Kigali International Financial Centre

Funds and Fund Management Services in Africa

Part 2

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Research Partner

AVCA The African Private Capital Association

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Doing Business for Funds and Fund Management Services in Africa

Africa's private capital industry obviously bodes well for the jurisdictions which host their funds. The growth of the industry is accompanied by deepening sophistication: fund management is increasing in complexity as firms manage larger portfolios and pursue different strategies across multiple jurisdictions. As private capital firms are becoming more diverse and have several strategic and operational decisions to make, choosing partners – including a suitable fund domicile – is critical to their success. Supportive infrastructure is therefore a fundamental concern for fund managers, which seek jurisdictions where regulation is consistent, low risk, and with an adequate degree of investor protection. The jurisdiction should, on the one hand, adhere to the highest standards of international tax, regulation, and transparency around fund operations, and on the other hand allow access to legal services, compliance and company secretary services, and fund administration services.

This section opens with an overview of the International Financial Centres (IFCs) available on the continent; providing an analysis of their activities and the support services offered in comparison with their international counterparts. It follows with an overview of the current business and legislative landscape in some key African markets, as well as an overview of the main challenges associated with the formation and operation of funds and fund services providers on the continent.

An International Benchmark of Key Financial Centres Servicing Africa

Overview of Financial Centres

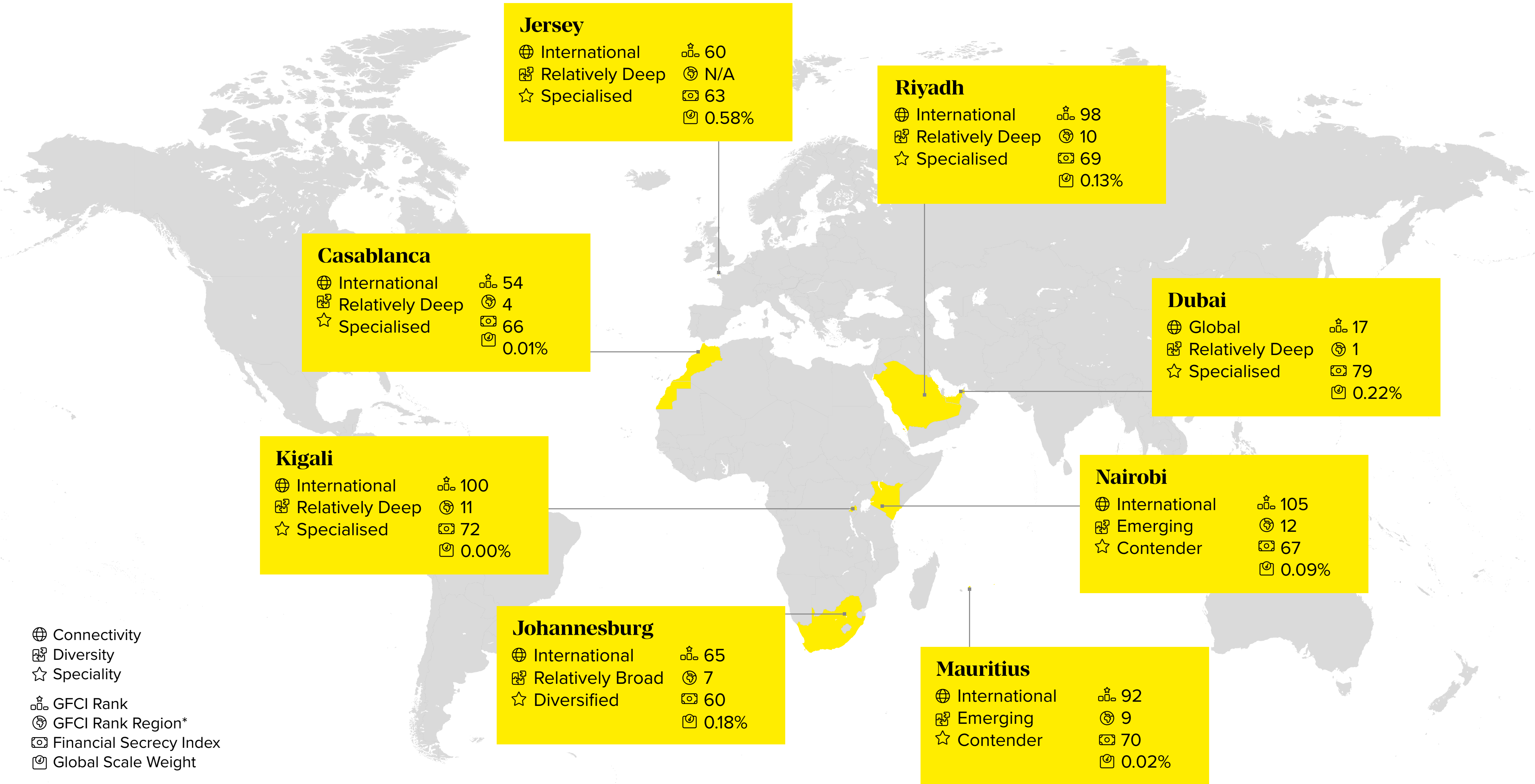
While most of fund managers investing in Africa use offshore jurisdiction to domicile their funds[1], onshoring is increasingly popular as fund managers are seeking new jurisdictions, a base where the fund or fund manager has actual economic substance. Onshore jurisdictions have developed, and new fund structure products have been launched to attract more pooling of funds.

This report looks at African financial centres and their international counterparts: Kenya, Morocco, Rwanda, South Africa, Jersey, Mauritius, Saudi Arabia, UAE. Although all pursue the same purpose - facilitating the flow of international investments – they have structural differences and offer various services and products.

Several initiatives exist to profile, assess and rank IFCs. The Global Financial Centre Index (GFCI) rates 119 cities into five areas of competitiveness: business environment, human capital, infrastructure, financial sector development and reputation[2]. The Tax Justice Network assesses 141 jurisdictions regarding their financial secrecy and the scale of their offshore financial activities using the Financial Secrecy Index.

Among the selected financial centres, Dubai is the sole jurisdiction classified as Global as it has strong connections with leading global financial centres and wide connections with other centres across the world. With a deep expertise in financial services activities, it ranks first in the region Middle East and Africa, and 17th globally. On the continent, Casablanca leads the onshore financial centres and provides deep expertise in specific activities. Johannesburg which ranks second on the list of onshore financial centres, offers a broad range of financial activities and has the best (i.e., lowest) score in terms of financial secrecy under the Financial Secrecy Index ranking. Jersey which ranks 60th in the GFCI globally and 3rd among the financial centres surveyed has the highest share of financial services supplied to residents of other countries indicated by the Global Scale Weight; in Africa, Johannesburg ranks first.

Profile of Key International Financial Centres



Source: GFCI 32, Financial Secrecy Index, Global Scale Weight, FSI Share 2022 (The Tax Justice Network)

*Middle East and Africa

Q&A

with **Lamia Merzouki** I Vice-Chair / Directrice Generale Adjointe
World Alliance of International Financial Centers / Casablanca Finance City

1) What are the biggest achievements of the Casablanca Finance City since its creation? Can you talk us through this journey and highlight the main milestones and achievements?

Casablanca Finance City (CFC) is a pan-African financial center launched in 2010 by the country's authorities. As a pivotal component of the country's development strategy, CFC has been established as a key regional business and financial hub targeting the next center of global growth: Africa. Since CFC's inception, we have put in place the legal, regulatory and tax frameworks, and we have successfully built a top-level business community of over 200 international and local professionals. This community gathers financial institutions, multinational corporations, professional service providers, holding companies, and has a strong continental footprint with 50 countries being covered from Casablanca's platform.

We have also developed a dense network of international partnerships with 15 international financial centres -such as London, Singapore, Toronto, Abu Dhabi-, and we have signed MoUs with African authorities in charge of investments promotion. CFC is also a founding member of the UN's Financial Centers for Sustainability network (FC4S) & World Alliance of International Financial Centers (WAIFC). Finally, over the years, we have expanded the real estate district of Casablanca Finance City, as the Moroccan authorities dedicated 100 ha (hectare) at the heart of the City.

2) What has your role been in facilitating international investment and cross-border transactions for the private capital fund managers making use of your jurisdiction?

CFC offers through its dedicated Capital Flows regulation an extensive freedom of foreign exchange. This has facilitated both consolidation (through the repatriation of dividends) and investment flows throughout the African continent.

Moreover, our African Cooperation efforts are primarily focused on promoting regional integration within the continent along with facilitating deal making across a wide array of vital sectors such as infrastructure, energy, and education.

3) Your jurisdiction ranks 54th on the Global Financial Centres Index, which measures the competitiveness of financial centres globally. What do you attribute your strong performance and ranking to, and how have you positioned yourselves to become more significant to relevant stakeholders over time?

In 2014, CFC joined the Global Financial Centre Index (GFCI), and since 2016, it ranks as the leading financial centre in Africa, and 54th worldwide. Casablanca's performance is built on several key assets, including:

- Morocco's intrinsic assets: its political stability, a world-class infrastructure, a dense connectivity (Casablanca is the number 1 air hub between Europe and Africa), a robust regulation, an available talent pool with highly skilled human capital, and institutional partnerships frameworks such as double tax avoidance treaties & investment protection agreements.
- CFC's competitive advantages: an attractive value proposition with doing business incentives, 'one-stop-shop' & administrative fast tracks (e.g., company setup, visas & work permits), a vibrant business community with a proven African expertise and strong continental presence, along with dense network of international

partners. Casablanca Finance City has signed partnerships with major financial centers, which cover various cooperation axes and have helped CFC in its development and its commitment to align its offer with the best international standards.

4) Earlier this year, a report commissioned by DIFC discussing the future of IFCs highlighted 4 main challenges (Drawing and retaining the best talent; How to cope with the changing demographics; Sustainability challenge including the risk posed by climate change; Technological innovation in digital service). What are your thoughts on these, and which would you say apply to your jurisdiction? What strategies have you implemented (or are in progress) to address these challenges?

As a founding member of the World Alliance of International Financial Centers, we worked with DIFC and other IFCs on this report which is dedicated to the future of financial centers. We unanimously believe that the Financial Center of the future should be:

1. Green by easing the transition towards net zero economies.
2. Smart by embracing increasingly complex technology to unlock new business opportunities and offer improved services.
3. Innovative and customer centric by putting in place a conducive business environment.
4. Digital by fostering digital transformation.
5. Inclusive by holistically servicing all segments and communities.

Financial Centers in Africa should be crafted around these prerequisites to develop a more resilient, inclusive, and sustainable future for the continent.

WORLD ALLIANCE
of International Financial Centers

Q&A

with **Mr Nicolas Mackel | CEO**
Luxembourg For Finance

1) What are the biggest achievements of the Luxembourg Financial Centre since its creation? Can you talk us through this journey and highlight the main milestones and achievements?

Luxembourg is the seat of several EU institutions, eurozone's premier financial hub and a global center of excellence for wealth management and investment funds. The Luxembourg financial centre holds a competitive position at the international level. The financial sector is the country's top contributor to the economy. It is the second-largest investment fund centre in the world after the United States, the premier captive reinsurance market in the European Union and the leading private banking centre in the eurozone. It is strategically located too being at the heart of Western Europe: it provides a complete range of services to both private and institutional investors. Another key feature of Luxembourg is its rapid and pragmatic implementation of regulation coupled with an efficient application of the highest standards in finance supervision and investor protection (Sophisticated corporate law: unique toolbox of investment vehicles coupled with a unique modern securitization law.

Our key achievements include being the first to implement the UCITs directive into national law in 1985, list a Green Bond worldwide in 2007, regulate the family office industry, regulate virtual currency operators and license to a digital currency exchange. Luxembourg is among the top 10 global leaders in terms of ICT infrastructure, and ranked first in 'fintechs founded, per million capita in 2021' and second in 'deals per million capita' by McKinsey. Luxembourg has 34% share in Europe for ESG fund assets. Other achievements worth highlighting include: our collaboration with China through large delegations including LFF, MinFin and HRH Crown Prince Guillaume resulted in several Chinese banks (China Everbright and Shanghai Pudong Development Bank) setting up their continental European hub in Luxembourg; and the MoU signed between LFF and the City of Shanghai to strengthen the ties between both financial centers, LFF being a board member of WAIFC (World Alliance of International Financial Centers) and LFF being a founding member of the UN's Financial Center for Sustainability (FC4S).

2) What has your role been in facilitating international investment and cross-border transactions for the private capital fund managers making use of your jurisdiction?

Luxembourg offers a platform of services and structuring opportunities to the private equity as well as the venture capital industry. Our specific role has been to provide awareness of the Luxembourg ecosystem, ensure familiarity to financial institutions of the range of vehicles available for fund structuring in Luxembourg and accelerate firms' implementation of such structures through connections into the local FS ecosystem in Luxembourg.

3) From your experience and engagement with industry stakeholders, what are the key challenges associated with the formation and operation of funds and fund services providers both in your jurisdiction and in Africa?

The main challenge facing private equity investors in many African jurisdictions is that markets are generally not ready for the sophistication required for a private equity transaction market. The current trend of private equity firms shying away from emerging market investments due to the current risk-on environment adds to the overall shortage. Another challenge is associated with the different legal systems, language, cultural and religious backgrounds of many, the huge impact that colonization had on Africa, makes investments in Africa more challenging as you cannot have one approach that would fit all countries. Similarly, Africa has countries with civil law systems, common law systems and mixed law systems. Accordingly, a one size fits all approach will never work for Africa. Further, instability of and regular change to tax and legal regimes continue to create a prohibitive environment, preventing many private equity firms from investing in African jurisdictions. Finally, many African countries face the challenge of having relatively scarce resources of legal, financial, tax and accounting advisors with the proper know-how of the private equity industry and a true understanding of the investment cycle, including the importance of a timely exit and, accordingly, different exit options.

The key challenges associated with the formation and operation of funds or fund service providers in Luxembourg include expensive funds costs reported in 2022 by management firms, the cost of managing AIFMs, local supervisors getting tougher judging for instance by the series of fines issued to firms that had failed to respect reporting deadlines for anti-money laundering, the multidimension and complexity of ESG legislation to implement.

4) Where can we expect the Luxembourg for Finance to focus its efforts for 2023?

Luxembourg For Finance efforts will focus on bringing new firms and activities to Luxembourg, building networks both in Luxembourg and overseas, providing market intelligence on competitive developments in other financial centers, identifying barriers to the development of the financial center within Luxembourg and providing depth to the wider activities of LFF.

LUXEMBOURG FOR FINANCE
THE FINANCIAL CENTRE DEVELOPMENT AGENCY

Regulatory, Legal and Tax Environment: Summary

Characteristics shared by all the surveyed financial centres include:

- **A single regulatory body for investment funds, companies, investment advisors, fund administrators and investors**, enabling procedural as well as management efficiency for closely aligned or interrelated entities within the financial ecosystem.
- **A license requirement** for all financial market operators to facilitate the supervision of their activities.
- **Access to the host country's network of double taxation agreement with multiple territories**. The UAE and South Africa appear to be important financial centres in terms of benefits from a large range of ratified treaties at 139 and 79 respectively.

Characteristics shared by multiple financial centres include:

- **Tax Incentives**. While all financial centres offer a variety of tax incentives and benefits, they differ in nature (financial or fiscal). They may consist of exemptions and reduction of tax rates, deduction from taxable income, tax credit, deferral in time of payment of taxes. The UAE offers the best combination of tax incentives amongst the financial centres surveyed, offering exemptions on corporate tax rate (40 years) and investment income tax, a relatively low VAT (5%) and a large network of double taxation treaties with 139 territories. While, Mauritius, Rwanda, Jersey also offer exemptions on investment income tax, Rwanda and Jersey offer preferential and competitive corporate income taxes, at respectively (3-15%) and 10%.
- **Time bracketed tax-related incentives**. Six of the eight financial centres surveyed that offer tax exemptions or reductions to licenced entities enforce a temporal limit to these privileges. Ranging from 5 years (Casablanca, Kigali) to 50 years (Riyadh), standard tax rates apply upon the conclusion of these time horizons.
- **No currency exchange controls**, facilitating the smooth repatriation of profits or dividends and the management of assets and liabilities. The Moroccan financial centre goes further to enable the creation of single foreign currency accounts for registered entities, thereby bypassing the need for currency exchange in the first place.
- **Non-discrimination between foreign and domestic investors**, as in Johannesburg, Kigali, Nairobi, Jersey, and Riyadh. While not all these financial centres allow for full foreign ownership, the protection of foreign investments is guaranteed through the right to equal treatment for resident and non-resident investors. Some domiciles (Dubai, Nairobi, Kigali) go further than this principle of national treatment by removing statutory limits to full foreign ownership so to incentivise more foreign direct investment.
- **No restriction on foreign employment** with the exemption of Rwanda which requires that at least one third of the professional hired to be Rwandans.
- **Data protection** for stakeholders, **intellectual property, right to compensation** and **access to courts**.

Unique features by individual financial centres include:

- **Multi-lingual repository of relevant investment laws and regulations.** For countries or territories where English is not an official language, having multiple translations of seminal legislation eliminates language barriers that can prohibit foreign engagement with the country's financial centre. For instance, Morocco's Casablanca finance city has its legislation translated into four languages (French, English, Arabic and Chinese).
- **Independent and dedicated courts for dispute resolution**, as with Casablanca and Dubai. Having an independent body for mediation and arbitration ensures quick and efficient access to remediate action; boosts investor confidence in the right of complaint and administration of justice; and in the case of Dubai and Mauritius (which both employ a common law framework) also provides a familiar legal environment that is compliant with international standards.
- **Additional capital raising opportunities and access to regional and international financial programs**, as in Saudi Arabia. Foreign investors have access to government-sponsored financial programs such as the *Arab Fund for Economic and Social Development,* the *Arab Trade Financing Program*, and the *Islamic Development Bank*, adding another layer of financial advantage to investment funds looking to invest in the Kingdom.
- **Guarantees or legal safeguards against expropriation,** as in Mauritius, Nairobi, Riyadh and Kigali. Arguably one of the most important substantive protections for private investors, the assurance that investments or property cannot be nationalised or expropriated (without compensation) adds to investor confidence and improves the non-commercial risk profile of host countries, particularly within onshore jurisdictions with a history of relatively unstable political or economic regimes.
- **Incentives for carbon market investors**. Bespoke incentives or tax deductions for companies operating in a carbon market exchange or emission trading system, as practiced in Nairobi, encourages market-led approaches for sustainable, low-carbon development[3]. Given the recent launch of the Africa Carbon Markets Initiative at COP 27 in Egypt, which is poised to accelerate Africa's participation in voluntary carbon markets, corporate incentives such as this that are geared towards climate consciousness and ESG compliance are the subject of increasing interest from investors.
- **Stability in law and regulation,** as in Mauritius and Jersey which have consistently maintained laws and regulations aligned with international standards. While a strong regulatory and legal framework is important, it is fundamental for a financial centre to operate under legal and regulatory frameworks that have long-term consistency, with relevant changes when needed. Law and regulation should not be influenced by politics but rather based on solid international practices.

