





Mauritius

An outsourcing jurisdiction in the Indian Ocean

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As fund managers continue to face margin pressures, outsourcing fund accounting and administration to Mauritius can be an attractive alternative.

The global environment

In the wake of the recent financial crisis, the global investment management industry has gone through several paradigm shifts and is now facing new challenges. The industry has been forced to reshape itself and adapt to regulatory measures, client pressures and persistent competition. Reforms are being introduced in financial centres, with governments across the world instituting more rigorous rules and regulations. Clients are demanding quality reporting, with more transparent cost structures and more readily available—as well as knowledgeable—staff. Asset managers are forced to invest massively to implement and comply with new regulations and to respond to increased pressure to provide higher quality and transparent information faster to clients.

To contain costs, asset managers are required to review their operational processes to identify inefficiencies and concentrate on core activities and competencies. In this context, industry players are forced to adapt and scrutinise new boundaries and identify new jurisdictions

with competitive fees and proper regulations that would meet rising expectations on performance and efficiency. In the U.S. and the UK, the outsourcing of back-office operations has become a standard practice. European and Asian investment managers are increasingly turning to outside providers to outsource non-core activities.

Outsourcing decisions can be challenging, but the island of Mauritius has risen to the challenge and has positioned itself to offer a unique value proposition to respond to the industry's expectations.

The numerous advantages of outsourcing business processes to Mauritius

For the past quarter of a century, the Mauritius government, with the required impetus, has provided favourable conditions for the country to develop an international financial services industry that has come to be a reputable outsourcing destination.

The financial services sector is regulated by the Bank of Mauritius (BOM) and the Financial Services Commission (FSC). The BOM is responsible for the regulation of all banking services whereas the FSC is the integrated regulator for non-banking financial institutions and global business. The FSC aims to achieve international standards by simplifying processes and procedures to remove barriers to investment and to facilitate delivery of services.

With the right balance between regulation and business development, both the BOM and the FSC have established the necessary safeguards to promote and ensure the soundness and stability of the financial system, making Mauritius a well-regulated, secure and transparent financial centre. Financial regulation is based on international best practice standards in terms of legal framework and supervision. These standards, combined with an attractive fiscal regime and a wide network of double taxation treaties, make Mauritius a popular destination for international asset managers to set up offshore funds and also to outsource their fund accounting and administration.

Political and economic stability

The political and economic stability of Mauritius are key reasons that provide comfort to asset managers that the country is a safe and trusted location for the conduct of business. The island was recently ranked 8th globally (and 1st out of 46 countries in the Sub-Saharan Africa region) in the Index of Economic Freedom¹. Also, Mauritius was ranked 20 out of 189 economies by the World Bank in 2014 in the overall "Ease of Doing Business".

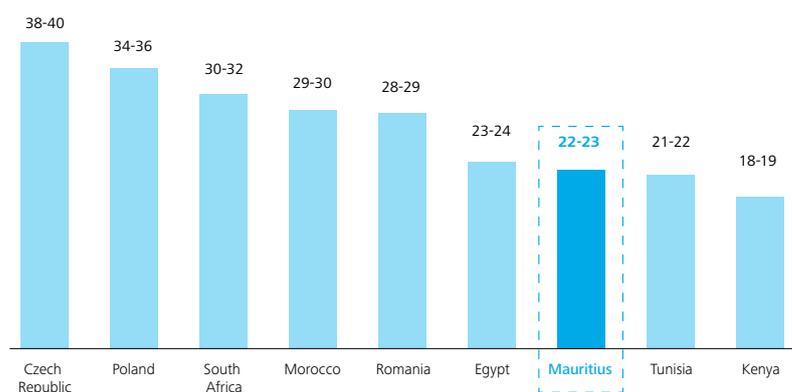
Cost-effective solutions

The cost of service delivery in Mauritius is another significant advantage for fund managers pursuing cost-containment strategies. In fact, based on the cost components of staff and operation costs, administration and accounting fees, and technology costs, Mauritius is a very affordable outsourcing destination. The charts below illustrate the operating costs per full-time employee for financial and accounting services and IT costs across popular outsourcing destinations.

