

# Overview of Mauritius Fixed Income Markets



*Wings Unfold*

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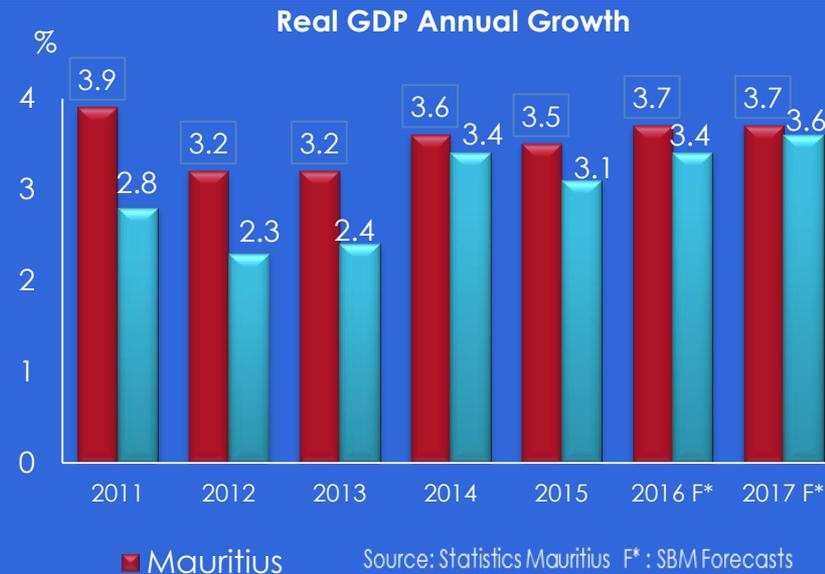
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# Economic Outlook Mauritius

## GDP

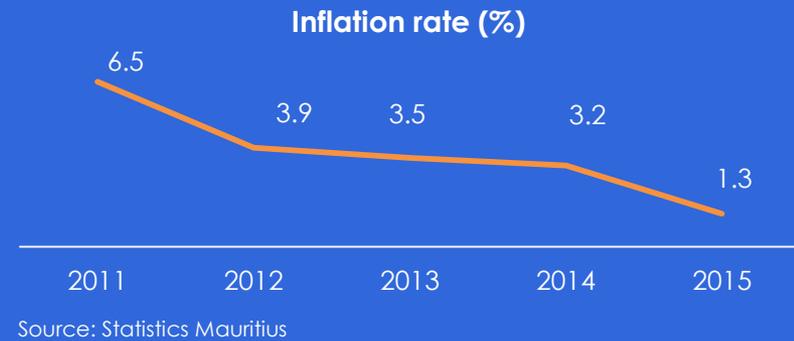
- The Mauritian economy has demonstrated high level of resilience towards global shocks
- Moody's maintain its sovereign rating of **Baa1** for Mauritius.
- 2015 Moderate Growth Rate of 3.5% whilst unemployment stood 7.8%
- **SBM forecasts a moderate growth of 3.7% for 2016/17 whilst World Bank and IMF estimate a 3.9 growth.**
- Growth was driven by a strong upturn in tourism as well as continued momentum in ICT, financial services and business activities.
- On the other hand, construction, sugar and manufacturing were drags on economic activity.
- Services sectors are expected to uphold growth in 2016



# Economic Outlook Mauritius

## Inflation

- Inflation in 2015 fell to 1.3% from 3.2 in 2014
- Attributable to low oil prices and other commodities
- SBM forecasts a marginal increase to 1.5 for FY 2016



## Monetary & Fiscal Policies

- Bank of Mauritius (BOM) left Repo Rate unchanged at 4.40% at its last meeting in March 2016
- Interest rate was cut by 25 bps in Nov 2014 after having been unchanged since 2013
- BOM is monitoring increasing liquidity in the market currently around MUR 8 Bn
- Current Monetary policy is cautiously accommodative
- Fiscal policy remains broadly expansionary
- Fiscal deficit increased from 0.4% in 2014 to 1.6% in 2015

# Economic Outlook Mauritius

## Foreign Exchange

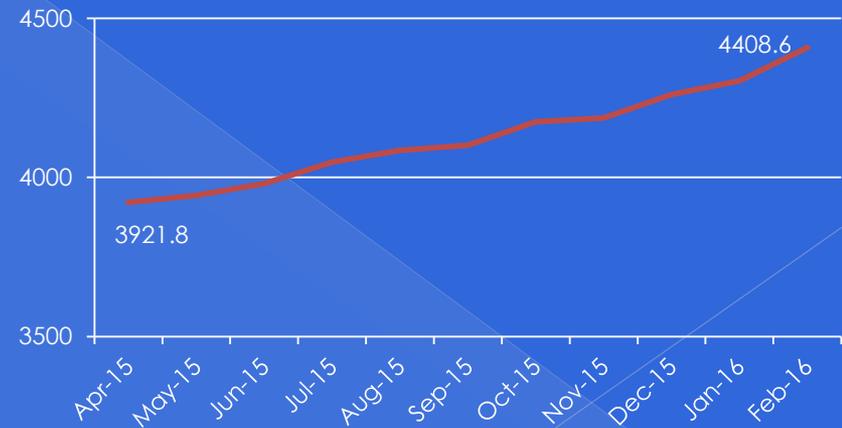
- The exchange rate of the MUR could be subject to volatility and uncertainty, with sensitivity to events happening on the global stage.
- The MUR depreciated against a stronger dollar in international market.
- The average nominal exchange rate stood at 35.12 in 2015
- Steady increase (12%) in Foreign exchange reserves over a year's horizon

