



Fintech Series

Guidance Note

Recognition of Digital Assets as an asset-class for investment by Sophisticated and Expert Investors

1. Background

- 1.1. The Financial Services Commission, Mauritius (FSC), the integrated regulator for non-banking financial services and global business sectors, is highly supportive of Fintech-related initiatives in the Mauritius International Financial Centre.
- 1.2. In light of the developments in Fintech activities, the FSC has been receiving numerous queries from its licensees and stakeholders regarding the possibility for them to invest in Cryptocurrencies¹.
- 1.3. Through this Guidance Note, the first in the Fintech Series, issued under section 7(1)(a) of the Financial Services Act 2007, the FSC seeks to provide clarifications to its licensees and stakeholders on its position regarding investment in Digital Assets, including Cryptocurrencies.

2. Digital Assets

- 2.1. The FSC considers as a Digital Asset, any token², in electronic/binary form, which is representative of either the holder's access rights to a service or ownership of an asset. A Digital Asset, in this respect, includes a digital representation of value which:

¹ The FSC has adopted the definition of the term "Cryptocurrency" provided by the Financial Action Task Force (FATF) in its publication entitled [Virtual Currencies – Key Definitions and Potential AML/CFT Risks](#), June 2014. According to the FATF, Cryptocurrencies, a category of Digital Assets, are a math-based, decentralised convertible virtual currency which are protected by cryptography and are used as a medium of exchange and/or a unit of account and/or a store of value but do not have legal tender status.

- 2.1.1. is used as a medium of exchange, unit of account, or store of value but which is not legal tender, even if it is denominated in legal tender;
 - 2.1.2. represents assets such as debt or equity in the promoter; or
 - 2.1.3. provides access to a blockchain-based application, service or product.
- 2.2. A Digital Asset will, however, exclude:
- 2.2.1. any transaction in which a business, as part of an affinity or reward programme, grants value which cannot be exchanged for legal tender, bank credit or any Digital Asset; or
 - 2.2.2. a digital representation of value issued for use within an online gaming platform.
- 2.3. The FSC considers Cryptocurrencies as being a sub-category of Digital Assets.

3. Cryptocurrencies are not legal tender in Mauritius

- 3.1. Cryptocurrencies, unlike fiat currencies, are not legal tender in Mauritius. Nonetheless, the FSC acknowledges that, albeit reliant upon market demand and supply, Cryptocurrencies have “value” since they are exchangeable for other things having value, thereby showing characteristics akin to physical commodities such as grain or precious metals.
- 3.2. The FSC thus considers a Digital Asset including a Cryptocurrency as being a store of value.

4. Digital Assets and Cryptocurrencies as an asset-class

- 4.1. Since transactions in Cryptocurrencies are unregulated and their prices are extremely volatile in their exchange rates to fiat money, investments in Cryptocurrencies tend to be of a high-risk nature.

² The FSC considers a “token”, commonly referred to as a “coin”, as an electronic/digital representation of access rights to a service or ownership rights of an asset.

4.2. The FSC, nonetheless, recognises that Digital Assets including Cryptocurrencies may constitute an asset-class for investment by the following:

4.2.1. Sophisticated³ investors;

4.2.2. Expert⁴ Investors;

4.2.3. Expert Funds⁵;

4.2.4. Specialised Collective Investment Schemes⁶; and

4.2.5. Professional Collective Investment Schemes⁷.

5. Investments in Digital Assets and Cryptocurrencies not protected by any statutory compensation arrangements in Mauritius

5.1. Given the high-risk nature of investments in Digital Assets and Cryptocurrencies, the FSC considers that they may not be suitable for investment by retail investors.

5.2. The FSC thus urges all prospective investors to fully ascertain the related risks prior to committing any funds for investment in Digital Assets and Cryptocurrencies.

5.3. In addition, the FSC hereby informs the public and other investors that any investment in Digital Assets and Cryptocurrencies is at their own risks and that they are not protected by any statutory compensation arrangements in Mauritius.

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³ The term “Sophisticated Investor” is defined in section 2 of the Securities Act 2005.

⁴ The term “Expert Investor” is defined in regulation 78(a) of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 (CIS Regulations 2008).

⁵ The term “Expert Fund” is defined in regulation 2 of the CIS Regulations 2008.

⁶ The term “Specialised Collective Investment Scheme” is defined in regulation 77 of the CIS Regulations 2008.

⁷ The term “Professional Collective Investment Schemes” is defined in regulation 75 of the CIS Regulations 2008