Financial and Accounting (F&A) cost comparison

Direct operating cost per full time employee for transactional F&A services

2012; US\$ 000 per annum per FTE

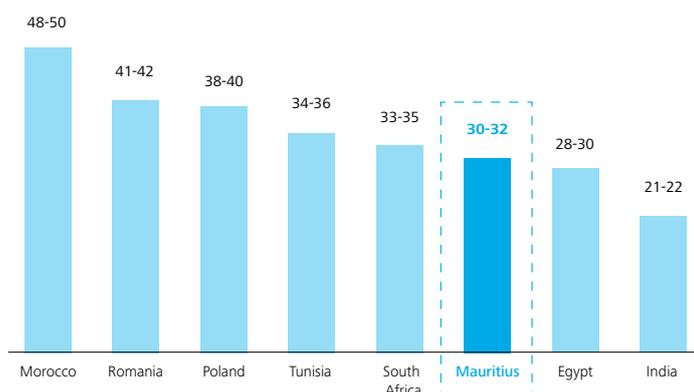


Source: Everest Group (2012)

IT cost comparison

Direct operating cost per full time employee for IT applications development and maintenance

2012; US\$ 000 per annum per FTE



Source: Everest Group (2012)

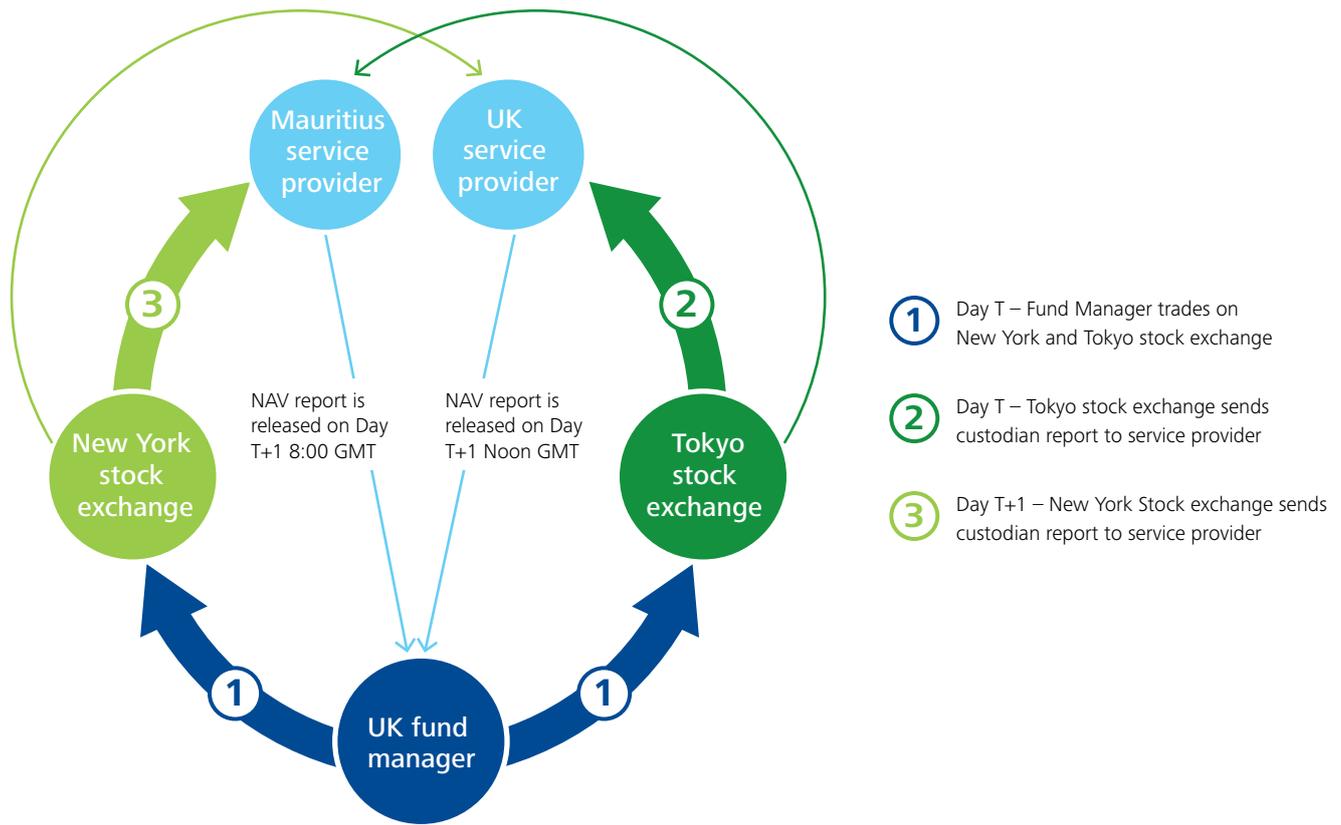
¹ Heritage Foundation (index on trade freedom, business freedom, investment freedom, and property rights) www.heritage.org/index/

Convenient time zone (GMT +4)

Mauritius' advantageous GMT +4 time zone allows business to be done with major markets within a single business day. Outsourcing accounting and fund administration to Mauritius permits fund managers to link trade zones from Far East Asia, such as Hong Kong, Singapore and Tokyo, to the Far West to Europe and the U.S. and also to provide daily pricing as this has become an industry standard.

