

## DEVELOPMENTS IN THE VIRTUAL ASSETS SPACE IN MAURITIUS

In 2021, Mauritius conducted its National Virtual Assets (VAs)/Virtual Asset Service Providers (VASPs) ML/TF risk assessment in order to identify, assess and understand the ML/TF risks faced by the country in relation to VAs and VASPs, further to which the Virtual Asset and Initial Token Offering Services Act (**VAITOS Act 2021**) was enacted in December 2021.

### WHAT IS VIRTUAL ASSET AND WHY IS THIS SPACE OF IMPORTANCE?

- A Virtual Asset, according to the VAITOS Act 2021, is a digital representation of value which may be digitally traded or transferred, and may be used for payment or investment purposes, but does not include a digital representation of fiat currencies, securities and other financial assets that fall under the purview of the Securities Act.
- The rapid growth of the VAs/VASPs, with its intrinsic Money Laundering (ML)/Terrorist Financing (TF) and Proliferation Financing (PF) risks, have been a matter of concern for the FATF and has led to the amendment of FATF Recommendation 15 and the FATF Methodology. To note that the FATF has published [guidance resources](#) such as the [Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers](#).
- These developments require VASPs to be licenced or registered and be subjected to an effective system of monitoring or supervision for AML/CFT purposes.

### WHAT HAS MAURITIUS DONE SO FAR IN THE VA/VASP SPACE?

- Conducted its VA/VASP National risk assessment exercise in 2021.
- Developed an action plan based on the aforesaid risk assessment, with high and medium priority measures, and quick wins, to address among others the regulatory, administrative and operational gaps identified during the assessment so that Mauritius remains a credible and trustworthy international financial centre.
- Passed the [VAITOS Act 2021](#) in December 2021 and the law came in force on 27<sup>th</sup> February 2022.
- Mandated the Financial Services Commission (“FSC”), by virtue of section 5 of the VAITOS Act 2021, **to regulate and supervise** the VASPs and Issuers of Initial Token Offerings (IITOs).
- The FSC has published guiding resources in the form of [AML/CFT Guidance Notes for VASPs & IITOs](#) as well as [Frequently Asked Questions on the VAITOS Act 2021](#).

### THE VA/VASP NATIONAL RISK ASSESSMENT OF MAURITIUS

- The public version of the VA\_VASP Risk Assessment report has been published by the Ministry of Financial Services and Good Governance and can be accessed [here](#).
- According to the report, 12 different VASP channels (namely, ‘Fiat to Virtual’, ‘Virtual to Fiat’, ‘Virtual to Virtual’, ‘Hot wallet’, ‘Cold Wallet’, ‘Fund management’, ‘Compliance, Audit and Risk Management’, ‘Platform Operators’, ‘Investment into VA-related commercial activities’, ‘Peer-to-Peer’, ‘Platform to Business’ and ‘Merchants’) applicable to only three sectors (namely, the Banking Sector, the Non-Bank Financial Institution sector and the Informal sector) were identified, with some channels cutting across more than one sector.

Combined ML/TF threat ratings	Combined ML/TF inherent vulnerability ratings	Combined ML/TF residual risk ratings
Medium to High	High to Very High	High to Very High