

Fintech Series

Guidance Note 2

Securities Token Offerings (STOs)

1. Background

- 1.1. The Financial Services Commission, Mauritius (FSC), the integrated regulator for non-banking financial services and global business sectors, remains highly supportive of Fintech-related initiatives in Mauritius.
- 1.2. Following the Guidance Note on the Recognition of Digital Assets¹ as an asset-class for investment by Sophisticated and Expert Investors, the FSC has been receiving queries from stakeholders regarding the statutory requirements applicable to STOs.
- 1.3. This Guidance Note, the second in the Fintech Series, issued under section 7(1)(a) of the Financial Services Act 2007, highlights the regulatory approach of the FSC in relation to STOs.

2. Regulatory framework for STOs

- 2.1. “Securities tokens” are “securities” as defined in the Securities Act 2005, represented in digital format.
- 2.2. An STO generally means the issue of Securities Tokens, as a method of raising funds from investors, in exchange for the ownership or economic rights in relation to assets.
- 2.3. When STOs are conducted in or from within Mauritius, the offering of such Securities Tokens shall be subject to the Securities Act 2005 and any Regulations or FSC Rules issued thereunder including the requirement for a prospectus, as may be applicable.

¹ The term “Digital Assets” is defined under rule 2 of the [Financial Services \(Custodian services \(digital asset\)\) Rules 2019](#). This definition is aligned with the interpretation of the term “[Virtual Asset](#)” in The Financial Action Task Force (FATF) Recommendations as updated in October 2018.

- 2.4. Subject to paragraph 2.5, no offerings of Securities Tokens shall be made without prior approval of the FSC.
- 2.5. No prior approval is required in respect of offerings to the following categories of investors:
- 2.5.1. Sophisticated² investors;
 - 2.5.2. Expert³ Investors;
 - 2.5.3. Expert Funds⁴;
 - 2.5.4. Professional Collective Investment Schemes⁵; and
 - 2.5.5. Specialised Collective Investment Schemes⁶.
- 2.6. Any person soliciting⁷ another person to enter into transactions involving Securities Tokens shall be required to hold the appropriate licence under the Securities Act 2005 and shall be required to ensure, at all times, strict compliance with the applicable regulatory requirements, including, but not limited to:
- 2.6.1. Undertaking adequate due diligence regarding the STOs
- Conducting appropriate due diligence in view of developing a detailed comprehension of the STOs, the fitness and propriety of the management of the issuer as well as its development team and rights and obligations attached to the underlying assets backing the Securities Tokens.
- 2.6.2. Disclosure obligations

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

³ 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).

⁴ The term “Expert Fund” is defined in regulation 2 of the CIS Regulations 2008.

⁵ The term “Professional Collective Investment Schemes” is defined in regulation 75 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 “solicit” has the same meaning as in section 31(2) of the Securities Act 2005.

Providing clients with information relating to the STO in an accurate, timely and transparent manner with clear warning statements about the risks associated with the Securities Tokens.

- 2.7. The FSC wishes to highlight that carrying out financial services⁸ without a licence is a criminal offence.
- 2.8. Service providers, issuers and investors shall comply with the Securities Act 2005, any relevant Acts, Regulations and FSC Rules made thereunder, any other enactment, guidelines, Codes and circular letters as may be applicable.

3. Cautionary note to investors

- 3.1. Given their high-risk nature, the FSC urges all prospective investors to fully ascertain the related risks prior to committing any funds for investment in Securities Tokens.
- 3.2. In addition, the FSC hereby informs investors that any investment in Securities Tokens is at their own risks and that they are not protected by any statutory compensation arrangement in Mauritius.

For technical queries, please contact the FSC on innovation@fscmauritius.org

08 April 2019

⁸ The term “financial services” is defined in section 2 of the Financial Services Act 2007.