



## INTERCONTINENTAL TRUST

*International Tax & Management Services*

INTERCONTINENTAL TRUST NEWSLETTER

VOLUME 5 - ISSUE 7

### SIMPLIFIED RULES INTRODUCED FOR THE LISTING OF SPECIAL PURPOSE VEHICLES ON THE STOCK EXCHANGE OF MAURITIUS

The Stock Exchange of Mauritius (“SEM”) has recently amended its listing rules to allow for Global Business Company Category One (“GBC1”), whether Special Purpose Vehicle (“SPV”) type or Investment Holding type or other activities, to be listed. Previously only GBC1s who were licensed as Collective Investment Schemes could be listed.



A GBC1 is an entity that holds a valid Global Business Licence Category One under the Financial Services Act 2007. Salient requirements for a GBC1 are:

- A GBC1 company may be listed without having a three-year track record. However, the applicant should demonstrate satisfactory experience in the management of the business and its sustained viability through a solid business plan;
- The applicant must have a market capitalization of Rs 20 million (Approx US\$ 700,000);
- The applicant may have less than 200 shareholders and less than 25% of its shares in public hands;
- However, the applicant must comply with other relevant disclosure requirements and adhere to quarterly reporting requirements.

- Changes made to chapter 16 of Listing Rules in 2010 positioning SEM as an attractive venue for the listing of Global Funds;
- Official market opened to attract listing of a wide-spectrum of fund structures namely Expert funds, Professional funds, Specialised funds, etc;
- Linking up with major international institutions like Bloomberg, Financial Times, I-net Bridge to relay live data to international investors;
- Joint initiative with other government agencies to position SEM as the first Exchange in Africa to list, trade and settle in USD, Euro and GBP;
- Setting the stage for the SEM to emerge as a listing venue for structure products that have an Africa nexus (e.g. African Exchange Traded Funds, SPV investing in Africa).

#### RECENT DEVELOPMENTS

The SEM has not been resting on its laurels for the past year. A strategic shift aiming at the internationalisation of the SEM and positioning Mauritius as an international financial services centre of substance has brought the following developments:

- Introduction of new chapter 18 of Listing Rules in 2011 has facilitated the listing of GBC1 and specialist debt instruments;
- Obtaining status of designated Stock Exchange by the United Kingdom’s Her Majesty’s Revenue and Customs (“HMRC”) and Cayman Islands Monetary Authority (“CIMA”);

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## ABOUT SEM



SEM was incorporated in Mauritius in 1989. It operates two markets: the Official Market and the Development & Enterprise Market (DEM).

SEM, one of the leading Exchanges in Africa and a member of the World Federation of Exchanges (“WFE”), provides facilities for the buying, selling, and otherwise dealing in securities on the stock exchange. It has more than 20 years of experience for operating and promoting an efficient and regulated securities market in Mauritius by adopting stringent standards and marketing principles recognized worldwide.

Since 1994, the stock market is opened to foreign investors who benefit from numerous incentives such as revenue on sale of shares can be freely repatriated and there are no withholding tax on dividends and no tax on capital gains.

In addition to the possibility of trading and settling equity and debt products in Euro and GBP, SEM will be the first Exchange in Africa to deal with equity products in USD, EURO and GBP.

SEM is focusing on diversifying its products offerings and gradually emerges as an international exchange.

SEM is continuously working towards enhancing its visibility at the international level and accelerating the Exchange’s integration within the international financial markets.

Followed by the designation of SEM as an Approved Stock Exchange by the Cayman Islands Monetary Authority (CIMA), SEM has been designated as a Recognized Stock Exchange by the HMRC on 31 January 2011. As a result, securities traded and listed on the Official Market of the SEM are from 31<sup>st</sup> January 2011 onwards, considered to have met the HMRC’s interpretation of a ‘listed’ security as set out in the UK’s Income Tax Act 2007. SEM is one of only two exchanges in Africa recognized by HMRC for UK tax purposes, encompassing Inheritance Tax.

