



Financial Services Authority

Newsletter

Mission: To jointly create a conducive environment for the growth and development of the financial services industry of Seychelles, in alignment with the national economic development strategy and in strict compliance with local and international regulatory norms and best practices .

Message from the CEO



Welcome to the second edition of the Financial Services Authority Newsletter for 2016.

In this trimester, the Financial Services Authority continues its work towards capital markets and collective investment schemes. The Collective Investment Schemes Act (CIS Act), which will replace the Mutual Fund and Hedge Fund Act, 2008 has been drafted and is expected to be finalised by this year. The FSA wants to ensure that we, as well as the industry, are properly prepared for the introduction of the new Act prior to enactment. In line with this goal, the FSA is also reviewing the supervisory framework for CIS and Capital Markets. The FSA requests the continued support of all stakeholders in our collective journey towards strengthening the CIS industry in Seychelles.

The Consultancy on Pensions is currently underway and will be finalised by November 2016. Thereafter, the FSA will be appointed as the Regulatory Authority of the Seychelles Pension Fund. Our role will be in terms of prudential regulation. We thank the Seychelles Pension Fund for their cooperation and support throughout the process.

On the 1st July 2016, the first meeting of the Financial Stability Committee was held. Attended by the Central Bank, the Ministry of Finance, Trade and the Blue Economy, the Financial Intelligence Unit and the Financial Services Authority, this committee is a positive step towards improving the relations of these key institutions and mitigating potential risks identified early on.

Ms. Jennifer Morel

Chief Executive Officer

Anti- Money Laundering & Counter Terrorist Financing workshop

The Centre for Legal and Business Studies (“CLBS”) hosted its annual workshop on Anti Money Laundering & Counter Terrorist Financing in collaboration with the Financial Services Authority on June 01st, and 02nd respectively at the Eden Bleu hotel. The workshop was conducted by Mr. Matthew Beale, the principal Director of Comsure Group.

The Agenda items of the workshops included an overview of Anti Money Laundering (AML) for Compliance Officers and the Money Laundering Reporting Officer, the responsibility of Senior Management and of the Board in this regards as well as case studies based on lessons learnt from other jurisdictions. Issues related to the negative impacts of money laundering and financing terrorism and how such issues should be mitigated as well as the significance of Financial Intelligence Unit and the Financial Services Authority were among the topics discussed. Extensive deliberations were made in regards to the position of Seychelles vis-à-vis Anti Money Laundering and Counter Terrorist Financing.

Various participants from International Corporate Service Providers, the Central Bank of Seychelles, the Financial Intelligence Unit, the Ministry of Finance and Trade and the Blue Economy, and the Financial Services Authority took part in the workshop.

The workshop was a huge success.



Financial Stability Committee holds First Quarterly Meeting

Financial stability is the condition whereby the financial system is resistant to economic shocks without major disruption. With the higher number of market participants, a broader range of financial services and products on offer and a more liberalised economy, it is important that the financial system can withstand adverse domestic and external shocks. As a result of these developments, it has been seen fit that the role of financial stability be elevated and as such a Financial Stability Committee (FSC) has been created effective March 21, 2016 with the task of maintaining financial stability within the domestic economy.

Members of the Committee are the Central Bank of Seychelles (CBS), which has the Chairmanship, along with the Ministry of Finance, Trade and the Blue Economy (MoFTBE), the Financial Services Authority (FSA) and the Financial Intelligence Unit (FIU). The Committee is an advisory body where members can inform one another of rising risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive risk and collectively ascertain the state of financial stability within the country.

Following the creation of the Financial Stability Committee (FSC), the members met for their first quarterly discussion on July 1, 2016. The discussions touched upon the core definition of financial stability, its core function and how it is monitored, before moving on to what are the perceived threats at a domestic as well as international level, taking into account the recent "BREXIT" vote results and other prominent market dynamics. The committee debated over various probable future events that had been graded on the basis of their likelihood and impact upon the domestic economy and also what the recent trends are indicating in terms of changes to these elements and the related perception of the future. Members discussed the regional developments with regard to terrorism and the threat to Seychelles of exposure to either attacks or the financing aspect with regard to Anti-Money-Laundering (AML) and Combating of Financing of Terrorism (CFT) endeavours. In addition, the increased number of skimming events locally on ATM machines was highlighted as indicative of exposure to cyber-crime.

The other elements of risks assessed cover various metrics relating to the macro-economy and indicators of financial system dynamics, such as Credit-to-Gross Domestic Product, loan-to-deposit ratios, inflation and foreign exchange market pressures.

A large part of the committee's discussion focused on the United Kingdom's referendum vote results to leave the European Union, as well as more importantly the expected impact it is likely to have upon Seychelles, both in the short as well as the longer term. Members of the committee were also apprised of some of the countermeasures deployed to try to stabilise the markets and counter any adverse dynamics which ensued following the results of this referendum.

Other prominent elements discussed covered aspects such as oil price movements and future expectations in this regard and how this would impact upon domestic prices in addition to the domestic financial sector exposure to tourism.

Considerable discussion was attributed to the increased risk that money laundering poses to the domestic financial system and negative perceptions of corporate transparency, particularly in light of various international developments and the upcoming FATF mutual evaluation. This risk was noted in conjunction with cyber-crime, terrorism financing, and drug trafficking and tax fraud and discussed qualitatively given the impact on the country's reputation and thus the filtering through to investment and the financial system.