Actor Key

Fund Managers **FM** Fund Administrators **FA** Fund Vehicles **FV** Foreign Investors **FI** Investors **I**

Regulatory, Legal and Tax Environment

Regulatory Framework

Regulatory Framework 1

Country	Activities	Regulator	Law	Licencing (Yes / No)
UAE	Investment Funds	Dubai Financial Services Authority (DFSA)	Collective Investment Law (2010)	Yes
	Investment Advisors			
	Investment Companies		Companies Law (2018)	
	Islamic Finance		Law Regulating Islamic Financial Business (2004)	
	Financial Intermediaries	The Central Bank of the UAE	Federal Law No. 14 (2018)	
Morocco	Investment Funds	The Moroccan Capital Market Authority (AMMC)	Law No. 43-12	Yes
	Investment Companies		Law No. 5-96	
	Investment Advisors		Law No. 43-12	
	Financial Intermediaries	Bank Al-Maghrib (BAM) / Ministry of Economy and Finance (MEF)	Law 103-12 and Law 40-17	
Saudi Arabia	Investment Funds	Capital Market Authority (CMA)	Investment Funds Regulations (2006)	Yes
	Investment Companies		New Companies Law (2022)	
	Investment Advisors		The Capital Market Law (2003)	
	Financial Intermediaries	Saudi Arabian Monetary Agency (SAMA)	Banking Control Law (1966) and Finance Company Control Law (2012)	

Each country represents its Financial Centre

Regulatory Framework 1

Mauritius	Investment Funds	Financial Services Commission	The Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008	Yes
	Securities Exchanges			
	Investment Advisors			
South Africa	Investment Funds	Financial Sector Conduct Authority	Financial Advisory and Intermediary Services Act	Yes
	Investment Advisors			
Rwanda	Investment Funds	Capital Market Authority	CIS Law N° 062/2021 (2021)	Yes or Exempt
	Funds Managers and Operators		CMA Law N°01/2011 (2011)	Yes
Jersey	Banks	Jersey Financial Services Commission (JFSC)	Financial Services Commission (Jersey) Law 1998	Yes
	Investment Funds			
	General Insurance & Mediation			
	Funds, Trusts & Company Service Providers			
	Investment & Money Service Businesses			
Kenya	Securities Exchanges	Capital Markets Authority (CMA)	The Capital Markets Act	Yes
	Investment Banks			
	Credit Rating Agencies			
	Investment Advisors			
	Funds Managers and Operators			

Regulatory Framework 2

UAE	Morocco	Saudi Arabia	South Africa
• Must be licenced by the DFSA (FM, FA)[4]. • Must have a full-time registered office in the DIFC (FM, I). • Required to have a written Constitution or Partnership Deed (FM). • Must appoint an auditor recognised by the DFSA (FM). • External fund managers must appoint a Fund Administrator or an Appointed Trustee (FM). • Companies can be structured as follows: Company Limited by Shares, Special Purpose Company, Limited Liability Companies, Protected Cell Companies, Incorporated Cell Companies (**FV**). • Trusts can be structured as follows: Charitable Trust; Non-charitable or Purpose Trust, Express Trust and Protective Trusts (**FV**). • Partnerships can be structured as follows: General Partnership, Limited Partnership, Limited Liability Partnership (**FV**).	• Must be licenced by the AMMA or have specific prior authorisation issued by the Minister of Finance (FM, FA, I). • Main business structures are: Companies (Limited Liability Company, Private Limited Company); Partnerships (General Partnership, Limited Partnership, Limited Partnership with Shares); Joint Ventures; Foreign branches; and Sole Proprietorships (**FV**).	• Must be licensed by the CMA as an “Authorised Person” to engage in management or custodial activities (FM, FA). • Must appoint at least one custodian authorised by the CMA for funds established or operating in the Kingdom (FM). • Must be licensed by the Ministry of Investment (FI). • Private equity and venture capital funds are typically structured as investment companies (either a limited liability or joint stock company) or as a Capital Market Authority approved investment fund (**FV**).	• Category I licence or Category II licence required, depending on whether the entity is an either an adviser or is responsible for the investments on behalf of the fund (FM). • Business visa required to establish a business or invest in an existing South African business (FI). • Private equity funds usually structured in the form of En commndite partnerships, Limited Liability Company and Bewind Trust (**FV**). • FSCA Authorisation (Category I licence) required to provide non-discretionary intermediary services (FA). • FSCA Authorisation (Category III licence) required to use aggregated investment and disinvestment orders (FA).

Regulatory Framework 2

Mauritius	Rwanda	Jersey	Kenya
• Must have a relevant licence from the Financial Services Commission (FM, FA). • Global Business Licence should be channelled through a Management Company (FM, FA). • Resident corporations conducting business outside Mauritius require both a Category 1 and Category 2 Global Business Licence from the Financial Services Commission (I). • Investment funds are usually structured as either retail or non-retail funds (**FV**). • Retail funds may be structured as open-end or close-end funds, Collective Investment Schemes or as Alternative Investment Funds (professional only) (**FV**). • Investment funds can be established as: Companies, Limited Partnership, Limited Liability Partnership, Protected Cell Company, Trusts, Global Funds (**FV**).	• Must be licenced by the Capital Market Authority of Rwanda (FM). • Must be licenced by the Central Bank (FA). • Must possess an investment certificate from the Rwanda Development Board to be recognized as a registered investor (I). • Companies can be structured as follows: Protected Cells, Limited Life (**FV**). • Trust & Trustees can be structured as follows: Unit Trust, Private Trust, Public Trust, Private-Public Trust (**FV**). • Partnerships can be structured as follows: General Partnership, Limited Partnership, Limited Liability Partnership (**FV**). • Collective Investment Schemes can be structured as follows: Company Fund, Unit Trust Fund, Limited Partnership Fund, Contractual Fund (**FV**).	• Must appoint an appropriately skilled and experienced Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer (FM). • Required to arrange for appropriate “run off” Professional Indemnity Insurance cover when ceasing to conduct investment business, with consent from the JFSC on the level of coverage obtained (FM). • May be established as a limited partnership, a unit trust; or a company, Including as a protected cell or incorporated cell company (**FV**). • Can be open or closed-ended (**FV**). • Must be registered under the Jersey Financial Services Commission (FA). • Must comply with the AML/CFT legislation (I) • Must comply with data protection policies defined by the Jersey Financial Services Commission (I).	• Must be licenced by the Capital Market Authority (FM, FA). • Every collective investment scheme must appoint in writing a fund manager approved by the Authority (FM). • May take the legal form of a mutual fund, unit trust or investment company (**FV**). • Companies must maintain a register of shareholders of ordinary shares always showing the holding of foreign investors, Individual local investors and institutional local investors (I).

Regulatory Framework – Incentives

Mauritius	Rwanda	Jersey	Kenya
• Full or Partial Exemption Regime applicable to domestic and global business (FM, FA, **FV**, I). • No capital gains tax (FM, I). • No withholding tax on dividends and interest (FM, I). • Tax holidays for 10 years for holders of Collective Investment Schemes (I). • No exchange controls (I). • Free repatriation of profits, dividends and capital (FM, I). • Offshore Asset Protection (FM, FA, **FV**, I).	• Withholding Taxation exemption for on dividend, Interest, and royalty payments and services rendered to funds licensed and domiciled in Rwanda (FM, FA, **FV**). • VAT exemption (FM, FA, **FV**). • 3% preferential corporate income tax rate (FM, FA, **FV**). • No taxation on capital gain (FM, **FV**, I) • Incentivized passive income (FM, **FV**) • Personal income tax exemption for foreign professionals working for fund management entities whose remuneration is paid in a local bank (FM, FA). • Corporate income tax exemption for partners in a limited partnership fund approved and regulated by the Capital Market Authority (**FV**). • Collective Investment Scheme with AIF as underlying investments are exempt from licensing (**FV**). • Licencing exemption for fund managers licenced under financial regulators in other jurisdictions, recognised by the CMA (FM) • No forex exchange controls (I). • No restrictions on foreign ownership or assets (I). • 100% repatriation of profits (I). • Immigration and Recruitment incentives (I). • Compliance with international standards including OECD and FATF (I). • 0% preferential withholding tax on dividends, Interests, and royalty payments (I). • 3-15% preferential corporate rate (I). • 3% of corporate tax for non-deposit taking lending financial services licensed by BNR (I). • 5-year tax holiday and then a 15% CIT for FAmily office, bank, mortgage finance institution, and captive insurance scheme (I).	• Zero capital gains tax (FM, I). • Zero restriction on foreign ownership (FM, I). • No limitations on foreign exchange transactions (FM, I). • Zero capital gains tax for limited partnership, separate limited partnerships (SLPs) and unit trust companies (**FV**).	• No limitations on foreign exchange transactions (FM). • Capital gains tax exemptions for financial derivatives traded at the Nairobi Securities Exchange. This is applicable for mutual funds, unit trusts and investment companies (**FV**). • Capital expenditure deduction for investors with investment certificate in certain sectors (I). • 10-year lower corporate income tax rate (15%) for companies operating in a carbon market exchange or emission trading system approved by the Nairobi International Financial Centre Authority (I).

Legal Framework 1 – Guarantees

UAE

FM, I

- Protection of intellectual property.
- Access to courts in an international legal system adopting a Common Law framework.
- Oversight by an independent, Internationally compliant risk-based regulator (the DFSA).
- Sharia Governance structure only applicable to Islamic funds

Morocco

FM, FA, I:

- Right to remuneration (dividends in the event of an investment in shares and interest in the case of an investment in bonds).
- Right to net assets (reimbursement of capital in the event of liquidation of the issuer).
- Right to vote
- Right to compensation
- Access to courts via the Casablanca International Mediation & Arbitration Centre (for African companies in the region) and the dedicated chambers at Casablanca's Tribunal of Commerce de Casablanca (for CFC headquartered companies).

Saudi Arabia

- Protection of intellectual property (FM, I).
- Protection of confidential commercial information and personal data (FM, I).
- Right to compensation (FM, I).
- Access to courts or arbitration centres (FM, I).
- Right to acquire real estate property necessary for practicing the licensed activity (I).
- Non-intervention by state. Investments shall not be confiscated nor expropriated (I).
- Right to re-patriate or dispose of proceeds from equity sales, liquidation surplus, or profits generated by the project (I).
- Right to sponsorship for the foreign investor and any non-Saudi staff by the licensed entity (I).

Mauritius

FM, I

- Investor protection provided to Companies, Investment Funds and Trusts through 29 Investment Promotion and Protection Agreements (15 are awaiting ratification).
- Right to transfer investments and returns held in the other contracting party.
- Guarantee against expropriation.
- Most favoured nation rule.
- Right of access to the court.
- Constitutional safeguards against expropriation.
- Protection of Intellectual property.
- Right to submit disputes for resolution by international arbitration [5].

South Africa

FM, I

- Fair administrative treatment to investors.
- Foreign investors and their investments must not be treated less favourably than South African investors in like circumstances.
- Physical security of property.
- Legal protection of investment.
- Right to re-patriate funds for foreign investors, subject to taxation and other applicable legislation.
- Processes for dispute resolution following the exhaustion of domestic remedies.

Rwanda

FM, I

- Right to engage in economic activities of the investor's choice
- Right to recruit or dismiss employees.
- Right to market goods and services.
- Right to freely establish business management; freely choose sources of supplies; and freely use property.
- Equal treatment for foreign investors.
- Protection of the investor's capital and assets.
- Protection of intellectual property.
- Right to re-patriate capital and assets after fulfilling all tax obligations in Rwanda.

Jersey

FM, FA, I

- Guarantees no discrimination between resident and non-resident owned companies.
- Guarantees data protection for all stakeholders
- Guarantees protection from expropriation.
- Guarantees protection for foreign investment.

Kenya

FM, I

- Protection and non-discrimination of foreign investments.
- Protection from expropriation.
- Guarantees data protection and privacy help to protect stakeholders' information.

Legal Framework 2 – Economic Substance

UAE	Morocco	Saudi Arabia	Mauritius
• Base capital requirement of US$ 70,000 for fund managers managing an Exempt Fund, excluding venture capital funds (FM). • Minimum investment requirement of AED 72,000 (value of shares owned in an existing company or capital investment in a newly established company) to secure a Dubai Investor Visa (FM, I). • Investment funds and their underlying special purpose vehicles (SPVs) / investment holding entities are exempted from demonstrating economic substance (**FV**). • Must have a Service Level Agreement and maintain records of transactions and services rendered to / for each operator of the Funds for which it is providing administrative services (FA).	• Société Anonyme (SA): joint stock companies must comprise at least five shareholders, with a share capital of at least MAD300,000 (**FV**). • Société à Responsabilité Limitée (SARL): limited liability companies can be incorporated with a sole shareholder, with a maximum of 50 shareholders (**FV**). • Foreign investments must be financed in foreign currency and declared to the Foreign Exchange Office to ensure access to convertibility regime benefits (I).	• Minimum capital requirement of SAR5 million for fund managers conducting management activities (FM). • Foreign fund managers investing or operational in Saudi Arabia must be authorised in a jurisdiction that employs equivalent regulatory standards to those of the CMA (FM). • Legal form of foreign investments confined to a limited liability company, joint stock company, or foreign company branch (I).	• Minimum Capital Requirement of MUR1mn which is approx. US$22,000 (FM). • Registration Fee of MUR25,000 which is approx. US$1,000 (FM). • Fixed Annual Fee of MUR75,000 which is approx. (US$2,500) (FM). • Open-end and Close-end funds as well as Collective Investment Schemes must be authorised, pay registration fees and a fixed annual fee (**FV**). • A licenced custodian must be appointed for open-ended funds (**FV**). • Open-end funds and Collective Investment Schemes are obligated to redeem a participant's shares at their request, at a price corresponding to the net asset value of those investments (**FV**). • Domestic retail funds must appoint a Mauritius-resident manager licensed as a CIS Manager or may also be self-managed by its board of directors with FSC approval (**FV**). • Global retail funds may be managed by foreign managers, subject to FSC approval (**FV**). • Registration Fee of MUR 15,000 which is approx. US$500 (FA). • Fixed Annual Fee of MUR 36,000 which is approx. US$1,200 (FA).

Legal Framework 2 – Economic Substance

South Africa	Rwanda	Jersey	Kenya
FM[6] : • Only companies registered under the South African Companies Act as ring-fenced companies qualify for authorisation. • The manager's board must consist of at least four directors approved by the FSCA (of whom all executive directors must be resident in South Africa) and must include independent directors. • Must maintain prescribed minimum capital (seed investments in portfolios while they have low value and the maintenance of capital equal to at least 13 weeks of fixed costs of the manager). • Must satisfy the FSCA of the adequacy of its operational capacity, management systems, risk management and complaint resolution system. • Secure regulatory approval for delegation of managerial duties.	• No Economic Substance requirements (**FM**, FA). • Collective Investment Scheme and Investment Company Scheme (**FV**): ✓ Minimum fund size not less than US$1mn within the first 3 years. ✓ Minimum expenditure in Rwanda of US$50k per year. ✓ CIS manager, custodian and operator established in Rwanda. ✓ At least 30% of the professional staff are Rwandan participants. • Special Purpose Vehicle (**FV**): ✓ Registered for investment purposes in projects which are meant to last for more than 2 years. ✓ Asset consolidated in Rwanda not less than US$1mn. ✓ Annual expenditure in Rwanda not less than US$15k. ✓ A physical office of the company in Rwanda. ✓ At least 30% of the professional staff are Rwandan. • Pure Holding Company (**FV**): ✓ Total net assets consolidated in Rwanda not less than US$1mn. ✓ Annual expenditure in Rwanda of at least US$15k. ✓ Physical office of the company in Rwanda. ✓ At least 30% local professional staff.	• Investors in private funds must qualify as 'professional' investors and/or subscribe for interests with a value of at least £250,000 (**FV**, **I**). • Maximum of 50 investors at any time and a maximum of 50 initial offers and must not be listed on a stock exchange (**FV**).	• Private capital deals with a combined annual turnover or total assets worth between USD 5 million and USD 10 million must file their notification with the Competition Authority of Kenya (CAK); but they are exempted from a full merger review. • Under the information communications and technology sector, each prospective licensee must have a minimum shareholding by Kenyan citizens of 30%.

Legal Framework 3 – General Restrictions[7]

UAE	Morocco	Saudi Arabia	Mauritius
• Full foreign ownership is prohibited in the 14 economic sectors on the Negative List (2018). • Minimum investment requirement of at least AED 72,000 (value of shares owned in an existing company or capital investment in a newly established company) to secure a Dubai Investor Visa.	• Restrictions on foreign ownership and investment in specific business sectors including fishery, media, military armament, banking and insurance. • Restrictions on foreign ownership of agricultural land (which can only be leased for up to 99 years). • State or public sector monopoly on some sectors.	• Foreign investment is prohibited in the 10 economic sectors on the Negative List (2020), with some exceptions for foreign minority ownership in joint ventures with Saudi partners. • Investors seeking state contracts must have their regional (Middle East) headquarters in the Kingdom by 2024. • Drag-along and tag-along rights for minority shareholders (upon investment or in relation to an exit by way of trade sale) are not enforceable under Sharia Law.	• Restrictions on foreign ownership exist within some sectors. • Investments made by foreign investors in immovable property, or in a company holding freehold or leasehold immovable property in Mauritius, require approval from the Prime Minister's Office.
South Africa	**Rwanda**	**Kenya**	**Jersey**
• Restrictions on foreign ownership exist within some sectors. • The ownership requirements of the Broad-Based Black Economic Empowerment Act (2003) should be taken into consideration when doing business with the public sector. • Exchange controls (of which only South African residents are subject to) exist with the South African Reserve Bank being the responsible the administrative body.	• General limit on land ownership: local investors can acquire land through leasehold agreements up to a maximum of 99 years while foreign investors are restricted to leases up to a maximum of 49 years (with the possibility of renewal). • 1/3 of professionals hired by fund management entities to be Rwanda	• Restrictions on foreign ownership exist within some sectors. • Further, foreigners can own land in Kenya although this is limited to 99-year leases and they cannot hold agricultural land.	• The number of investors in Jersey private fund is set at a maximum of 50 at any time and a maximum of 50 initial offers and must not be listed on a stock exchange.

Tax Framework

Tax Framework[8]

Centre	CIT	IIT	VAT	DTAA
UAE	Exempt	Exempt	5%	139
Morocco	Exempt[9]	10-31%	20%	42
Saudi Arabia	2.5%[10] (Local) 20%[11] (Intl.)	5-15%	15%	55
Mauritius	15%	Exempt	15%	45
South Africa	28%[12]	21.6% (Companies) 18% (Special Trusts) Exempt (CIS in Securities)	15%	79
Rwanda	3-15% (preferential corporate rate)	Exempt	18%	13
Jersey	10%	Exempt	5%	27
Kenya	30%	15%	16%	15

Q&A

with **Allan Wood** | Global Head of Business Development
Jersey Financial Centre

1. What has your role been in facilitating international investment and cross-border transactions for the private capital fund managers making use of your jurisdiction?

As an international finance centre (IFC), we have been around for more than 60 years. Jersey Finance has existed for more than 20 years. Today, we have offices in London, New York, Dubai, Johannesburg and Asia, including Shanghai, India, Hong Kong and Singapore. Our ecosystem is quite unique compared to other IFCs. From Jersey's perspective, having the expertise/skill sets and the business environment to facilitate cross border transactions are equally important. Our financial services ecosystem consists of almost 200 trust and corporate services providers who are global. We also have a deep pool of professional talent, including lawyers; Jersey's IFC has six international law firms. Also, 20 international banks - which help to facilitate transactions within the ecosystem are based here. And then finally, we have more than 13,500 financial services professionals working in this ecosystem.

2. Your jurisdiction ranks 16th on the Global Financial Centres Index, which measures the competitiveness of financial centres globally. What do you attribute your strong performance and ranking to, and how have you positioned yourselves to become more significant to relevant stakeholders over time?

We are very proud of the legal framework we have developed over many decades, which supports international investment and institutional investors globally. We have our own democratically elected government and judiciary, which is vital to Jersey. Jersey has a unique constitutional position. Although its allegiance is to the British Crown, it is not a part of the UK and is not represented in the British Houses of Parliament. The Island's domestic autonomy has been preserved via charter and convention through 800 years of English history. Jersey brought in its trust law in 1984, and we are custodians of about £600 billion of private wealth. Interestingly, some of this wealth is being used in emerging markets by investors looking for better returns from the UK and Europe. Jersey has a mature legal framework and environment that supports transactions, which is attractive to institutional investors. When looking at structures, particularly for clients in emerging markets such as Africa, compared to other IFCs, Jersey provides a cheaper route to raise capital from one or two jurisdictions. Over the next decade, Jersey will play a significant role in facilitating capital into emerging markets because of that ecosystem I mentioned earlier. From a fund administration perspective, we manage £487 billion of assets, and 83% of that is in the alternative space. We have 586 Jersey Private Funds (JPFs) since they launched in 2017 – the JPF is an extremely popular product for investment purposes. Also, in terms of people, we have more than 13,500 financial services professionals on-Island and the world's largest STEP chapter. From an African perspective, our promotional work covers South Africa, Kenya and Nigeria, primarily given that they are the key economies. We can play a much more significant role in economic growth and job creation across the African continent and our global connectivity will support this aspiration.

Another aspect contributing to our strong performance as an IFC is our Island's infrastructure. One of the forward-thinking initiatives that Jersey's government implemented a couple of years ago has led to Jersey having one of the fastest broadband speeds in the world. This is further proof of our Island's growing digital reputation. Islanders felt the benefit of this foresight during the pandemic as this supported connectivity for businesses and individuals. Construction of the third building of six standalone Grade 4 office space in our new International Finance Centre district is due to be completed in November 2023. This new district will accommodate the growing number of finance-related businesses on-Island such as hedge funds managers, private equity funds and others.

3. From your experience and engagement with industry stakeholders, what are the key challenges associated with the formation and operation of funds and fund services providers both in your jurisdiction and in Africa?

If we go back 20 years, Jersey was seen as over-regulated, inflexible and expensive as an alternative investment funds jurisdiction. The reason for this is that our government and regulator strove to adopt the highest standards to embrace and be early adopters of new regulation and legislation. Fast forward to today, Jersey is seen as proportionately regulated, innovative and competitive. Other global IFCs are trying to catch up with Jersey so they are becoming more expensive. Alternative fund managers are looking for stable jurisdictions with a no-change outlook. Jersey can play an important role in Africa's development when it comes to fund domiciliation and FDI. The challenge for Jersey is dispelling the myth that a tax neutral environment means supporting tax evasion; this is not the case. We must dispel these myths and continue demonstrating our IFC's adherence to international standards. The concept of tax neutrality is simple: it is a tool that avoids imposing additional layers of tax on top of what investors and companies owe in their own jurisdiction, in compliance with their domestic tax rules. Being tax neutral is not the same as being a "tax haven".