Nominal Exchange Rate: MUR/USD



Source: Bank of Mauritius

Foreign Exchange Reserves (USD M)



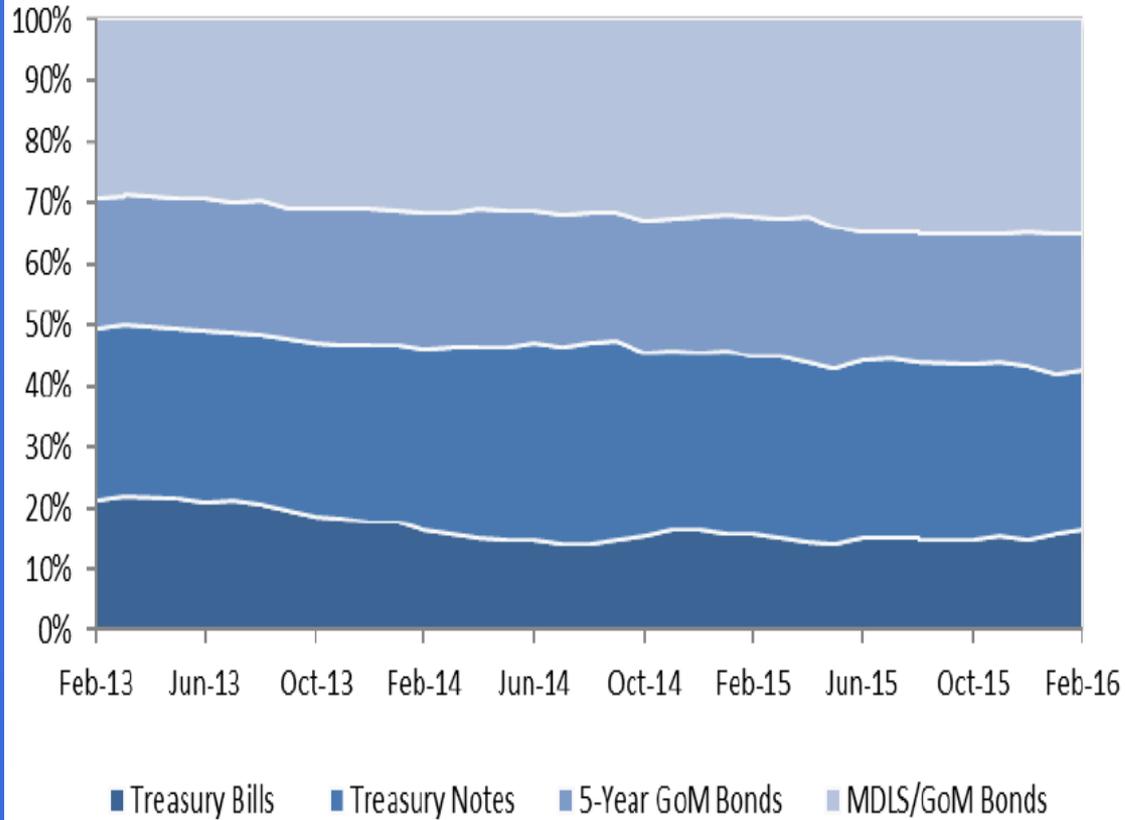
Source: Trading Economics

# Debt Volumes

Details	MUR Bn	USD Bn	% of GDP
<b>G - Securities</b>	190	5.3	46
<b>BoM Instruments</b>	32	0.9	7.9
<b>Bank Loans &amp; Advances</b>	600	17	148
<b>Listed Debt</b>	12	0.3	3.0

