

Connecting Investors to Africa: The Stock Exchange of Mauritius (SEM)

The strategic position of the idyllic Indian Ocean island of Mauritius ideally suits its relentless drive to become the conduit of investment into Africa. The 'awakening giant' that is the African economy is increasingly open for business and is allowing the island to become the centre of the "golden triangle of growth" between the Middle East, Asia and Africa. Mauritius is rigorously pushing to market its appealing investment climate, and with this effort has been named the top business friendly destination in Africa, placed twentieth globally in the World Bank Doing Business Survey 2014, and just recently, thirty-ninth in the World Economic Forum's Global Competitiveness Index 2014-2015 rankings.

Important Developments & Overview

The Stock Exchange of Mauritius (SEM), set up in 1989, is currently one of the leading exchanges in Africa. Having started out with five listed companies and a market capitalisation of nearly USD 92 million, as of 29th August 2014, there are currently 42 companies listed on the Official Market, with a market capitalisation of nearly USD 7.5 billion. Additionally, there are currently 47 companies listed on the Development and Enterprise Market (DEM), the market designed for Small and Medium-sized Enterprises (SME's) and newly set-up companies, launched on 4th August 2006, with a market capitalisation of nearly USD1.6 billion.

Having had the goal of becoming an international jurisdiction for listing and raising capital, Mauritius has certainly been very proactive over the last couple of years to ensure that it is at the forefront of international stock exchange developments. In January 1997, it brought about a successful and efficient Central Depository System (CDS). In 2001, the SEM upgraded and implemented a modern electronic trading system (SEM's Automated Trading System (SEMATS)), with a "state-of-the-art" electronic trading system. Today, the SEM is connected live to a series of recognised vendors, among which Thompson Reuters, Interactive Data, Financial Times, Factset, Bloomberg and Inet Bridge provide greater visibility on a real-time basis. Index Data providers, namely Standard & Poors, Morgan Stanley, Dow Jones and FTSE have also recently included SEM in a number of indexes to track the evolution of key frontier emerging markets.

The SEM has been listed as a "full-fledged member of the World Federation of Exchanges" (WFE) since 2005, having established itself as an extremely well regulated and internationally respected exchange. Furthermore, in 2010 the SEM was also made an Approved Stock Exchange by the Cayman Islands Monetary Authority (CIMA) due to its membership status under the WFE. The progress the Exchange has made in recent years is highlighted by it being awarded with the "Most Innovative African Stock Exchange of the Year Award" for two consecutive years in 2011/12 and being designated by the United Kingdom's Her Majesty's Revenue and Customs (HMRC) as a "recognised Stock Exchange".

The Advantages of the SEM to Foreign Investors

With the lifting of exchange control in 1994, the stock market doors were opened to foreign investors, who today represent approximately 40% of daily trading on the SEM. Since then, the SEM has made an impressive effort to ensure that the Mauritian exchange is as attractive for foreign investment as possible. Its array of unique, highly competitive, and value-adding benefits and features, as detailed hereunder, sets Mauritius apart and ahead, adding to its already established, growing and vibrant International Financial Centre:

- Changes made to the SEM's Listing Rules with the aim of attracting the listing of Global and Specialised Funds;
- To focus on the thriving global business company platform, a new chapter was added to the SEM's Listing Rules, in 2011 to cater specially for global business companies, and other specialist companies, incorporated in Mauritius and investing into Africa and India;
- Introduction to the Listing Rules, in April 2012, to cater for Depositary Receipts and Mineral Companies on the Official Market, as well as a dedicated framework focusing on the requirements of Junior Mineral Companies and Exploration Companies on the DEM



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- With its multi-currency trading and listing platform, it is the only exchange in Africa to allow a company/ fund/ any other financial product to choose to list in USD, GBP, ZAR, MUR, EUR. Companies are able to raise capital in any of these currencies, trade products in any of these currencies, and settle the transaction in any of these currencies;
 - The SEM is also attractive because of its framework for depositary receipts focused on Africa. This is advantageous as it allows for an easier process in the buying of shares in foreign countries, as the shares of the company do not have to leave the home state;
 - Dual-listing is fast becoming a trend, with the advantage of shares being able to be traded on two exchanges, and with Mauritius being an ideal jurisdiction for primary listing.

Mauritius offers a wide array of incentives, protections and opportunities for foreign investors through a range of tax friendly incentives and policies, including free repatriation of revenue on sale of shares, no withholding tax on dividends, and no tax on capital gains.

Listing applications are straightforward due to its thin regulatory requirements and are able to be processed quickly within an efficient timeframe. An attractive benefit lies in Mauritius' substantial and growing number of Double Taxation Avoidance Agreements (DTAAs) with other African Nations. As of 2014 Mauritius holds thirty-eight treaties with a further nine awaiting ratification and five awaiting signature. A further fifteen treaties are currently being negotiated with other countries within and outside Africa. Mauritius also holds numerous Investment Promotion and Protection Agreements (IPPAs) with other African countries. Together, these arrangements offer a real competitive edge for investors with a strong focus on Africa.

In addition to these advantages of the SEM, Mauritius itself as a country offers enormous benefits for foreign investors – low income and corporate taxes of 15%; a growing and vibrant offshore and global business sector; preferential market access through regional trading blocs such as the African Regional Communities (SADC, COMESA), the Indian Ocean Commission (IOC) with countries including the Union of Comoros, France/ Reunion Island, Madagascar, and to the European Union and the USA through the Africa Growth and Opportunity Act (AGOA); political and socio-economic stability, high standard of living, good governance, and a well-developed infrastructural network; an educated workforce and sophisticated service industries; a hybrid legal system, combining both civil and common law practice, with the highest court of appeal being the Privy Council of the House of Lords; an encouraging 'work and live' environment for foreigners with regard to occupation and residence permits; and a favourable timezone, well-positioned between Africa and Asia.

Concluding Remarks

According to the SEM's aims, the listings on the exchange are expected to overwhelmingly consist of international funds, international issuers, specialised debt instruments, Africa-based ventures, African-focused exchange-traded funds and other structured products. Coupled with these, the SEM is very focused on supporting global business companies, in particular companies holding category 1 licence, to raise capital to fund their investments into Africa.

In view of the foregoing and having regards to the investment tailored legislation, treaties and rules Mauritius has developed, the country is well set to take a leadership position for capital raising and investment in the African continent.

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