

ANNUAL REPORT

2021



**Financial
Services
Authority**
Seychelles

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Our Mission

Transform and grow the Seychelles' non-bank financial services industry, through the application of a sound regulatory & supervisory framework that protects that jurisdiction's reputation and the consumers and stakeholders' investments.

Our Vision

An effective regulator focused on safeguarding a credible and innovative non-bank financial services jurisdictions.

Our Core Values

- ❖ **INTEGRITY, PROFESSIONALISM, VIGILANCE**
- ❖ **TRANSPARENCY, ACCOUNTABILITY**
- ❖ **COLLECTIVE CONTRIBUTIONS**

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure once again to present the Annual Report of the Financial Services Authority, Seychelles (FSA) for the financial year January 1st 2021 to December 31st 2021.

Comparably to the preceding year, the year under review remained one of recovery, resilience and a daunting challenge for the Seychelles economy. Amidst a global pandemic, it was imperative that the country halts, analyse and assess the significant challenges being posed to us as a country and the immediate course of action necessary to mitigate the economic damage posed by Covid-19. While the government was forced to revisit our economic structure and adopt fiscal policies to drive sustainable economic growth, the FSA was unrelenting in ensuring that the non-bank financial services in Seychelles remained stable and resilient. We remained conscious of our regulatory obligations and corporate responsibility to deliver on statutory objectives and made certain that we remained unphased under challenging circumstances.



As part of the government's new strategic vision, a new Board of Directors was appointed by the President of Seychelles, Mr. Wavel Ramkalawan, on the 21st January, 2021. I, was appointed as the Chairperson as well as three new board members. Mrs. Wendy Pierre and Mr. Richard Rampal, both, former employees of the FSA and Ms. Samantha Esparon, joined existing board members Ms. Seylina Verghese, Mr. David Esparon, Mr. Robert Stravens and Mr. Philip Moustache. A new CEO, Mr. Damien Thesee was also appointed on the 1st May, 2021. The

new executive leadership wholeheartedly took on the arduous task to espouse one of the key pillars of the Seychelles economy, with the primary objective to reinforce its regulatory and compliance mandate.

In this pursuit, under great pressure internationally, much focus was placed on regulatory reforms to address deficiencies in our legal framework in an effort to ensure that Seychelles is deemed compliant with International standards. In this endeavor, Seychelles took several steps to reform its territorial tax regime to address concerns of the European Union (EU), while also, addressing the concerns of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum). The legal framework was further enhanced by amendments made to *The Mutual Legal Assistance in Criminal Matters (Amendment) Act, 2021*, *The Extradition (Amendment) Act, 2021*, *The Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Act, 2021*, *The Beneficial Ownership (Amendment) Act, 2021*, *The International Trust (Amendment) Act, 2021* and *The Prevention of Terrorism (Amendment) Act, 2021*. Additionally, amendments were also made to the

International Corporate Service Providers (ICSP) Act, *The Trust Act*, *The Companies (Special Licenses) Act*, *The Foundation Act*, *The International Business Companies Act (IBC Act)* and *the Limited Partnership Act*. On a legislative aspect, the year under review was marked by new opportunities to strengthen our framework. The team worked assiduously, with extensive collaboration with local stakeholders and licensees, to make the required changes to be removed from the EU list of non-corporative jurisdictions. Needless to say, through these extensive efforts, Seychelles was removed from the FATF 'blacklist' to the 'greylist'.

As a regulator, our engagement with our licensees remains essential, it is why we have strived to maintain the same momentum for collaboration and consultation as the year before. The FSA appointed new members of the Capital Markets & Collective Investment Schemes working group committee. The Committee was set up to assess the introduction of new products, propose policy decisions regarding product development, review and recommend changes to current regulatory regime that governs the Capital Markets

sector. The FSA also welcomed new members to the Fiduciary working group committee, tasked to contribute in the development of the fiduciary sector by providing their contribution on ideas and matters pertaining to legislative amendments, new product development and emerging risks to the jurisdiction, and considering Seychelles' adherence with international standards. Alternatively, the Financial Services Reform Committee was set up, acting as an advisory body to the Ministry for Finance, Economic Planning & Trade on matters relating to the financial Sector reform. Unlike the aforementioned committees, which involves our licensees, the Financial Services Reform Committee involves key stakeholders within the financial services industry in Seychelles. The committee aims at sustaining the reputation of Seychelles, by assessing factors that can be detrimental to us as a financial services hub and proposing ways to further develop the sector. These committees create a platform of synergy between the Authority, licensees and stakeholders, for the furtherance of our jurisdiction.

