



INTERCONTINENTAL TRUST

International Tax & Management Services

INTERCONTINENTAL TRUST NEWSLETTER

VOLUME 4 - ISSUE 3

Collective Investment Schemes Regulations

The Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 (“CIS Regulations”) made under the Securities Act 2005 came into force on the 10th May 2008 and provide for the rules governing Collective Investment Schemes.

The CIS Regulations provide for different categories of Collective Investment Schemes with different set of rules applying to each category thereby leading to a simplification of regulations for some category of Collective Investment Schemes.

The application process has been streamlined and it is now anticipated that the preferred route will be the Expert CIS considering its simplified procedure and fewer regulations.

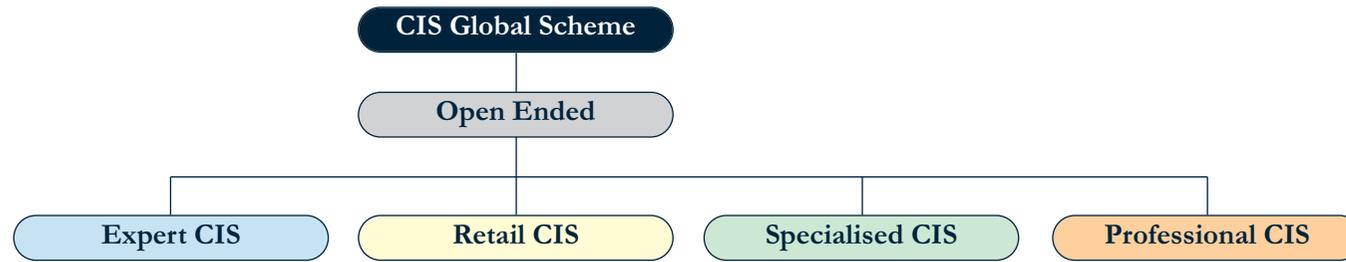
Existing CIS have up to 27th September 2010 to migrate to the new regulations.

A “collective investment scheme” -

- (a) means a scheme constituted as a company, a trust, or any other legal entity prescribed or approved by the Commission -
 - (i) whose sole purpose is the collective investment of funds in a portfolio of securities, or other financial assets, real property or non-financial assets as may be approved by the Commission;
 - (ii) whose operation is based on the principle of diversification of risk;
 - (iii) that has the obligation, on request of the holder of the securities, to redeem them at their net assets value, less commission or fees; and
 - (iv) where the participants do not have day to day control over the management of the property, whether or not they have the right to be consulted or to give directions in respect of such management; and
- (b) includes closed-end funds whose shares or units are listed on a securities exchange; but
- (c) does not include such schemes as are specified in Part II of the Schedule.

■ In this Issue

Collective Investment Scheme	1
Type of funds	2-3
Corporate and Legal Structure	4
Setting up a CIS	4
Time table	5
Our services	5
The Fund Management Company	7
Taxation	7
Tax Treaties	7
Mauritius Tax Treaty Network	8-9



	Expert CIS	Retail CIS	Specialised CIS	Professional CIS
Type of investors	For expert investors who make an initial investment, for their own account, of no less than US\$ 100 000; or sophisticated investors*.	Any	Any	For Private Placements i.e. where each investor subscribes or purchases for his own account and no publicity is made by the person making the offer; and investors should be sophisticated investors*.
Type of investments	Any	Any	For investments in real estate, derivatives, commodities or any other product authorised by the Commission.	Any
Minimum investment	US\$100,000	No minimum.	No minimum.	No minimum.
CIS Manager [^]	Needs not be resident in Mauritius but must be licensed in a comparable jurisdiction, in which case it will not be subject to most of the CIS regulations.	Needs not be resident in Mauritius but will be subject to more stringent regulations.	Conditions will apply on a case by case basis.	Needs not be resident in Mauritius and will not be subject to most of the CIS regulations if the shares are not sold to the public and not listed.
CIS Administrator	Must be resident in Mauritius.	Must be resident in Mauritius.	Must be resident in Mauritius.	Must be resident in Mauritius.

*Sophisticated investors means the Government of Mauritius; a statutory authority or an agency established by an enactment for a public purpose; a company, all the shares in which are owned by the Government of Mauritius or a body specified in paragraph (b); the government of a foreign country, or an agency of such government; a bank; a CIS manager; an insurer; an investment adviser; an investment dealer; or a person declared by the Commission to be a sophisticated investor.

