



**CONSULTATION PAPER ON THE  
ESTABLISHMENT OF A NEW  
REGULATORY FRAMEWORK FOR CIS  
ADMINISTRATION IN MAURITIUS**

Draft for Public Consultation

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## **1.0 INTRODUCTION**

- 1.1 Pursuant to Section 5 (1)(d) of the Financial Services Act (“the FSA”), one of the objects of the Financial Services Commission (the “Commission”) is *‘to study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation.’*
- 1.2 The securities legislation, that is, the Securities Act (“the SA”) came into force on 28 September 2007. The SA was enacted to establish a framework for the regulation of securities markets, clearing and settlement facilities, securities exchanges and intermediaries, to provide for self-regulatory organisations and to regulate the offering and trading of securities and other related matters.
- 1.3 As at date, the FSA, the SA and the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 (“the CIS and CEF Regulations 2008”) are the cornerstones for licensing, regulating and supervising of investments funds and investment intermediaries which *inter-alia* includes CIS Administrators in Mauritius.
- 1.4 To further its standing as a jurisdiction of substance, the Commission is proposing to implement a coherent regulatory framework that ensures compliance with international standards.
- 1.5 As such, the purpose of this Paper is to seek feedback from stakeholders of the financial services industry and the public on the proposals to review the current CIS Administration framework.

## **2.0 WHO ARE THE TARGETS OF THE PROPOSED FRAMEWORK?**

- 1.1 Management Companies currently providing CIS administration services under their Management Licence.
- 1.2 Holders of CIS Administrator approvals under Section 99 of SA.
- 1.3 New applicants for a CIS Administrator Licence.

### 3.0 PROPOSED LEGAL AMENDMENTS

3.1 The following amendments to the SA and the CIS and CEF Regulations 2008 are being proposed:

Section/Regulation	Current Section/Regulation	Proposed Amendments
Section 99 (1) of the SA 05	No person shall, by way of business, provide administration services to a collective investment scheme unless the CIS manager or the collective investment scheme, as the case may be, seeks the prior approval of the Commission.	No person shall act as a CIS Administrator for a collective investment scheme and a closed-end fund unless the person holds and is complying with the conditions of a CIS Administrator Licence.
Section 99 (2) (a) of the SA 05	<i>The Commission shall not approve a person under subsection (1) unless –  (a) the person is a body corporate ....</i>	<i>The Commission shall not approve a person under subsection (1) unless –  (a) the person is a Company....</i>
Regulation 18 (1) (a) of the CIS Regulations 08	<i>Subject to the prior approval of the Commission and on such terms and conditions as the Commission deems appropriate, a CIS manager or a collective investment scheme, where appropriate, may appoint a CIS administrator to provide administrative services with respect to a collective investment scheme.</i>	Sub-Part D and Regulation 38 (2) of the CIS Regulations 08 be repealed and replaced by a rule.

Table 1: Proposed amendments to the SA 05 and the CIS Regulations 08

## **3.2 Type of CIS Administrator Licence**

3.2.1 Every person who, by way of business, intends to carry out any of the activities of a CIS Administrator under Section 99 of the SA, shall apply for a CIS Administrator licence.

### **3.2.2 Categories of CIS Administrator Licence**

#### **i. Full CIS Administrator Licence**

The holder of the Full CIS Administrator Licence shall be authorised to provide administration services to an unlimited number of Investment Funds (including Foreign Investment Funds).

#### **ii. Restricted CIS Administrator Licence**

The holder of a Restricted CIS Administrator Licence shall be authorised to provide administration services to only 20 Investment Funds which shall include collective investment schemes and closed-end funds that have been authorised by the Commission.

The Restricted CIS Administrator will not be authorised to provide administration services to Foreign Investment Funds.

## **4.0 ELIGIBILITY CRITERIA FOR APPLICANT**

4.1 A CIS Administrator holding a licence issued by the Commission shall be a Company which –

- i. shall be incorporated and have its place of business in Mauritius; and
- ii. is engaged solely in the provision of CIS administration services.