With the ever-changing financial services landscape and the unrivaled impact of the

pandemic, there has been an increased demand to focus on new ventures. Continuous efforts have been placed towards ensuring that Seychelles remain a competitive, sophisticated and diversified jurisdiction. We already have the infrastructures in place to foster such growth for this sector. I am proud to say, that after an in depth process of consultation with key stakeholders, focusing on outputs and outcomes, aspiration of the sector and the performance-based management culture which the government is implementing, The FSA launched its new strategic plan 2021-2025 defining the clear direction the Authority endeavors to take in the next five years. The Vision of the FSA has been adopted through a holistic approach to safeguard a credible and innovation non-bank financial services jurisdiction which is pivotal for an effective regulator. This will be achieved through the effective management of the entities under the FSA's portfolio, to ensure that they are operating within the set rules, regulations and standards of the sector. The Mission reiterates the transformation and growth of the industry through a sound supervisory framework, transparency and compliance, protecting consumers and stakeholders and product

development, growth and diversification of the sector.

To conclude, I sincerely thank the Board members, the Chief Executive Officer, and all staff of the Authority for their invaluable support and commitment to fulfil the FSA's

mission. We will look back on these unprecedented times as opportunities to build new foundations and safeguard the best interest for the jurisdiction.

Mr. Patrick Payet
Chairman
Of the
Financial Services Authority

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

It is with great pride, that I reflect on the FSA's journey for the year under review, and recount the accomplishments and challenges faced throughout the year. The foregoing year witnessed significant changes for the Authority. Although our main focus was on strengthening our supervisory and regulatory framework, with all efforts targeted towards the removal of Seychelles on the list of non-cooperative jurisdictions. It was equally necessary for FSA to take on a more modern approach. With the launch of the new strategic plan was the simultaneous reveal of the new logo, signifying the progress made by the Authority over the past 26 years. The Logo, not far from the original, represents transformation, growth, prosperity, and the direction, which the Authority endeavors to go in the future.

Leveraging on that trajectory, the FSA also undertook an internal restructuring to enable it to adapt with the on-going changes in the regulatory landscape and the envisioned long-term growth of the organization. The restructuring aimed to improve FSA's operating efficiency, facilitate decision-making and enable better



communication both internally and externally. This brought about the creation of the Risk Management Unit, the separation of the Legal and Communications Unit, from the Policy and Legal Section. The Policy, Research and Statistics section was structured into two units, the Product Development Unit and the Policy and Statistics Unit. In an effort to maximize the Authority's resources, the Insurance and Pension Supervision merged with the Gambling Supervision. Inconsequently,

several new appointments were made to the leadership team.

In an effort to reinforce our collaboration and cooperation, FSA assented to two Memorandum of Understanding (“MOU”). The FSA signed an MOU with the Seychelles Revenue Commission (SRC) to ensure compliance and adopt a risk-based supervision through onsite inspections and exchange of relevant information and findings, principally on the exchange of information pertaining to tax matters, the exchange of information and data in line with the monitoring of substantial activity as per the Forum of Harmful Tax Practices (FHTP) requirements for licensees that falls under the Securities Act and the Mutual Fund and Hedge Fund Act, the exchange of information and data in relation to European Union Code of Conduct Group requirements for the monitoring of substantial activity that would be coming into force in the near future. Furthermore, the FSA also entered in an MOU with the Seychelles Investment Board (SIB), aligning the framework to mutually assist and coordinate for the promotion of the jurisdiction and maintaining our visibility and competitive advantage.

In October, FSA hosted its first Business Conference in Dubai, in collaboration with the SIB, under the theme “A Wealth of Opportunities for the Middle Eastern Market”. The Conference was attended by His Excellency President of Seychelles, Mr. Wavel Ramkalawan, the Minister for Finance, Economic Planning and Trade, Mr. Naadir Hassan, industry practitioners, distinguished guests and a technical team from FSA. The business conference targeted potential investors and the business community in the Financial Services Industry. The business event focused on the opportunities in the International Trade Zone Sector, the Capital Markets Sector, Mutual Funds and Hedge Funds, Wealth Management and Asset Protection. The event allowed Seychelles to showcase itself as one of the most competitive jurisdictions within the region and the possibilities for trading in and through Seychelles in terms of the exportation of goods and services, taking advantage of the favorable time zone and the close proximity of UAE to our shores.

During that time, the Authority also engaged in high-level discussions with other foreign Authorities in Dubai, in an effort to foster and maintain the close relationship between

the parties. The team, met with the Dubai Financial Services Authority (DFSA), The Securities & Commodities Authority (SCA), CRESCO Holding Limited and the Jebel Ali Free Zone. The meetings provided an opportunity to leverage on each other's expertise on common challenges such as AML-CFT, supervision, international best practices, Regulatory framework, risk based approaches, request and the exchange of information. It also provided an opportune time to establish partnerships and enhance co-operation between the Authorities.

Subsequently, the Authority also remained proactive on the domestic front. As part of its commitment to develop and maintain a good working relationship with its licensees and an attempt to understand and address the industry challenges, a delegation from the FSA conducted six familiarization visits to the premises of International Trade Zone (ITZ) Operators, where the FSA was given an overview of the functions of the companies and an understanding of the challenges affecting their daily operations and opportunities for growth. These visits provided the FSA with the opportunity to engage with the relevant licensees and find constructive ways to provide the required

support they require for their smooth to ensure continuity and smoothness of operations.