# Government Securities

Distribution of Government Securities

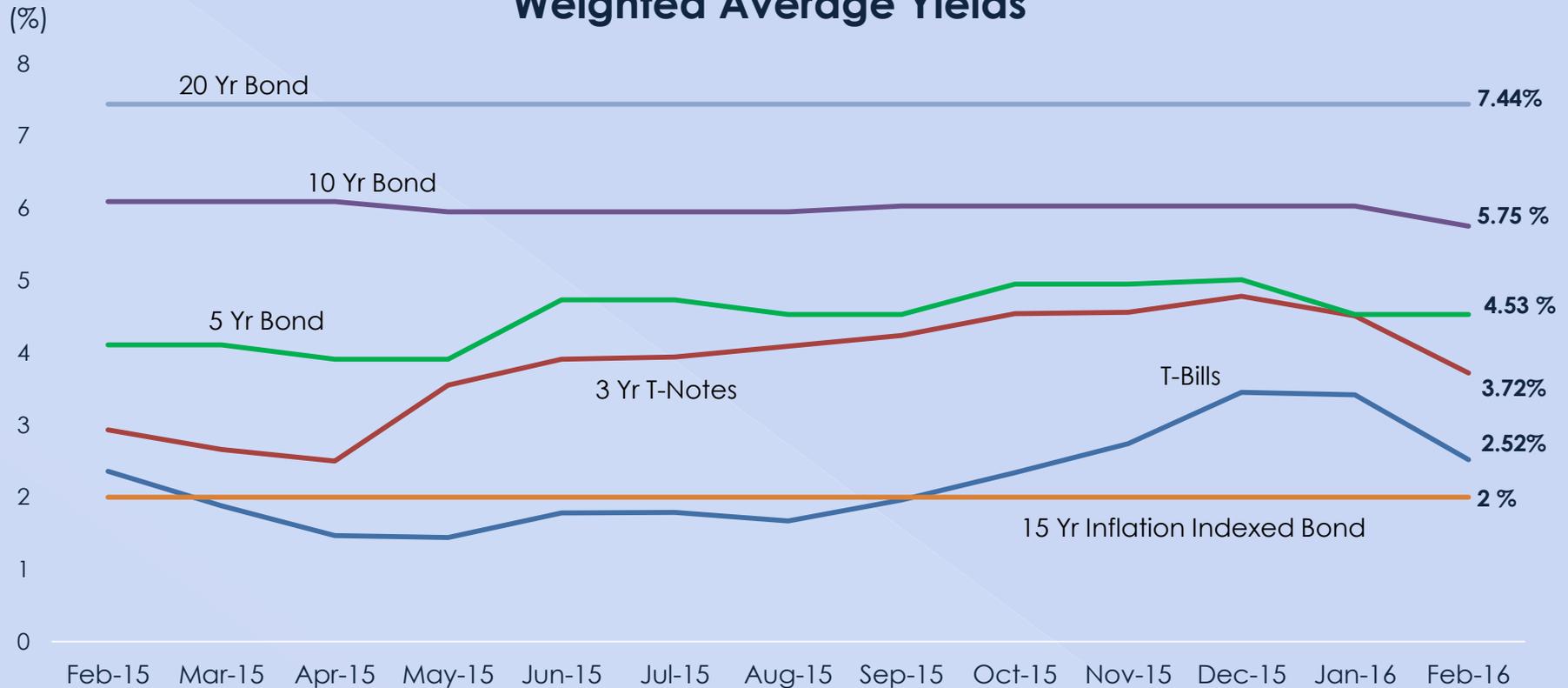


Source: Care Ratings

- As at Feb 2016,  
17% - T Bills  
26% - Treasury Notes  
22% - 5 year Govt Bonds  
35% - LT GoM Bonds
- Shift from LT to ST maturities

# Government Securities

## Weighted Average Yields

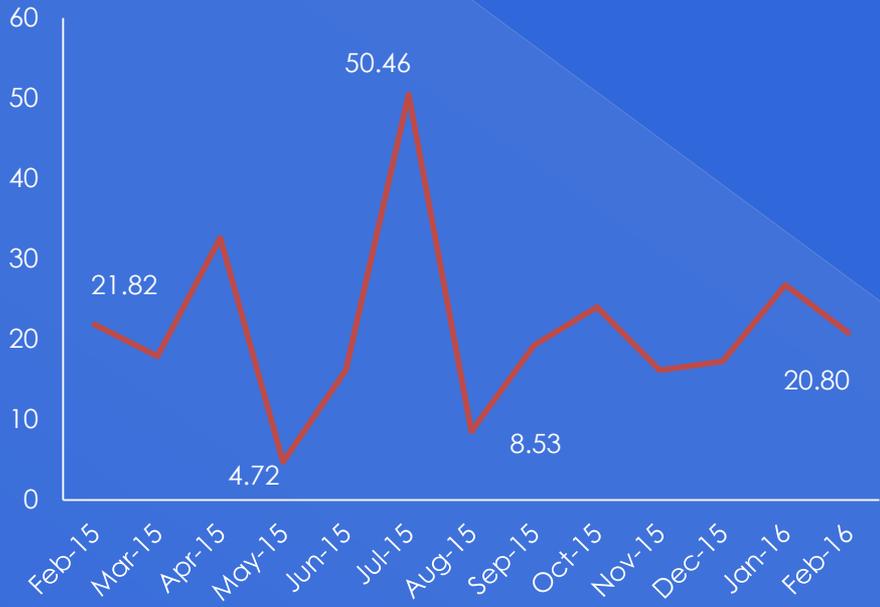


Source: Care Ratings

- Yields fell in Feb 2016
- Weighted average yield of T-bills fell to 2.52% from 3.18% in Jan 2016

# Government Securities

## Primary Dealers' Volumes As a % of Total Bond Issues



## Secondary Market Transactions as a % of Outstanding Debt



Source: Care Ratings

# Market Participants

## T-Bills

- Primary Dealers
- Other Banks
- Insurance Funds
- Pension Funds
- Parastatal Bodies