4.2 No CIS Administrator shall apply for a Global Business Licence under Section 72 of the FSA.

### 4.3 The permissible activities under the new CIS administrator framework

#### 4.3.1 Section 99 (3) of SA will be amended as follows:

Current Provisions	Proposed Amendments to the Provisions
<p>(a) “administrative services” means “services with respect to the operations and administrative affairs of a collective investment scheme including –</p> <ul style="list-style-type: none"> <li>(i) accounting, valuation or reporting services; or</li> <li>(ii) the provision of the principal office of a collective investment scheme; but</li> </ul> <p>(b) does not include</p> <ul style="list-style-type: none"> <li>(i) the provision of registered office to a collective investment scheme where the usual corporate, secretarial and related services are provided;</li> <li>(ii) the maintenance of any register of shareholders or participants or the registration and payment of fees; and</li> <li>(iii) the provision of investment advice or investment management or trading execution services.”</li> </ul>	<p>(a) “administrative services” means services with respect to the operations and administrative affairs of a collective investment scheme and a closed-end fund including:</p> <ul style="list-style-type: none"> <li>(i) accounting, valuation or reporting services;</li> <li>(ii) applying the subscription monies received by a collective investment scheme or a closed-end fund in accordance with its constitutive document and the offering document;</li> <li>(iii) processing the issue, conversion and redemption of units of a collective investment scheme or a closed end fund;</li> <li>(iv) applying the income of a collective investment scheme or a closed-end fund in accordance with its constitutive document and the offering document;</li> <li>(v) calculating the net asset value of the participating shares or units, and their issue, conversion and redemption price;</li> <li>(vi) maintaining the accounts of a collective investment scheme or a closed end fund;</li> <li>(vii) distributing to the participants of a collective investment scheme and or a closed-end fund all dividends or other distributions which may from</li> </ul>

Current Provisions	Proposed Amendments to the Provisions
	<p>time to time be declared and paid by it on participating shares or units;</p> <p>(viii) drawing-up of financial reports and other documents intended for participating shareholders or unit holders;</p> <p>(ix) the maintenance of any register of shareholders or participants or unit holders or the registration and payment of fees;</p> <p>(x) the provision of the principal office of a collective investment scheme/ closed-end fund;</p> <p>(xi) reception and when applicable, treatment of participants inquiries and complaints, including the records retention of such inquiries and complaints, as necessary;</p> <p>(xii) maintenance of current and historical records allowing for the evidence or reconstitution of the collective investment scheme or the closed-end fund operations (including, but not limited to, trade and bank statements, contract notes, subscription and redemption forms, invoices, audit accounting adjustments, minutes of meetings of the valuation committee); but</p> <p>(b) does not include</p> <p>(i) the provision of a registered office to a collective investment scheme or to a closed-end fund where the</p>

Current Provisions	Proposed Amendments to the Provisions
	<p>usual corporate, secretarial and related services are provided;</p> <p>(ii) the provision of investment advice or investment management or trading execution services; and</p> <p>(iii) holding of the assets or the shareholders or participants or unit holders' money.</p> <p>(c) "administrative services" with respect to Foreign Funds means all the above at (a) except for:</p> <p>(i) the maintenance of any register of shareholders or participants or the registration and payment of fees; and</p> <p>(ii) the provision of the principal office of a collective investment scheme and a closed-end fund.</p>

*Table 2: Permissible Activities*

#### 4.4 Licensing Criteria

4.4.1 An application for a CIS Administrator licence under Section 99 of the SA shall be filed with the Commission, and shall be accompanied by -

- i. Full legal name of the applicant;
- ii. Legal status of the applicant;
- iii. Proof of incorporation;
- iv. Address of the applicant's registered office;
- v. Proposed place of business in Mauritius;
- vi. Detailed business plan outlining the activities to be carried out by the applicant;
- vii. Name and address of the applicant's legal advisers;
- viii. Particulars and information relating to the promoters, shareholders, controllers and beneficial owners;
- ix. A structure chart illustrating up to the level of the ultimate beneficial owner/(s);