Similarly to previous years, FSA, as the regulatory body, remained committed in its quest to maintain a high level of service standard and compliance within the field of financial services. Hence why much effort has been contributed towards providing capacity building at both professional and academic level. The FSA launched its Professional Scholarship Program, which provides access to professional ICA and CISI courses for individuals working within the industry. Through this initiative 20 individuals within the Insurance and Fiduciary Services Sector were awarded fully sponsored scholarships to undertake the International Compliance Association ("ICA") Certificate in Compliance, while 40 individuals within the Capital Markets sector were awarded the Investment Operations Certificate or the Capital Markets Programme by the Chartered Institute for Securities & Investments ("CISI").

On this note, I would like to express my sincere gratitude to the Board of the FSA, and the staffs for their invaluable support,

dedications and commitments in such challenging times. I am of the belief, that we have all exceeded expectations in terms of our role and performance. I urge our team to

continue remaining focused and mindful of our obligations and commitments as well as keep striving for the betterment of the industry.

*Ms. Zenabe Daman,
Acting Chief Executive Officer
Of the
Financial Services Authority*

THE FSA BOARD OF DIRECTORS

The Board of the FSA is the governing body of the Authority and is empowered pursuant to Section 6 of the FSA Act to establish the policy of the Authority and monitor and oversee its implementation. The Board oversees the management of the Authority by the Chief Executive Officer. They ensure that the resources of the Authority are utilized economically and efficiently, that the internal management and financial controls of the Authority are adequate, and that the Authority operates in accordance with the principles of good governance, fulfils its statutory obligations, and properly discharges its functions. The Board is established pursuant to Section 5 of the FSA

Act. The Board is presided over by the Chairperson who is appointed by the President.

The members of the Board are appointed for a fixed term. Members include representation from both the public and private sector. Membership is in line with Section 5 of the FSA Act and includes both ex-officio representatives as well as members appointed by the President.

The President Danny Faure, effective Thursday 21 January 2021, for a term of three years, appointed the current board of the FSA.

MEMBERS OF FSA BOARD OF DIRECTORS AS AT 31st DECEMBER 2021

<i>Capacity in accordance with Section 5 of the Financial Services Authority Act, 2013</i>		<i>Member</i>
S5(1)(a)	Chairperson	Mr. Patrick Payet
S5(1)(b)	Chief Executive Officer	Mr. Damien Thesee
S5(1)(c)	Principal Secretary of the Ministry responsible for Finance or a representative of the Principal Secretary	Ms. Seylina Verghese
S5(1)(d)	Attorney-General or a representative of the Attorney General	
S5(1)(e)	Chairperson of the Seychelles Chamber of Commerce and Industry or a representative of the Chairperson	Mr. Robert Stravens
S5(1)(f)	Chairperson of the Seychelles Bankers' Association or a representative of the Chairperson	Mr. Phillip Moustache
S5(1)(g)	Governor of the Central bank of Seychelles or a representative of the Governor	Ms. Samantha Esparon

S5(1)(h)	Chief Executive Officer of the Seychelles Investment Board or a representative of the Chief Executive Officer	
S5(1)(i)	Appointed by the President	Ms. Wendy Pierre
S5(1)(i)	Appointed by the President	Mr. Richard Rampal

Secretary to the Board - Ms. Zenabe Daman

BOARD MEETINGS

Board meetings must be held at least once every three months. In 2021, eight meetings were held.

BOARD COMMITTEES

The FSA has four Board Committees, namely the Audit Committee, the Human Resources and Remuneration Committee, the Legal Committee and the Finance Committee.

AUDIT COMMITTEE

The Audit Committee is charged with oversight of the FSA's audit and control functions. The Audit Committee assists the Board in fulfilling its oversight responsibilities and reviews the financial reporting process, the internal control and risk management system, the internal audit process and the process for monitoring compliance with laws, regulations and governance.

Members of the Audit Committee

(As at 31st December 2021)

Ms. Samantha Esparon	-	Member
Ms. Seylina Verghese	-	Member
Mr. Richard Rampal	-	Member

Secretary to the Committee Ms. Ammu Chetty

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee is established to support the Board in discharging its duty to oversee the establishment of appropriate human resources policies and strategies within the FSA. This is done by reviewing and monitoring human resources policies and making necessary recommendations and hearing of appeal cases on disciplinary matters, conducting necessary enquiries and making necessary recommendation on the course of action through reports.

Members of the Human Resources and Remuneration Committee

(As at 31st December 2021)

Ms. Wendy Pierre	-	Chairperson
Mr. Philip Moustache	-	Member
Ms. Samantha Esparon	-	Member

Secretary to the Committee Ms. Zenabe Daman

FINANCE COMMITTEE

The Finance Committee is established to support the Board in discharging its duty in relation to the functions of the FSA as per Section 4 of the FSA Act in fulfilling its obligations and oversight responsibilities relating to financial planning of the Authority.

Members of the Finance Committee

(As at 31st December 2021)

Ms. Seylina Verghese	-	Chairperson
Mr. Patrick Payet	-	Member
Mr. Robert Stravens	-	Member
<i>Secretary to the Committee Ms. Zenabe Daman</i>		

LEGAL COMMITTEE

The Legal Committee is established to support the Board in establishing appropriate policies and legal framework for the development and regulation of the financial services industry in Seychelles.