## Bonds

- All Banks
- Pension Funds
- Insurance Funds
- Parastatal Bodies

Secondary Markets Estimates	
Estimated Market Volumes – Q1 , 2016	Mur 2.5 Bio
Active Market Participants	Banks , Fls, Pension Funds Parastatals , HNI , Substance seekers
Active dealers	Large Banks (Local and MNC)
Most Liquid buckets	1 month – 6 months 10years

# Government Securities – Auction Volumes

## Primary Market

Securities	Period
T-Bill Auctions	<ul style="list-style-type: none"> <li>- 91/182/364 days</li> <li>- Every Friday</li> <li>- USD 40 Mio</li> </ul>
3 Year Notes	<ul style="list-style-type: none"> <li>- Once in a month</li> <li>- USD 30-40 Mio</li> </ul>
5 Year Bonds	<ul style="list-style-type: none"> <li>- Once in a month</li> <li>- USD 30-40 Mio</li> </ul>
10/25/20 Year Bonds	<ul style="list-style-type: none"> <li>- 4 to 5 times a year</li> <li>- USD 30-40 Mio</li> </ul>

## Secondary Market

Securities	Market Lot	Period
T-bills	MUR 25-100M	<ul style="list-style-type: none"> <li>- MUR 1 Billion</li> <li>- USD 30-40 Mio</li> <li>- Weekly</li> </ul>
T-Notes/ T-Bonds	MUR 25-100 Mio	<ul style="list-style-type: none"> <li>- MUR 1 Billion</li> <li>- USD 30-40 Mio</li> <li>- Weekly</li> </ul>

Primary Market	Secondary Market
T-Bills – T+0	T-Bills - T+1
Notes/Bonds – T+2	Notes/Bonds – T+1

# Overseas Investors : T-bills/Bonds

## Investment Leg...

### T-Bills

1. Creation of Offshore company in Mauritius
2. Open MUR Bank Account
3. Open Custody Account with Bank
4. Funding of MUR Account with investment amount
5. Agreement of FX Rate
6. Signing up of Investment Forms
7. Investment takes place on T+1 basis

### Bonds

1. Creation of Offshore company in Mauritius
2. Open MUR Bank Account
3. Open Custody Account with Bank of Mauritius
4. Funding of MUR Account with investment amount
5. Agreement of FX rate
6. Request letter for making the investment
7. Investment takes place on T+3 basis

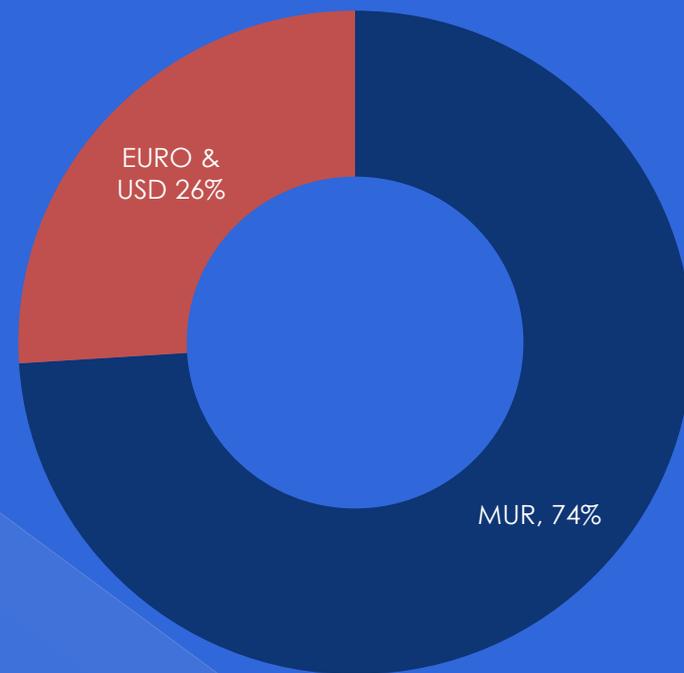
## Repatriation Leg...

- **At Maturity,**  
Redemption Value is credited to the current account maintained with the bank
- **On Pre-mature Redemption,**  
Same is done at prevailing market rates in the Secondary Market through Authorized Dealers.