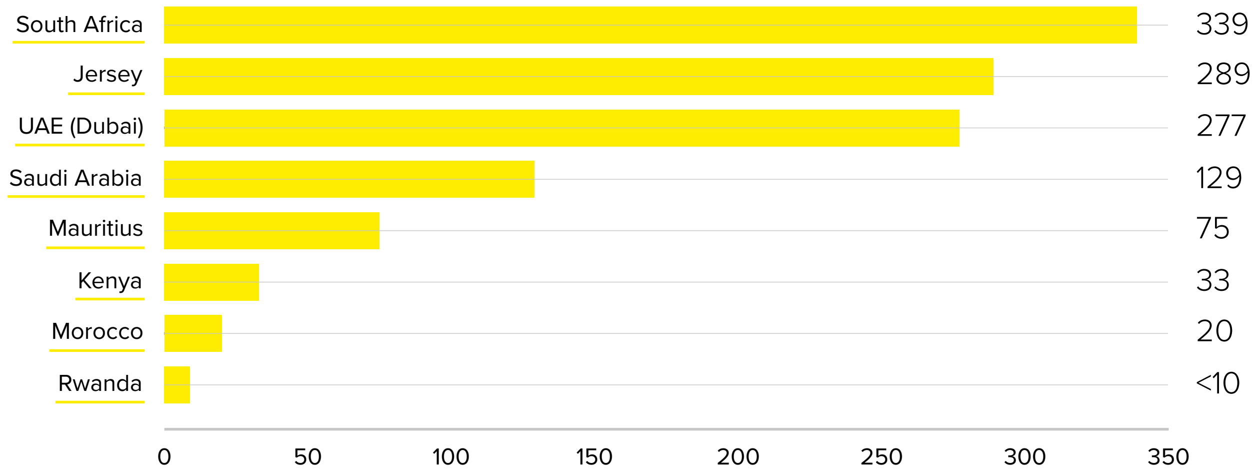
Jersey Finance
Delivering Insight • Driving Innovation

Professional Landscape and Talent Competitiveness

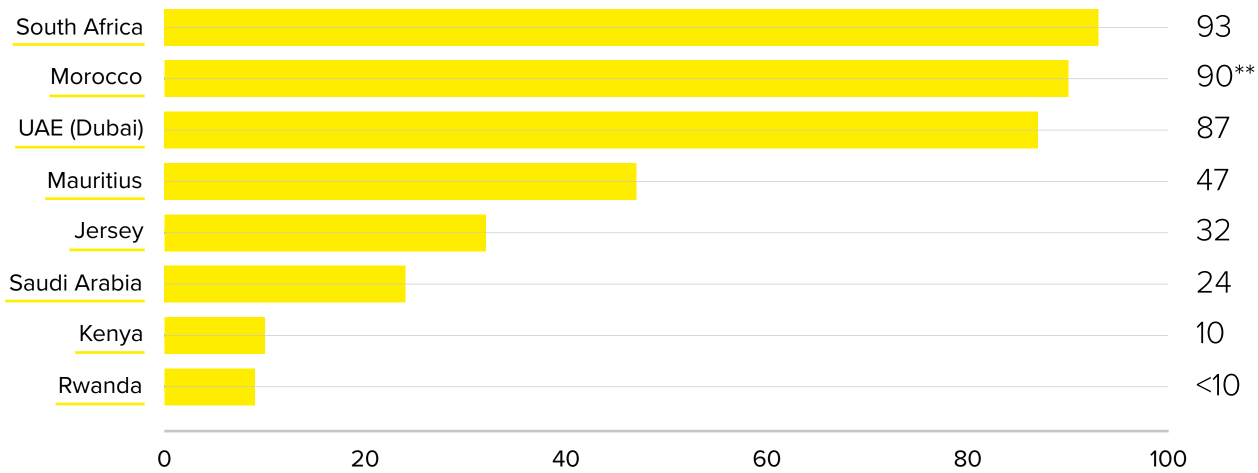
The level of development in a financial centre can be measured through the availability and access to multiple financial services firms. Globally, financial centres aim to build a business hub that will consist of core financial services firms and other professional service providers. Specifically, most financial centres put in place infrastructures and framework that will attract commercial banks, investment banks, investment consultants and advisors, accounting firms, law firms, fund administrators, and other financial services firms. For our analysis, we focus on core financial services such as fund managers, professional service firms, banks, and insurance companies.

Professional Landscape

Fund Managers*



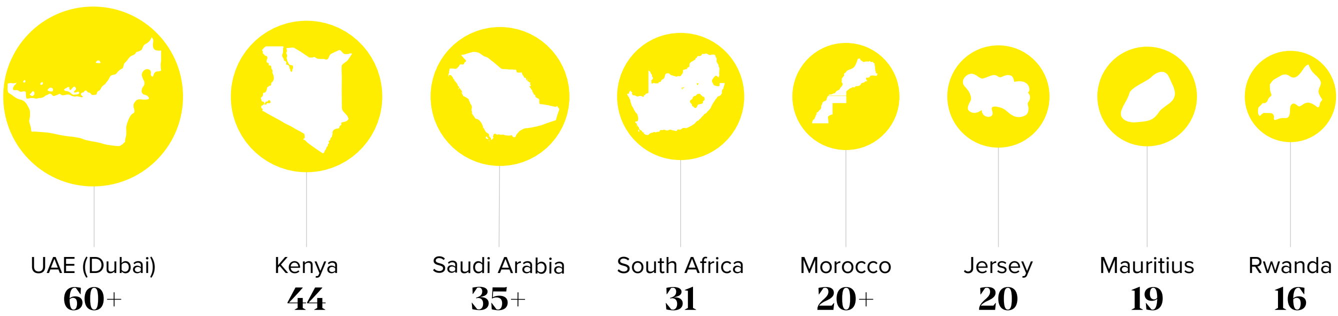
PSF*



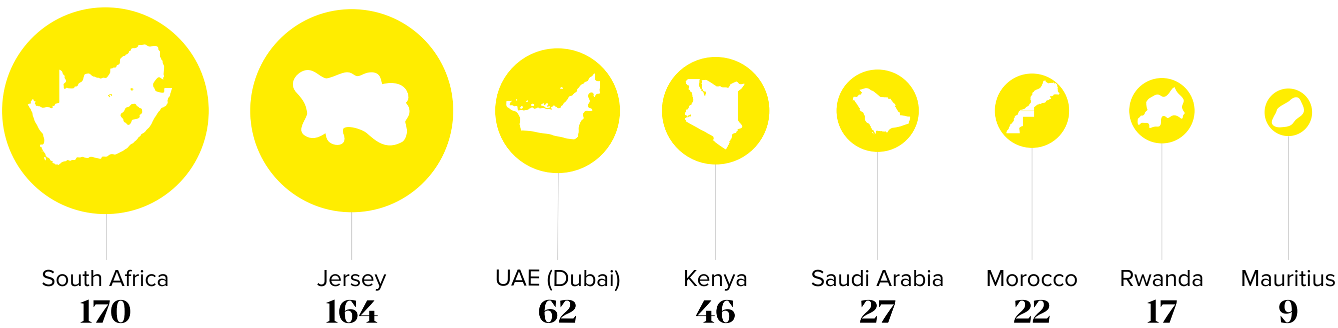
* Source: Preqin, Fund Managers and PSF based in the country.
** Source: Casablanca Finance City 2020 Annual Report.

For fund managers, South Africa give investors access to the largest number of fund managers (339) which is not far-fetched given the role South Africa played in the emergence and development of private capital in Africa. Jersey (289) and UAE (277) complete the top 3 in terms of number of fund managers. Jersey has remained a top destination for investment funds while Dubai International Financial Centre has provided attractive incentives since its establishment in 2004 to attract financial services firms. South Africa is the only onshore financial centre rivalling the offshores in terms of high availability of fund managers. South Africa also leads the number of professional service firms, followed by Morocco and UAE.

Banks



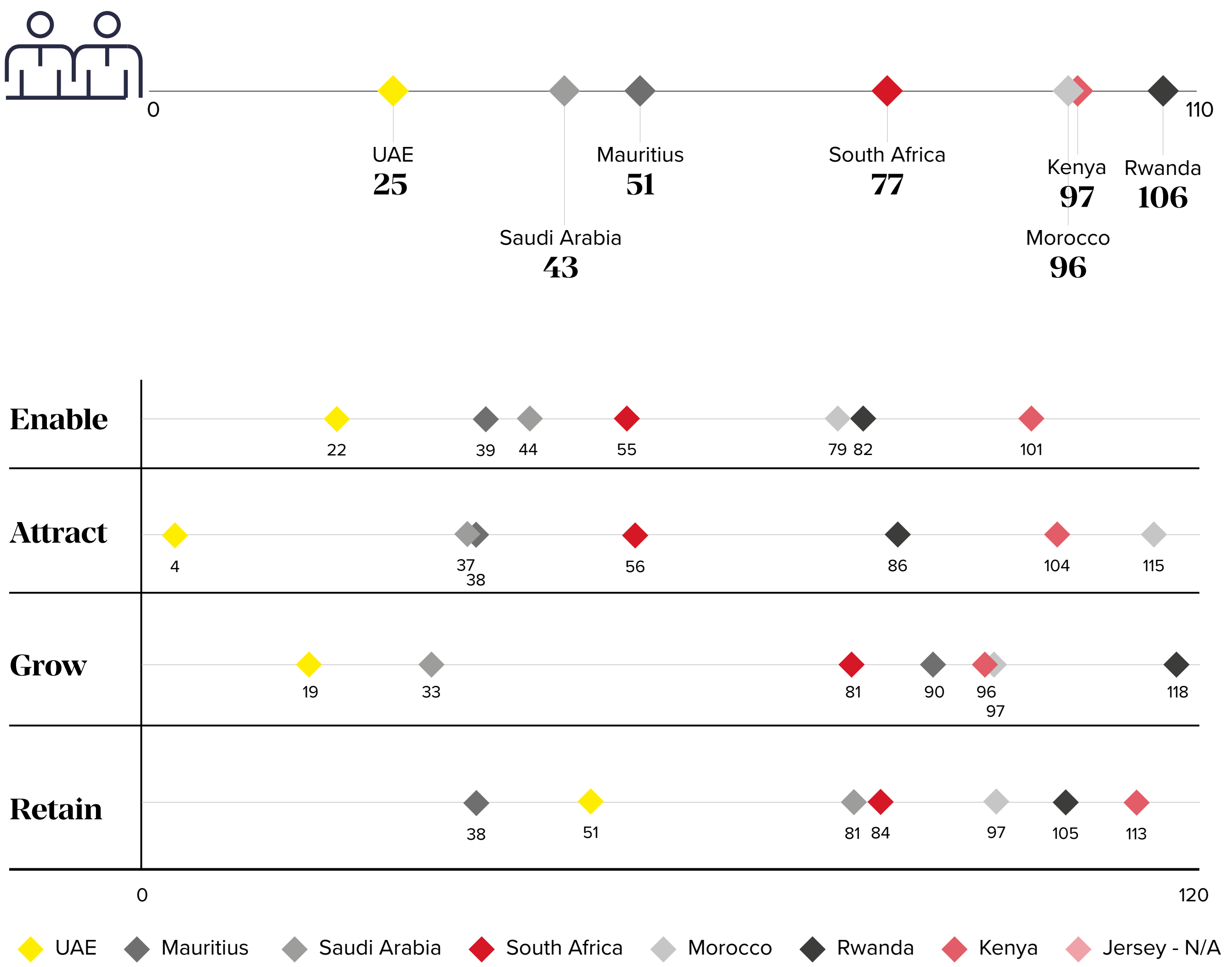
Insurance



While UAE, Kenya and Saudi Arabia give access to large range of banks, South Africa, Jersey, and UAE appear to be top financial centres in terms of number insurance companies available in their markets. Across all the professional landscape, South Africa, UAE, and Jersey offer a large range of financial services firms and other professional service providers.

Talent Competitiveness

GTCI Rank



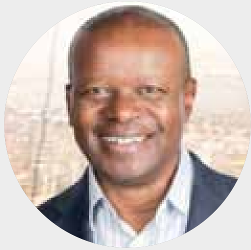
Source: Global Talent Competitiveness 2022 (INSEAD, Human Capital Leadership Institute and Portulans Institute)

Talent is important to the development of a financial centre as it plays a key role in the quality of financial services provided to investors and corporates. Availability and access to top quality talents also make it easy for global firms to expand to a financial centre. The most successful financial centres have in place policies that will not only attract but also retain top talents at the centre. Given the importance of talents, we analyse these financial centres using the Global Talent Competitiveness index, 2021 which covers enabling, attracting, growing and retaining talent.

Dubai, Riyadh and Mauritius are the top ranked countries according to the Global Talent Competitiveness Index 2021. Dubai stands out and is part of the top 5 performers globally in its ability to attract talent, echoing its internal and external openness, conducive work environment and zero personal income tax. Dubai also performs well in enabling talent as it offers a strong regulatory, market, business and labour landscapes. While Riyadh is also strong in growing talent, it is noted that both Dubai and Riyadh are relatively low ranked in retaining talent. On the other hand, Mauritius' strength in attracting and retaining talent can be attributed to a robust sustainability and lifestyle, including social protection, pension coverage and environment performance. It is worth noting that all onshore financial centres are relatively underperforming, except for South Africa which is particularly strong in enabling and attracting talent.

Q&A

with **Vincent Rague** | Chairperson, Board of Directors
Nairobi Financial Centre



1) In terms of competitiveness, there are about four competitiveness area for financial centres: the business environment, the market access, the people, and the infrastructure. So, among all of them, which one will you say that your competitive advantage lies and your top priority?

In the context of Africa, I think all of the above are important. A conducive business environment is key component for us. We are setting out to become competitive, and as you know, Nairobi is already a hub in Eastern Africa in the sense that you have several corporations that use Nairobi as their regional or African headquarters.

In terms of the quality of life, Kenya is an attractive place to live. We have a few infrastructure challenges, but the Government is investing heavily to improve the infrastructure. Nairobi already has the cluster effect. Kenya also has the largest number of English medium schools outside of England. Plus, there are schools that provide education to many nationalities: the French school, the German school, International School (US-based curriculum) and Japanese institutions. China has also recently set up the Confucius Institute in Nairobi. We have modern medical facilities. There is very good in connectivity with Kenya Airways, Ethiopian Airways and most of the major international airlines flying in and out of Nairobi. The reliability of the internet in Nairobi is one of the best around. And there's no malaria. All in all, I think Nairobi provides the lifestyle that is attractive to expats.

Secondly, we have perhaps one of the most educated workforces in Africa. Kenya produces a large number of university graduates each year. Outside Kenya, you have a lot of Kenyans in the diaspora who mostly work as professionals, which is a big plus and diaspora remittance has become the largest source of foreign currency earnings. Furthermore, Kenya is one of the leaders, alongside Nigeria, South Africa and Egypt, in technological innovation in Africa which receive the most investments. So, I think that these attributes give Kenya a competitive advantage. Overall, we have a fairly stable legislative framework that is that is backed by a well-functioning judicial system based on English common law and is in line with international standards. People generally adhere to the rule of law. For instance, we had a very closely contested election last year that was challenged in court by the losers. The verdict was in favour of the victors and was accepted by the population. There were no street protests or riots. That's credit to a strong regulatory and institutional environment.

Lastly, Kenya has the strongest and most diversified economy in Eastern Africa and provides investment in some of the neighbouring countries.

2) From your experience and engagement with industry stakeholders, what are the key challenges associated with the formation and operation of funds and fund services providers both in your jurisdiction and in Africa?

I think that the first one is the unpredictability of taxes. This is however not unique to Africa. Every new government that comes into power often wants to make changes to the tax regime or regulations, and that causes anxiety to investors. The second one is associated with the fact that a lot of the capital that is invested in Africa comes from offshore territories. But that's, perhaps because we don't yet have a lot of investable and well-structured domestic products. For example, most companies with foreign partners have preferential access to capital, often because the promoters understand how to structure the projects in a manner that is understood and accepted by investors. However, indigenous businesses still face the challenge of structuring businesses well enough to attract investment. In other words, a lot of local businesses tend to be controlled by individuals that are reluctant to open up to third party investment. The instinct for local sponsors is to want to continue to control the business as it grows, which is a key governance concern for institutional investors. Furthermore, there is a challenge for cross border activities, primarily because of lack of double taxation treaties across Africa. Even with Kenya's own members of the East African Community, we do not have double taxation with some of them. So, these are some of the challenges that we hope we can start to address as we go forward.

3) What are some of the challenges the Nairobi International Financial Centre has encountered when rolling out its key products, services and activities since inception, both on the country level and internationally?

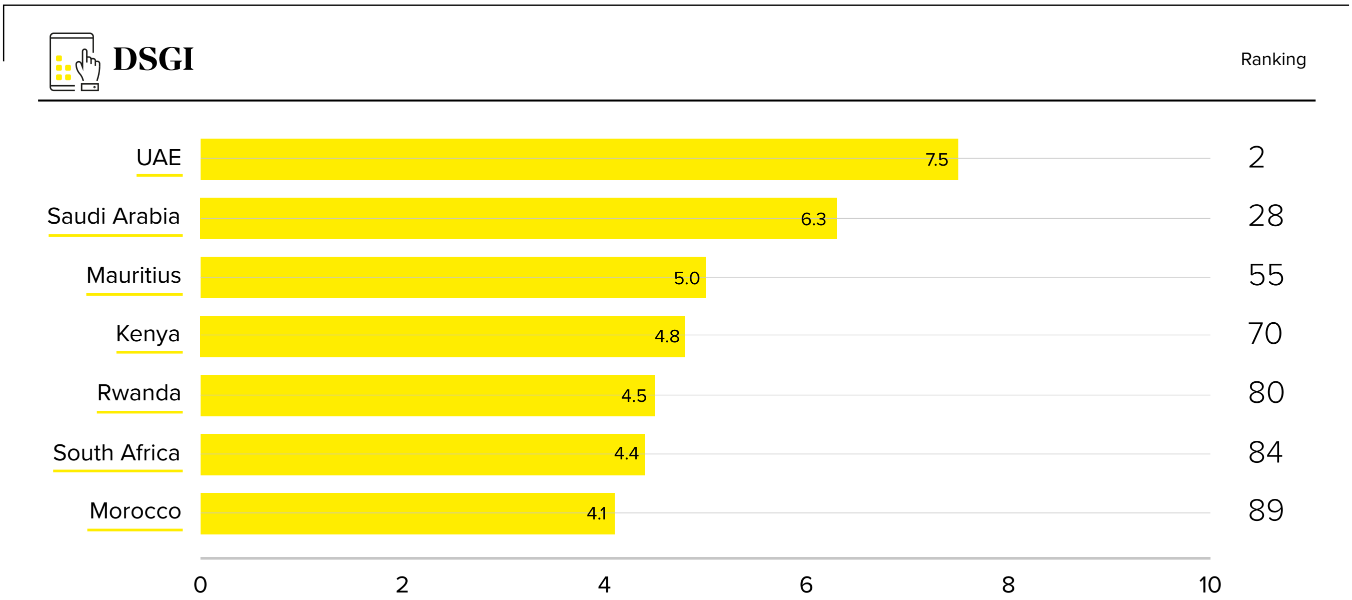
My take is that we cannot have a short-term view. When you look at successful international financial centres, they have taken a long time to achieve their position of success, whether it be London, New York, Singapore, Hong Kong, and increasingly Shanghai or Tokyo. Financial centres must be adaptive in responding to the changing environment, seeing where the challenges are coming from, and seeking to address those challenges. For example, today technology is the driver of the international economy. Within technology, there is a sub-sector called big data and AI. So, there are some things that we need to focus on in order to become attractive to the deployment of technology and big data, which we would like to attract to be located in Nairobi. To find Nairobi attractive, we need first class human capital. That's what we are striving to do, to bring in people that understand this dynamic and help us respond appropriately.

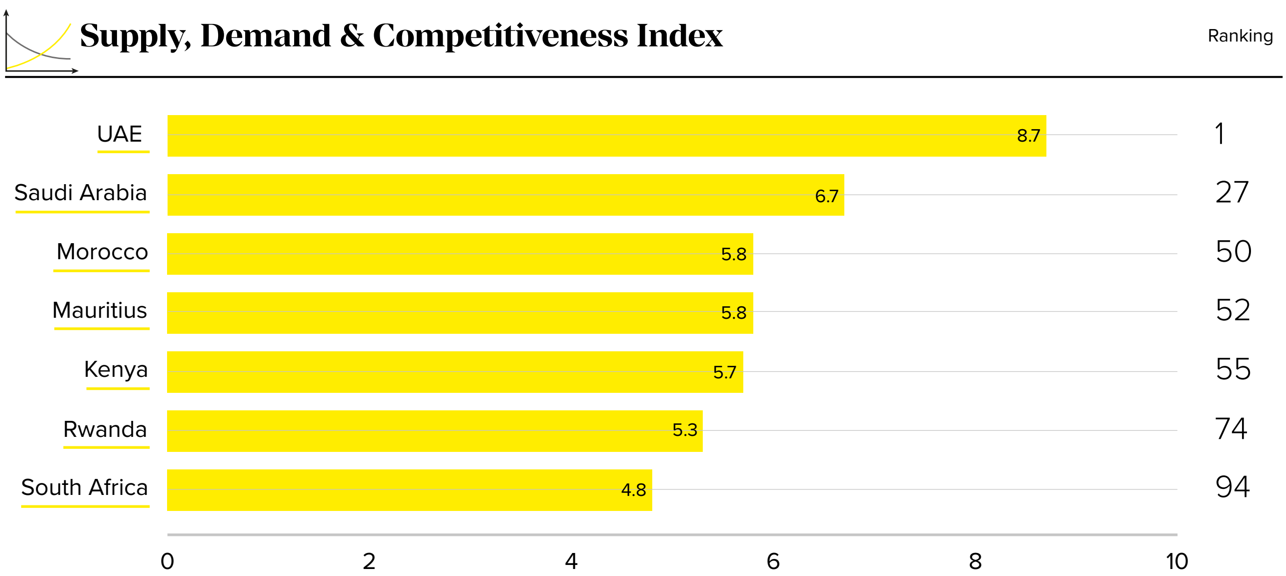
Technological Environment

Innovative development and digital skills emerge as game-changers in current times for international financial centres. They are indeed important hedge against economic challenges on a global scale and give IFCs winning advantage in a world where technology is essential to the new normal as the pandemic has transformed the way organisations work. Staying relevant and standing apart in the competitive investment landscape depends on the technological environment.