[^]CIS manager means the board of the collective investment scheme when that scheme is constituted as a company or the CIS manager if that particular function has been delegated to the CIS manager by the board.



Expert CIS

Retail CIS

Specialised CIS

Professional CIS

	Expert CIS	Retail CIS	Specialised CIS	Professional CIS
CIS Custodian*	Needs not be resident in Mauritius.	Needs not be resident in Mauritius.	Conditions will apply on a case by case basis	Needs not be resident in Mauritius.
Important disclosures in PPM	<p>“Investors in [name of the expert fund] are not protected by any statutory compensation arrangements in Mauritius in the event of the fund’s failure.”</p> <p>“The Mauritius Financial Services Commission does not vouch for the financial soundness of the fund or for the correctness of any statements made or opinions expressed with regard to it.”</p>	<p>“Investors in [name of the Global scheme] are not protected by any statutory compensation arrangements in Mauritius in the event of the fund’s failure.”</p> <p>“The Mauritius Financial Services Commission does not vouch for the financial soundness of the fund or for the correctness of any statements made or opinions expressed with regard to it.”</p>	Conditions will apply on a case by case basis	Not applicable.

*Approval from the FSC will be required at the time of incorporation of the CIS. No specific licensing will be required.





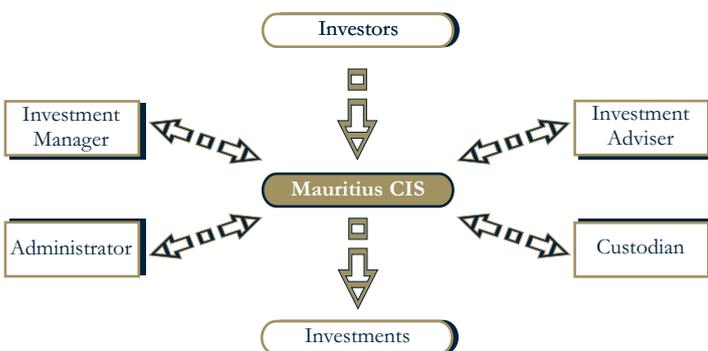
CORPORATE AND LEGAL STRUCTURE

CIS are authorised by the Financial Services Commission in Mauritius and are commonly structured as companies incorporated under the Companies Act 2001. A Global scheme CIS will also hold a Category 1 Global Business Licence under the Financial Services Act 2007. Such a structure is defined as one where the company's business consists of investing its funds mainly in securities with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds. The structure commonly used is a company although a trust can also be used. The CIS can be set up as a company under the Companies Act 2001 with as many sub-funds, or classes of shares, as one may wish. Each sub-fund can be denominated in a different currency or specialised in different markets or activities.

The CIS can have a two-tier or single-tier structure. In any case it is important that the CIS has an administrator and a cash custodian in Mauritius. The investment manager may be resident outside Mauritius as referred to the table on page 2.

Moreover the CIS company structure allows access to the benefits of the double taxation agreements essential for mitigating any tax incidence.

The structure may look as follows:



SETTING UP A CIS

A CIS needs to be approved by the Financial Services Commission in Mauritius (FSC) before it commences business. In considering an application, the Commission needs to be satisfied of the following:

- the track record and credentials of the promoters;
- the fund structure;
- the objectives of the fund;
- the investors and the market targeted;
- types of investment the fund will be dealing in; and
- the track record of the directors, investment manager, custodian, and administrator.

The Commission generally wishes to satisfy itself that, as far as possible, the central administration of the fund is in Mauritius. To this end, the Fund must have a local administrator, local cash custodian and a local auditor.

The above does not exclude the possibility of the Fund obtaining assistance for the management of its assets from an investment adviser established overseas, nor does it prevent management decisions in relation to investment and disinvestment being executed overseas.

Step 1 - Preparation of Structure Paper

A Structure Paper must be prepared and submitted to the Regulator (the Financial Services Commission). This will contain the essential information on the structure, management and ownership of the CIS. Full details on the Promoter, Investment Manager, Custodian, Administrator, etc have to be disclosed.

The first drafts of the various agreements need to be submitted to the FSC namely:

- Prospectus / Private Placement Memorandum;
- Constitution of the CIS;
- Investment Management Agreement;
- Custodian Agreement;
- Administration Agreement.



Step 2 - Application to the FSC

The application process to the FSC would involve various correspondences and answering all queries the FSC may have. This could take a few weeks after which it may issue the licence.