Members of the Legal Committee

(As at 31st December 2021)

	-	Chairperson
Ms. Philip Moustache	-	Member
Ms. Wendy Pierre	-	Member
<i>Secretary to the Committee Ms. Zenabe Daman</i>		

OUR ORGANISATION

OUR HISTORY

With the enactment of the Financial Services Authority Act, 2013, the Seychelles International Business Authority (SIBA) was replaced by the FSA.

SIBA was created by the Seychelles International Business Authority Act enacted in 1994. Its objective was to make the financial services the third pillar of the Seychelles economy by creating new value-added services. The role of SIBA was to monitor, supervise and co-ordinate the conduct of the financial services from within

Seychelles and to advise the Government generally on matters relating to international business activities. A core mandate of SIBA included the promotion of the Seychelles' financial services sector.

The FSA Act became operational as of 1st March, 2014 and focuses mainly on the regulation of non-bank financial services rather than the promotion of these services. The promotion mandate of SIBA was transferred to the Seychelles Investment Board (SIB).

OUR LEGISLATIONS

The FSA was established to license, regulate and develop the financial services industry in Seychelles. Established in 2014, the FSA replaced the Seychelles International Business Authority and operates under the FSA Act. The Authority is responsible for the administration of the following laws:

Financial Services Authority Act, 2013

Financial Services Authority (Appeals board) Regulations, 2014

Financial Services Authority (Amendment of Schedule 1) Regulations, 2018

Financial Services Authority (Regulatory Sandbox Exemption) Regulations, 2019

Financial Services Authority (Amendment) Act, 2020

Financial Services Authority (Exemption) Notice, 2021

Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020

Anti-Money Laundering and Countering the Financing of Terrorism Regulations, 2020

Anti-Money Laundering and Countering the Financing of Terrorism (Amendment)
Regulations, 2020

Anti-Money Laundering and Countering the Financing of Terrorism (Second Amendment)
Regulations, 2020

Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Act, 2021

Anti-Money Laundering and Countering the Financing of Terrorism (Second Amendment) Act,
2021

Beneficial Ownership Act, 2020

Beneficial Ownership Regulations, 2020

Beneficial Ownership (Amendment) Act, 2021

Companies (Special Licences) Act, 2003

Companies Special Licenses (Amendment) Act, 2018

Companies Special Licenses (Amendment) Act, 2021

Foundations Act, 2009

Foundations (Amendment) Act, 2011

Foundations (Amendment) Act, 2020

Foundations (Amendment) Act, 2021

The International Business Companies and other Related Laws (Amendment) Act, 2021

Hire Purchase and Credit Sale Act, 2013

Hire Purchase and Credit Sale (Charges) Regulations, 2018

Hire Purchase and Credit Sale (Fees) Regulations, 2018

Insurance Act, 2008

Insurance (Fees) Regulations, 2009

Insurance (Policy owner's Protection Fund) Regulations, 2009

Insurance (Domestic Insurance Business) Regulations, 2009

Insurance (Non-Domestic Insurance Business) Regulations, 2009

Insurance (Restriction of Insurers) Regulations, 2012

Insurance (Amendment) Act, 2018

Insurance (Fees) (Amendment) Regulations, 2020

International Business Companies Act, 2016

International Business Companies (Amendment) Act, 2018

International Business Companies (Amendment) Act, 2018 (No.2) International Business
Companies (Amendment) Act, 2020

International Business Companies (Amendment of Second Schedule) Regulations, 2020

International Business Companies (Amendment) Act, 2021

The International Business Companies and other Related Laws (Amendment) Act, 2021

International Corporate Service Providers Act, 2003

International Corporate Service Providers (Amendment of Schedule) Regulations, 2005

International Corporate Service Providers (Amendment) Act, 2009

International Corporate Service Providers (Amendment) Act, 2011

International Corporate Service Providers (Amendment of Schedule) Regulations, 2014

International Corporate Service Providers (Amendment) Act, 2021

International Trade Zone Act, 1995

International Trade Zone Regulations, 1995

International Trade Zone (Amendment of Schedule) Regulations, 1997

International Trade Zone (Employment) Regulations, 1997

International Trade Zone (Conditions of Employment) Order, 1997

International Trade Zone (Amendment) Regulations, 2004

International Trade Zone (Amendment) Act, 2018

International Trade Zone (Amendment) Regulations, 2018

International Trade Zone (Amendment) Act, 2019

International Trade Zone (Amendment of Schedule) Regulations, 2019

International Trade Zone (Substantial Activity Requirements) Regulations, 2019

International Trade Zone Employment (Coronavirus Special Leave) (Temporary measures)
Order, 2020

Limited Partnerships Act, 2003

Limited Partnerships (Amendment) Act, 2011

Limited Partnerships (Amendment), Act 2020

Limited Partnerships (Amendment) Act, 2021

The International Business Companies and other Related Laws (Amendment) Act, 2021

