



**Circular No. 1 of 2019**

**Date: 4<sup>th</sup> January, 2019**

**Clarifications on Core Income Generating Activities**

The Financial Services Authority (“FSA”) would like to draw the attention of licensed:

- Fund Administrators under the Mutual Fund and Hedge Fund Act
- Securities exchanges under the Securities Act
- Clearing Agencies under the Securities Act
- Securities Facilities under the Securities Act
- Securities Dealers under the Securities Act, and
- Investment Advisors under the Securities Act

to the Securities (Substantial Activity Requirements) Regulations, 2018 and the Mutual Fund and Hedge Fund (Substantial Activity Requirements) Regulations, 2018.

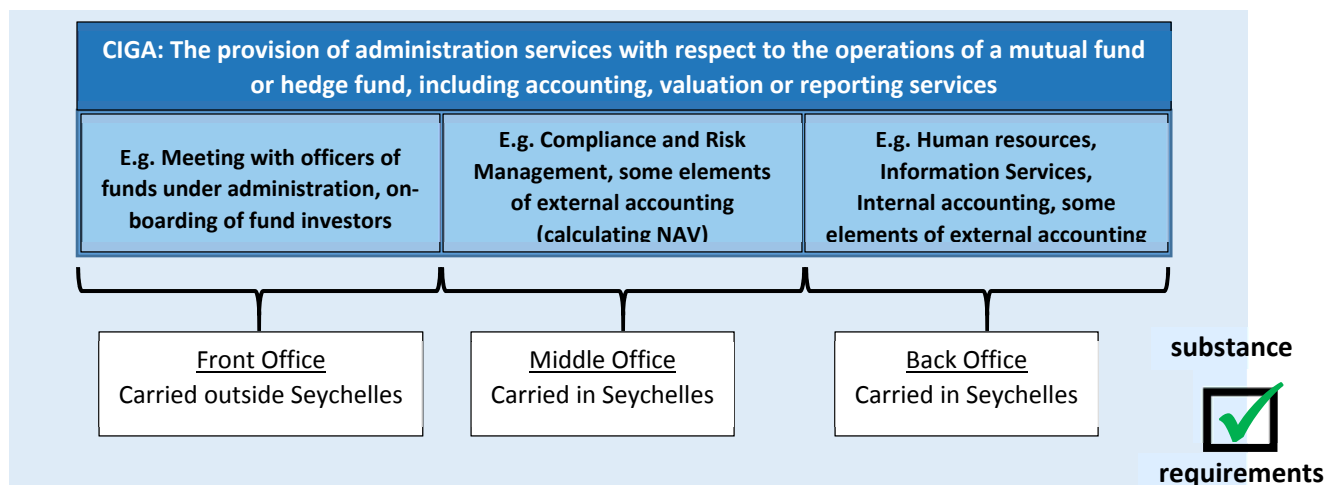
The Regulations specify that, as from 1<sup>st</sup> January, 2019, in order to benefit from the preferential tax rates provided under the Securities Act and the Mutual Fund and Hedge Fund, a licensee must meet the substantial activity requirements. One of the criteria to meet this requirement is that the Core Income Generating Activities of the licensee must be undertaken in a physical office in Seychelles.

Limited exceptions apply for licensees licensed on or before the 16<sup>th</sup> October, 2017. Such licensees may still benefit from the preferential tax rates without the need to meet the substantial activity requirements until 30<sup>th</sup> June, 2021. However, the benefit shall not extend to assets or activities introduced in the business of the licensee on or after 17<sup>th</sup> October, 2017.

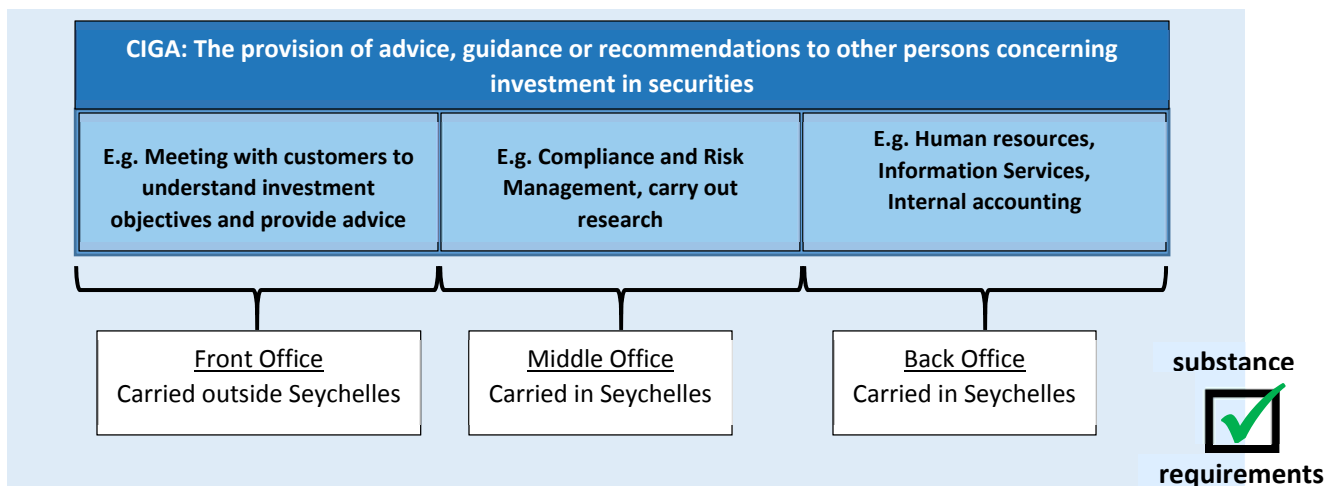
The Regulations further classify the Core Income Generating Activities into front, middle and back office activities and provide that the substance requirements will be considered to be met even in circumstances where the front-office activities in relation to a Core Income Generating Activity is carried outside of the Seychelles, provided that the middle-office activities and back-office activities in relation to that Core Income Generating Activity is carried out in the Seychelles.

The following examples, provided for illustrative purposes only, detail instances where the front-office element could be carried outside of the Seychelles, while the middle-office and back-office element remain in Seychelles:

Example 1 – Fund Administration



Example 2 – Investment Advisor



In these examples, references to “CIGA” means Core Income Generating Activity.

**Financial Services Authority**