Step 3 - First board meeting and execution of the agreements

The first board meeting is held to approve the various agreements. A copy of the duly executed agreements is then filed with the FSC.

Step 4 - Tax Residence Certificate

A Tax Residence Certificate is applied with the Financial Services Commission.

TIME TABLE

Provided all of the agreements / documents are in draft form, the following estimated time-scale can be achieved. After Step 3, the CIS is ready to commence operations.

STEP	WEEKS
1	1
2	2
3	1
TOTAL	4
4	1

OUR SERVICES

Intercontinental Trust Ltd will act as Administrator, Registrar and Secretary to the CIS. We propose to offer the following services to the CIS.

Establishment of the Fund

- Advice on structuring, Mauritian regulatory and double tax treaty aspects;
- Preparing and reviewing of the preliminary Fund's draft and final documentation at all stages: prospectus, constitution, all material contracts for Mauritian legal compliance, submission of these to the authorities obtaining the necessary clearances from the Financial Services Commission and ensuring the incorporation of the CIS with the Registrar of Companies;
- Issuing tax opinions if required; and
- Arranging for the first board meeting etc., and attending to all FSC's and local filings.

Acting as Administrator to the CIS

- The Administrator shall keep or cause to be kept on behalf of the CIS at the Administrator's premises in Mauritius such books, records and statements expressed in such currencies as may be necessary to give a complete record of all transactions carried out by the Administrator on behalf of the CIS and such other books, records and statements as may be required by the Laws, Articles or the Directors and as may be necessary to give a complete record of all other transactions carried out by the Investment Manager or the Administrator on behalf of the CIS and shall permit the CIS (and its employees and agents), the Auditors and, so far as required by the Laws, the public to inspect such books, records and statements at all times;
- to enter into, make and perform all contracts, agreements and other undertakings as may in the opinion of the Administrator be necessary or advisable or incidental to the carrying out of the objectives the Administration Agreement;
- to effect all necessary registrations with governmental and similar agencies and disburse payments of governmental fees in order to maintain the good standing of the CIS;
- to apply to the relevant authorities for, and to obtain from such authorities, all confirmations or consents relating to the taxation status of the CIS and all tax rebates and other payments which may be due to the CIS from time to time in respect of the Investments, and in connection therewith the Administrator shall have and is hereby granted the authority to disclose to any such relevant authorities such information in its possession regarding the CIS or its affairs as may be necessary or reasonably required for such purposes;
- the general administration of the CIS and receiving and dealing with applications, notices and correspondence on behalf of the CIS;
- keeping and arranging for safe-keeping of the records and accounts of the CIS in such manner as will enable the CIS to publish yearly and half-yearly the report and accounts of the CIS, as required by the Laws;



INTERCONTINENTAL TRUST
International Tax & Management Services

- in accordance with the Laws reviewing for the approval of the Directors the yearly and half-yearly report and accounts of the CIS and such other reports, notices and documents as the CIS may from time to time require and arranging for the despatch of the same;
- the safekeeping, preparation and forwarding to investors, or to the order of such investors, of all certificates, cheques, statements, notices and other documents which the CIS is required to issue or serve in connection with the said documents; and
- to calculate the Net Asset Value in Mauritius.
- generally performing all such functions as are usually performed by Registrars and doing all such acts and things as may be incidental to the above duties or any of them;
- the safekeeping of the seal of the CIS and of stocks of un-issued Securities' certificates;
- the procuring (so far as the Administrator is reasonably able to do so) of an increase in the authorised share capital of the CIS as and when necessary; and
- instructing the Custodian or the CIS's bankers (as the case may be) as to the payment of amounts payable by the CIS and the currencies in which the same are so payable.

Acting as Registrar to the CIS

- assist the Custodian / Investment Manager in the provision of facilities for the certification and registration of issues, redemptions and transfers of Securities;
- the maintenance of a Register in respect of each class of Securities and of payment instruction records;
- the preparation and authentication of certificates (if any) for securities (which shall be provided in blank by the CIS) and the despatch to the persons entitled there to or to the order of such persons or to their agent;
- the preparation and despatch of dividend or other payment warrants (which shall be prepared in blank by the CIS) and (where a facsimile signature has not already been printed thereon) signing the same or causing the same to be signed before the day on which they ought to be despatched;
- the retention for a period of six years from the date thereof of all application forms for subscriptions, transfers of, and written instructions for the redemption of any securities or other similar documents and for a period of six years from the date of cancellation, all certificates for Securities and payment mandates which have been cancelled;
- the preparation of lists of holders of Securities for inclusion in any annual or other return required to be made by the CIS;
- the holding of any Register of Securities open for inspection in accordance with the Articles and the Laws;