- x. Information to the satisfaction of the Commission that demonstrates that the applicant has suitably qualified staff with the appropriate experience and expertise to carry out the functions of a CIS Administrator;
- xi. Detailed breakdown of proposed staffing (including the identity of the applicant's executive and senior management and their proposed role and responsibilities);
- xii. The total number of persons currently or proposed to be employed, in the provision of CIS Administration services; I.T. staff and Compliance staff;
- xiii. The personal questionnaire form specified in the FSC Rules for every officer or proposed officer, shareholder, controller and beneficial owner;
- xiv. Constitution of the applicant;
- xv. Policies and Procedures: The applicant should submit policies and procedures which, at a minimum should include:
  - a. Compliance, including regulatory compliance;
  - b. Corporate Governance;
  - c. Code of Conduct and Code of Ethics;
  - d. Prevention and management of conflicts of interest;
  - e. Anti-Money Laundering, Combatting the Financing of Terrorism and Countering Proliferation Financing;
  - f. International Sanctions Compliance;
  - g. Business Continuity Plan and Disaster Recovery;
  - h. Cyber Security Risk Management;
  - i. Outsourcing arrangement;
  - j. Internal Systems and Controls for day-to-day operations;
  - k. Risk Management; and
  - l. Complaints Handling.
- xvi. The fees specified in FSC Rules; and
- xvii. Any such any information as the FSC may require.

#### 4.4.2 **Content of Business Plan**

The applicant must submit a business plan outlining the activities to be carried out including but not limited to the following:

- i. The administration services to be provided;
- ii. Details of the Investment Funds to which the applicant proposes to provide administration services (if any);
- iii. Organigram of the applicant (which clearly and in a documented manner specifies reporting lines and allocates functions and responsibilities);
- iv. Provisional three-year budget of the applicant;
- v. Description of the administrative, accounting and IT infrastructure of the applicant, including a functional organisation chart which indicates the number of persons working for the applicant and, where possible, their names; and
- vi. Investment Funds currently under administration and details of its fee earnings, if any.

#### 4.4.3 Details on Investment Funds to be administered

The applicant will be required to submit to the Commission details of Investment Funds that it proposes to administer. In this respect, the applicant will be required, at a minimum, to provide the items below:

- i. Name of the Fund/s;
- ii. Date and place of incorporation of Fund;
- iii. Details of licence/ authorisation/ registration of the Fund (as applicable);
- iv. For Foreign Funds, the following confirmations should be provided to the Commission:
  - a. The Foreign Funds are established, registered and authorised in jurisdictions deemed as FATF compliant and/ or are signatories to the IOSCO–MMOU.
  - b. In case of regulated Foreign Funds, it shall all times keep complete details of the regulatory body having the regulatory and supervisory functions in the jurisdiction where the Foreign Funds are established.
  - c. The offering documents of the Foreign Funds do not state or suggest, directly or indirectly, that the Foreign Funds are authorised by the Commission.
  - d. The following information shall at all times be kept at the registered office/business office of the CIS Administrator and made available to the Commission upon request:
    - (i) Details whether the Foreign Funds, the directors, key officers and its functionaries have been subject to any regulatory action in their home jurisdiction;
    - (ii) Details on whether the Foreign Funds, the directors, key officers and its functionaries have any disciplinary sanctions imposed on it by any supervisory authority or professional body;
    - (iii) Details on whether the Foreign Funds, the directors, key officers and its functionaries have any convictions for any offence under the legislation of any country relating to the conduct of financial services business or involving fraud or dishonesty or be the parent, subsidiary or an associated company of any company which has such a conviction;
    - (iv) Offering and Constitutive documents;
    - (v) Audited accounts of the Foreign Funds and the investment managers/operators for the past 2 years;
    - (vi) Name of key contact persons for the Foreign Funds;
    - (vii) Amount to be administered for each Foreign Fund;
    - (viii) Contact details of the custodian of the Foreign Funds;
    - (ix) Resolution evidencing that the Foreign Funds' administration services can be carried out outside its country of incorporation/establishment;
    - (x) Administration/Service agreement entered with the Foreign Funds; and
    - (xi) Reason for the change in CIS Administrator (if applicable).