The research agency Wiley[13] conducted the Digital Skills Gap Index (DSGI) survey to evaluate the digital strength, resilience, and responsiveness of ecosystems globally. The 2021 DSGI ranked UAE second after Singapore among the 134 economies and territories included in the Index, a finding that confirms the economy's reputation for heavily investing in human capital. UAE scored consistently well across most of the DGSI pillars, especially the government support in bridging the digital gap and the level and availability of digital skills where it appears leader worldwide.

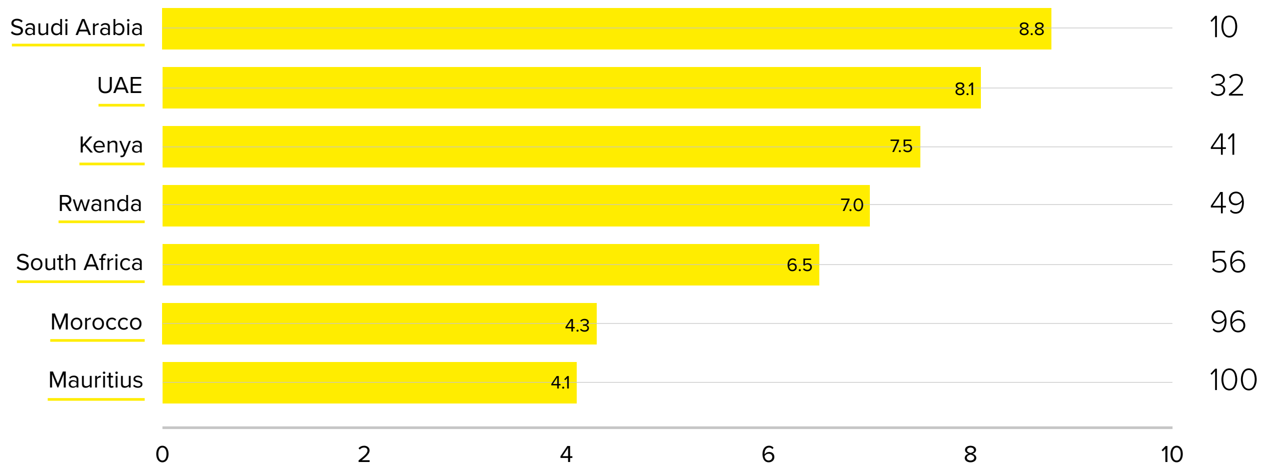
Rwandan's government digital support is among the top performers in the world. Third after UAE and Singapore, the Rwandan's government success in ICT promotion (ranked 2nd) and importance of ICT in its vision (ranked 4th) is a key strength. It is worth noting that the government support is also a key strength for Kenya, but what sets the country apart, is the ease of finding skilled employees, where Kenya is ranked among the 25 top performers (21st) globally and the first African country.





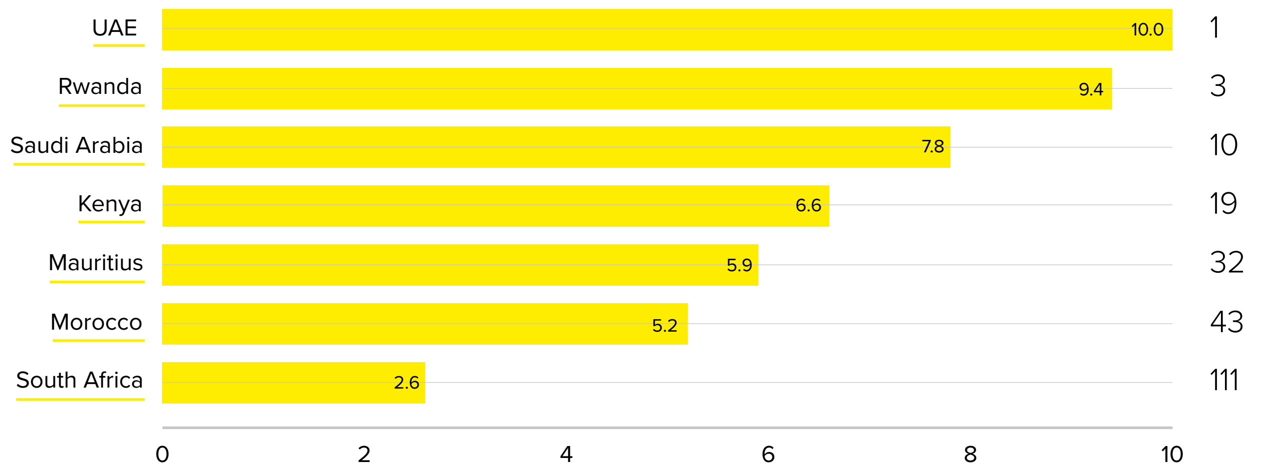
Data Ethics & Integrity Index

Ranking

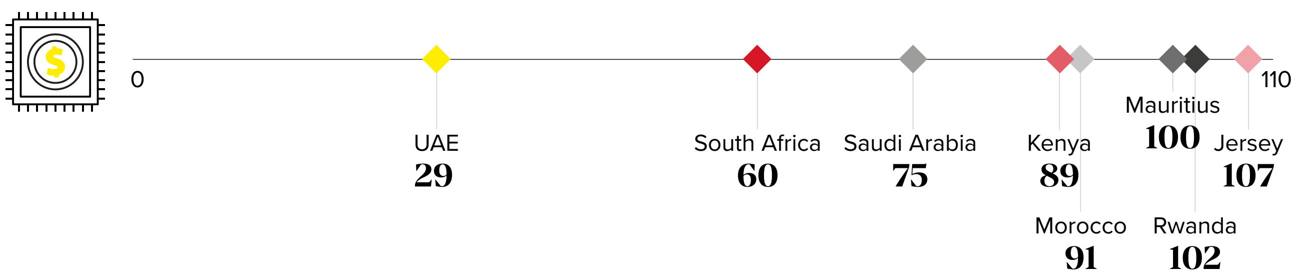


Government Support Index

Ranking



GFCI FinTech (Rank)



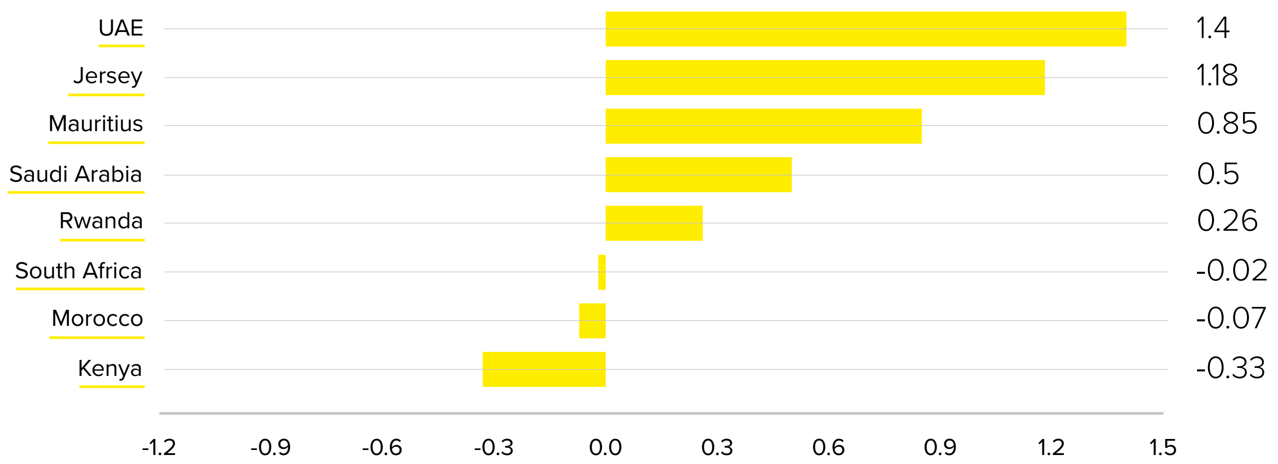
* Source: The Digital Skills Gap Index (DSGI) 2021, Global Financial Centres Index 2022

When it comes to data ethics and integrity, including issues around cybersecurity that are integral to sustained and sustainable digital development, Saudi Arabia leads financial centres in our coverage (ranked 10th globally), followed by UAE and Kenya. Saudi Arabia also performed well in government success in ICT promotion and is ranked 10th worldwide. While the government success in promoting ICT is the first key strength among most of the IFCs surveyed in this section, South Africa differentiates with the data ethics and integrity, in particular the cybersecurity performance.

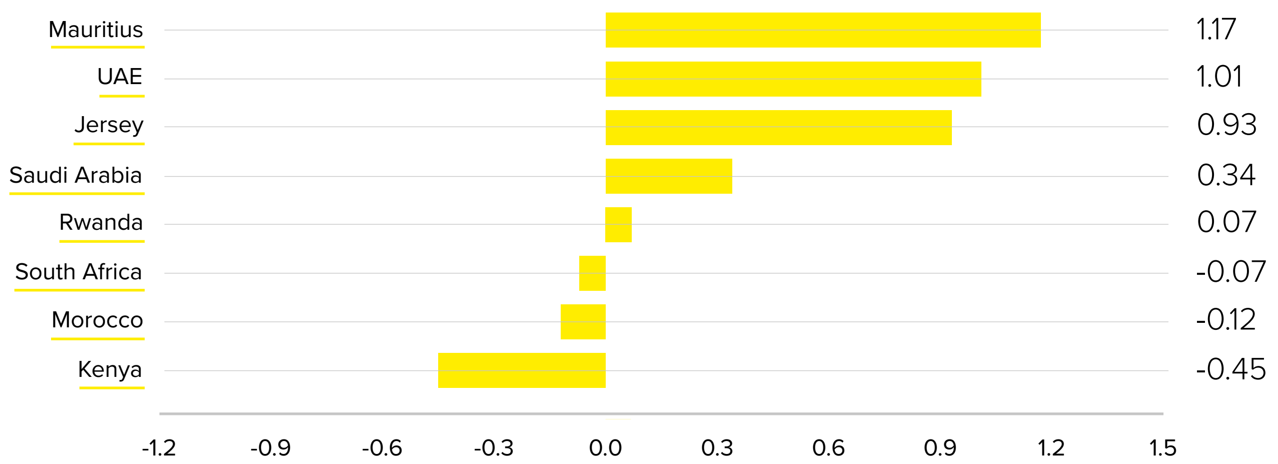
Finally, being an international FinTech centre or a financial hub for innovative industries is a certain advantage that IFCs cannot neglect. In this regard, Shenzhen[14] produced a GFCI FinTech where it assessed 113 centres for their Fintech offering. UAE confirms its leading position in the Fintech ranking (29th), followed by far by South Africa (60th) and Saudi Arabia (75th). It is worth noting that the top 3 in the GFCI FinTech ranking in Africa is South Africa, Nigeria and Kenya.

Governance

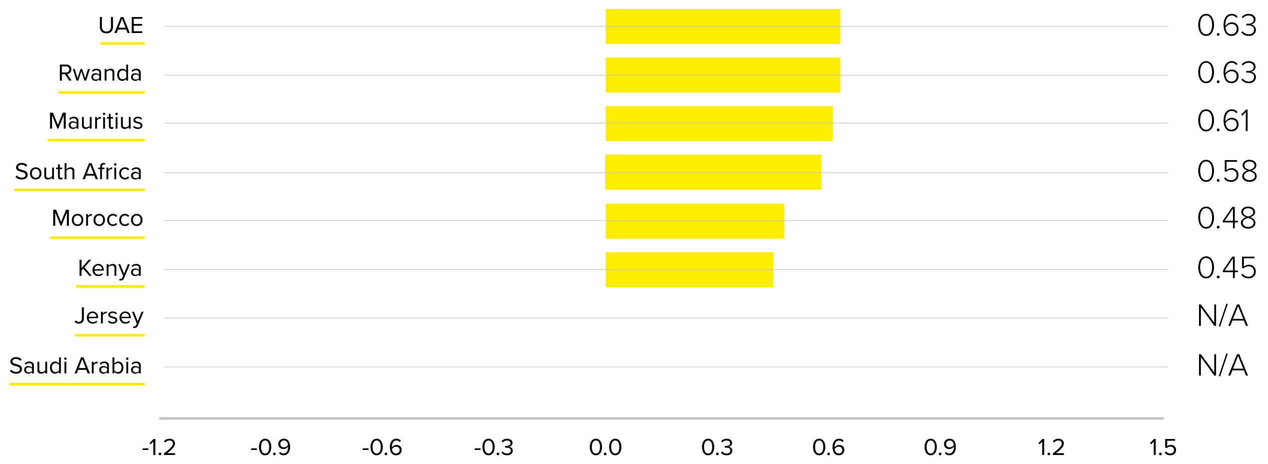
Government Effectiveness



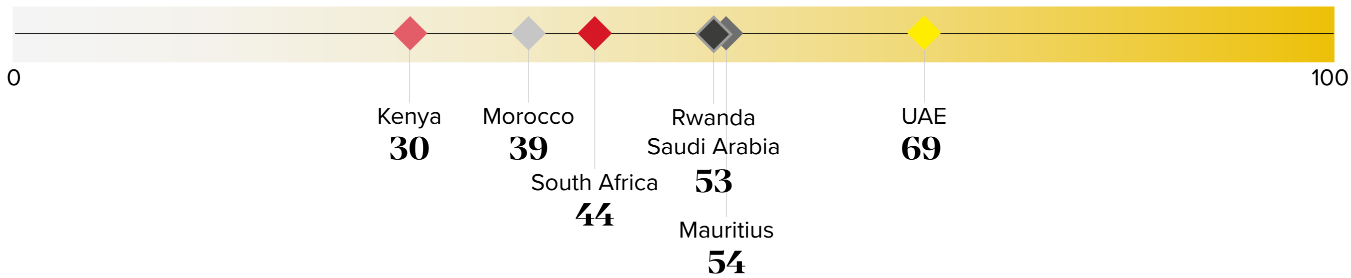
Regulatory Quality



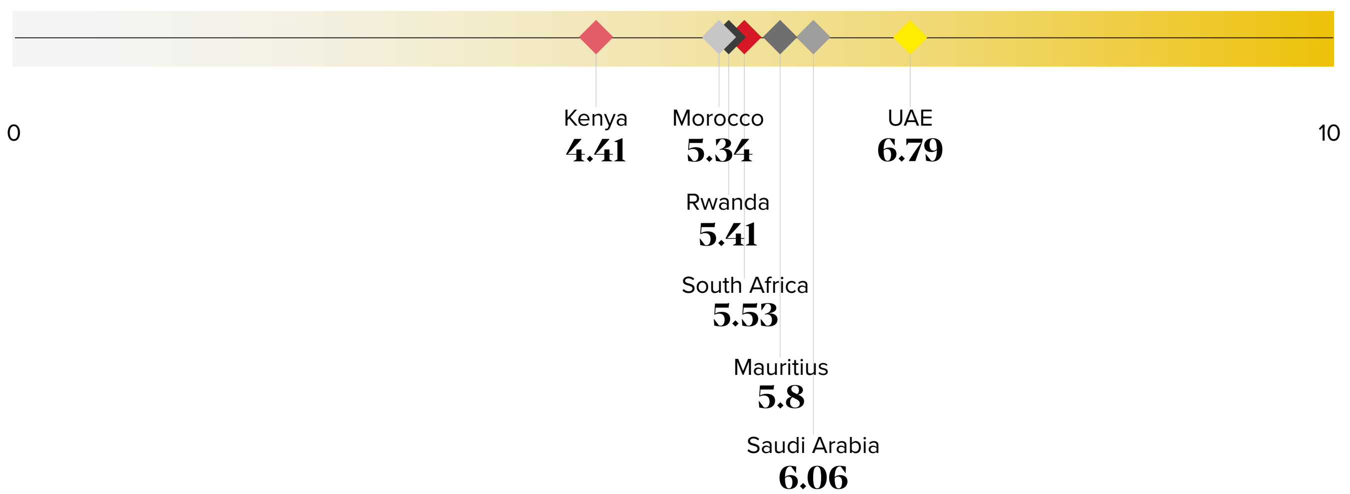
Rule of Law



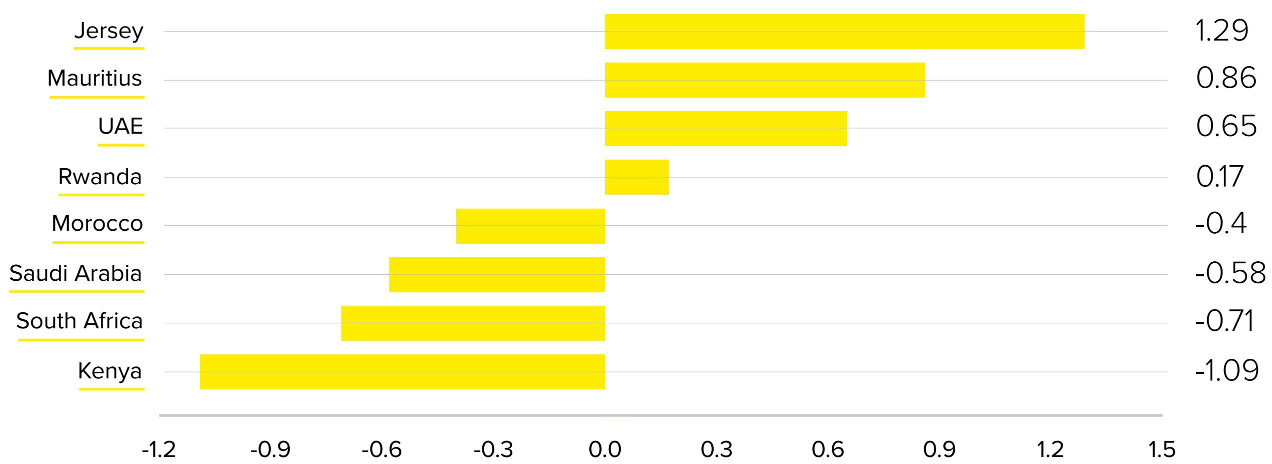
Corruption Perception



Property Rights



Political Stability



Source: World Governance Indicators 2021 (World Bank), Rule of Law 2022 (World Justice Project), Corruption Perception Index 2022 (Transparency International), International Property Rights Index 2022 (Property Right Alliance).

Doing business and succeeding in emerging or developing markets is influenced by the quality of the regulatory, legal and political landscape. Opaque regulatory regimes, weak institutions, and invisible influence networks may expose companies to legal, reputational and economic risks.

The Worldwide Governance Indicators produced by the World Bank shows that while all countries are performing relatively well in and abide the rule of law, Mauritius stands out (1^{st}) among the IFCs surveyed in terms of the ability of the government to formulate and implement policies and regulations that promote private investment. It also offers a strong political stability and government effectiveness, conferring a winning advantage when it comes to alleviating investment risks and facilitating the pooling of funds. In addition, UAE and Jersey appear to be important financial centres providing strong institutions and solid legal and regulatory systems. It is worth noting that Rwanda leads the onshore financial centres surveyed across all the governance indicators, confirming its position as a recognized African jurisdiction for business.

Competitive advantages of Financial Centres servicing Africa

The decision to domicile fund in a particular jurisdiction is a critical aspect of investment decision that investors usually consider as fundamental. This section will provide the comparative advantages, investors should look at while choosing a domicile among the following jurisdictions: Rwanda, Mauritius, South Africa, UAE, Luxembourg, and Jersey.

Rwanda

Kigali International Financial Centre (KIFC): An attractive tax regime particularly for fund management services, a strong support to sustainable finance and initiatives to enable and attract talents.

KIFC offers one of the most attractive tax regimes in Africa, specifically for fund management activities. The centre is the second onshore jurisdiction (after Casablanca) offering the lowest preferential corporate tax rate (3%) for fund managers, fund administrators and fund vehicles; and the third among the key international financial centres servicing Africa, after Dubai and Casablanca, which offer an exemption. It also offers tax exemption on corporate tax rate for partners in a limited partnership (under conditions), capital gains, dividends and interests and VAT for fund managers, fund administrators and fund vehicles. Finally, the centre has a 5-year tax holiday for family office, captive insurance scheme, private banks, Mortgage institutions. These combination of tax incentives for firms in fund management activities constitute a key asset for KIFC.

Moreover, KIFC positions itself as a strong enabler for sustainable and green investing. This has been backed by the Rwandan's government through the establishment of a fund, under the ministry of environment, to give grants for green projects that will make them scalable. In addition, KIFC has joined the Financial Centres for Sustainability (FC4S) and the Sustainable Stock Exchange, which respectively aim to accelerate the shift to sustainable finance and encourage sustainable investment.