Mutual Fund and Hedge Fund Act, 2008

Mutual Fund and Hedge Fund (Amendment) Act, 2018

Mutual Fund and Hedge Fund (Substantial Activity Requirements) Regulations, 2018

Mutual Fund and Hedge Fund (Amendment of Schedule 1) Regulations, 2020

Protected Cell Companies Act, 2003

Protected Cell Companies (Amendment) Act, 2004

Protected Cell Companies (Fees) Regulations, 2004

Securities Act, 2007

Securities (Conduct of Business) Regulations, 2008
Securities (Forms and Fees) Regulations,
2008

Securities (Prospectus) Regulations, 2008

Securities (Takeovers) Regulations, 2008

Securities (Financial Statements) Regulations, 2008

Securities (Advertisements) Regulations, 2008

Securities (Amendment) Act, 2018

Securities (Substantial Activity Requirements) Regulations, 2018
Securities (Amendment) Act,
2020

Securities (Forms and Fees) (Amendment) Regulations, 2020

Seychelles Gambling Act, 2014

Seychelles Gambling (Fees) Regulations, 2018

Seychelles Gambling (Fees) Regulations, 2020

Seychelles Gambling (Fees) (Amendment) Regulations, 2020

Seychelles Gambling (Fees) Rules, 2020

Trust Act, 2021

The International Business Companies and other Related Laws (Amendment) Act, 2021

OUR COMMITTEES

In carrying out our functions, the management of the FSA is assisted by the following committees:

FSA PROCUREMENT COMMITTEE

The Procurement Committee comprises of representatives of the FSA and two representatives from the industry. The Committee is an independent awards committee that has been set up under the Public Procurement Act, 2008 to review all government contracts whose value is within the limits authorised by the Public Procurement Act, 2008. The functions of the committee are to appropriately award contracts, review and authorize contract amendments or contract termination, or authorize procuring entities to conduct negotiations with vendors.

FIDUCIARY WORKING GROUP COMMITTEE

The Fiduciary Working Group Committee comprises of FSA staff and representatives from the industry. The role of this advisory committee is to assist in the development of the fiduciary services industry of the Seychelles through, amongst other things, the review of proposed new policies and

legislative amendments, and the review of the challenges impeding the development of the industry.

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES WORKING GROUP COMMITTEE

The Capital Markets and Collective Investment Schemes Working Group Committee comprises of FSA staff and representatives from the industry. The role of this advisory committee is to assist in the development of the Capital Markets and Collective Investment Schemes industry of the Seychelles through, amongst other things, the review of proposed new policies and legislative amendments, and the review of the challenges impeding the development of the industry.

SOCIAL COMMITTEE

The Social Committee comprises of representatives from each section of the FSA who are elected to the Committee for a term of one year. The Committee is responsible for organizing social and recreational events for staff members. The Committee reports to the CEO.

NEWSLETTER COMMITTEE

The Newsletter Committee is responsible for producing the FSA newsletter. The Committee comprises of representatives of each section within the FSA and reports to the CEO.

ENFORCEMENT COMMITTEE

The Enforcement Committee comprises of the Fiduciary Supervision Director, the Registry Director, the Insurance and Pension Supervision Director and the Policy and Legal Director. The Committee meets when required to discuss enforcement actions to be undertaken and make recommendations to the CEO.

FSA MARKETING COMMITTEE

The Financial Services Marketing Committee is responsible to drive the marketing and promotion of the products and services of the non-bank financial services sector. The Committee comprises of members of the FSA, SIB and members of the industry. The Committee's role is to partake in International activities, such as roadshows and conferences and publications in International magazines. The Committee is chaired by the Chief Executive Officer of the FSA and Co-chaired by the CEO of the SIB.