#### **4.4.4 Governance of the CIS Administrator**

- i. The holder of a CIS Administrator Licence shall have a board consisting of at least 5 directors, of which 2 full-time executive directors, based in Mauritius.
- ii. The board of directors under paragraph (i) shall set up such sub-committees as it thinks fit in order to ensure that the business of the holder of the CIS Administrator Licence is conducted in accordance with sound corporate governance principles.
- iii. When appointing or replacing a director, an officer or employee, the CIS Administrator shall ensure that such person is fit and proper and where the approval of the Commission is required with respect to any such person under the relevant Acts, the CIS Administrator shall ensure that such approval is obtained prior to the appointment.

### **5.0 PRUDENTIAL AND CONDUCT RULES**

#### **5.1 Outsourcing**

- 5.1.1 The CIS administrator may delegate to third parties (i.e. delegates) the performance of one or more of its administration tasks, for the purpose of a more efficient conduct of its business subject to initial and ongoing due diligence being carried out on the delegates.
- 5.1.2 Notwithstanding paragraph 5.1.1, a licensed CIS Administrator with respect to Investment Funds authorised under Section 97 of the SA, will not be allowed to delegate the:
  - i. Maintenance of any register of shareholders or participants; and
  - ii. Review and sign off of the Net Asset Value. The CIS Administrators shall maintain documentary and/or system evidence of Net Asset Value review and the date of review. The CIS Administrators must ensure that the Net Asset review and sign off is completed by a sufficiently experienced staff member of the CIS Administrators.

5.1.3 In case of outsourcing, the following information shall at all times be kept at the registered office/business office and made available to the Commission upon request on the delegates:

- i. Confirmation that it has undertaken due diligence on the delegate and that it has obtained the approval of the Board to proceed with the appointment;
- ii. Description of the services, functions and/or tasks covered by a service level agreement. The service agreement must clearly set out the roles, the responsibilities, the rights and the obligations of each party, a copy of which is to be filed with the Commission;
- iii. Systems employed by delegates (group or non-group) for the performance of the outsourced services, functions and/or tasks;
- iv. Contingency plans and exit strategies; and
- v. Undertaking to demonstrate that the CIS Administrator is regularly conducting resilience testing on activities which have been outsourced and has all the necessary expertise to manage the risks associated with the outsourcing arrangement.

## 5.2 Capital requirements

5.2.1 A CIS Administrator holding a licence issued by the Commission shall maintain a minimum stated unimpaired capital as specified in the table below.

5.2.2 The minimum stated unimpaired capital shall be fully paid, and no amount shall be due or payable.

Code	Licence/ Approval	Minimum unimpaired capital
SEC-4.3A	Full CIS Administrator Licence	MUR 10,000,000
SEC-4.3B	Restricted CIS Administrator Licence	MUR 2,500,000

*Table 3: Minimum unimpaired capital*

## 5.3 General Rules of Conduct

5.3.1 The CIS Administrators must conduct their business with integrity at all times, acting with due care, skill and diligence and should not attempt to avoid or contract out its responsibilities under the Code of Business Conduct issued by the Commission.

5.3.2 The CIS Administrator shall have in place such code of ethics which shall be binding on its officers and employees and shall ensure that they are fit and proper.

5.3.3 A CIS Administrator shall be responsible for any act and omission of any of its officers and employees.

#### **5.4 Internal Control**

5.4.1 The CIS Administrator shall establish documented rules of internal control to allow:

- i. The efficient supervision of the activities of its officers and employees;
- ii. Compliance with the SA and any regulations and rules made thereunder; and
- iii. Organisation and control its affairs effectively for the proper performance of its business activities.