Acting as Secretary to the CIS

- the convening of the meetings of Directors and of holders of Securities and the taking of minutes thereof;
- the keeping and safe-keeping of the statutory books and records of the CIS;
- the delivery of all returns required by the Laws or to any competent authority in Mauritius;
- all duties properly to be performed by the Secretary of a company under the Laws and by the Secretary of the CIS under the Articles;
- the provision of the Registered Office of the CIS and a place where notices may be served on the CIS; and
- applying for all such authorisation as may be needed by the CIS under the Laws of Mauritius.

Appointment of Custodian

The Securities Act 2005 states that the Custodian to a CIS needs to be approved by the FSC. At the time of setting-up of a CIS, approval to appoint a Custodian to the CIS will be sought. No other approval is required by the Custodian for a CIS.



INTERCONTINENTAL TRUST

International Tax & Management Services

THE FUND MANAGEMENT COMPANY

The client may wish to incorporate a CIS Manager, also known as a Fund Management Company, in Mauritius in order to manage the CIS. This is not compulsory but can help to strengthen the tax residence of the CIS in Mauritius. The Fund Management Company will have to demonstrate a proven track record in fund management to be granted a licence by the FSC. Furthermore, the company will need to meet the following specific conditions, amongst others:

- Where the company requires any licence/authorization /permission or consent in any relevant jurisdiction to conduct the business described in the application form, the company shall not conduct such business unless it has obtained the relevant approval and the company shall keep a copy of such approval at its registered office;
- The company shall provide particulars of any director, manager, officer (excluding secretarial staff) it proposes to appoint. No directors, managers or officers shall be appointed by the company except with the prior approval of the FSC;
- No person shall act as director, controller or manager or replace a director, controller or manager unless he is a person who is competent and qualified in the field of investment/fund management business, and approved by the FSC;
- The company shall not be entrusted with client's monies nor act as custodian for any of its clients including any Collective Investment Scheme;
- The company shall maintain a minimum paid-up and unimpaired share capital of at least USD35,000 or its equivalent in any currency;
- The company shall keep at its registered address the constitutive documents of any Collective Investment Scheme to which it is a functionary and the investment strategy and the operational agreements concerning the management, custodians, advisors and other participants of the said CIS and a copy of any licence/authorization/permission or consent required from any supervisory, regulatory or licensing body in relation to the conduct of its investment business activities outside Mauritius; and

- The company shall: make such disclosures as due diligence requires, have its registered office in Mauritius, process its banking transactions through a bank account in Mauritius, hold its directors' meeting in Mauritius, maintain its accounting records in Mauritius, keep books and records that reflect accurately its affairs and business, keep separate sets of accounts for each company or person whom it advises or whose assets it manages, keep separate the funds and assets and property for each company or person whom it manages and keep separately from its own funds all monies held on behalf of its clients.

TAXATION

As a Mauritian tax resident, the Company will be liable to tax under the Income Tax Act 1995, at a rate of 15 per cent. However, the Company will be entitled to a credit for foreign tax on its income, which is not derived from Mauritius against the Mauritius tax computed by reference to that same income. If no written evidence is presented to the Mauritius Revenue Authority showing the amount of foreign tax charged on income derived by the Company outside of Mauritius, the amount of foreign tax shall be conclusively presumed to be equal to 80% of the Mauritius tax chargeable with respect to that income, which would reduce the rate of tax effectively to 3%. If the foreign tax is at a rate greater than 12% the effective rate of tax may be reduced further in certain circumstances. In addition, capital gains tax on the sale of securities held by the Company is exempt from tax in Mauritius.

TAX TREATIES

In order to benefit from the advantages of the tax treaty network which Mauritius has, the CIS and Fund Management Company will need to apply for a Tax Residence Certificate (TRC). The conditions for the issue of a TRC are that the Company:

- shall have at least 2 resident directors, resident in Mauritius, of sufficient calibre to exercise independence of mind and judgement;
- shall maintain at all times its principal bank account in Mauritius;
- shall keep and maintain, at all times, its accounting records at its registered office in Mauritius;
- shall cause to have its statutory financial statements to be audited in Mauritius;
- shall provide for meetings of directors to include as least 2 directors from Mauritius; and
- shall have its Net Asset Value be calculated in Mauritius.