# Listed Debt

Listed Debt	
Total Outstanding Debt Listed (MUR Bn)	12.3
Total Outstanding Debt Listed (USD Bn)	0.3
No of Issuers	8
Number of Bonds	12

## Bonds Currency Denomination



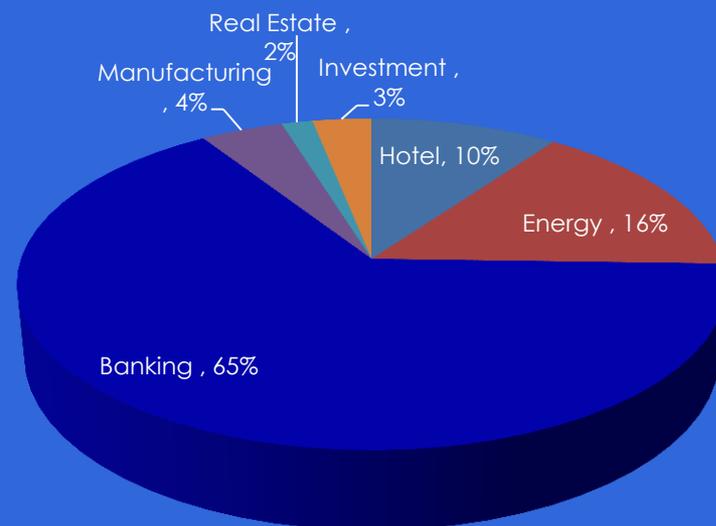
Source: Care Ratings

Fixed Rate v/s Floating Rate Bonds	Fixed	Floating	
		Libor	Repo
Outstanding Debt (MUR Bn)	1.7	3.2	7.5
% of Total Outstanding Debt	13.6	25.6	60.7

# Corporate Bonds

SEM	Industry	Yields	No Issued	Latest Price	Market Cap (MUR - Mio)
Lux Islands Resorts Ltd	Hotel	1.19%	50,000,000	11.10	555.00
Ominicane	Energy	7.15%	1,080	1,000,000.00	1,080.00
Ominicane (2nd Issue)	Energy	7.15%	9,200	100,000.00	920.00
MCB	Banking	5.34%	4,500,000	1,024.65	4,610.93
UBP (Floating Notes)	Manufacturing	5.56%	5,600,000	100.09	560.50
SBM Holdings Ltd - Class A	Banking	5.69%	150,000	10,038.74	1,505.81
SBM Holdings Ltd - Class B (USD)	Banking	2.06%	65,037	1,005.63	2,289.11
New Mauritius Hotels - Euro Fixed Rate	Hotel	5.03%	2,530	978.86	2.48
New Mauritius Hotels - Floating Rate (A)	Hotel	5.75%	96,140	1,000.00	96.14
New Mauritius Hotels - Floating Rate (B)	Hotel	6.28%	618,703	999.05	618.12
					<b>12,238.08</b>
DEM					
Ascencia Bonds	Real Estate	5.97%	17,556,676	12.03	211.21
United Investment Bond	Investment	6.75%	4,000,000	99.99	399.96
					<b>611.17</b>
				<b>Total Market Cap</b>	<b>12,849.25</b>

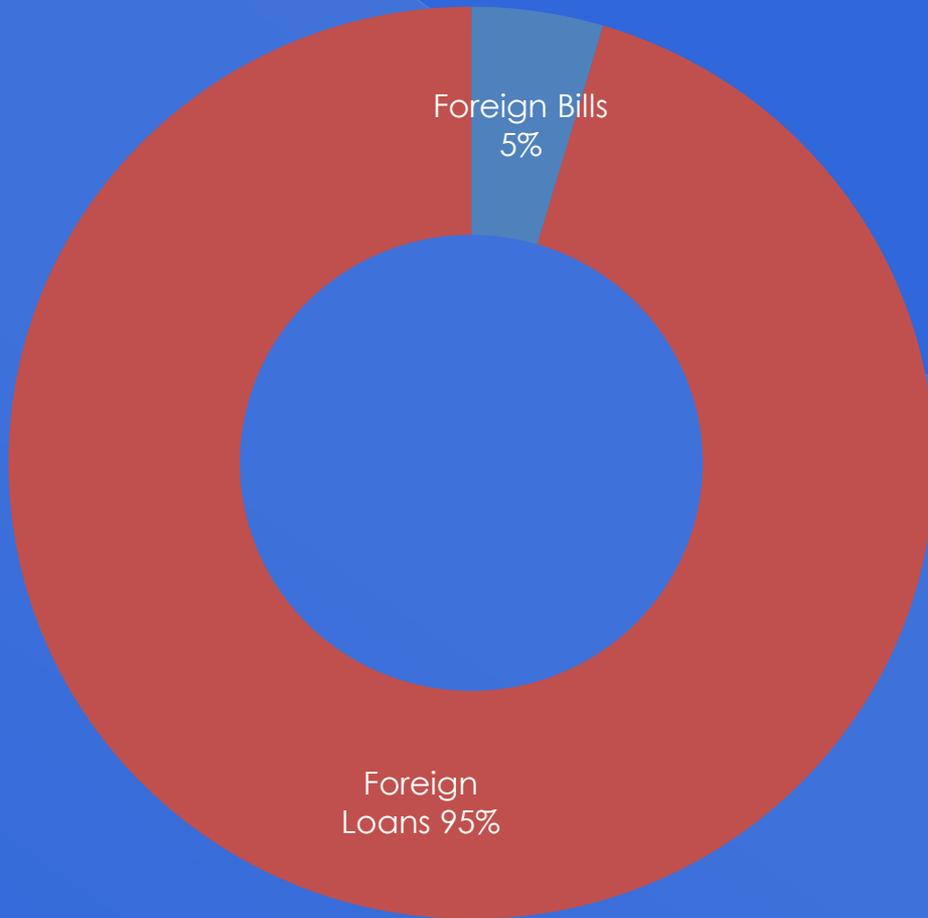
Bond Issuance Sector wise (Both Exchanges combined)