Finally, KIFC's initiatives to attract talent are particularly attractive and should promote access to highly qualified professionals. These initiatives include a 5-year work visa and an income tax exemption for contractual foreign professionals under conditions. Professionals also can work for an international company while simultaneously working for a local firm.

Mauritius

Mauritius Financial Centre (MFC): A familiarity and reputation among the global investment community coupled with a political stability, a solid legal, regulatory and tax framework, and an availability and access to highly qualified professionals.

Familiarity remains the core strength of Mauritius as it is the most popular jurisdiction for fund domiciliation in Africa. With its popularity, fund managers can easily market fund domiciled in Mauritius as it gives comfort to investors who prefer to invest in familiar jurisdiction with strong reputation. Mauritius is also recognised as the most politically stable jurisdiction in Africa, giving it an added competitive advantage.

Mauritius also maintains a strong and flexible legal and regulatory framework, allowing it to be at the forefront of new developments and attract investors. Mauritius set for instance, a Regulatory Sandbox Licence under the aegis of the Economic Development Board (EDB) for innovative projects including Fintech. This is part of the country's efforts to regulate business activity for which there are no legal framework, or adequate provisions under existing local legislation, within an enabling environment in Mauritius. Furthermore, Mauritius offers a competitive tax regime with its tax exemption on capital gains, dividends and interests, inheritance, wealth, gift, and a 10-year tax holiday for funds. Finally, investors can benefit from Mauritius extensive network of 44 double taxation agreements.

Compared to most jurisdictions in Africa, Mauritius offers investors access to qualified professionals that drive fund management activities. The country ranks first in Africa in talent competitiveness according to the Global Talent Competitiveness Index 2022. Mauritius is particularly strong in attracting and retaining talent, which can be attributed to a robust sustainability and lifestyle, including social protection, pension coverage and environment performance.

South Africa

South Africa: A highly developed financial market - pioneer in Africa, an availability and access to qualified professionals and a conducive environment for Fintech investments.

South Africa's competitive strength lies in its financial market which has developed ahead of other African countries. The country is a host to many top global firms which are attracted to the sophisticated infrastructural facilities and technology South Africa offers. In addition, South Africa's pioneer position in African private capital market has supported the development of the industry, and its stock market - Johannesburg Stock exchange - has the largest market capitalization in Africa. The country not only provides investors access to a large number of fund managers and professional services firms compared to other countries in Africa, but it also gives investors the opportunity to invest among a broad range of financial products.

Furthermore, Johannesburg positions itself as an essential jurisdiction for investment in Fintech as confirmed by its ranking as the number 1 financial centre in Africa in the GFCI Fintech. South Africa's central bank through the National Payment System Act 1998, has been playing a pivotal role in supporting innovation and Fintech. In addition, South African Reserve Bank has also been supportive for innovation through its Intergovernmental Fintech Working Group (IFWG) with the aim of understanding the growing role of Fintech and innovation in the South African financial sector. The IFWG has also launched its regulatory Sandbox in 2020 and it is exploring how regulators can more proactively assess emerging risks and opportunities in the market.

Jersey

Jersey Financial Centre (JFC): A strong legal and regulatory framework compliant with the highest global standards, a competitive tax regime and an availability and access to highly qualified professionals.

One of the key strengths of Jersey Financial Centre is its regulatory framework which is supported by its compliance with global standards. Jersey is keen on maintaining high standard of financial transparency and this reflected in its achievement of one of the highest MONEYVAL assessments in 2016. To complement its regulatory framework, the centre is committed to fighting financial related crime as it financial rules comply with 48 out of 49 FATF recommendations[15] which is uncommon among other jurisdictions.

In addition to its legal and regulatory framework, Jersey offers one of the most attractive tax regimes. The centre offers a tax exemption on capital gains, corporate tax with exceptions to financial service companies which are taxed at 10%, and one of the lowest Valued Added Tax (5%) compared to most jurisdictions.

Finally, Jersey key strength lies in its access to qualified professionals. The centre gives investors access to a large pool of professionals across financial services, banking and fintech. Specifically, the Centre has over 13,600 financial service professionals, more than 3000 digital and technology professionals and over 1120 members of the Society of Trust and Estate Practitioners (STEP)[16].

Luxembourg

Luxemburg Financial Centre: A strong and flexible legal and regulatory framework, a stable political environment and an availability and access to highly qualified professionals.

Luxembourg provides a flexible regulatory environment that offers an extensive range fund structures for a diversified investment landscape. It has notably developed a distinctive toolbox of investment vehicles, and a strong regulation and expertise in domain such as ESG-related investment, family office industry, virtual currency operators, and digital currency exchange.

The country's political, economic, and regulatory stability provide a solid framework that protects investors' interest and support financial services. Luxembourg's credit rating of AAA with a stable outlook by all top rating firms (S&P, Fitch, and Moody)[17] highlights the consensus from the global financial community on Luxembourg's political and economic stability. Further, the country was ranked in top 5% most politically stable countries in the world according to the World Bank Governance indicator survey for political stability in 2021[18].

Luxembourg financial centre also has peculiar advantage with its professionals which includes a unique pool of multilingual, highly skilled talent that helps to unlock Europe's huge and diverse single market. Given its closeness to Germany, France and Belgium, Luxembourg has been able to attract more than 210,000 people who commute from these neighbouring countries[19]. Luxembourg has a highly skilled workforce ranked first in the world in knowledge-intensive employment according to the Global Innovation Index 2021[20].

UAE

Dubai International Financial Centre (DIFC): A strong legal, regulatory and tax framework, an innovative environment and an availability and access to top quality talents.

Renowned for its strong connections with leading global financial centres and wide connections with other centres across the world, Dubai International Financial Centre's (DIFC) first competitive advantage lies in its strong institutions and solid legal, regulatory and tax framework. According to the Global Finance Centre Index (GFCI, 2022), Dubai was recognized one of the top 15 financial centres in business environment, infrastructure quality, government effectiveness and regulatory quality. The centre also offers one of the most attractive tax regimes with exemptions on corporate tax rate guaranteed for 40 years, exemptions on investment income tax and income tax on individuals, a relatively low VAT (5%) and a large network of double taxation treaties with 139 territories.

Furthermore, DIFC is strategically well positioned in terms of technological environment and digital skills. The centre ranks leader worldwide in the government support in bridging the digital gap, as well as in the level and availability of digital skills, according to the 2021 Digital Skills Gap Index. The introduction of the Golden Visa which aims to attract foreign entrepreneurs that want to make the UAE their long-term base to build and scale technologies and innovative solutions, is an example of initiatives that has transformed Dubai's global status. The centre is also considered as a leading International Fintech Centre as it was ranked 29th globally according to the GFCI in 2022. Dubai's development in Fintech has been largely driven by its support through investment in physical and digital infrastructure.

Last, but not least, is Dubai's reputation for investing heavily in human capital, which leads to availability and access to top quality talents. It scored well across the key pillars of the 2022 Global Talent Competitiveness Index. Dubai is indeed part of the top 5 performers globally in its ability to not only attract talent, echoing its internal and external openness, conducive work environment and zero personal income tax, but also to enable talent as it offers a strong regulatory, market, business, and labour landscapes.

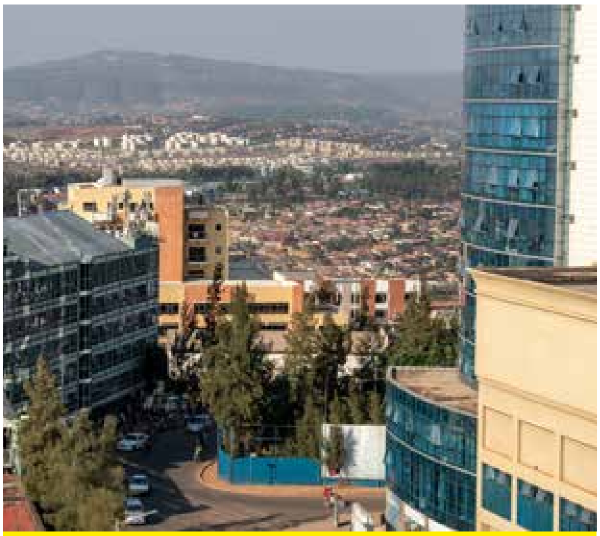
Spotlight on Kigali International Financial Centre

Kigali International Financial Centre (KIFC), one of the emerging international financial centres, is recognized as one of the centres expected to become more significant over the next two to three years according to the Global Finance Index Report 2022[27]. According to the report, Kigali was not only the African jurisdiction from the list of 15 financial centres expected to become more significant over the next years, but also one of the financial centres with a reputational advantage given its huge popularity among the global investment community, stemming from its successful marketing in recent years. This section will highlight the key achievements and features that have contributed to KIFC recognition on the global stage.

Bridging Regulatory Gap Through Reforms

KIFC offers a legal and regulatory environment which complies with international standards and aims at not only protecting investments, but also enabling them by providing a wide range of investment vehicles and incentives available to local and foreign investors. Through several reforms, KIFC has been able to close regulatory gaps, particularly in Banking and Capital Market. The centre has recently passed 17 laws to foster and boost international financial services and activities, which have improved the centre's compliance to financial and investment standards as recommended by the FATF and OECD. It has set up three key laws to improve the level of financial transparency and coordination as the laws focus on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), Mutual Legal Assistance in Criminal Matters, and establishment of the Financial Intelligence Centre.

When it comes to unique features of its legal and regulatory framework, KIFC has in this case, licensing exemption for collective investment scheme in alternative investment. Specifically, there is a licensing exemption for fund managers licensed under financial regulators in other jurisdictions. In addition, the centre has some remarkable features which include preferential corporate tax rate, tax exemption for partnership funds, VAT exemption for fund managers, fund administrators and fund vehicles and personal income tax exemption for contractual foreign professionals under some conditions. Finally, it should be noted that one of KIFC priorities is to support Fintech through regulation. As a result, the centre has put in place a regulatory sandbox, through the National Bank of Rwanda, that promotes Fintech and innovation. This regulatory sandbox is expected to support unicorns that choose Kigali as their base to serve the African continent.



The centre has put in place a regulatory sandbox that is expected to support unicorns that choose Kigali as their base to serve the African continent.

An Attractive Tax Regime for Fund Management Services

Building a business-friendly environment through a competitive tax regime is another key focus for KIFC. The centre offers multiple tax incentives that allow companies to grow with little or no tax burden. Specifically, Kigali offers one of the most attractive corporate tax rates for fund management activities in Africa as it levies only 3% corporate tax on these activities, and even offers exemption for partners in limited partners funds approved and regulated by the Rwandan Capital Market Authority. The centre also proposes a personal income exemption for foreign professionals working for fund management entities whose remuneration is paid in a local bank. In addition, KIFC exempts investment funds and fund management from VAT on services related to financial intermediaries, and has zero withholding tax on dividends, interests, and royalty payment and exemption on capital gains. The centre benefits from Rwanda's large network of double taxation agreements which include Jersey, Luxembourg, Qatar, UAE, Belgium, and China. This gives KIFC an additional advantage in terms of attractiveness to investors.

A stable political and governance foundation

Rwanda's strong ranking across major political, governance and transparency indexes makes the country particularly attractive for African investors as well as their international counterparts. The country has a relatively high ranking in political stability and government effectiveness according to the 2021 Worldwide Governance Indicators. It is also the highest ranked African country in rule of law by the World Justice Project Index 2022[28], and the second highest ranked African country by the Transparency International. This highlights the efforts to fight corruption and to offer a stable and reassuring environment for attracting foreign investments. In addition, KIFC has created an Independent Dispute Resolution Mechanism to provide additional security and safety to stakeholders.

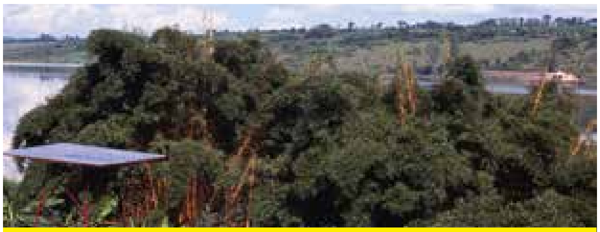
An Impetus for Capital Market Growth

While KIFC is still at early stage of its development, it has been able to attract a number of firms including insurance companies, micro-finance banks, and pension fund. Specifically, there were about 13 pension funds, 14 insurance firms, and 457 MFIs, including 438 credit and savings schemes at the Kigali International Financial Centre as of year-end 2021[29]. The centre has also attracted large funds including the US$350Million FEDA fund, an-African trade and export fund established by the Afrexim Bank which is supporting and fostering intra-African trade, the US$250Million Virunga fund between the Qatar Investment Authority and Rwanda Social Security Board and the US$10Million Angel Investment SPV, a regional special purpose vehicle registered in Kigali, by a network of African based angel and venture capital investors – Dakar Network of Angel Investors (DNA)[30].

Furthermore, KIFC has positioned itself to attract sustainable and green related fund. KIFC has developed a sustainable finance roadmap with the aim of ensuring that activities at the centre adjust to climate change. This has been backed by the Rwandan's government through the establishment of a fund, under the ministry of environment, to give grants for green projects that will make them scalable. The government has also started a new initiative between the green fund and the development bank to provide technical assistance and offer loan, direct equity, and insurance solution on green and sustainable projects. In addition, Kigali International Financial Centre has also joined the Financial Centres for Sustainability (FC4S) and the Sustainable Stock Exchange. These organisations aim to accelerate the shift to sustainable finance and encourage sustainable investment respectively.

Strong Initiatives to Attract Talent

Kigali International Financial centre has made efforts to attract foreign professionals as well as supporting local talents. It offers incentives to attract foreign talents such as a 5-year work visa for contractual foreign professionals and a personal income tax exemption for contractual foreign professionals whose remuneration is paid in a local bank. The centre is also putting in place a strategy to build the local talent and improve its availability. It provides a flexible work environment where professionals are allowed to work for international companies alongside their employment in Rwanda. Income generated from those international companies will not be taxed for five years. It also requires that at least one third of the professionals hired by fund management entities to be Rwandans, in its aim to develop local talents.



KIFC has developed a sustainable finance roadmap with the aim of ensuring that activities at the centre adjust to climate change.

Q&A

with **Ntoudi Mouyelo** | Chief Investment Officer
and **Adelit Nsabimana** | Technical Advisor
Kigali International Financial Centre

1. What were the drivers behind the formation and creation of your financial centre? And what is the role of the financial centre in the ecosystem?

The formation of our financial centre was driven by the initiative of government of Rwanda to position the country as the preferred international financial centre for international investment across Africa. This initiative is in line with Rwanda's strategic vision of becoming a high-income country by 2050 and the National Strategy for Transformation.

One of the goals for setting up the Kigali International Financial Centre on one hand, is to address some macroeconomic challenges faced by our country, including scaling our foreign exchange reserve, given that financial centres can help attract foreign investments and secondly, to leverage the financial centre in creating additional employment opportunities for Rwandans. Thanks to the tax incentives given to investors, we expect some economic spill over on the local economy with the creation of additional jobs. On the other hand, we saw an opportunity to offer regional and African focused investors an alternative jurisdiction to facilitate funds domiciliation and asset consolidation on the continent. Given that currently, very few jurisdictions on the continent offer these kinds of specialized services.

We would like to see Kigali International Financial Centre be the best place in Sub Saharan Africa where investors can multiply their wealth under a transparent jurisdiction based on the rule of law. As such, the centre is open and attractive to private equity funds, venture capitalist funds and all types of alternative investment vehicles, as well as holding companies. We have noticed that many companies operating in Africa have a need to consolidate their accounts. As such, facilitating holding companies to consolidate their financial assets under a single entity is one of the key benefits the Centre offers.

2. Given the recognition of Kigali as one of the financial centres that is considered to become more significant over the next two to three years, we would like to hear from you on what sets the Kigali International Financial Centre apart from other FCs? What are your competitive advantages?

One of the key factors for our successful performance is the conducive legal and regulatory framework we have in Rwanda, which is compliant with international best standards, as well as the substantial efforts put in expanding Rwanda's double tax treaty network with many African and Western countries to facilitate investment flows. Secondly, there is deliberate drive to support investment in Africa through constructive partnerships with international jurisdictions and institutions, which includes the Qatar Financial Centre, Jersey Finance, the British International Investment, the Monetary Authority of Singapore and other key Financial Centres and governments across the globe.

These deliberate and constructive efforts have led to a few successes, including the establishment of an impact fund for example dedicated to finance education of students from low-income backgrounds across East and Southern Africa. We have also seen the creation of an investment structure coming from West Africa, named “Dakar Network Angels”, for investors looking to target and invest mainly in West Africa. The establishment of the “Africa Pharmaceutical Technology Foundation” from the African Development Bank who chose to domicile in Rwanda for investments across the continent, was also a result of these strategic efforts. We have also seen a large inflow in fintech deals for private equity funds which has supported investments in Unicorns (Chipper cash) and other small start-ups.

3. From your perspective, what are the challenges that you have encountered when rolling out your operations and activities since inception? Both at the country and international level

From our perspective, a key challenge is the lack of professional service providers. There is also the issue around developing appropriate pipeline for private equity or venture capital projects in Africa. Access to information has also proved to another challenge facing financial centres in Africa. This includes access to information on how services could be implemented or could be of added value in other countries. It is not always easy to understand the regulations and have access to simple data. At a continental level, there is a lack of adequate regulation to support the development of the private equity sector. In Rwanda, we have established a capacity building strategy and put in place incentives that will help to improve access to professional service providers in the country. In addition, in collaboration with key stakeholders from both the public and private sector, we are working towards bringing more visibility to existing initiatives to address the challenge of lack of information; as well as working on a framework to support pipeline development.

Kigali International Financial Centre

Q&A

with **John Bellew** | Head of Private Equity
Bowmans

1) Which are your key considerations when determining domicile selection amongst the fund managers you have worked with?

Availability of capital trumps any other factor. Often, we find that if you want to raise capital in a particular African jurisdiction, you may need to set up a fund vehicle in that jurisdiction, whether it's a parallel vehicle or whether it's a feeder fund. The decision as to whether you would do that would obviously depend on the size of the commitment, as the management fee from the commitment should be sufficient to pay the costs of running that fund entity.

I think there has always been a view that international investors would prefer to invest in a fund vehicle domiciled in a jurisdiction that they are familiar with. Over the years, we have seen a lot of what we call "dual fund" structures in South Africa. A South African fund manager sets up a vehicle for South African investors in South Africa, and a separate offshore vehicle for offshore investors. Jurisdictions for the non-South African fund entity have included over the years the Cayman Islands, Delaware, Luxembourg, the Channel Islands and Mauritius. Mauritius is particularly attractive because of its wide range of double tax treaties and the cost effective but competent professional and support services it offers to funds.

Finally, I think that political stability of the jurisdiction where the fund is established is a relevant factor. For the fund itself of course the political stability of the jurisdictions in which it intends to invest is probably more important.

2) On the back of the need to raise other parallel funds or feeder funds to meet the need of different investors for fund managers with a broad geographical mandate, what would the standard practice previously have been?

South Africa is perhaps a little bit unique because of the existence of exchange controls. For a long period of time, South African LPs were not permitted to invest into non-South African vehicles that invested back into South Africa, because this created a so-called prohibited 'loop structure'. It was therefore necessary to have a South African vehicle to accommodate South African investors.

Most fund managers would like to keep their structures as simple as possible. However, in the difficult African fundraising environment, many end up with extremely complex structures in a bid to accommodate LPs and raise sufficient capital to invest and to sustain their business.

3) Do Africa-focused private capital fund managers typically utilise an onshore or offshore fund domicile location, or a mix of both?

In general, clients prefer to domicile their funds in jurisdictions which are considered more politically stable with tax certainty, such as Mauritius or other offshore jurisdictions. Most of the managers we work with normally come in with an idea of where they want their fund to be domiciled but are open to exploring other options with favorable legal and tax incentives.

4) What are some of the inhibitors preventing more private capital fund managers from making use of onshore jurisdictions to a greater extent?

I think it's lack of familiarity. Specifically, it's lack of understanding of the tax and regulatory environment along with uncertainty. I still think there's a degree of volatility in many African jurisdictions that fund managers seek to avoid.

5) Based on your experience and interaction with industry stakeholders, what are the key challenges associated with the formation and operation of funds as well as fund service providers in the African jurisdictions you've engaged with?

There is little track record in many African jurisdictions of private equity vehicles, which means that the professionals do not understand the asset class. They are not able to advise because they have never been exposed to the industry. I therefore don't think the relevant skills exist in many African jurisdictions. Similar to the analogy of the chicken or the egg, we need to get the activity going to enable the service providers to upskill themselves. You are not going to create a fund administration business in jurisdictions where there are not any funds.

6) What can be done to improve the attractiveness / competitiveness, service provision, and value add of both existing and new potential jurisdictions for both fund managers and investors?

I think it is a question of evolution. It's a question of educating the institutions in those countries to ask for the asset class so that demand is created which fund managers and local professional advisors will respond to. The first local fund I worked on had a Delaware component, which forced me to learn on the job with international counsel. The same thing will probably happen in many other jurisdictions, where you'll work with someone, you'll get a bit of exposure you will take it on board and tweak it to your local regulatory environment.

