



Financial Services Commission
Mauritius

***“Announcement of the Launching of Exchange Traded Funds on
Stock Exchange of Mauritius (SEM) in association with ABSA Capital SA”***

Speech by Ms Clairette Ah-Hen

Chief Executive

at Stock Exchange of Mauritius Ltd (SEM), One Cathedral Square Building

Thursday, 18th July 2013



Mr. Sunil Benimadhu, Chief Executive, Stock Exchange of Mauritius Ltd

Mr. Vipin Mahabirsing, Managing Director, CDS

Dr Vladimir Nedeljkovic – Principal – Head, Investments ABSA Capital/Barclays Group.

Members of the Press

Distinguished Guests

Ladies & Gentlemen

Good evening,

I am delighted to be among your midst this evening to present this SEM/ABSA partnership and announce the launch of the Exchange Traded Funds on the Stock Exchange of Mauritius.

First of all I would like to thank the Stock Exchange of Mauritius for giving me the opportunity to address you.

Over more than a year ago, at the workshop *‘Internationalising the SEM, Creating substance and Capitalising on Africa’s potential’* at the Swami Vivekananda Conference Centre in Pailles, SEM introduced the listing rules for Depositary Receipts and Mineral Companies on the Official Market as well as the requirements for the listing of junior Mineral and Exploration Companies on the Development and Enterprise Market (DEM). SEM then announced some of the projects and other new products in its pipeline. Today is another milestone in the history of SEM and I am pleased to see one such project coming to fruition.

I must add that such innovation shows that both SEM and the FSC deserve the awards presented to them last September 2012 - for the second time - by the Africa Investor, in collaboration with New York Stock Exchange Euronext, as the “Most Innovative African Stock Exchange of the Year and the “Most Innovative Capital Market Regulator of the Year” respectively. A prize of excellence, the Jurisdiction and the Securities Industry can be proud of!

Such recognition and awards reflect firstly, the commitment of the FSC to be an efficient and service-oriented regulator and to offer a regulatory framework which inspires trust and confidence and secondly, SEM's initiatives to embrace new areas of development and compliance with regulatory and operational set-up of international standard.

This evening is another opportunity for us, as members of the Financial Community, to reflect on the consolidation of Mauritius as an International Financial Centre of substance and a transparent and safe place to conduct financial services activities.

Nowadays, investment decisions are increasingly made on a global rather than a national basis. The drive for internationalisation of exchanges results from cross-information flows that underpin market activity and from infrastructure that allows market participants to act upon this information. Maintaining the domestic infrastructure is an immense challenge for any policy authority but connectedness across borders is an even more daunting challenge.

The launch of the Exchange Traded Funds (ETF) is a testimony of close collaboration to develop the capital market and meet the needs of investors. At the FSC, we have widened the scope of application of our laws - with new rules - to accommodate for more market players and to spur the growth of the financial services sector.

- The securities of NewGold – in the form of gold bullion debentures – which are already issued and primarily listed at the Johannesburg Stock Exchange (JSE) - will be listed on the SEM by way of introduction and the securities transferred from STRATE, a South African Central Securities Depository to that of CDS for secondary trading on SEM as from 26 July 2013.
- This was made possible following the publication of the Securities (Interpretation of Securities) Regulations 2013 to include ‘Exchange Traded Funds’ as ‘securities’ under section 2 of the Securities Act 2005. This has enlarged the scope of the types of securities offered in Mauritius.
- In terms of Brokerage Fees, the FSC has published the Securities (Brokerage Fees for Exchange Traded Funds on Foreign Underlyings) Rules 2013 in the Government Gazette (GN 179 of 2013) which are meant exclusively for foreign underlyings as the name indicates. I must point out here that the fees prescribed represent a significant reduction as compared to the brokerage fee applicable to transactions on shares as per the Stock Exchange (Brokerage) Regulations 1989. This, I believe will no doubt be viewed as an incentive to boost our competitiveness and to act as a gateway for Mauritius to attract more investors to trade in ETF instruments.

We all know that ETF is a well-known international product which has been around for more than 20 years now (since 1993), but it is relatively new in our Mauritian landscape. The introduction of such and any other financial products on SEM usually requires of the FSC to building the right human capacity and using our links and good collaboration with other regulators around the world so that we have the right and proper environment for investors to compete in Mauritius as well as on another international platform. At all times, we ensure a proper regulatory framework and monitoring in line with the principles and guidelines of international organisations such as the International Organisation of Securities Commissions (IOSCO).

In a report published in June this year, IOSCO stated *“Investor interest in ETFs has increased worldwide as evidenced by the sharp increase in funds invested in these types of products. Assets managed under ETF structures totalled almost around US 1.9 trillion at the end of January 2013, representing roughly 7% of the global mutual fund market. This dynamic growth in ETFs has gradually attracted the attention of regulators concerned about the potential impact of ETFs on investors and on the broader market place, as the industry has continued to evolve through diversification and the launch of new innovative products”*.

ETF is purported to have a number of benefits to investors - in terms of asset-allocation, spreading-the-risk, lower-fee-structure, liquidity, convenience-and-flexibility, transparency, security and easy to buy and sell - thus enabling investors to diversify their portfolio.

Ensuring that there is the appropriate infrastructure for product and market, that proper regulatory measures are in force and most importantly that consumers are adequately protected remain of primary importance to FSC as the securities regulator.

A small note of caution here, no investment is without risk - any investor must obtain and carefully consider its own independent advice in this regard before investing.

The partner of choice for SEM, in the form of Absa Capital to launch this ETF in Mauritius is in my view an excellent choice. Absa Capital is a reputable market maker and will step in as the counterparty to ensure that liquidity is always maintained - if there is no willing buyer or seller at the other end of the trade. As a well-known provider of strategic advisory, financing and risk management needs, Absa Capital has an extensive global network for its clients and this helps them remain competitive within sub-Saharan Africa. We, at the FSC, believe that this will bring more market players to our jurisdiction and consequently, encourage flow of funds and investments into the African continent.

You will agree with me that the provision of ETFs as an additional investment product will reinforce our jurisdiction as an investment avenue. As we continue our struggle to foster global cooperation worldwide, the example of ABSA Capital as a market maker is a good one to promote Cross-border listing.

SEM's move towards internationalising its exchange and introducing ETF is in line with the FSC's vision to be an internationally recognised financial supervisor committed to the sustained development of Mauritius as a sound and competitive financial services centre. However, the work doesn't end here. SEM is ready to become a multi asset infrastructure and for the FSC, there is already such an infrastructure in place. You will no doubt hear about our initiatives for the securities sector in the future.

Coming back to the ceremony of this evening, I am confident that the launch of ETF – securities of NewGold - on the SEM is an important addition to our vibrant capital market industry and will no doubt contribute to making our jurisdiction an IFC to be reckoned with. So I would like to congratulate both the SEM and ABSA and wish them a fruitful journey together.

On this note ladies and gentlemen have a pleasant evening.

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