

**CIRCULAR LETTER
CL1-121018**

12 October 2018

The Directors
Management Companies

Global Business Corporations – Substance Requirements

1. Following consultation with stakeholders, including industry associations, the Financial Services Commission (“FSC”) is hereby issuing this Circular Letter to provide clarifications on the new enhanced substance requirements.
2. Pursuant to section 71 (3)(a) of the Financial Services Act, a holder of a Global Business Licence (“GBC”) shall, at all times carry out its core income generating activities in, or from, Mauritius by –
 - (A) employing, either directly or indirectly, a reasonable number of suitably qualified persons to carry out the core activities; and
 - (B) having a minimum level of expenditure, which is proportionate to its level of activities.
3. When assessing the substance requirements mentioned in paragraph 2, the FSC will consider the nature and level of core income generating activities conducted (including the use of technology) by the GBC.
4. To meet the above requirements, a person employed either directly or indirectly (e.g. employment by a Management Company) should be suitably qualified to conduct the core income generating activities of the GBC.

5. When determining what is intended by “ a reasonable number of suitably qualified persons” and “ a minimum expenditure which is proportionate to its level of activities”, the FSC will make the assessment on a case by case basis and will look at the specific circumstances of each GBC. In doing so, the FSC will refer to the **indicative** guidelines as set out in the following table:

Category	Sub-Category	Minimum Annual Expenditure (USD)	Minimum Employment in Mauritius (Direct or Indirect)
Non-Financial	Investment Holding (excluding IP rights) ¹	12,000	No minimum employment specified
	Non-Investment Holding	15,000	If annual turnover is : Less than USD 100m : minimum 1 More than USD 100m : minimum 2
Financial	CIS Manager / Asset Manager	30,000	If assets under management are : Less than USD 100m : minimum 1 Between USD 100m and USD 500m : minimum 2 More than USD 500m : minimum 3
	Institutions ²	100,000	If annual turnover is : Less than USD 50m : minimum 1 Between USD 50m and USD 100m : minimum 2 More than USD 100m : minimum 3 <u>For Insurers</u> If annual gross premium is : Less than USD 50m : minimum 1 Between USD 50m and USD 100m : minimum 2 More than USD 100m : minimum 3
	Intermediaries ³	30,000	1
	Others	25,000	1

1 GBCs holding IP Rights will be required to demonstrate that they have incurred expenditure in Mauritius which is proportionate to the research and development of the relevant IP Rights.

2 E.g. Insurance, Leasing, Credit Finance

3 E.g. Investment Adviser, Insurance Broker, Insurance Agent

6. With respect to licensees that are part of a Group, the FSC will assess the new enhanced substance requirements at Group level.

7. Notwithstanding the above, in order to qualify for tax holidays under the Second Schedule of the Income Tax Act, the categories of licensees mentioned in Circular Letter (CL1- 231216) shall have a physical office as well as a minimum number of employees resident in Mauritius and incur a minimum amount of annual operating expenditure in Mauritius or have assets under their management as specified below:
 - a) Global Headquarters Administration – employ at least 10 professionals, with at least two at managerial positions, and incur annual expenditure of MUR 5 million;
 - b) Global Treasury Activities - employ at least 4 professionals, with at least one at managerial position, and incur annual expenditure of MUR 2 million;
 - c) Overseas Family Office (Single) - employ at least one professional and have assets under management of more than USD 5 million;
 - d) Overseas Family Office (Multiple) - employ at least 3 professionals and have assets under management of more than USD 5 million for each family;
 - e) Global Legal Advisory Services - employ at least 5 lawyers.

8. The above-mentioned new enhanced substance requirements supersede the existing enhanced substance requirements provided in Chapter 4 of the FSC Guide to Global Business.

9. This Circular Letter does not affect the obligation of any GBC to comply with the relevant Acts, FSC Rules, Codes and any guidelines issued by the FSC or any other enactment. Licensees are reminded that they should ensure compliance at all times with all legal or regulatory requirements.

10. The requirements provided under paragraph 2 of this Circular Letter shall be effective as from 1st January 2019.

Signed by Mr Harvesh Seegolam, Chief Executive, on 12 October 2018