BOWMANS
THE VALUE OF KNOWING

Q&A

with **Rui Oliveira** | CEO
BFA Asset Management

1) Can you tell us more about your organisation, your activity and role in the industry?

BFA Asset Management (BFAAM) is a leading multi-asset investment management company in Angola, focused on active fixed income management. The firm was established in 2016 by the Banco de Fomento Angola (BFA), one of the largest private banks in Angola with 30 years' experience in the financial services market. BFAAM's headquarters are in Luanda; the firm's leadership has a combined experience of 120 years in commercial banking, credit and debt capital markets.

As one of the largest investment managers in the country, we are actively managing more than US$200 million in assets for high-net-worth individuals, pension funds and corporations. Our investment strategies include Short-Term Strategies, Exchange-traded Funds (ETFs), Equities, Credit and Alternatives.

Last year, we became the first asset management firm to launch an ETF in the market.

2) Currently, Luxembourg, Jersey, Bermuda the Cayman Islands and Mauritius are some of the most preferred jurisdictions for fund domiciliation. In your view, what makes these jurisdictions attractive for this purpose?

The main factors that stand out for me are the regulatory framework and the taxation systems in most of these offshore jurisdictions. For instance, if I wanted to set up a hedge fund, I would go to the Cayman Islands instead of Mauritius because the legal framework in the Cayman Islands is well known to be a destination for such fund structures. The tax system in the Cayman Islands is additionally attractive to hedge funds as well. Another attractive element of a jurisdiction such as the Cayman Islands is that it is essentially a British Island, so you're technically in Britain without the restrictions that come with setting up a fund in the country. This is one of the factors that LPs take into consideration. When you consider Mauritius, aside from the weather, is its favourable regulatory climate and the ease of setting up companies.

3) As you may be aware, new financial centres in Africa have been set up in Nairobi and Kigali, which are looking to compete with the more established centres.

Kigali is the future Cayman Islands. In my view, the Kigali International Financial centre will within the next five years be a good place to domicile funds or for investments in the capital market. I'm optimistic about what's happening there in Kigali.

4) What can be done in general to improve the attractiveness and competitiveness of newer financial centre in terms of service provision and value addition?

In terms of attractiveness, we still have a long way to go. In terms of capital markets, most of the investors are more familiar with traditional savings products. What we are trying to do is to change the mindset of local investors by introducing different types of investment solutions that matches our clients long term needs. However, we need also need to consider at macroeconomic data that influence our business profitability and risk exposure.

Generally, we need more competitive capital markets one which promotes entrepreneurship and enables exponential growth. To achieve this we need to find a level plain field across the region that improves the regional regulatory landscape and allow markets integration, to keep attracting international investors.

We also need to start structuring well the organization of our local companies - including audit information, governance, and compliance issues - so that they can fulfil all possible requirements in terms of governance. Finally, local governments across the continent must continue to push for greater intervention of development financial institutions in financing private markets.

BFA

Challenges

Onshoring is increasingly popular globally; and Africa is no exception with definite potential for onshore financial centres for Africa-focused investment funds and vehicles. However, there are important challenges that hamper the domiciliation and operation of funds and fund management services on the continent. This section aims to explore the key challenges associated with the formation and operation of funds and fund management services in Africa. Challenges highlighted will be the most salient of those identified from a range of experts interviewed for this report.

Heterogeneity and Complexity of Regulatory and Legal Environments

Africa's legal and regulatory environment ranks amongst the least business-friendly in the world. When asked about the major inhibitors of formation and operation of funds and funds management services, most of industry experts mentioned that regulatory issue is a serious concern. Indeed, diverse and complex regulatory and legal environment, as well as different political and legal systems make domiciliation and operation in Africa more difficult because no single approach can be applied to all countries. In addition, Africa has countries with civil law systems, common law systems and mixed law systems, and therefore, a one size fits all approach can never work for the entire continent. Accordingly, fund managers and services providers may find it difficult to scale up their operations across the continent.

Further, the complexity of the legal and regulatory frameworks, and the absence of frameworks which traditional Africa focused investors are both comfortable and familiar with is a challenge. The lack of understanding of the tax and regulatory environment leads the international fund managers to view the issue of selecting a fund domicile as a tick box exercise: they will only choose the jurisdiction they are familiar with.

Finally, the lack of appropriate regulation to support the development of the private capital sector is a challenge. Not so many countries have specific laws and regulations dedicated to the asset classes and operators, allowing them to better promote the industry in Africa.

Predictability of Regulatory Changes

Perceptions that regulations are unpredictable, are likely to have a negative impact on the choice to domicile and operate in a jurisdiction. Indeed, the government's lack of continuity and consistency in policy is a challenge as a cabinet reshuffle, for example, is a source of potential instability of tax and legal regimes. As a result, this unpredictability creates a prohibitive environment, where Investors often anticipate turmoil and lose confidence in regulatory frameworks.

Availability of Skills

One of the most significant challenges for private capital investors and services providers in many African jurisdictions is the lack or scarcity of legal, financial, tax, and accounting advisors with proper knowledge of the private capital industry and a true understanding of the different asset classes. The African industry, which is relatively young compared to its international counterparts, does not have an extensive track record in private equity vehicle in many African jurisdictions. Therefore, the relatively low levels of sophistication are synonymous with low number of service providers and low service quality, the latter being one of the most important factors for choosing a fund domicile.

Foreign Exchanges Issues

Although this issue is only valid for some countries, it does affect considerably their attractiveness. Many fund managers tend to avoid African jurisdictions with a certain degree of volatility and rather go somewhere stable, offering some reassurance to investors.

Not so many countries have specific laws and regulations dedicated to the asset classes and operators, allowing them to better promote the industry in Africa.

4

Future of Funds and Fund Management services in Africa

As more African countries continue to develop their major cities to the standard of International Financial Centres, key lessons can be drawn from what the renowned international financial centres have done to become attractive to foreign investment and fund domiciliation. As such, this section will draw key lessons from the characteristics of key financial centres globally. Similarly, experts' opinion of what competitive financial centres should have will be discussed to provide a balanced and complete view on key lessons for prospective Financial Centres. Finally, we will provide a roadmap for the establishment of a competitive International Financial Centre and our expectations regarding the future of Financial Centres servicing Africa.

Best Practices for the Development of Funds and Fund Management in Africa

These best practices adopted by prominent financial centres will be highlighted from the areas of Legal and regulatory framework, political and fiscal stability, Governance and Transparency, Tax regime, Depth and Breadth of Industry Clusters, Human Capital/Talent Competitiveness, and Proximity/familiarity and Reputation.

Legal and Regulatory Framework

Major financial centres around the world are known for their strong legal and regulatory frameworks, which make them standout for fund domiciliation purposes. Straightforward, targeted and business friendly legislation ensures a solid and stable foundation is in place for promulgation and protection of investment. Given the strategic importance of having a strong legal and regulatory framework to attract and incentivise private capital, most financial centres have put in place a competitive legal system that protect stakeholders without constraining financial activities. These financial centres are committed to international compliance, protecting financial stability, and encouraging investor confidence by maintaining transparency and promoting ethical financial practice. A selection of best practice in this regard includes:

Legal and Regulatory Best Practice: Financial Centres Servicing Africa

Given the importance of legal and regulatory framework, many financial centres servicing Africa establish a special law and, in some cases, separate courts to handle issues peculiar to the financial centre. For instance, in Morocco, the Casablanca International Mediation and Arbitration Center (CIMAC) serves as a multilingual, independent adjudicator for companies operating in the region. Similarly, the Dubai International Financial Centre has its own civil and commercial laws, with the DIFC Courts serving as an independent administrator of these laws and the system. Having an independent body for mediation and arbitration ensures quick and efficient access to remediate action; boosts investor confidence in the right of complaint and administration of justice; and also provides a familiar legal environment that is in compliance with international standards.

Further, **Mauritius has created a regulatory environment that fosters innovation, financial inclusion, and financial stability by the Mauritian Economic Development Board (EDB**). As part of the country's efforts to regulate business activity for which there are no legal framework or adequate provisions under existing local legislation, Mauritius established a Regulatory Sandbox Licence under the aegis of the EDB for innovative projects including FinTech[31]. The country's strong legal and regulatory framework is bolstered by its effort to ensure regulation keeps pace with innovation, serving as an additional competitive advantage to this African financial centre given the penetration of digital financial services on the continent.

Legal and Regulatory Best Practice: Offshore Financial Centres

The establishment of several Regulator-to-Regulator agreements with other financial services market partners by the Jersey Financial Services Commission, which regulates and supervises financial activities at the Jersey International Financial Centre. These agreements are a critical competitive advantage to this jurisdiction, complementing the island's existing internationally compliant regulatory framework. Agreements are in place with the UK, Jersey's financial Cooperation with the Government of Kenya and the Framework for Return of Assets from Corruption and Crime to Kenya (FRACCK). These agreements assist in the management of multi-jurisdictional investment funds and also enable greater procedural efficiency for complimentary entities within the financial ecosystem, both domestically and internationally.

The sophistication of Luxembourg's corporate law framework, which makes the small European country particularly attractive to investors and service providers looking to structure international investment projects. Luxembourg's corporate law allows multiple structuring options (public limited liability company (SA), private limited liability company (SARL), corporate partnership limited by shares (SCA), co-operative company in the form of a public limited liability company (Coop-SA), common limited partnership (SCS), Special limited partnership (SCSp), Solely for SIFs and RAIFs) which accommodate the needs of international investment projects. Luxembourg has a distinctive toolbox of investment vehicles (such as Unregulated Funds, reserved alternative investment fund, Specialised investment funds, Investment company in risk capital) coupled with its modern Securitisation Law, as well as its Credit Guarantee Law. The Cayman Islands, which has a strong legal framework, is also based on UK Common Law with a specific division of the Cayman Courts dedicated to financial services cases that has the UK Privy Council as the ultimate court of appeals.

Tax Framework

Tax regime is another important factor that investors consider before domiciling in a financial centre. Most financial centres attempt to build a tax neutral territory that will not only be simple but also transparent for fairness and proper planning. Financial centres also use tax as a key incentive tool to attract foreign investment and fund domiciliation. Most financial centres rely on double taxation agreements of the host territory to eliminate multiple taxation for its member firms.

Tax Best Practice: Financial Centres Servicing Africa

From taxation perspective, UAE, Mauritius, and Jersey have a laudable tax regime which include a zero or low corporate tax, zero capital gain tax, low VAT, and double taxation agreement with multiple territories. UAE has a best combination of taxes and incentives, given its exemption for corporate tax (40-year) and investment income tax, relatively low VAT (5%) and a widest double taxation treaty with 139 territories.

Future financial centres can adopt a corporate tax holiday over a long period similar to UAE (Dubai) 40-year and Saudi Arabia (Riyadh) 50-year tax holiday. This can attract corporate entities and investors and give firms at infant stage opportunity to grow or expand before being subject to corporate tax. **Another best tax practice from these financial centres is the adoption of zero capital gain tax which can be another incentive to attract investors to the financial centre**. The host countries of future financial centre should also sign double taxation agreement with multiple territories.

Tax Best Practice: Offshore Financial Centres

Financial centres at the onshore market are known for their attractive tax system which does not levy multiple tax liability on investors. **Most offshore financial centres offer a tax system with benefit from multiple double taxation treaties, tax incentives like tax holidays, lower corporate tax or tax exemption for certain activities that are beneficial to financial services industry**. Most key financial centres have special tax regime to attract foreign investors to the centre. Singapore has a business-friendly tax system given its double tax agreements with 97 entities[21] and zero capital gain tax. Although, Singapore levies a corporate tax of 17% for most entities, it may levy a lower tax of 5% on income from certain high growth, high-value-added activities, such as services and transactions relating to the bond market, derivatives market, equity market, and credit facilities syndication. A broader range of financial activities are levied with a tax of 13.5% while activities like international treasury and fund management, corporate finance and advisory services, economic and investment research and analysis, and credit control and administration are subject to 8% corporate tax[22]. Jersey also offers a competitive tax regime that supports financial activities at its centre. Jersey offers a zero corporate income tax with exceptions to financial service companies which are taxed at 10%. However, other companies like utility companies, property development and large corporate retailers are taxed at 20%. The centre does not charge capital gains or inheritance tax. Firms and investors in Jersey enjoy its double taxation treaties with 27 territories.

Q&A

with **Marlon Chigwende** | Managing Director
Admaius Capital Partners

1) What impact (if any) does the choice of fund domicile have on fundraising, fund operational efficiency and performance?

The choice of fund domiciliation can affect fund operational efficiency in terms of the tax competitiveness of a jurisdiction. And this is because fund managers want to be in a tax efficient jurisdiction. From this perspective, Rwanda touches on a lot of the things that we have classified as crucial, including increasing political stability, rule of law, availability of skilled human capital, good tax incentives, strong rule of law.

On fund performance, fund managers' investment strategy will largely determine the performance of the fund.

2) Have you utilised an onshore or offshore fund domicile location, or a mix of both?

Our fund is domiciled onshore, in Rwanda. However, some of the top management staff in our firm have experience from both onshore and offshore jurisdictions.

3) What makes the most popular jurisdictions (such as Jersey, Bermuda, the Cayman Islands, etc.) so successful?

These jurisdictions enjoy long-standing records and investors are familiar with them. They have attractive and simple tax systems with multiple double taxation treaties. These jurisdictions are also known for their political stability and availability of top-quality professional service providers including accounting firms, law firms and fund administrators. These jurisdictions additionally provide support services for easy business registration. These offshore jurisdictions have strong regulations and rule of law, including strong anti-money laundering laws and KYC requirements that give confidence to counterparties to a fund.

4) How likely are you to consider emerging or lesser-known jurisdictions for fund domiciliation, and why?

Our experience in Rwanda has to date been very positive. I would recommend Rwanda to fund managers considering onshore domiciliation.

Admaius
CAPITAL PARTNERS

Q&A

with **Siongo Kisoso** | Managing Director
BK Capital

1) Does the profile of LPs you target while fundraising influence your choice of fund domicile, and if so, how?

Certainly. It's one of the key considerations that fund managers have to consider when making a decision on fund domiciliation. I think that compliance is also another key factor that significantly influences the choice of fund domicile. For instance, we have seen in the recent past that some issues which some jurisdictions have had, with regard to compliance, have affected fundraising for structures that are domiciled there. As such, the compliance of the jurisdiction is a very key consideration that fund managers should consider when thinking about LPs, and their choice of fund domicile.

Another important consideration is ESG. LPs are increasingly tending to prefer jurisdictions which are working towards ESG. Other considerations are around the image that a particular jurisdiction has built over the years. In other words, how a particular jurisdiction is perceived, and how familiar investors are with this jurisdiction are key factors. For example, if you are targeting LPs in the US, they are very familiar with the jurisdictions like Delaware, Cayman Islands, Bermuda, etc. And likewise if you are targeting European investors, these may be familiar with other European jurisdictions. As such, the image and knowledge of the jurisdictions is of high importance.

2) For the majority of private capital funds you manage (or are currently fundraising for), have you utilised an onshore or offshore fund domicile location, or a mix of both?

Our funds are currently based onshore - in Rwanda - given that our target investors are regionally based and are more familiar with onshore jurisdictions. However, for our new funds, we are considering an offshore feeder fund driven by interest from a new group of investors who are not familiar with our onshore strategy.

3) Which country or market do you view as the most attractive fund domicile in Africa, and why?

For us, Rwanda is the most attractive location for fund domiciliation for several reasons, including its history of having a sound and predictable legal and regulatory environment, especially with the development of the Kigali International Financial Centre. We have also benefited from Rwanda's political stability, security, and tax competitiveness. Mauritius is another attractive jurisdiction, given its history of political stability and familiarity among investors. Morocco is also an ideal location for funds targeting investors in North Africa, however the foreign exchange restrictions in the country are a challenge.

4) What are some of the inhibitors preventing more private capital fund managers from making use of onshore jurisdictions to a greater extent?

For South Africa, the major concerns are associated with political instability, physical insecurity, uncertainty around the state of the economy, and corruption. Similarly in Kenya, it is a lack of a well-developed regulatory framework. With Morocco, the main challenge with Morocco is the presence of foreign exchange controls in which restrict the flow of foreign currency in the country. In Mauritius, the recent blacklisting of the country proved to be a challenge. Despite the country being reinstated, it takes time for people to change their perception. Nonetheless, Mauritius is a good jurisdiction. Overall, I think that Rwanda is one of the most competitive as it has most of the requirements necessary to be a jurisdiction of choice for funds, however investors are not yet familiar with the jurisdiction.

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Political and Fiscal Stability, Governance and Transparency

Another important factor that attracts foreign investors and fund domiciliation to a financial centre is political and fiscal stability. Political and fiscal stability is a bedrock for foreign investment as it enhances investors' confidence and provides a conducive environment for businesses to thrive. As such, most of the key financial centres are built on a stable political and fiscal system of the host territories. Governance and transparency complement a country's political and fiscal stability. While governance and transparency are measured at country level, it provides a solid base to protect investors and enhance strategic planning for firms at the financial centre.

Political & Fiscal Best Practice: Financial Centres Servicing Africa

Jersey, Saudi Arabia, and UAE have strong score in Government effectiveness, regulatory quality, and political stability according to the World bank Worldwide Governance indicators data 2021. Across all the metrics, Jersey is the most competitive international finance centre among the key centres servicing Africa. Jersey has a politically stable government which is made up of its elected parliament and judicial system. The Island has its own independent legal, administrative, and fiscal systems and is not part of the any major political group like the UK, Great Britain, or EU. The ability of Jersey to determine its own laws, raise taxation, and hold elections is based on long-standing constitutional precedent.

Political & Fiscal Best Practice: Offshore Financial Centres

Most financial centres at the offshore are established in an environment with high level of **political and fiscal stability**. Major financial centres in Luxembourg, Singapore, Jersey, Guernsey, Bermuda have enjoyed political and fiscal stability over a long period which a strong fundamental factor for their recognition and popularity. Luxembourg and Singapore are good examples of territories that have leverage on their political and fiscal stability to attract investors to their financial centres. Both countries have politically stable environment with a very low public debt. These countries have strong rating of AAA with a stable outlook from all top rating firms (S&P, Fitch, and Moody)[23] which highlights the consensus from the global financial community on their political and economic stability. Further, while Luxembourg was ranked in the top 5% most politically stable countries in the world, Singapore was in the top 3% of the most politically stable destinations in the world in 2021[24] according to the World Bank Governance indicator survey for political stability in 2021[25]. In addition, Luxembourg and Singapore were ranked 9th and 4th (out of 180 countries) respectively by the Transparency International in corruption perception index. This underscores high quality of governance and transparency in these countries.

Depth And Breadth of Industry Clusters

Financial centres across the globe attempt to build a business hub that will attract multiple high quality global financial services firms and other professional service providers. They tend to build an ecosystem where financial services firms can network and collaborate within the centre. Most financial services centres put in place infrastructures and framework that will attract commercial banks, investment banks, investment consultants and advisors, accounting firms, law firms, fund administrators, and other financial services firms.

Industry Clusters Best Practice: Financial Centres Servicing Africa

For financial centres servicing Africa, **South Africa (Johannesburg), UAE (Dubai), and Jersey have strong depth in their financial services cluster.** These financial centres have multiple fund managers, professional service firms, banks, and insurance companies available in their markets. **South Africa is particularly strong in terms of availability of fund managers, professional services firms, insurance companies, and ranks first among the onshore financial centres**. Jersey has remained a top destination for investment funds while Dubai financial centres has provided attractive incentives since its establishment in 2004 to attract financial services firms.

Industry Clusters Best Practice: Offshore Financial Centres

Offshore financial centres are known for creating a business hub that include multiple professional service firms that support core financial and investment activities. The development of funds and fund management industry in a particular territory depends on the availability of critical financial service providers like commercial banks, investment banks, law firms, accounting firms, consulting firms, trustees, custodians, and others. Most financial centres in our review have built an ecosystem of financial services firms which have made the centres competitive for fund domiciliation and formation. Cayman Finance centre has multiple financial service firms including Banks, Insurance and Reinsurance firms, capital market operators, fund administrators and trust. Specifically, Cayman Islands had about 101 banks, 139 trust companies, 686 insurance companies as at December, 2021[32]. Dublin is another financial centre with strong depth in market cluster, the centre is a host to over 450 firms in the areas of Aviation Financing, Banking, Corporate Treasury Operations, Fund and debt listing, Insurance and Reinsurance, Investment Management, Investment Banking, Payments, Ratings Agencies, Trading Platforms[33].

Bermuda has also attracted firms from banking, investment management, insurance, fund administration, trust. The Island has over 1685[34] firms providing financial services to local and foreign investors. As a top financial centre, Singapore is a host multiple global firms with likes of JP Morgan, UBS, PwC, Deloitte forming part of over 168 professional firms at the centre[35]. Singapore is in the top 10 destinations in the areas of Banking, Investment Management, Insurance, professional services, Finance, Fintech, and Trading according to the Global finance index report in 2022[36].