The next FSC meeting is planned for end of the third quarter of the year. The Central Bank of Seychelles, as the committee chair and the institution under which the legal mandate of financial stability falls, will continue to be responsible for conducting analysis of the financial sector and the risks that threaten its stability. Should any action be required to mitigate risk or prevent contagion effects of an adverse development, the Central Bank stands ready to take the required action. The FSC and the member institutions will provide any necessary support.

SEYCHELLES BREWERIES LISTS ON THE SECURITIES EXCHANGE, TROP-X (SEYCHELLES) LIMITED

On Friday 1st July, 2016, the Seychelles Breweries Limited (SeyBrew) was the first brewery to list on the Seychelles Securities Exchange, Trop-X (Seychelles) Limited. Seychelles Breweries is the only mass-production brewery and one of the largest companies in Seychelles producing soft drinks and alcoholic beverages, including its signature beer, Seybrew. It has become the fourth local company to be listed on Trop-X exchange.

Unlike the majority of companies that listed on the exchange, SeyBrew's endeavor to list on the exchange is not to raise capital.

The advantages of listing its shares in the securities exchange are as follows:

- Reduction in corporate tax rates from 33% to 25% which will result in tax savings for the company
- Provision of a secondary market for the shareholders to trade their shares
- Boost in the SeyBrew corporate image as one of the first beverage company to be listed on the exchange

"It's a well-known fact that actually, shares are undervalued if they're not listed on the stock exchange, so just by listing we hope to materialise some of that value for our shareholders. It also offers them significant flexibility to be able to trade buy and sell shares," said Nick Cook, the company's managing director.

The FSA reviews internal processes and systems for Capital Markets and CIS

The FSA is one of the participants involved in the Financial Sector Development project which aims to create an enabling environment for private sector investment, increased participation in the financial services sector, to facilitate economic growth and strengthen the regulatory oversight of the Seychelles financial sector.

In this context, and to further strengthen the ability of the FSA to supervise and regulate the growing Seychelles' collective investment sector, the Government through the Financial Services Authority (FSA), and through the assistance of ICF funding, hired International Securities Consultancy Limited (ISC), to review the current authorisation and post-authorisation processes and systems of the FSA in relation to CIS and Capital Markets business and to establish new or revised processes and systems, as part of a risk-based supervision framework and in line with international supervisory and regulatory norms.

The representatives of ISC, Mr. Rohan Fernando and Mr. Richard Pratt, visited the Seychelles on three separate occasions, in order to conduct their review. During the visits, the Consultants met with stakeholders. Training was provided to the FSA staff on the supervision and regulation of CIS and Capital Markets businesses. Mr Rohan Fernando also assisted the FSA in conducting onsite inspections of the CIS and Capital Markets Licensees. The onsite inspections allowed the FSA team to acquire a more in depth view of the daily operations of the businesses and a firsthand experience of the licensees' internal procedures.

The FSA team would like to express their gratitude to the participants and consultants for such an opportunity and hope that this would assist in a more effective relationship with our licensees.

Consultancies for Pensions and Insurance commences

As part of the Financial Sector Development Implementation Plan, the Financial Services Authority ("FSA") was allocated a grant from the African Development Bank for the funding of the development of a risk-based insurance and pension supervisory framework.

The Pensions consultancy is being undertaken by Callund Consultancy Ltd represented by Ms. Martha Kelly and Mr Matthias Zeeb. The Insurance consultancy will be carried out by Guinness Gallagher International Pte represented by Ms Holly Bakke and Mr Edward Sai.

The Pensions Consultancy is being undertaken over 5 months and will assist in extending the supervision of the FSA through prudential and market conduct regulations to the Seychelles Pension Fund. The Consultant will conduct a review and assessment of the Pension Fund's current organization, mandate, policies and processes with comment on areas of strength and areas which would benefit from further strengthening. Thereafter, the Consultant will prepare recommendations for the FSA CEO, Minister of Finance, Trade and the Blue Economy explaining the benefits from the supervisory review of Pension Fund solvency, investment policy and process and strengthening of financial transactions. The Consultant will prepare recommendations for amendments to the Pension Fund Act and proposed regulations, Codes and Bulletins, as appropriate to implement the proposed supervisory framework. The aim of the pensions consultancy is to focus recommendations on improving the protection of Pension Fund contributors, pensioners and survivors.

The Insurance Consultancy will be undertaken over 18 months and will assist the FSA in prudential and market conduct supervision of the insurance sector. This will be accomplished through a review and assessment of insurance supervision legal mandates, policies and processes in relation to the international best practices. Thereafter, the Consultant will prepare recommendations for the FSA CEO so as to achieve compliance with international best practices including statutory amendments and proposed regulations, codes and bulletins, as appropriate. A review of licensing practices, with recommendations as to statutory amendments and proposed regulations, concluding with the development of an FSA Licensing Manual will be done. The preparation of a revised risk based supervision process and manual will be undertaken as well as an assessment of IT needs and options.

Both Consultancies are currently underway.

Mid Year Statistics (up to July 2016)

8,375 IBC's	2 ICSP	2 Non-Domestic Insurer	2 Professional Funds
7 CSL's	1 TSP	1 Broker (domestic)	1 Private Fund
20 Trusts	1 FSP	1 Broker (non- domestic)	2 Investment Advisor
64 Foundations	1 PCC	2 Professional funds	1 Securities Dealer
2 Casino's	2 listed Companies		