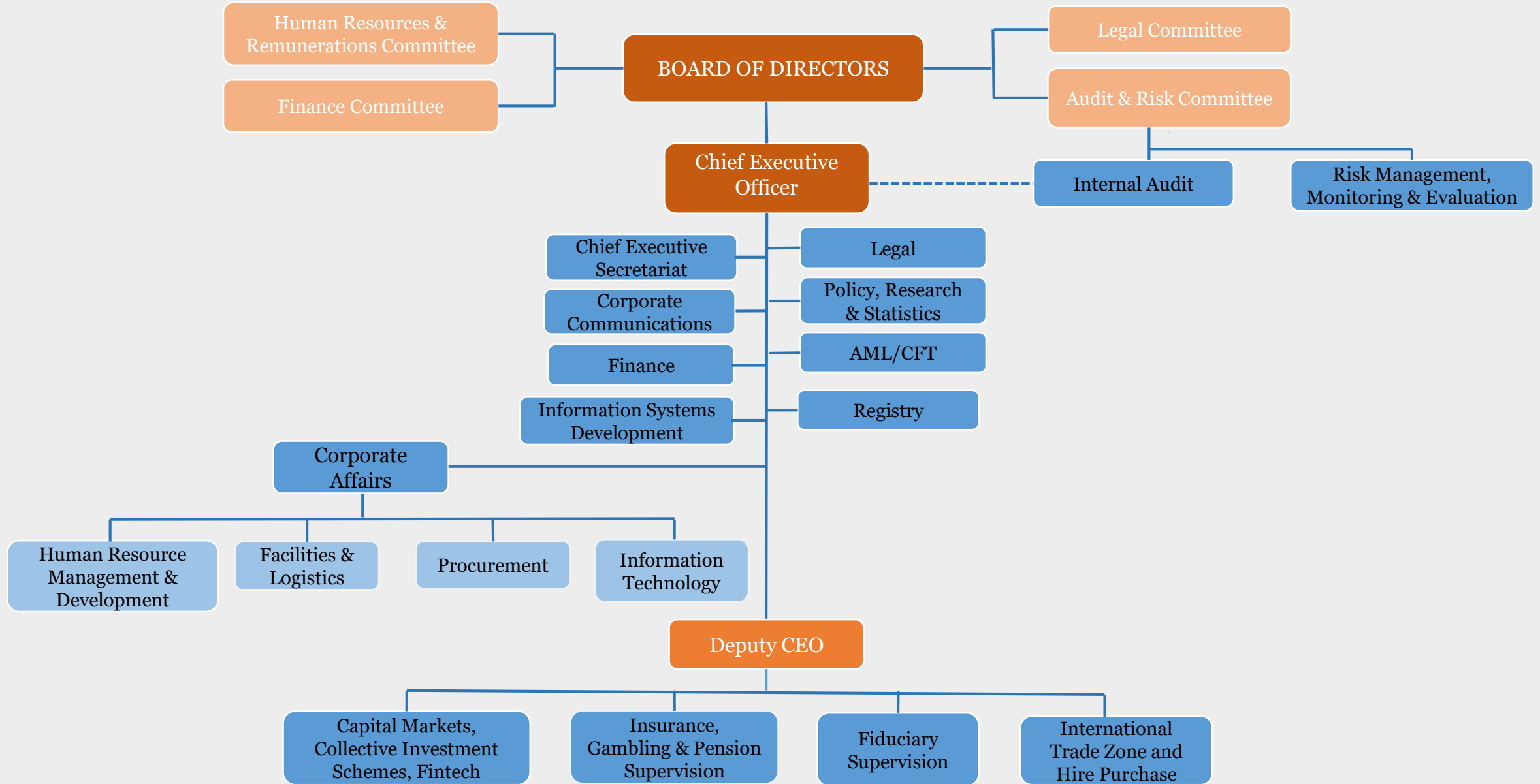
FSA EVALUATION COMMITTEE

The Evaluation Committee comprises of representatives of the FSA. The committee's main function is to review and evaluate tenders, proposals or quotation for identifying the most competitive proposal from responsive bidders. The committee is also tasked with preparing bid evaluation reports for submission to the approval authorities in accordance with Section 62 (3) of the Public Procurement Regulations.

HEALTH AND SAFETY COMMITTEE

The Health and Safety committee is responsible for monitoring and reporting any potential health and safety hazards on FSA premises as well as recommend practical solutions. They are responsible for developing and reviewing health and safety policies and procedures. The committee is also responsible for effectively disseminating health and safety information to all employees.

ORGANISATION STRUCTURE



THE ECONOMIC
AND
REGULATORY SETTING

ECONOMIC SETTING

INTERNATIONAL ECONOMIC PERSPECTIVE

According to the World Economic Outlook¹ published in January 2022, the global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have re-imposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

Global growth is expected to moderate from 5.9% in 2020 to 3.4% in 2021, half a percentage point lower for 2022 than illustrated in the October World Economic Outlook (WEO), largely affecting forecast markdowns in the two largest economies. A revised assumption removing the *Build Back Better* fiscal policy package from the baseline, earlier withdrawal of monetary

accommodation, and continued supply shortages produced a downward 1.2%-point revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8%-point downgrade. Global growth is expected to slow down to 3.8% in 2022. Although this is 0.2%-point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.

Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high-energy prices continuing in 2022. Assuming inflation expectations stay well anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.

¹ International Monetary Fund, *World Economic Outlook Update, January 2022: Rising Caseloads, a Disrupted Recovery and Higher Inflation*

Risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility and localized age pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging markets and developing economies capital flows, currencies, and fiscal positions (especially with debt levels having increased significantly in the past two years) may emerge. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters.

With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests, and treatment is essential to reduce risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery system and fairer international distribution. Monetary

policy in many countries will need to continue earlier in the pandemic. Countries will need to prioritize health and social spending to preserve access to liquidity and expedite orderly debt restructuring where needed. Investing in climate policies remain imperative to reduce the risk of catastrophic climate change.

REGIONAL ECONOMIC PERSPECTIVE

According to the Regional Economic Outlook¹ for Sub Saharan Africa, the world remains in the grip of an ongoing pandemic and an accelerating pace of climate change, both of which underscore the need for increased global cooperation and dialogue. Solutions to these global problems must involve all countries and all regions, including sub-Saharan Africa, with the world's least vaccinated population, most promising renewable energy potential and critical ecosystems.