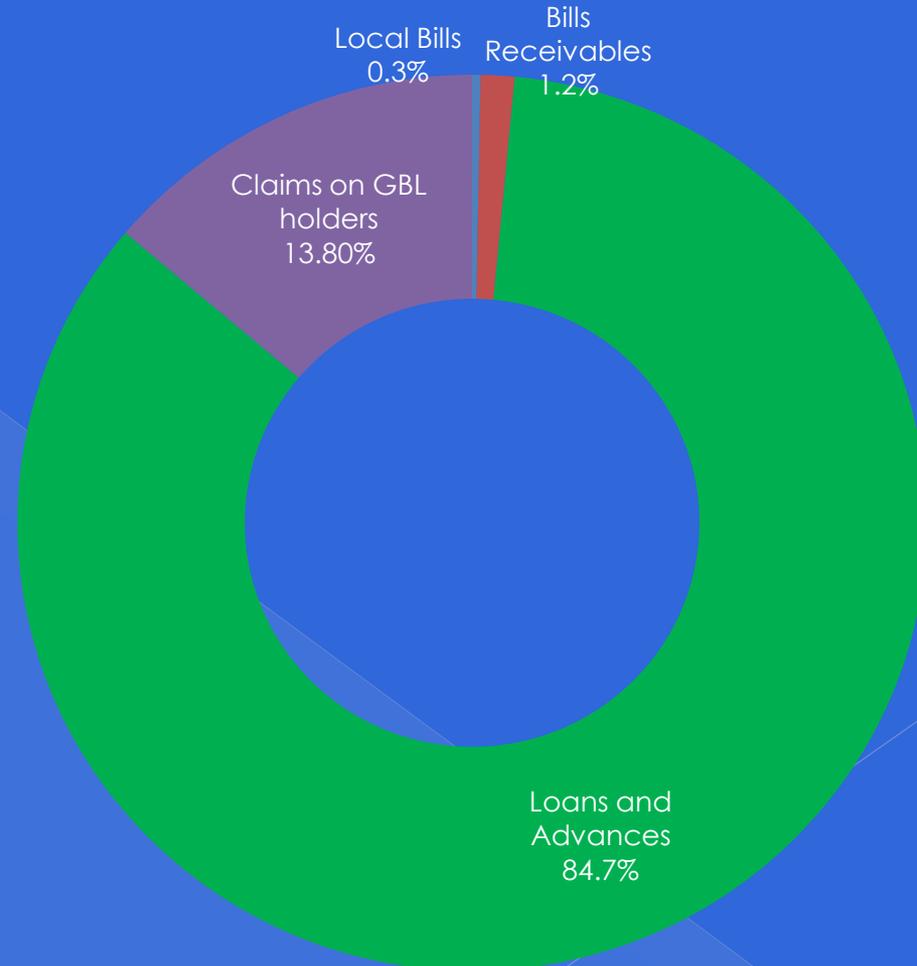
Source: Stock Exchange of Mauritius

# Credit Distribution

## Distribution of Foreign Credit



## Distribution of Domestic Credit



# Double Taxation Agreements (DTAs)

So far Mauritius has concluded 43 tax treaties and is party to a series of treaties under negotiation. The treaties currently in force are:

<b>Australia (Partial)</b>	<b>Barbados</b>	<b>Belgium</b>
<b>Botswana</b>	<b>Congo</b>	<b>Croatia</b>
<b>Cyprus</b>	<b>Egypt</b>	<b>France</b> -DTA - Amendment(s) through Protocol
<b>Germany (New)</b>	<b>Guernsey</b>	<b>India</b>
<b>Italy</b> -DTA - Amendment(s) through Protocol	<b>Kuwait</b>	<b>Lesotho</b>
<b>Luxembourg</b> -DTA - Amendment(s) through Protocol	<b>Madagascar</b>	<b>Malaysia</b>
<b>Malta</b>	<b>Monaco</b>	<b>Mozambique</b>
<b>Namibia</b>	<b>Nepal</b>	<b>Oman</b>
<b>Pakistan</b>	<b>People's Republic of Bangladesh</b>	<b>People's Republic of China</b> -DTA - Amendment(s) through Protocol
<b>Rwanda</b>	<b>Senegal</b>	<b>Seychelles</b> -DTA - Amendment(s) through Protocol
<b>Singapore</b>	<b>Sri Lanka</b>	<b>South Africa (New)</b>
<b>State of Qatar</b>	<b>Swaziland</b>	<b>Sweden (New)</b>
<b>Thailand</b>	<b>Tunisia</b>	<b>Uganda</b>
<b>United Arab Emirates</b>	<b>United Kingdom</b> -DTA - Amendment(s) through Protocol	<b>Zambia</b>
<b>Zimbabwe</b>		