#### **5.5 Insurance and Indemnity**

5.5.1 The CIS Administrator shall subscribe to an insurance policy to cover the following risks -

- i. fraudulent activities of employees, officers and directors;
- ii. fraudulent instructions;
- iii. losses arising from the malicious or fraudulent corruption of electronic data or electronic transactions; and
- iv. legal liability to third parties arising from breaches of professional duty.

5.5.2 The CIS Administrator shall at all times have a valid insurance policy to cover the risk above and shall upon request submit a copy to the Commission.

#### **5.6 Internal Audit**

5.6.1 The CIS Administrator shall set up an internal audit function to review and verify compliance and effectiveness of its policies and processes and measures taken to comply with the relevant Acts, rules and regulations.

5.6.2 The audit findings should be tabled either in the board, or a sub-committee of the board and copies of such report shall be made available to the Commission upon request.

#### **5.7 Books and Records**

5.7.1 A CIS Administrator shall keep such books, records and other documents as are necessary for the proper recording of its business transactions and financial affairs and the transactions and calculation of net asset values that it performs on behalf of the Investment Funds.

5.7.2 A CIS Administrator shall keep accounting records in such a manner that they are sufficient to show and explain transactions and commitments, whether affected on its own behalf or on behalf of others, and in particular so that these records –

- i. Disclose with accuracy its financial position at any point in time within the previous 7 years;
  - ii. Demonstrate whether or not the CIS Administrator is or was at that time complying with its capital requirements; and
  - iii. Enable it to prepare and provide to the Commission within a reasonable time any financial report and net asset value reports for the Investment Funds as at the close of business of any date.
- 5.7.3 All records and documents required to be maintained by a CIS Administrator in writing or otherwise may be kept by means of mechanical, electronic or other devices provided –
- i. such method of record keeping is not prohibited under any applicable legislation;
  - ii. there are appropriate internal controls in place, to maintain the integrity of the information recorded; and
  - iii. such method provides a means to furnish promptly to the Commission upon request legible and complete copies of those records of the CIS administrator which are required to be preserved.
- 5.7.4 A CIS Administrator shall establish, implement and maintain an adequate business and service continuity policy ensuring the recovery of its activities and services after a disaster within an adequate timeframe. In this context:
- i. The CIS Administrator shall define and implement data and system backup and restoration procedures to ensure that they can be recovered as required.
  - ii. The Business Continuity Plan and Disaster Recovery Plan shall be reviewed and tested annually.
- 5.7.5 A CIS Administrator shall establish, implement and maintain a cyber security risk management policy. In this context, the CIS Administrator shall:
- i. put into place appropriate procedures duly approved by the board to mitigate the risks;
  - ii. carry out an annual cyber security risk assessment which is reported to the board;
  - iii. conduct regular IT audit and addressing identified loopholes accordingly;
  - iv. conduct penetration testing to ensure that their systems are not vulnerable or susceptible to cyber-attacks;
  - v. put in place appropriate contingency arrangements that they can be deployed in the event of a cyber-attack, including but not limited, maintaining service levels for clients and informing relevant parties and authorities about the attack and its impact;
  - vi. run a comprehensive technology risk and cyber security training programme at all levels.

## **5.8 Complaint Mechanism**

5.8.1 The CIS Administrator shall establish and maintain an effective complaint handling system and procedures and, in particular:

- i. Maintain adequate records of all complaints received against the CIS Administrator and the Funds under its administration, including a central register that contains details of any agreed compensation or compromise;
- ii. Handle complaints transparently, competently, diligently, impartially and in a timely manner;
- iii. Provide, in writing an acknowledgement to the complainant that his complaint has been received, including confirmation that the complaint is being considered;
- iv. Keep the complainant informed about the progress of their complaint, including details of any actions being taken to resolve their complaint; and
- v. Advise the complainant in writing when the complaint is considered closed and where the complaint is not upheld, clearly state the reasons(s) for rejecting the complaint.

5.8.2 The CIS Administrator is required to submit on an annual basis:

- i. Number of investors' complaints received and closed;
- ii. Number of Investment Funds' complaints received and closed.

5.8.3 The report under sub-paragraph 5.8.2 shall be submitted with the Commission be submitted to the Commission within 6 months after closing of its financial year.

