

INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION (ISDA)

Hedging of risks by recourse to derivatives is a core feature for the finance industry and a well established technique of risk management on international financial markets. The ISDA Master Agreement, which establishes international contractual standards governing privately negotiated derivatives, is the authoritative contract widely used by industry participants in hedging their financial transactions.

Pursuant to the efforts undertaken by the MBA such that netting legislations be incorporated in the Insolvency Act 2009, ISDA officially recognised Mauritius as an ISDA compliant jurisdiction on 9 December 2011-further to an opinion commissioned by ISDA to Sir Hamid Moollan Chambers. (List of ISDA Compliant jurisdictions: http://www.isda.org/docproj/stat_of_net_opin.html)

Mauritius thus became the second African country, after South-Africa, to become an ISDA compliant jurisdiction, thereby placing the Mauritian International Financial Centre (IFC) at par with other IFCs like London, Singapore and Hong-Kong and further consolidating its position as a regional hub for Africa-bound investments, in line with its market diversification strategy. Such a status will considerably improve the attractiveness of Mauritius to foreign investors as well as Mauritian investors, since those investors entering into ISDA Master Agreement with a Mauritian counterparty, may choose Mauritian law to be applicable, as opposed to only English and US laws previously.

The introduction of netting legislation brings Mauritian banks up to international levels and leads to availability of a broader range of risk management tools, which are needed particularly through periods of unprecedented market volatility. According to some statistics, netting almost divides by two a bank's overall exposure and thus allows financial institutions to take on greater exposures-thereby enhancing the credit risk mitigation techniques of banks. Moreover, the enforceability of the Credit Support Annexure (CSA) appended to the ISDA Master Agreement will allow banks to place reliance on the underlying credit mitigants (including the security) offered by the Mauritian counterparties. Legal certainty in relation to derivatives trading is also set to further bolster the local derivatives market.

In the wake of Mauritius obtaining ISDA-compliant jurisdiction status following a positive netting opinion, Mauritius ambitions to be further acknowledged as a jurisdiction of legal certainty by obtaining a positive ISDA collateral opinion- a requirement which is being increasingly requested by international financial counterparties undertaking derivatives transactions with Mauritian banks.

For further information, please go on the link below:

<http://www2.isda.org/>