Sub-Saharan Africa is set to grow by 3.7% in 2020 and 3.8% in 2021. This rebound is most welcome and largely results from sharp improvement in global trade and commodity prices. Favourable harvests have also helped

¹ *Regional Economic Outlook, Sub-Saharan Africa, October 2021: One Planet, Two Worlds, Three Stories*

lift agricultural production. Nevertheless, the recovery is expected to be slower than in advanced economies, leading to a widening rift in incomes. This divergence is expected to persist through the medium term, partly reflecting different access to vaccines, but also stark differences in the availability of policy support.

The outlook remains extremely uncertain, and risks are tilted to the downside. In particular, the recovery depends on the path of the global pandemic and the regional vaccination effort, and is vulnerable to disruptions in global activity and financial markets.

First, divergence and inequality at a global level have also been mirrored within sub-Saharan Africa. Differences across the economies of the region again partly reflect differences in vaccination and policy support. However, the crisis has also highlighted key disparities in resilience, amplifying pre-existing vulnerabilities and worsening divergence across the region. Comparing resource-intensive countries, the diversified economic structure of the latter has not only muted the impact of the crisis,

but also allowed them to adapt relatively swiftly.

Moreover, widening divergence between countries has been accompanied by divergence within countries, as the pandemic has had a particularly harsh impact on the regions most vulnerable. With about 30 million people thrown into extreme poverty, the crisis has worsened inequality not only across income groups, but also across subnational geographic regions, which may add to the risk of social tension and political instability. In this context, rising food price inflation, combined with reduced incomes, is threatening past gains in poverty reduction, health, and food security.

Secondly, as the pandemic has continued, authorities in sub-Saharan Africa have faced an increasingly difficult and complex policy environment. Policymakers face three key fiscal challenges: (1) tackle the region's pressing development spending needs, (2) contain public debt, and (3) mobilize tax revenues in circumstances in which additional measures are generally unpopular.

Monetary policy has also been constrained. Region wide, average inflation will edge up slightly in 2021, but should then ease in 2022 once pandemic-induced mismatches resolve and commodity prices moderate. Looking ahead, however, as economies start to recover, the context for monetary policy will change and will likely reflect growing regional heterogeneity.

Thirdly, the crisis has underscored the critical importance of international solidarity and support. COVID-19 in particular, the threat of new variants highlights the need for a global response, with a particular focus on the unvaccinated people of Africa. The IMF has proposed a plan to vaccinate at least 40% of the total population of all countries by the end of 2021 and 70% by the first half of 2022. For sub-Saharan Africa, these goals are ambitious and will require a marked change in strategy by both advanced economies and sub-Saharan African countries.

More broadly, without external financial and technical assistance, the divergent recovery paths of sub-Saharan Africa and the rest of the world may harden into permanent fault lines, jeopardizing decades of hard-won

progress. So far, international organizations and donors have mobilized swiftly to support the region. Further multilateral action is critical, considering the region's elevated financing needs and a widening gap with the rest of the world. The special drawing rights (SDR) allocation in August has boosted the region's reserves, easing some of the authorities' burden as they guide their countries' recovery. Moving forward, the voluntary channelling of SDRs from countries with strong external positions to those most in need can further magnify the new SDR allocation's impact. Furthermore, the Debt Service Suspension Initiative has provided much-needed breathing space and has been extended until the end of 2021. It can be said that the time is ripe for making the Common Framework fully operational.

Looking ahead, the region's potential remains undiminished. Over the next three decades, the global population is set to grow by about 2 billion people, with half of that increase in sub-Saharan Africa alone. This represents the region's single greatest challenge, but it also presents perhaps its greatest opportunity: it embodies a growing pool of human talent and ingenuity, with a billion more individuals all interacting and

seeking new ways to better themselves and their communities. Capitalizing on this potential will require bold transformative reforms. But the threat of climate change and the process of global energy transition also means that sub-Saharan Africa may need to adopt a significantly different growth model.

Although the region is the world's smallest contributor to carbon dioxide emissions (less than 3 percent of the global total), it is perhaps the most vulnerable to climate-related shocks. Therefore, policymakers in sub-Saharan Africa will have to address climate change through a mix of adaptation and mitigation. Unfortunately, both are costly.

Though these costs are large, they are significantly smaller than the costs of inaction. Without this spending, sub-Saharan Africa may find itself responding to a mounting series of climate-related humanitarian emergencies, diverting authorities' focus from longer-term development and constraining the region's ability to integrate into the global economy. Faced with few options, mobilizing external financing from both public and private

sector sources will be a key priority for most sub-Saharan African nations. If successful, the region will be poised to fulfil the promise of the African century, contributing to a more prosperous, greener future.

THE SEYCHELLES CONTEXT

The year 2021 commenced in a subdued manner for the Seychelles economy whose performance remained dependent on a global economic recovery facing significant headwinds associated with the adverse consequences of the COVID-19 pandemic. The experiences of 2020 underlined the need to diversify the economy and to reduce reliance on tourism. However, it was evident that any meaningful diversification will take time and in the short to medium term, a recovery in tourism activity was required to revive the economy.