Human Capital or Talent Competitiveness

Another key factor that attracts foreign investment and fund domiciliation to a financial centre is the availability and access to high quality talent. Availability of top talents also make it easy for global firms to expand to a financial centre. The most successful financial centres have in place policies that will not only attract but also retain top talents at the centre.

Talent Competitiveness Best Practice: Financial Centres Servicing Africa

Financial centres serving Africa have put in measures that make them attractive to highly skilled professionals. Among these financial centres, Dubai, Riyadh, and Mauritius are particularly strong in talent competitiveness. **Dubai is highly rank in attracting talents given its internal and external openness to labour, conducive work environment and zero personal income tax.** Mauritius' key strength for talent competitiveness is in the area of retaining talent. **Mauritius provides talents with robust lifestyle and a sustainable environment through pension coverage, social protection, and brain retention.**

Morocco's Casablanca finance city also introduced 'Taechir one-stop-shop', dedicated to the CFC business community, this platform simplifies and fast track the procedures for processing foreign work permit applications[37]. Overall, external, and internal openness, conducive and sustainable environment are good practices that can support talent competitiveness.

Talent Competitiveness Best Practice: Offshore Financial Centres

Renowned financial centres for fund domiciliation are known for attracting top professionals which include local and international professionals. They have liberal laws which include easy process of obtaining work permit for foreign professionals. Some financial centres also benefit from their closeness to other countries with top quality talents such as Luxembourg which enjoys talents from Germany, France, and Belgium. With the recent increase demand for digital skills as much as traditional financial skills, financial centre like Singapore has embarked on a strategy to build a future-ready workforce comprising a strong Singaporean Core complemented by a pool of deep and diverse global talent. Monetary Authority of Singapore (the regulator of the financial centre) has been working with financial institutions, institutes of higher learning, and other government agencies to expand its local talent pipeline and build a strong Singaporean Core.

Proximity, Familiarity & Reputation

Investors are also attracted to financial centres which are close to markets/region that are of interest to them. Some financial centres are strategically located to serve investors or markets from multiple continents. Apart from proximity, familiarity and reputation are key factors that make a financial centre popular for fund domiciliation.

Investors are generally comfortable domiciling their funds in certain financial centres that they understand which can be in form of language, clients base, previous experience, popularity, understanding of the financial centre, international recognition among other factors.

Establishing Familiarity Best Practice: Financial Centres Servicing Africa

These financial centres have their unique benefit in terms of their respective location. However, financial centres in UAE, Jersey, Mauritius, and South Africa have consolidated their unique location to attract investors by developing their financial markets. These centres have built a strong reputation over the years which makes them popular for foreign investment and fund domiciliation in Africa. Reputation is driven by the level of innovation, cultural diversity, city brand and appeal according to the Global Finance Index.

Jersey, Mauritius, South Africa (Johannesburg), and UAE (Dubai) are popular among investors for fund domiciliation, these centres have built reputation among the global investors' community stemming from their attractiveness to foreign investors in terms of cultural diversity, city brand and appeal, closeness to other developed market. South Africa's first mover advantage in private capital activity and relatively developed capital market have supported its popularity and reputation among foreign investors. Mauritius stands out among others in terms of reputation and familiarity, many African-focused fund are domiciled in Mauritius given its closeness to the continent while offering a long-standing competitive benefit like other developed financial centres.

Rwanda (Kigali) is on course to become a strong financial centre given its recognition as one of the top 15 financial centres with a reputational advantage according to the global finance index 2021. According to the Index, a high reputational advantage may be due to strong marketing, or awareness of a centre's existing or emerging strengths. Having highlighted that, it is important for Rwanda (Kigali) financial centre to support their successful impression with genuine improvements in their underlying competitiveness.

Establishing Familiarity Best Practice: Offshore Financial Centres

While proximity is a natural factor that is unique among financial centres, financial centres can use their unique location to attract investors who are particularly interested in investment opportunities in their neighbouring countries/region. Funds in financial centres also have investment products that are marketable in countries/regions that are close to them. For example, Guernsey funds with a Guernsey manager are marketable in both EU and EEA member states. Cayman Islands also use its master-feeder structures (using a combination of Cayman domiciled master funds and a combination of Cayman or non-Cayman feeders) to attract investors from other countries especially the US.

Future financial centres can improve their familiarity and reputation which come from consistency in maintaining a high-quality rules and regulations that enhance financial services and protect key stakeholders in the market. Most notable financial centres have built a reputation that makes them popular for fund domiciliation and fund management. **Reputation can come from building a positive track record that potential investors can refer to whenever they seek investment opportunities or fund location**. It can also be built through creating a trusted business environment. Financial centres in Guernsey, Singapore, Luxembourg have built a strong reputation over the years through the stability in their business environment.

Summary of Best Practices

The history of the world's most renowned International Financial Centres has shown that several countries have taken key initiatives at different points in time of their development to become leading centres for international financial services. Therefore, the understanding of key requirements for setting up and developing a vibrant and successful IFC can be drawn from the best practices adopted by the prominent financial centres. The following steps emerge as key requirements.

1 Political and fiscal stability:

Most popular international financial centres are known for operating in a politically stable environment. The long-term political and fiscal stability of the country in which they are established, is a strong fundamental factor for their recognition and popularity as it enhances investors' confidence and provides a conducive environment for businesses to develop.

2 Business Friendly Regulation:

The legal and regulatory framework is very critical to the success of a financial centre, and so is the role of the regulator. Most global financial centres facilitate the transactions through business-friendly rules. The regulator should provide clear rules stating the activities and restrictions, and enabling greater procedural efficiency in the set up and operations of the entities at the centre. In addition, some key practices that renowned international financial centres have done to become attractive for foreign investment and fund domiciliation include:

a. A sophisticated corporate law framework which offers multiple structuring options, and a distinctive toolbox of investment vehicles accommodating the needs of international investment projects.

b. An establishment of Regulator-to-Regulator agreements with other financial services market partners to assist in the management of multi-jurisdictional investment funds and also enable greater procedural efficiency.

c. A regulatory environment that fosters innovation and financial inclusion given the penetration of digital financial services in Africa.

d. An independent legal, administrative, and fiscal systems which is not part of the any major political party.

3 Competitive Tax Regime

A common point to all renowned International Financial Centres is the high level of competitiveness of their tax regime. In order to make an IFC successful, a competitive tax regime along with an ease of filing returns need to be provided. The regulator can introduce multiple tax incentives and other mechanisms, such as low (or exemption of) corporate rates and Tax holiday over a long period to attract corporate entities and investors and give firms at infant stage opportunity to grow or expand before being subject to corporate tax.

4 Alternative Dispute Resolution Mechanism

International Financial Centre needs a quick and efficient Alternative dispute resolution mechanism, as financial disputes cannot wait for years in the court of law for judgement. It is therefore critical for an IFC to provide for a reputed and independent body for mediation and arbitration to ensure quick and efficient access to remediate action, to boost investor confidence in the right of complaint and administration of justice, and to provide a familiar legal environment that complies with international standards.

5 Human Capital and Talent Competitiveness

IFCs need skilled professionals as it provides the centre with the requisite operational efficiency and thereby brings in interest and enables cross border transactions. Internal and external openness to labour, conducive and sustainable work environment, and competitive personal income tax contribute to attract top local and international professionals, to support talent competitiveness and to expand depth of financial services cluster which is critical for the development of the funds and fund management industry. However historical data suggest that talent is flexible and gets also attracted to a centre/city which provides quality of life. An IFC to be successful needs to address this by venturing into high quality and very attractive global infrastructure, in order to bring in cross-border transactions.

6 Strong Reputation:

Although reputation is among the key considerations for fund domiciliation and operation in a jurisdiction, it is undoubtedly the area that can only develop with time and experience. For instance, developing a strong reputation for an IFC requires to build a positive track record that potential investors can refer to and by put in place a strong marketing, or awareness of the centre's existing or emerging strengths. The centre can also build reputation through the creation of platforms for dialogue to assist the development of standards and benchmarks, which will improve the delivery of sustainable financial services among stakeholders.

To be successful, an IFC needs to venture into high quality and very attractive global infrastructure in order to bring in cross-border transactions.

Q&A

with **Samuel Salako** | Partner
DLA Piper

1) What impact (if any) have you observed amongst the private capital fund managers you've worked with on the choice fund domiciliation has on fund operational efficiency and performance?

There has been significant impact. A lot of fund managers are looking for operational efficiency, and as such they look for jurisdictions which offer service providers who can provide the sort of services that fund managers need. In some jurisdictions, you will find these kinds of services here and there, but in some other jurisdictions, there are entities which have provided these services for years.

In terms of performance, it also goes back to things like taxation. If fund managers are looking at performance or profitability, they are very likely to look at the regulatory interface because this impacts profitability. If the regulatory environment is heavy, fund managers must employ people who have to take care of these issue, and this will come out of the fund's returns. So, if fund managers have a place where tax is not particularly friendly, because of duties, capital gains tax and corporation tax, they have to look at the impacts of all these things. Fund managers will look at all the conditions which can potentially have an impact on the fund performance. Furthermore, heavy regulatory environments also affect efficiency. Fund managers want to concentrate on returns on the portfolio companies, and don't want to have to engage so many people in the regulatory side of things. Fund managers just want to concentrate, maximise the business returns and make sure the business is doing well.

2) What are some of the inhibitors preventing more private capital fund managers from making use of onshore jurisdictions to a greater extent, including South Africa, Kenya, Rwanda, and Morocco? If possible, please identify particular challenges by market.

The first thing that I would mention is foreign exchange issues. Foreign exchange is an issue for a place like South Africa since you have to go through certain regulation to be able to repatriate funds. Heavily regulated environments are another issue that applies to some jurisdictions. However, independent of how heavily regulated an environment is, you have also to look at other issues that result from the labour laws or the corporate structures of a certain jurisdiction. For example, setting up an office in Nigeria there are requirements in terms of staff, directors, days they have to spend within the country etc. However, in a lot of favourable jurisdictions, you do not have this sort of requirements. Corporate structures which allow you to not be physically present tend to be more favourable. Legal structures that tend to require less bureaucracy, and as such they tend to be more cost efficient, are also preferable among fund managers

3) Having engaged with multiple financial centres and jurisdictions globally, what makes the most popular jurisdictions so successful? What best practice from international financial centres would support the growth of African jurisdictions?

This is my favourite question, and that's because I am one of those people that try to advocate for Africa as much as possible. I believe that Africa has a lot going on for it, if only countries can just be more business friendly, and be looking at things from a global perspective. In this framework, the question is what makes some jurisdictions perform better than others? And I have already mentioned the importance of regulations, and different legal structures. Many financial centres in Africa seem to have the traditional legal structure for entities - just partnerships or companies – with different rules that either require you to be present or to make certain fillings. However, if you look at other jurisdictions, you do not have this kind of requirements. For example, you do not need a lot of minimum capital or you do not need to be present or any sort of filings. Ease of setting up a company, ease of localisation and operational efficiency for people who are not based in that particular jurisdiction is critical. A lot of legal reform must be carried out by onshore financial centres in order to support the creation of entities that require the least amount of management and operational time. In some cases, the amount of time required for a company to remain compliant does not contribute to its operational efficiency. Therefore, we need laws which enable foreigners to easily set up legal entities which, for instance can own property, with very minimal reporting obligations. The corporate structures need to be nimble enough to cater to any arising need.

Overall, fund managers want certainty, ease of setting up their structures, and ease in doing business, especially where they have limited resources. These successful and well-known jurisdictions have legal structures that cater for anything that may be required. Jurisdictions such as the Cayman Islands are thriving because they have an enabling regulatory environment with legal structures nimble enough to cater to any arising need.

DLA PIPER

Q&A

with **Ashford Nyatsumba** | Partner, Investment Funds Group and Co-Deputy of Private Equity Sector
and **Michael Denenga** | Partner, Investment Funds Group
Webber Wentzel

1) Do Africa-focused private capital fund managers typically utilise an onshore or offshore fund domicile location, or a mix of both?

It really depends on the jurisdiction the fund managers are operating out of. For example, in the Southern African context, most fund managers are quite happy with onshore structures since they have tried and tested a jurisdiction, and the investors are increasingly familiar with these environments. South Africa is a good example of where onshore structures are prevalent because it is a sophisticated market which investors understand and are familiar with. However, in some African countries where private equity is still relatively new, fund managers are more likely to prefer an offshore location since the local infrastructure is not yet developed to international standards. Furthermore, institutional investors such as development finance institutions push to have funds domiciled in jurisdictions that they are familiar with, thus creating a natural preference for offshore domiciliation. So, ultimately, it's a mix of onshore and offshore fund domicile locations.

2) How can new jurisdictions become more competitive since familiarity is also a key?

Any new international financial centre should take lessons from the more established financial centres globally. The most important thing about a financial centre is that it needs to shield investors from any country specific issues. Financial centres in newer jurisdictions should provide investors with incentives such as tax incentives or agreements and legal structures which guarantee investor protection.

It is additionally critical for emerging international financial centres to facilitate international cooperation and compliance with international initiatives - such as the Organisation for Economic Cooperation and Development's information sharing requirements and the Multilateral Instrument that will enable better implementation of multinational tax avoidance, . Once the international standards have been complied with, then they can investigate local ways to make the financial centre more attractive to ensure that they attract the right investors. For example, a financial centre should ensure its legal framework allows for fund structures that are familiar to investors or that local exchange control provisions are not too stringent as this can create an administrative burden for funds.

Finally, international financial centres should make provision for an effective international arbitration regime as a dispute settlement mechanism for foreign investors.

3)]How has standard practice in fund administration evolved, particularly with the use of technology in the provision of support services?

Fund administrators in particular are starting to take on a more holistic role than they did previously. Increasingly, fund managers are looking more to administrators to assist with regulatory compliance requirements and to oversee reporting obligations. The way that fund documents, and specifically the key terms therein, have evolved indicates that there is a bigger call from investors for transparency with more regular reporting. So, nowadays the managers want quicker and on demand kind of data provision from their service providers. As such, administrators are using more sophisticated technology and AI to plug in that gap and help fund managers to fulfil those requirements.

4) What are your views on the medium to long term future development of the industry? Are there any current trends, investment strategies or current practice you anticipate remaining prevalent?

ESG considerations will remain a relevant topic globally and particularly in Africa because the capital allocators on the continent are predominantly development finance institutions who are mandated to integrate ESG considerations into their investment strategies. Furthermore, investment strategies which are focused on social issues such as gender lens investing (amongst others) will continue attracting investor interest because their impact is easily measurable.

We also anticipate that funds focused on infrastructure, technology and food security will continue to attract investor interest on the continent. Finally, based on the recent experience with the COVID-19 pandemic and its effect on private capital activity on the continent, more fund managers will be looking to establish funds with longer lifespans.

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Lessons Learned & Recommendations: Experts' View

In order to have a holistic view on fund domiciliation in Africa and competitiveness of international financial centre, we interviewed a range of experts to get their view and perspective around a series of critical questions spanning from the consideration for fund domiciliation, the effect of domiciliation choice on operational efficiency and performance of funds, the factors limiting fund domiciliation in the onshore to the solutions for onshore development.

Consideration For Fund Domiciliation

According to our respondents, the key considerations for fund domiciliation in a jurisdiction include availability of capital, familiarity with fund vehicles. Other factors that determine where a fund will be domiciled are political stability particularly for portfolio companies, ability to exit the market in a tax efficient manner, depth of local capital market, sound legal and regulatory environment.

Impact of Investment Strategy on Fund Domiciliation

Our respondents highlighted that target investors usually determine where a fund will be domiciled. As such, fund domiciliation is largely shaped by investors' preference. They mentioned that Investment strategy around legal vehicle or structure may determine where a fund will be located as some jurisdictions have laws that restrict the available options for funds. For instance, a particular jurisdiction may have laws that limit fund structure to just trust or a limited company.

Effects of Domiciliation Choice on Operational Efficiency and Performance of Funds

According to our respondents, the macroeconomic conditions of the host territory affect the fund's operational efficiency and performance. They particularly highlighted that volatility in host country's currency affects investment return. They also highlighted the cost associated with the regulatory requirements of a jurisdiction and the impact of domiciling fund in a jurisdiction that is not tax efficient. Another impact of fund domiciliation on operational efficiency and performance may come from domiciling fund in an environment where it is difficult to access competent service providers (especially for specialized areas like derivatives, hedge funds) which has huge negative effect on general cost and operations of a fund.

Preference for Fund Domiciliation (Offshore vs Onshore)

Our respondents believe that the investors prefer to domicile their funds offshore rather than onshore. However, LPs in South Africa prefer funds domicile in South Africa as the market is robust for private capital investment. Investors in other African countries and international institutional investors prefer offshore for fund domiciliation since they are more familiar with those jurisdictions.

Factors Limiting Fund Domiciliation In Onshore Jurisdictions

On factors that are limiting the use of onshore jurisdiction for fund domiciliation, our respondents believe that investors dictate where a fund will be domiciled. According to them, investors' choice is shaped by their familiarity to the offshore jurisdictions which are generally stable politically and economically. Unlike the offshore centres, onshore centres are not popular among investors and there is high degree of uncertainty in business environment on the onshore. They also highlighted that investors lack proper understanding of tax and regulatory framework of the onshore jurisdictions. Other limiting factors include lack of sufficient data to monitor past record in many onshore jurisdictions and lack of sufficient professionals.

Solutions for Onshore Development

Having recognised that onshore jurisdictions are not popular for fund domiciliation, our respondents suggested factors that can increase uptake of onshore jurisdictions. One of their suggestions is that onshore jurisdiction can offer a parallel vehicle which involves a combination of offshore vehicle and one or two onshore vehicles under one overall fund. Other factors recommended by our respondents to support onshore development include efficient tax system, less administrative process, reduced process around work permit for foreigners.

Outlook on the Future Development of Financial Centres Servicing Africa

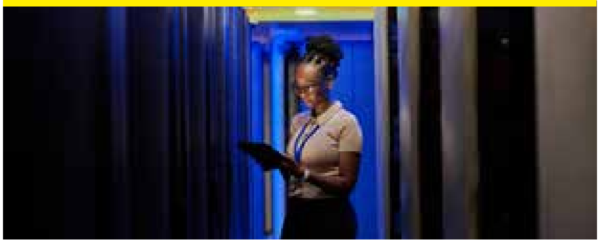
According to the global financial centres report 2022, the main areas of competitiveness for financial centres are business environment, infrastructure, human capital, reputation, and financial sector development[26]. These areas are expected to be the focus of most financial centres, as well as their preparedness to position for emerging investment themes relating to environment (climate related investment), technology and digital innovation including fintech, and diversity, equity and inclusion.

Future development in financial centres is expected to be driven by a dynamic business environment which can accommodate changes in financial industry. Regulatory frameworks are likely to change to address the emergence of different investment opportunities as financial centres have a laudable role to play in encouraging these investments. Regulatory framework may start to emphasize on the importance of:

- the integration of social and environmental issues in businesses' decision-making and reporting, along with the need for responsible finance,
- the support to technology and innovation across several industries, and balance cost and protection
- the support to activities promoting diversity, equity, and inclusion as well as other UN's Sustainable Development Goals.

Another factor that will shape future development in financial centre is infrastructure. While basic infrastructures will remain critical in future development, digital infrastructure will be an integral part of future development in financial centre. Financial centres are expected to put in place necessary technology that will meet the future need of investors and will provide services and support via special platforms or applications.

While basic infrastructures will remain critical in future development, digital infrastructure will be an integral part of future development in financial centre.



As new financial centres emerge, the desire to build a strong reputation will increase competition among financial centres especially those in the same region.