## BENEFITS OF LISTING

**Being listed on the SEM, GBC1 in particular, can enjoy multiple benefits as follows:**

- The **CIMA** and **HMRC** recognition of SEM as a ‘Recognized Stock Exchange’ undoubtedly promotes the profile of SEM as a well-structured and properly regulated Exchange and enhances SEM’s position as an attractive Listing venue for global and specialised funds. The innovative thrust also positions SEM as a powerful platform for value creation on the international front and contributes to the internationalisation of the Exchange.
- A listing on the SEM constitutes a “demonstrable” way of showing substance for Global Business companies and adhering to high standards of disclosure and compliance. A GBC1 is a Mauritian tax resident and is eligible to obtain a Tax Residence Certificate (“TRC”) from the Mauritian tax authorities, if it establishes that its conduct of business is being managed and controlled from Mauritius. Being listed on the SEM further consolidates the fact that the company’s central management and control resides within Mauritius.



- SEM is a well-recognised Exchange in the African Exchange space, through its affiliation to a number of stock exchange standards setters (WFE, HMRC, CIMA) and stock exchange associations (ASEA, SAFE, COSSE);
- SEM offers international issuers of specialist debt securities and GBC1, the unique advantage of listing, trading and settling in Mauritian Rupee, USD, Euro and GBP;
- SEM is committed to a speedy processing of applications with a turnaround time of two weeks once the final application is complete;
- A listing on SEM will add to the attractiveness of the company from an investor's perspective, whilst representing an important way of demonstrating substance, especially when the product is marketed to investors who can only invest in listed products;
- To list on the SEM, there is no requirement to have registered sponsors as in other jurisdictions, like Luxemburg, Ireland, London, etc. The issuer may use its own internal resources to ensure pre & post-listing obligations;
- Listing enhances the company's marketing reach addressing the needs of investors for regulatory approval and visibility. Regulatory authorities in equivalent jurisdictions to Mauritius will request for a reduced number of KYC documents. This may also imply quicker processing of applications.



**The recognition of SEM by CIMA and HMRC implies various fiscal exemptions for listed securities and investment holdings and brings further benefits to GBC1 as follows:**

- UK pension schemes will be permitted to hold securities listed on the Official Market of the SEM, giving companies and funds listed on SEM access to a larger market of sophisticated, well-capitalised investors.
- The designation reinforces SEM's attractiveness as a listing venue for global funds and specialized products.
- Securities listed on the Official Market of the SEM may be held in tax-advantaged Individual Savings Accounts and Personal Equity Plans by UK investors.
- Holders of debt securities satisfying the Eurobond exemption and listed on the Official market of the SEM are exempted from withholding tax on distributions underlying these debt securities.
- Inheritance tax advantages may accrue to UK holders of securities listed on the Official Market of the SEM.
- The designation reinforces the SEM's position as a leading Exchange in Africa. The SEM and the Johannesburg Stock Exchange are currently the only two Exchanges in Africa designated as a 'recognised Stock Exchange' by HMRC.



## WHO QUALIFIES FOR LISTING?

In this newsletter, we are only considering the listing of investment entities, GBC1s and Specialist Debt Instruments which enjoy a reduced listing requirement.

### An Investment entity is:

- an investment company. An "investment company" means a body corporate, whether open-ended or closed-ended, which has as its purpose the investment of its funds with the aim of spreading investment risk and giving its members the benefit of the results of the management of those funds by or on behalf of that body. The underlying investments held by an investment entity need not be limited to securities, but may include partnership arrangements, participations, joint ventures and other forms of non-corporate investment provided that the conditions of listing are met;
- a unit trust scheme;
- an authorised mutual fund;
- a closed-end fund;
- a Global scheme;
- a professional collective investment scheme;
- a specialised collective investment scheme;
- an expert fund;
- any other collective investment scheme.

### Global Business Company Category One ("GBC1")

Refer to page 1.

