

# Peer-to-Peer Lending in Mauritius: Challenges and Opportunities within the Regulatory Framework

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## Abstract

This research critically examines the regulatory framework governing Peer-to-Peer (P2P) Lending in Mauritius, a financial innovation introduced in 2020 and regulated under the Financial Services (Peer to Peer Lending) Rules 2020, with amendments in 2021. Despite its potential to provide an alternative financing mechanism for SMEs, which often face stringent lending criteria from traditional banks, P2P Lending in Mauritius remains underdeveloped and poses legal challenges. This research deploys a mixed methodology to dissect the existing regulations, assessing their adequacy in mitigating inherent risks such as money laundering and terrorism financing. It scrutinizes the regulatory compliance mechanisms of the two licensed operators, Fundkiss and FinClub, and identifies significant deficiencies in areas like due diligence and risk disclosure. The findings underscore the necessity for more robust legal safeguards, including the implementation of wind-down arrangements, enhanced risk assessment protocols, and the establishment of secondary markets to reduce liquidity risks for investors. By providing a comparative analysis with global regulatory practices, the study advocates for comprehensive legislative reform to fortify the P2P Lending framework. This is imperative for aligning with international standards and ensuring the sector's sustainable growth. As Mauritius endeavors to become a FinTech hub in Sub-Saharan Africa, this research emphasizes the importance of a stringent regulatory regime to uphold the jurisdiction's reputation for financial integrity and compliance.

**Keywords:** compliance; financial regulation; FinTech; money laundering; microfinance