- **5 treaties await ratification** : Gabon, Kenya, Morocco, Nigeria and Russia
- **4 treaties await signature** : Burkina Faso, Cape Verde, Ghana and Jersey
- **17 treaties being negotiated** : Algeria, Canada, Czech Republic, Greece, Hong Kong, Lesotho (New), Montenegro, North Sudan, Portugal, Republic of Iran, Malawi, Saudi Arabia, Spain, St. Kitts & Nevis, Tanzania, Vietnam and Yemen

# GBC1 and GBC 2

- Global Business Companies (GBCs) are regulated by the FSC
- 2 Types of GBCS :
  - Category 1 Global Business Company ("GBC1")
  - Category 2 Global Business Company ("GBC2")
- Offers highest degree of confidentiality
- GBC1 is resident for tax purposes in Mauritius and can thus avail itself of the benefits of the double taxation treaties signed by Mauritius
- GBC2 is tax exempt and is typically used where no tax treaty benefits are sought.

# GBC1 and GBC 2

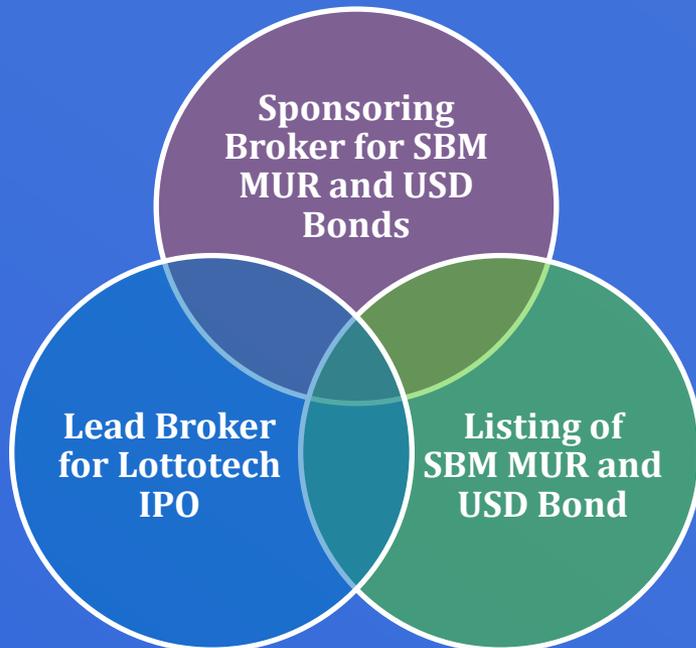
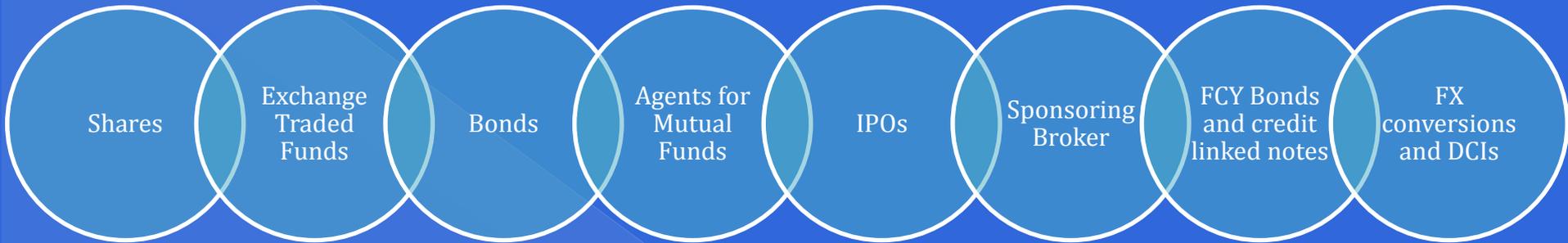
Table of Comparison between Mauritian GBC 1 and GBC 2

	GBC 1	GBC 2
-		
Registered Office in Mauritius	Yes	Yes
Minimum number of members	1	1
Corporate shareholder	Allowed	Allowed
Limited life	Allowed	Allowed
Minimum Capital Requirement	None (a)	None
Bearer Shares	Not allowed	Not allowed
No par value shares	Allowed	Allowed
Access to DTA benefits	Yes	No
Taxation	15% (b)	Exempt
Minimum number of Directors	1	1
Minimum number of Shareholder	1	1
Corporate Directorship	Not Allowed	Allowed
Resident Secretary	Yes (c)	Optional
Auditor	Yes	Optional
Resident Agent	-	Yes
Annual General meeting	Yes	Optional
Filing of Audited Accounts (to FSC only)	Yes	No
Freeport activities	Allowed	Not Allowed
Off-the-shelf companies	No	Yes
Migration into and out of Mauritius	Authorised	Authorised
Incorporation time	About 15/20 days	Max 5 days