## Specialist debt securities and Eurobonds

- Specialist debt instruments are targeted to qualified investors i.e. investors who are knowledgeable and understand the risks of investing in specialist debt instruments e.g. sophisticated investors, expert investors;
- Issuer of specialist debt instrument needs not have a three-year track record;
- Nominal amount of debt should in general be greater than Rs 25 million (Approx US\$ 875,000);
- Holders of the specialist debt instrument may be less than 100;
- However, issuer of debt instrument must comply with other relevant disclosure requirements including the quarterly reporting requirements.



## STEPS FOR LISTING

### *Step 1: Appoint sponsor and authorised representatives*

An entity seeking listing should appoint a sponsor and two authorised representatives, one of which shall either be a director or secretary to the issuer who will be responsible for communications with the SEM.

### *Step 2: Comply with listing conditions*

Key entry requirements	Investment Entities registered as a CIS with the FSC	Global Business Category 1 Licence Companies	Specialist Debt Securities & EuroBonds
3 years audited accounts	May be waived	May be waived	✓ Shorter period can be accepted subject to conditions
Minimum market capitalization	Rs 20 million (approx US\$ 700,000) to be met within year	Rs 20 million (approx US\$ 700,000)	At least Rs 25 million (approx US\$ 875,000) per class
200 shareholders	May be waived	May be waived	N/A
25% in public hands	May be waived	May be waived	N/A
No dividends to be paid out of realization of investments	May be waived at the discretion of the SEM	N/A	N/A
Arrangements for safe custody of assets	✓	N/A	N/A

✓ = required



*Step 3: Submit application documents, through the sponsor, to the SEM for approval*

	Investment Entities registered as a CIS with the FSC	Global Business Category 1 Licence Companies	Specialist Debt Securities & EuroBonds
Listing Particulars	SEM may accept the Offer document registered with the FSC during the previous 12 months in lieu of an LP	✓	✓
Application form	✓	✓	✓
Director's declaration	✓	✓	N/A
Constitution	✓	✓	✓
Certificate of Incorporation	✓	✓	✓

✓ = required

*Step 4: Approval of final Listing Particulars ("LP")*

Note that the directors should sign the LP only after the SEM has given its final approval.

*Step 5: Listing*

The listing of the entity is communicated by the SEM. In general, a listing takes around 2-3 weeks after the SEM gives its approval for the LP.



### Step 6: Ongoing Obligations

Continuing obligations	Investment Entities registered as a CIS with the FSC	Global Business Category 1 Licence Companies	Specialist Debt Securities & EuroBonds
Keep SEM and market informed of all price sensitive information	✓	✓	✓
Submission of monthly NAV	Specialised CIS to adhere to NAV calculations as disclosed in their offer document	Case to case as determined by the Board e.g monthly, quarterly	N/A
Calculation of NAV	15 days after month end	15 days after NAV date	N/A
Publication of NAV in 2 daily newspapers	✓	✓	N/A
Quarterly financial statements	45 days after quarter end	45 days after quarter end	45 days after quarter end
Annual Report - Abridged audited financial statements	90 days after year end	90 days after year end	90 days after year end
Annual Report - Full version	Within 6 months after year end	Within 6 months after year end	Within 6 months after year end
Notifiable Transactions (including related party transactions)	✓	✓	N/A
Distributable income must be principally derived from investment	✓	N/A	N/A
Investment Company must not take legal or management control of investments in the portfolio	✓	N/A	N/A
Not more than 20% of the gross assets of the investment company may be lent to or invested in the securities of any one company or group at the time the investment or loan is made	Need approval of the SEM	N/A	N/A

✓ = required

## APPLICATION

Application for the listing of GBC1 will generally be made by the sponsor through the Listing Division of the Stock Exchange of Mauritius Ltd.

Intercontinental Trust Limited is fully committed to assist your company in preparing the application letter, completing all required application forms, gathering documents and respond to subsequent queries from SEM throughout the admission process. Additionally, we would require due diligence documents, certified where applicable, on the applicant company as specified under step 3 above.

NOTE: The list is non-exhaustive and is at the discretionary of the Listing Division of the Stock Exchange of Mauritius Ltd to request for other documentation/ information.

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**Intercontinental Trust Ltd is regulated by the Financial Services Commission in Mauritius.**

**For any additional information please contact us.**

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