## **5.9 Appointment of Auditor**

5.9.1 The appointment of an auditor of a CIS Administrator shall be made in accordance with the provisions of the FSC Rules.

5.9.2 The auditor of a CIS Administrator shall be an audit firm, licensed by the Financial Reporting Council of Mauritius. The name of the signing partner at the audit firm shall be notified to the Commission.

## **5.10 Reporting Obligations**

5.10.1 In accordance with Section 30 of the FSA the audited financial statements of the CIS Administrator shall be filed with the Commission.

5.10.2 A CIS Administrator will have to report on annual basis the following information. The report will have to be submitted to the Commission within 6 months after closing of its financial year:

- i. Number of Foreign Funds/ Sub-Funds/ Cells and their net assets value ('NAV') being administered;
- ii. Number of daily NAVs administered;
- iii. Number of weekly NAVs administered;
- iv. Number of monthly NAVs administered;
- v. Number of quarterly NAVs administered;
- vi. Number of yearly NAVs administered;
- vii. Number of NAV errors;
- viii. Number of NAV errors for which the CIS Administrator is contractually responsible;
- ix. Number of corrected NAV; and
- x. Number of corrected NAV for which the CIS administrator is contractually responsible.

## **5.11 Notification of contraventions**

5.11.1 A CIS Administrator must be alert for indications that an Investment Fund to which services are provided may no longer be operating in compliance with legal requirements, offering document, or other stipulated requirements. In such circumstances, the CIS Administrator needs to consider whether it wishes to continue providing services to the Investment Fund. The CIS Administrator must also determine whether it may have legal or contractual obligations to report any concerns.

## **5.12 Transitional period**

- i. Management Companies pursuant to the Circular Letter (CL-II/220408) dated 22 April 2008 shall be deemed to be authorised to provide CIS Administration services for the purpose of the FSC Rules for a period of 2 years from the date of the commencement of the FSC Rules.
- ii. Where it is intended that the Management Companies shall continue the business of CIS Administration beyond the period of 2-years, it shall establish a sister company and shall apply 3 months before the expiry of the 2-year period, for an CIS Administrator Licence in such form and manner as may be provided for under this Rule. Failing which, the Management Companies will have to part with this segment of its business.
- iii. CIS Administrators holding an approval under Section 99 of the SA, shall be deemed to be authorised for the purpose of the FSC Rules for a period of 2 years from the date of the commencement of the FSC Rules.
- iv. Where it is intended that the CIS Administrator shall continue its operation beyond 2 years, the person responsible for the operation of the CIS Administrator shall, 3 months before the expiry of the 2-year period, apply for a CIS Administrator Licence in such form and manner as may be provided for under the FSC Rules.

## 6.0 NEW FEES STRUCTURE FOR CIS ADMINISTRATOR LICENCE

### 6.1 Full CIS Administrator Licence

Code	Licence/ Approval	Relevant Section of SA 05	Processing Fee	Fixed Annual Fee	Variable Annual Fee	
SEC-4.3A	Full CIS Administrator Licence	99	USD 500	USD 5,000	CIS Administrative to Collective Investment Schemes or Closed-end Funds or Foreign Investment Funds (i) 1 to 50 entities  (ii) 51 to 250 entities  (iii) 251 to 500 entities  (iv) More than 500 entities	Amount of variable annual fee  -  USD 6,000  USD 8,000  USD 10,000

Table 4: Fees – Full CIS Administrator Licence

## 6.2 Restricted CIS Administrator Licence

Code	Licence/ Approval	Relevant Section of SA 05	Processing Fee	Fixed Annual Fee
SEC-4.3B	Restricted Administrator Licence	99	USD 500	USD 5,000

*Table 5: Fees – Restricted CIS Administrator Licence*

The above requirements will be imposed through Rules to be issued by the Commission.

The Commission is seeking views and comments from stakeholders of the financial services industry and the public on the proposals to establish a new CIS Administration framework by 16 June 2026.

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