# SBM Group

- Leading financial services provider in Mauritius with growing international presence
- Second largest bank in Mauritius providing a range of financial products and services to individuals and businesses
- International presence in India, Madagascar and soon in Seychelles
- Awarded “Bank of the Year - Mauritius” by Banker 2013 & 2014
- “Best Retail Bank in Africa” by African Banker Awards 2014
- Moody’s Ratings : Baa3 with Stable Outlook
- Services: Banking ...Broking...Custody...Funds...Structured Solution

# SBM Group – Securities Arm

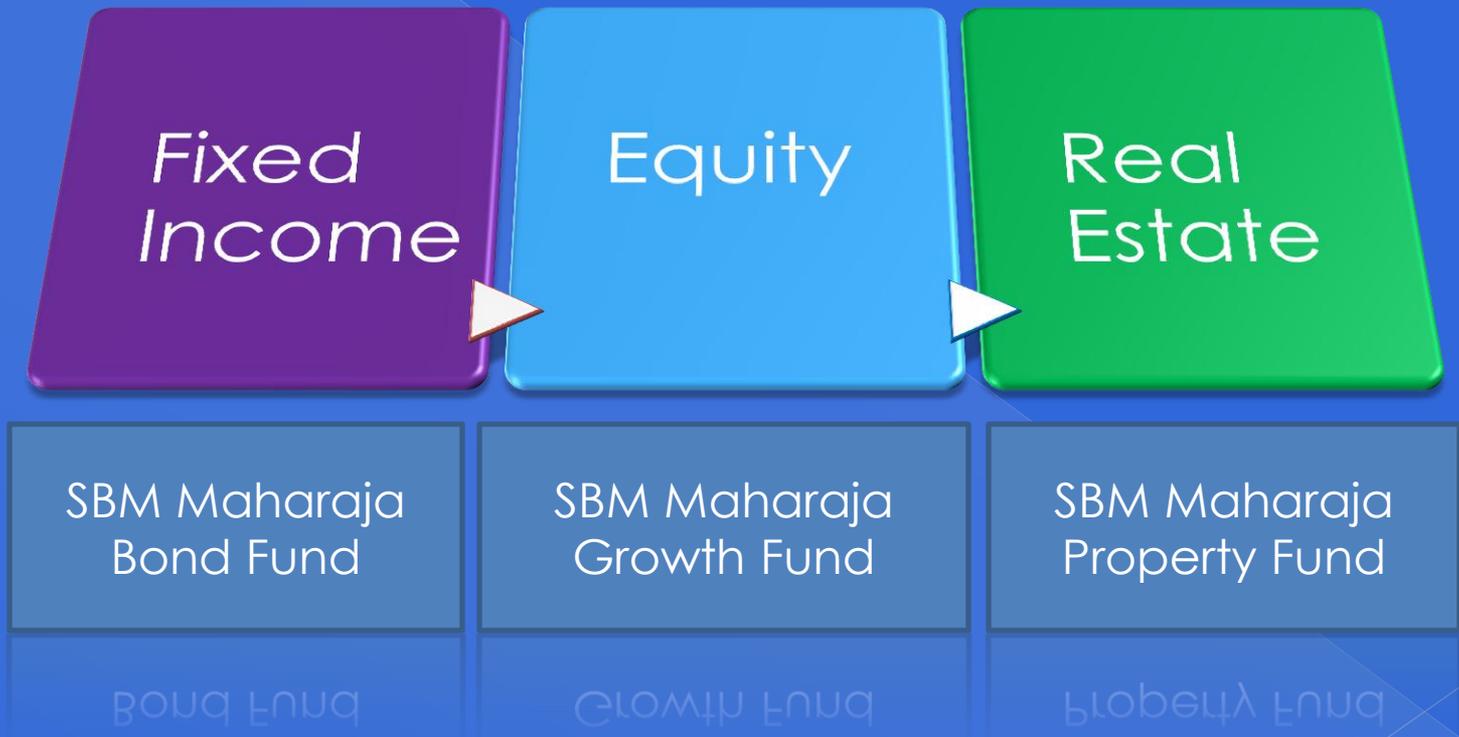


## Our Partners....

- ✓ Stock Exchange of Mauritius (SEM)
- ✓ Central Depository & Settlement Co Ltd (CDS)
- ✓ Bank of Mauritius (BOM)
- ✓ JP Morgan and Neovest
- ✓ Deutsche Bank Frankfurt (DB)
- ✓ Euroclear and Fund Settle
- ✓ Castle Harbour Securities
- ✓ Bridport

# SBM Group - Capital Management Arm

- GBC1 company
- Category II FPI license to provide opportunities to invest across various asset classes in India



# Questions ?



# The Speaker



**PV Rao**

**Head Financial Markets – SBM Bank**

P V Rao has joined SBM in 2010 as Head of Treasury- SBM India Operations and joined SBM Mauritius as Head of Financial Markets in 2013 . He has more than 25 years experience in banking heading various sections of the Treasury Division across very large Public Sector and Private Sector Banks in India . His core expertise is in Market Advisory , Trading in Currency, Bullion and Fixed Income Instruments and forecasting of various asset classes.

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**Thank You**

**SBM**