation of financial collaterals in a DeFI context, in Mauritius? Please elaborate.
4. Has this consultation paper exhaustively considered the salient legislative provisions applicable to the granting of security and/or use of collaterals, in the context of DeFI lending, in Mauritius?
  - 4.1 If you have different interpretation, if any, of the appropriate laws covered this consultation paper, please share your views?
  - 4.2 Are there any additional laws/regulations which would need to be considered/amended by the Authorities?
5. What steps should be taken to further raise awareness and educate industry stakeholders and financial consumers about the benefits/risks of DeFI lending?

**Note:** It is not compulsory to answer all the questions set out in this Appendix. Respondents are invited to answer those questions which they consider relevant to their needs/circumstances.



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