The following diagram illustrates the NAV calculation processing time between Mauritius and the UK. The UK asset manager would have his NAV report four hours earlier if NAV calculations were outsourced to Mauritius.

NAV calculation processing time



Source: DTOS/Deloitte

Qualified and bilingual professionals

The availability and affordability of qualified professionals, who are bilingual in English and French, also make Mauritius appealing to both French-speaking and English-speaking countries. By virtue of their linguistic proficiency, Mauritian professionals are able to provide value-added services with a customer-centric focus.



Interview with DTOS

by Lissette Rimola-Durieu

Deloitte: Who are your clients? And what solutions are you providing to them?

DTOS has a substantial and diversified client base, which includes Fortune 500 companies, fund managers, family offices and High Net Worth Individuals, who recognise the quality of deliverables that are provided to them.

Our years of experience enable us to understand the challenges and demands of today's fund managers and we have built up our fund services division in terms of personnel, processes and technology in order to respond to our clients' needs. We facilitate the setting up of both private equity and open-ended funds and act as administrator and company secretary to those funds. We can carry out NAV reporting on T+1, finalise accounting statements and provide registrar, tax and compliance services.

Deloitte: Have you seen a significant increase in the number of outsourcing activities to DTOS since 2008? What new services/products have you developed since then?

Indeed, we have witnessed an increase in the number of outsourcing activities in recent years. Clients have chosen to outsource part of their functions to us for a number of reasons such as our track record and experience, availability and professional staff, and quality of services, among others. Since its establishment in 1993, DTOS has continuously reviewed its product offerings to meet our client expectations. Today, our financial outsourcing offer includes accounting and NAV calculation of funds domiciled overseas, journal entry and account reconciliation, payroll processing, as well as debtors and creditors control for local and multinational corporates.

Deloitte: What are the main values that drive DTOS?

At DTOS we value investment in talent, processes and our IT.

We strongly believe in the professional development of our people. We are an Approved ACCA Employer (Platinum) and an ICAEW Authorised Training Employer. We have a team of 160 professionals and provide career development opportunities through sponsorships of employees studying for ACCA, ICSA and ACA qualifications.

We also aim to continuously improve our processes in order to deliver the highest levels of service to our clients. DTOS is one of the few companies in Mauritius that has achieved ISAE 3402 Type II certification.

We have invested massively in a modern IT infrastructure including specialist fund management software.



Deloitte: You mentioned that DTOS makes a significant investment in its IT systems. What measures have you taken to ensure data integrity and security in the integration and restitution process?

We recognise that an efficient and innovative IT infrastructure is a pivotal element affecting a company's performance. At DTOS, we have constantly been investing in our IT infrastructure to keep abreast with innovation, market needs and in support of business projects. Besides housing state-of-the-art infrastructure (advanced hardware and software, high bandwidth connectivity, secure IT connection), we are aware that the IT infrastructure has to offer a secure and trouble-free platform. DTOS IT infrastructure comprises a disaster recovery plan with seamless switch-over technology, a fully-fledged business continuity plan with minimum downtime and off-site connectivity within the group and a dedicated FTP server, hosted in-house, with enhanced security so that clients can upload/download large files securely.

Deloitte: What are the challenges you see facing your clients? What innovative solutions are being provided by DTOS?

Among the various challenges facing our clients, cost containment and higher profit margins are the most challenging ones. Asset managers are finding it extremely difficult to collect and pay higher returns on investments. When looking for their best cost scenarios, clients are also faced with the challenge of having quality services and rapid turnaround time. DTOS understands this new reality and has specialist teams looking at rationalising processes and advising on the most tax-efficient and transparent structures that would ultimately benefit our clients.

To the point:

The financial crisis has accentuated the outsourcing of non-core activities in the investment management industry to contain costs.

Although outsourcing is a complex and controversial issue, Mauritius has established itself as an emerging business process outsourcing destination for fund managers as it provides numerous advantages:

- Political and economic stability
- Financial regulation based on international best practice standards
- Attractive fiscal regime
- Competitive staff and operating costs
- Convenient time zone (GMT +4)
- Qualified and bilingual professionals



About DTOS

Founded in 1993 and licensed by the Financial Services Commission, DTOS provides a comprehensive range of professional services including company formation, corporate and trust administration, fund administration, accounting, tax services, wealth management, third party fund accounting, financial outsourcing and business model optimisation.

DTOS is a subsidiary of Ireland Blyth Limited (IBL), a public company listed on the Stock Exchange of Mauritius. <http://www.dtos-mu.com/>