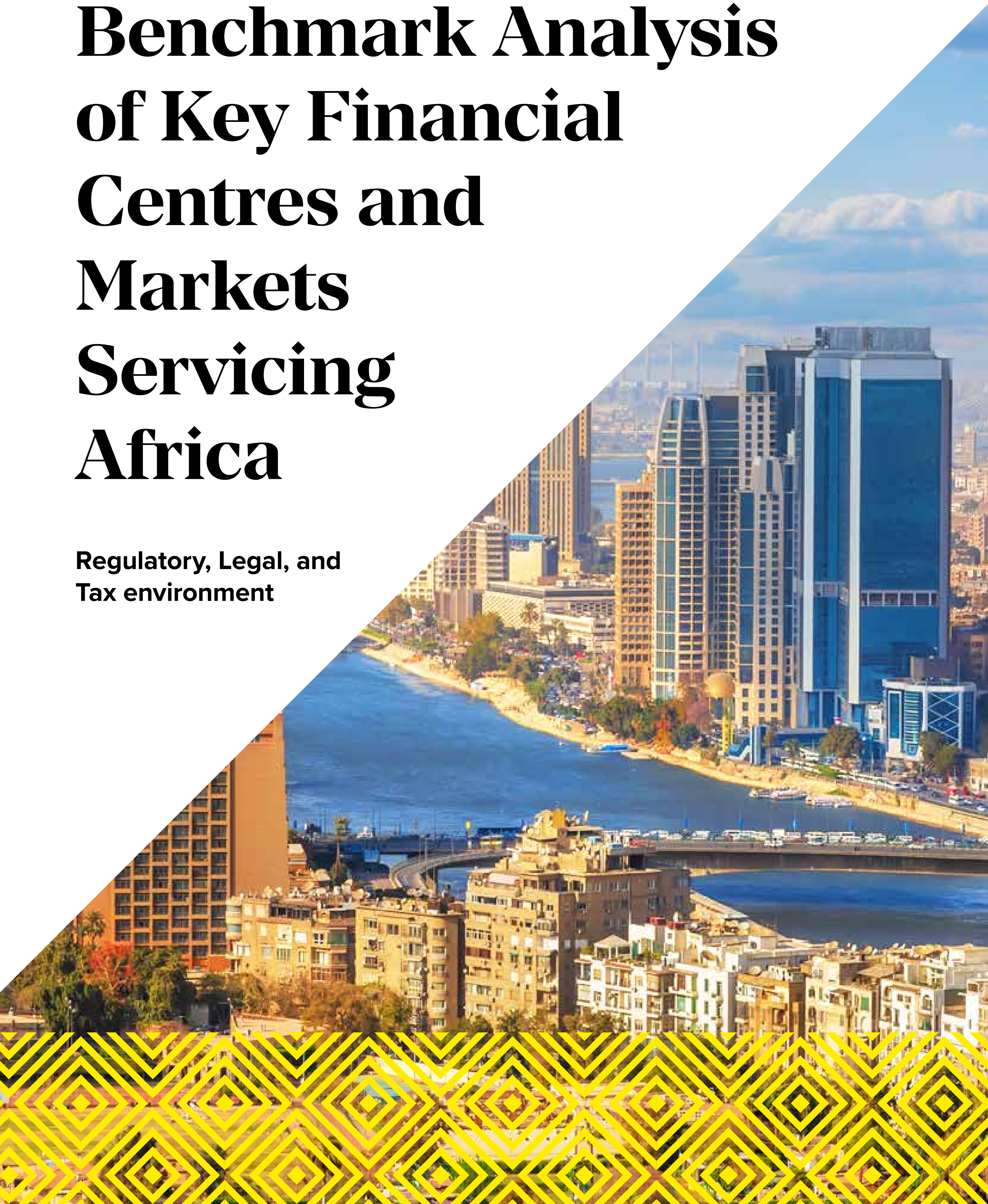
As global financial market develops, financial centres will have to **offer an excellent living standard, which will help to attract top professionals.** This may also include special visa for professionals with unique skills that support the growth of the financial centres. Further, **financial centres may shift from full physical proximity of firms at a location to a hybrid model where a financial business has its registered location in a particular financial centre, but its workforce widely dispersed.**

Future development may come through building reputation through the creation of platforms for dialogue to assist the development of standards and benchmarks, which will improve the delivery of sustainable financial services among stakeholders (Financial centres, Regulators and innovators, financial service providers, the public sector, private sector, and civil society). **As new financial centres emerge, the desire to build a strong reputation will increase competition among financial centres especially those in the same region.** Competition may come in form of city brand and appeal, innovation, cultural diversity, and comparative positioning with other centres.

5

Benchmark Analysis of Key Financial Centres and Markets Servicing Africa

Regulatory, Legal, and Tax environment



An Overview of Other Key Markets in Africa

Regulatory, Legal and Tax Environment

Regulatory Framework

Regulatory Framework 1

Country	Entities	Regulator	Law	Licencing (Yes / No)
Senegal	Investment Funds	N/A	Law of Commercial Companies and Economic Interest Grouping (2014) and Investment Code	Yes
	Banks			
Ghana	Investment Funds	Security and Exchange Commission	Securities Industry Act 2016 (Act 929)	Yes
	Funds Managers and Operators			
	Investment Advisors			
Egypt	Alternative Investment Funds	Egyptian Financial Regulatory Authority (FRA)	Egyptian Capital Market Law (ECML)	Yes
	Investment Advisors			
	Financial Intermediaries			
	Investors			
Angola	Alternative Investment Funds	Angolan Capital Markets Commission (CMC)	Collective Investment Undertakings Law (2019)	Yes
	Investment Advisors			
	Financial Intermediaries			
	Venture Capital Investors, Funds, and Enterprises		Venture Capital Collective Investment Undertakings Law (2019)	Yes
Nigeria	Capital Market Operators	Securities and Exchange Commission (SEC)	Investments and Securities Act 29 (2007) Companies and Allied Matters Act (2020)	Yes
	Investment Funds			
	Investment Advisers & Solicitors			
	Fund/Portfolio Managers			
	Credit Rating Agencies			

Regulatory Framework 2

Egypt	• Must be an Egyptian capital corporation (FM, FA). • Must be licensed by the FRA (FM, FA). • Alternative funds include open-end funds, closed-end funds, Index funds, real estate investment funds, income funds, money market funds, charitable funds and Sharia-compliant funds (**FV**). • Investment funds must be in the form of a joint stock company (**FV**). • Banks and Insurance companies may undertake investment funds activities either solely or with a third party, subject to relevant regulatory approval (**FV**). • Individual or institutional investors in a closed-end fund must be "qualified investors" and meet specific financial solvency and technical criteria (I). • Investors in open-end funds may be ordinary individuals and institutional financial investors (no qualification requirements (I).
Angola	• Foreign fund managers must be properly authorised to conduct managerial activities in Angola, have a local establishment, and are subject to the same rules established for national managers or advisers (FM). • Must be licenced or authorised by the CMC (**FV**, FA). • Subject to rules applicable to Alternatives Investment Funds (AIFs), notably those relating to the protection of the investors' interests (FM, **FV**). • Must be managed and represented by a third party (managing entity) that is incorporated in Angola and has its main interests and effective management located in the country (**FV**).
Senegal	• Foreign investors structured as investment funds, open-ended investment companies and Undertaking For Collective Investment In Transferable Securities (UCITS) must apply for approval with the WAEMU Regional Council for Public Savings and Financial Markets (FI). • To benefit from country level incentives or warranties, the Investments Code imposes the following obligations on investors for approved companies (I): ✓ Provide annual information on the level of implementation of the approved investment programme. ✓ Declare the start-up date of the approved activity. ✓ Submit a summation of realized investment operations. ✓ Allow the control of the conformity of its activity. ✓ Send statistical information to the national statistical services.
Ghana	• Hedge fund, private equity or venture capital fund managers must be licenced by the Security and Exchange Commission and act in accordance with the specified purpose (FM). • Applicants for fund management licence [38] must be a company, fit and proper to manage the fund, have minimum capital as determined by the Commission and be able to comply with financial resources guidelines (FM). • May be structured as mutual funds (open-ended or closed ended), and unit trust (**FV**). • Other funds type include Money Market fund, Equity fund, Fixed income funds, income funds, balanced fund, index fund, specialty funds (real estate, commodities or in selective areas like socially responsible ventures) and fund of funds (**FV**). • Can only be set up as a company incorporated under the Companies Act or an external company which is a fit and proper person with a place of business in Ghana (**FV**). • Qualified investors include any government, public institution including a central bank, or any other multilateral agency, public and private pension funds, endowments, trusts and other institutional investors, asset managers, financial institutions, insurance companies, investment funds (I).
Nigeria	• Must comply with the rules and regulations of the Securities and Exchange Commission and other relevant regulations (I). • Can be established in the form of Unit Trusts, Venture Capital Funds, Open-ended Investment Companies, Real Estate Investment Schemes and Specialized Funds (**FV**). • Must be licenced by the Securities and Exchange Commission (FM, FA) • Must be registered under the Companies and Allied Matters Act (FM, FA).

Regulatory Framework – Incentives

Egypt	• Preferential tax regime (i.e. double-tax treaty) if that treaty provides for any particular exemptions (**I**). • Tax exemptions applying to specific returns on investment (**FV**): ✓ Dividends of investment funds whose investments in securities and other debt instruments are not less than 80%. ✓ Profit distribution of holding funds whose investment is limited to the aforementioned funds. ✓ Returns on investment from money market funds. ✓ Return on bonds listed in the stock exchange (excluding treasury bonds). ✓ Profits of the investment funds whose activity is limited to monetary investment only
Angola	• Stamp Duty tax exemptions on capital increases, management fees (including the consumption tax placed on management fees) and on fees due to depository institutions holding securities (**FM**). • Dividends paid between resident companies in Angola may be exempt from Investment Income Tax provided that a 25% stake is held for a minimum holding period of one year (**FM**). • Alternative investment funds (AIFs) are exempt from Investment Income Tax, Urban Property Tax, Stamp Duty, Consumption Tax on bank commissions, and Stamp Duty on capital increases (**FV**). • Open-ended real estate AIFs are exempt from Property Transfer Tax and Stamp Duty on acquisition of real estate (**FV**). • Income obtained by a resident, non-resident or pension fund Alternatives Investment Funds unit holder is exempt from Investment Income Tax and Corporate Tax on any income obtained, namely those from redemption or distribution of income, as well as gains from the sale of units (**I**).
Senegal	• No restriction on income and capital repatriation (FV). • No restrictions on foreign ownership in most sectors (I) • No restriction on foreign exchange transaction (I). • Specific benefits are available based on negotiation between the investor and Government (I).
Ghana	• Venture capital tax incentives (**FV**): ✓ Relief from stamp duty in each year on subscriptions for new equity shares in venture capital funds. ✓ Interest and dividends from investment in a venture capital company are subject to tax at 1% for the first ten years of assessment. ✓ Chargeable income is subject to tax at 1% for the first ten years of assessment. ✓ Carry forward of losses for five years after the year of disposal. • Carry forward of losses from disposal of investment in a venture capital subsidiary for five years after the ten years of assessment (**I**).
Nigeria	• No restrictions on foreign exchange transactions for investors with Capital Importation Certificate (**FM**, **I**). • Zero restrictions on foreign ownership (**FM**, **I**). • Capital gains tax exemption for government securities (**FM**, **I**). • Benefits arising from regional economic integration (ECOWAS) and investment promotion agreements (**FM**, **I**). • Capital gains tax exemption for government securities (**FV**) • Capital gains tax exemption from the disposal of shares, subject to conditions (**FV**). • 10% – 70% tax exemptions for interest payments on foreign loans with repayment period of two years and above (**FV**).

Legal Framework

Legal Framework 1 – Guarantees[39]

Egypt	• Right to access Egyptian courts. • Guarantees against nationalization or confiscation of investment projects under the law's domain. • Guarantees against seizure, requisition, blocking, and placing of assets under custody or sequestration. • Guarantees against full or partial expropriation of real estate and investment project property. • 100% foreign ownership of investment projects. • Right to remit income earned in Egypt and to repatriate capital.
Angola	• Right to access Angolan courts. • Right to report illegal activities against such authorities before the Public Ministry. • Rights of industrial and intellectual property under existing legal terms. • Right to compensation (as determined by law) in case of expropriation. • Guarantee of non-intervention by the State.
Senegal	• Equal treatment of foreign investors and local investors. • Provision of foreign exchange for transactions. • Protection from expropriation and nationalization.
Ghana	• Guarantee against expropriation of foreign investments and provides a platform for safeguarding such investments. • Protection of privacy of the individual and personal data by regulating the processing of personal information. • Guarantees registered businesses the unconditional ability to transfer abroad in freely convertible currency through authorised dealer banks, among others, the dividends or net profits from their equity investments; payments in respect of the servicing of foreign loans; and the proceeds from the sale of any investment (net of all taxes and other obligations).
Nigeria	• Right to re-patriate profits (net of taxes) and dividends attributable to the investment. • Guarantees against expropriation of any foreign investment or compelled surrender of interest. • Protection of business secrets as well as individual and corporate data.

Legal Framework 2 – Economic Substance

Egypt	• Must be an Egyptian capital corporation (i.e. a company limited by shares or a JSC), with a minimum paid-in capital of EGP5 million (FM). • Must be in the form of a joint stock company (JSC), with an issued and paid-in capital of not less than 2% of the size of the investment fund and a maximum of EGP5 million or its equivalent in hard currency. Issued capital may exceed the said maximum through increases after incorporation (**FV**). • Must be Egyptian and licensed by the FRA (FA) • Non-local service providers cannot operate without a legal presence in Egypt (FA).
Angola	• Must have in place several internal policies aimed at addressing the risk of its activity, remuneration issues, outsourcing, internal control and evaluation of the assets pertaining to its funds under management (FM). • Employees of the fund manager with technical functions, as well as the management, shall have the proper qualification and professional aptitude in accordance with high level standards (FM). • Must be managed and represented by a third party (managing entity) that is incorporated in Angola and has its main interests and effective management located in the country (**FV**). • Minimum capital of 40 million Kwanzas (**FV**).

Legal Framework 2 – Economic Substance

Senegal

- Registered capital requirements for investment funds range between XOF50 million and XOF250 million (**FV**).

Ghana

- Private Funds must have an initial minimum fund size of GHS10 million before the Securities and Exchange Commission can grant a licence (**FV**).
- Private Funds must have an initial minimum fund size of GHS10 million before the Securities and Exchange Commission can grant a licence (FV).
- In a joint venture between a Ghanaian and a foreign shareholder, the foreign shareholder is required to make a minimum equity capital contribution of USD200,000.
- A wholly foreign owned venture requires a minimum equity capital contribution of USD500,000. The minimum foreign capital investment required to set up a trading enterprise in Ghana irrespective of whether it is wholly or partly owned by a non-Ghanaian entity is USD1 million.

Nigeria

- Private equity funds with a minimum commitment of NGN1billion must be registered with the Nigerian Securities and Exchange Commission (SEC) in accordance with the rules and regulations of the SEC.
- Private equity funds in which pension fund assets are invested must be SEC-registered regardless of their size. For the private equity fund to be registered, the fund's manager must be licenced by the SEC.
- The fund manager must have at least 3 sponsored individuals (that is, the principal officers and professionals held out by the fund manager as experts on whose advice or actions investors are expected to rely) who must be registered with the SEC.
- The rules are the same for venture capital fund managers, the difference being that the fund manager of a venture capital fund must have a minimum paid-up share capital of NGN20 million (SEC Rules), whereas private equity fund managers are required to have a minimum paid-up share capital of NGN150 million.

Legal Framework 3 – General Restrictions[40]

Egypt

- No statutory foreign currency controls. Nevertheless, in practice, the Central Bank of Egypt organizes the transfer of foreign currency into Egypt or abroad thorough issuing circulars.
- In case of closed-end, the transfer of investors' interests is restricted until the liquidation of the AIF or listing in the stock exchange. For open-end AIF, the transfer can take place on the same day.

Angola

- Fund managers cannot grant loans, execute certain transactions on their own account, or execute transactions relating to the assets held by the investment fund with related parties, e.g., entities of its group, the depositary, etc.
- Limitations established on foreign investment, which place constraints on transfers abroad of profits or dividends obtained in Angola.
- Restrictions around foreign ownership of assets and companies.
- In the case of foreign investments, private investors are subject to the "Angolanisation" policy. Organisations with more than five employees can only hire foreign nationals if their staff is composed at least 70% Angolan employees.

Senegal

- Limited foreign ownership within some sectors.

Ghana

- Limited foreign ownership in upstream petroleum and mining sectors.
- Limited foreign ownership in joint venture to 90% equity participation.
- Payment service provider or an electronic money issuer to have at least 30% Ghanaian ownership.
- Foreign owned enterprises are required to employ at least 20 skilled Ghanaians.

Nigeria

- Restrictions on foreign ownership in Oil & Gas.
- Foreign investors are not allowed to directly acquire real property except through a registered company in Nigeria.

Tax Framework

Tax Regulation

Country	Actors	CIT	IIT	VAT	DTAA
Senegal	Fund Managers	30% (Financial Activities)	30% (Financial Activities)	17%	23
	Fund Vehicle				
	Fund Administrator				
	Investors				
Nigeria	Fund Managers	30%	10%	7.5%	15
	Fund Vehicles				
	Fund Administrators				
	Investors				
Ghana	Fund Managers	25%	25%	12.5%	16
	Fund Vehicles				
	Fund Administrators				
	Investors				
Egypt	Fund Managers	22.5%	5-10% WHT (resident corporate shareholders)	14%	57
	Fund Vehicles				
	Fund Administrators				
	Investors	2.5% - 25% (individual investors) 22.5% (corporate entities)	10% WHT (non-resident corporate shareholders) 20% WHT (Royalties, Interests, Services, Fees)		
Angola	Fund Managers	25%	5-15% on capital gains, interest and dividends or Exempt	14%, with reduced rates on specific sets of transactions	2
	Fund Vehicles	7.5% (AIFs investing in securities or financial assets) 15% (AIFs investing in real estate)	Exempt		
	Fund Administrators	N/A	N/A		
	Investors	Exempt	Exempt		

Professional Landscape and Talent Competitiveness

Professional Landscape

Country	Fund Managers*	PSF*	Banks	Insurance
Angola	<10	<10	26	20+
Egypt	56	18	39	32
Ghana	19	7	23	51
Senegal	<10	<10	27	20
Nigeria	48	24	24	59

* Source: Preqin, Fund Managers and PSF based in the country.

Talent Competitiveness

Country	GTCI Rank	Enable	Attract	Grow	Retain
Angola	130	129	103	126	129
Egypt	86	87	112	76	90
Ghana	95	67	90	101	101
Senegal	107	96	88	125	94
Lagos	109	117	110	106	123

Source: Global Talent Competitiveness 2022 (INSEAD, Human Capital Leadership Institute and Portulans Institute)

Endnotes

1 EMPEA & FSD Africa & UK Aid, 2015. *Conduits of Capital*

2 Z/Yen Group & China Development Institute, 2022. *Global Financial Centres Index 32*

3 Cliffe Dekker Hofmeyr (CDH), 2022. *Ready For Take Off: Kenya Introduces A Tax Incentive For Carbon Trading*

4 Fund Managers licenced within a “Recognised Jurisdiction” may also establish or manage funds in the DIFC, in lieu of obtaining an operating licence from the DFSA.

5 The Rwandese government have cultivated a Strong Dispute Settlement framework, with the country being members of the Convention on the Settlement of Investment Disputes, a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards Act, a member of the Multilateral Investment Guarantee Agency of the World Bank, and a signatory to Mauritius Convention and Singapore Convention.

6 These economic substance requirements only apply to fund manages of collective investment schemes, which also require prior approval of the regulator (the FSCA).

7 Please note the restrictions outlined in this table only apply to Fund Managers and Investors.

8 With the exception of South Africa (which applies individual capital gains tax rates to some investment entities), investment laws in the surveyed jurisdictions do not distinguish applicable tax rates by actor. As such, the tax rates outlined in this table apply equally to Fund Managers, Vehicles, Administrators and Investors, unless otherwise specified.

9 This exemption from corporate income tax is applicable for the first five consecutive fiscal years, after which a standard rate of 15% applies.

10 While Saudi investors do not pay corporate income tax, they are subject to a mandatory 2.5% tax (“Zakat”) on net current assets.

11 A corporate income tax of 20% applies to international investors in Saudi Arabia. However, the Saudi Arabia General Authority of Zakat and Tax (GAZT) has not assessed any taxes on private equity funds in Saudi Arabia or the investors in those funds since 2006. Please note this is historical precedent but does not constitute a formal exemption - the Authority reserves the right to begin tax funds at any point (including on a retroactive basis).

12 The corporate income tax in South Africa will be 27% for tax years ending on or after 31 March 2023.

13 WILEY, 2021. *Digital Skills Gap Index*

14 Z/Yen Group & China Development Institute, 2022. *Global Financial Centres Index 32*

15 Why is Jersey a leading IFC?2022 *https://www.jerseyfinance.je/*

16 Sectors, 2022 *https://www.jerseyfinance.je/*

17 Public debt rating, 2022 *https://te.public.lu/en/dette_publique*

18 World Governance Indicator, 2021 *https://info.worldbank.org/*

19 Access To Talent, 2021 *https://www.luxembourgforfinance.com/*

20 Global Innovation Index, 2021 *https://www.wipo.int/edocs/*

21 PwC, 2022. *Tax Summary Singapore*

22 PwC, 2022. *Tax Summary Singapore*

23 The Government of the Grand Duchy of Luxembourg, 2022. *Public Debt Rating*

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26 Z/Yen Partners and the China Development Institute, 2022. *The Global Financial Centres Index 32*

27 The Global Financial Centres Index 32, 2022 *https://www.longfinance.net/media/documents/*

28 Rule of Law Index, 2022 *https://worldjusticeproject.org/rule-of-law-index*

29 Kigali International Financial Centre Annual Report, 2021 *https://www.rfl.rw/docs/KIFC2021*

30 Kigali International Financial Centre Annual Report, 2021 *https://www.rfl.rw/docs/KIFC2021*

31 Mauritius Economic Development Board, 2019. *Regulatory Sandbox Licence: Guidelines for FinTech Projects*

32 Cayman Islands Monetary Authority, 2021. *CIMA Fact Sheet*

33 International Financial Services Centre, 2022. *Why Ireland?*

34 Bermuda Monetary Authority, 2022. *Regulated Entities*

35 The Investment Management Association of Singapore, 2022. *Member List*

36 Z/Yen Partners and the China Development Institute, 2022. *The Global Financial Centres Index 32*

37 Casablanca Finance City, 2019. CFC Africa Insights: *Human Resources Trends in Africa*

38 In Ghana, Fund management licences are only valid for one year and renewable on an annual basis.

39 Please note the guarantees outlined in this table only apply to Fund Managers and Investors.

40 Please note the restrictions outlined in this table only apply to Fund Managers and Investors.

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