MAURITIUS TAX TREATY NETWORK

Year		Country	Dividends (a)	Interest	Royalties (b)	PE if building site last s more than
Signed	Ratified					
			%	%	%	(months)
1978	1990	Germany ^	5/15(d)	(f)	15	6
1981	1982	France ^	5/15(c)	(f)	15	6
1981	1987	United Kingdom ^	10/15(c)	(f)	15	6
1983	1985	India ^	5/15(c)	(f)	15	9
1992	1992	Zimbabwe	10/20(d)	10/ 0 (h)+	15	6
1992	1992	Sweden	5/15(c)	15/ 0 (h)	15	6
1993	1993	Malaysia	5/15(c)	15	15	6
1994	1994	Swaziland^	7.5	5	7.5	6
1990	1995	Italy	5/15(d)	(f)	15	6
1994	1995	China ^	5	10	10	12
1994	1995	Pakistan ^	10	10	12.5	6 in any 12
1994	1995	Madagascar	5/10(d)	10	5	6
1995	1996	Singapore	0	0	0	9
1995	1996	Botswana^	5/10(d)	12	12.5	6
1995	1996	Luxembourg	5/10(c)	0	0	6
1996	1997	South Africa ^	5/15(c)	0	0	9
1996	1997	Sri Lanka	10/15(c)	10/0	10	6
1995	1996	Namibia	5/10(d)	10/ 0(h)	5	6
1997	1998	Kuwait	0	5	10	9
1997	1998	Thailand	10	10/ 15 (h)	5/15(g)	6
1998	1998	Oman	0	0	0	6
1995	1999	Belgium	5/10(c)	10/ 0 (h)	0	6
1997	1999	Mozambique ^	8/10(d)/15	8/ 0 (h)	5	6 in any 12
1999	1999	Nepal ^	5/10(i)/15	10/15(h)	15	6 in any 12
2000	2001	Cyprus	0	0	0	12
2002	2003	Croatia	0	0	0	12
2001	2003	Rwanda	0	0	0	12
1997	2004	Lesotho	10	10	10	6
2003	2004	Uganda	10	10/0 (j)	10	4/6
2002	2004	Senegal	0	0	0	9
2004	2005	Barbados	5	5/0	5	6
2005	2005	Seychelles	10	10	10	6
2008	2008	Tunisia	0	2.5	2.5	12
1995	*	Russia	10(e)	0	0	12



INTERCONTINENTAL TRUST
International Tax & Management Services

- (a) Dividends derived from Mauritius by non resident companies are tax free.
- (b) Royalties derived from Mauritius offshore companies are tax free.
- (c) Lower rate applies to companies holding at least 10% of capital.
- (d) Lower rate applies to companies holding at least 25% of capital.
- (e) 5% in the case of an investment of at least US\$ 500,000.
- (f) Interest taxed in source country according to local law. 0 % if paid to any bank carrying on a bona fide banking business.
- However, there is no withholding tax in Mauritius on interest paid by an offshore company.
- (g) Lower rate applies to companies holding at least 20% of capital.
- (h) Lower rate applies if paid to any bank carrying on a bona fide banking business.
- (i) Lower rate applies to companies holding at least 15% of capital.
- (j) If to any institution owned by the Government.
- * not yet ratified*
- + in respect of payments made to a bona fide bank and in the case of Zimbabwe, only if approved by the Zimbabwean Minister of Finance*
- ^ An Investment Promotion and Protection Agreement (IPPA) has been signed with these countries.*
- Treaties awaiting signature: Bangladesh, Malawi, Nigeria, Russia, State of Qatar, Vietnam and Zambia.*
- Treaties being negotiated: Canada, Czech Republic, Egypt, Greece, Portugal and Republic of Iran.*

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

**For any additional information please contact:
Ben Lim or Tommy Lo or Yan Ng at**

Intercontinental Trust Limited ©
Email: intercon@intnet.mu
Web Site: www.intercontinentaltrust.com

DISCLAIMER

The information in this brochure was prepared by Intercontinental Trust Limited to provide potential clients with a broad overview of the opportunities available in Mauritius. While all reasonable care has been taken in the preparation of this brochure, Intercontinental Trust Limited accepts no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on it. Readers are advised to consult with appropriate, qualified professional advisors before taking action. Intercontinental Trust Limited will be pleased to discuss any specific issues.