Like many countries, striking the right balance between containing the spread of the virus (and therefore limiting the number of positive cases) versus removing measures with prominent adverse impact on economic activity was critical. Rising domestic COVID-19 cases towards the end of 2020 prompted the reinforcement of health and travel restrictions. Nevertheless, the COVID-19

immunisation campaign, which started as of January 10th, offered an important means of protection to the population and provided a sense of optimism for faster economic recovery. Furthermore, the easing of travel restrictions on visitors entering the country as of March 25th brought about a welcome respite to the ailing tourism industry.

In line with the aforementioned easing of travel restrictions, the total number of visitors who disembarked in Seychelles rose by 59 per cent relative to the previous year, which translated to a 40 per cent annual increase in estimated tourism earnings. Such performance was supported by the return of flights, such as Turkish Airlines, Air France, Edelweiss, Condor, Kenya Airways, Sri Lankan Airlines and Air Austral, during the year. Additionally, the Russian airline Aeroflot, commenced its services after a hiatus of 17 years and was the principal factor behind a 508 per cent increase in the number of visitors from Russia. Another key source market was the United Arab Emirates (UAE), which grew by 206 per cent. Although visitor arrivals from traditional European source markets rose during the year, it remained below levels typically observed prior to the pandemic. In view of the

rebound in tourism activity, real GDP growth was estimated at 7.9 per cent in 2021 compared to a contraction of 7.7 per cent in 2020. In 2021, the National Bureau of Statistics (NBS) published a revised series of annual rebased GDP estimates for the period 2014 to 2020. The base year was changed from 2006 to 2014, and revised data sources and methodology were incorporated. The wider range of data sources, including administrative records, is expected to improve the compiled National Accounts Statistics. Following those changes, the estimated value of GDP was revised upwards, with the most significant change reflected in the outcome for 2019.

According to preliminary estimates, the agriculture and fisheries sectors grew in 2021, because of positive performances in relevant production statistics. Such result was supported by continued efforts by the government to diversify the economy, increase local production capacity, and reduce importation of produce whilst also exploring export opportunities in certain viable areas. During the year, key developments such as the launching of the aquaculture sector, completion of the Central Common Cold Storage (CCCS) and

the continuation of agricultural trial projects, proved to be a boost for the primary sector. Production statistics for the manufacturing sector indicated an overall decrease in output. This was largely driven by a reduction in the manufacturing of fishery products, partly attributed to labour challenges, higher operational costs and increased competition in global markets. Additionally, there was a decline in construction-related materials, spirits, stout and tobacco output. On the contrary, an increase was observed in the production of mineral water, soft drinks and beer.

As a result of the higher demand for technological services brought about by the increasing need to use digital platforms across various institutions, the telecommunications industry is estimated to have recorded double-digit growth in 2021. The main drivers can be attributed to robust increase in data traffic, internet connection, international and local calls. In terms of inflation, prices of goods and services were higher than in 2020. For the most part of the year, the uptick in inflationary pressures followed the depreciated domestic currency observed in 2020, coupled with higher prices abroad due to international developments

such as shipping and transportation challenges. Another contributing factor was the revision made to the CPI by NBS to incorporate the findings from the latest Household Budget Survey (HBS) conducted in 2018/2019. The revised CPI basket was published in February and included new weights for different sub-categories and reflected improved coverage of prices. In December, year-on-year inflation and the 12-month average inflation rate was 7.9% and 9.8%, correspondingly. As for core inflation, this stood at 7.0% compared to December 2020.

Overall, the year ended on a relatively more positive note compared to when it started. This was despite an increase in the number of recorded positive cases of a new variant of the coronavirus (i.e. Omicron) during the festive seasons and initial prognosis was that this would reach a new peak in early 2022, at the latest. Most indications were that whilst it spreads faster, this new variant was less deadly than its predecessors were although the Public Health Authority (PHA) continued to emphasise the need for the population to be vaccinated. The initial fears that new restrictions would be imposed across the globe were short-lived and therefore had no

significant adverse impact on the overall performance of the domestic economy. It follows that the Seychelles economy ended 2021 on firmer footings than in 2020 although uncertainty remained elevated.

LOCAL CAPITAL MARKET TRENDS

MERJ Exchange Limited and SECDEX Exchange Limited are the two securities exchanges licensed in the Seychelles jurisdiction. MERJ began operation in the year 2014, consummating 7 years of providing its services. SECDEX was licensed in 2020 and commenced operations in December 2021.

For the year-end 2021, MERJ recorded 54 listings, an increase of 8 new listings as opposed to the previous year, which had 46 listings. Out of the 54 listings, 49 are equities amounting to US\$1,056,230,119.09 and 5 debt listings amounting to US\$236,551,531.71. The listings equated a total sum of US\$1,292,781,650.80 capital raised.

Alongside previously listed domestic companies such as Sacos Group Ltd, Bodco Ltd and Seychelles Breweries Ltd in 2021, Trois Freres Distilleries Limited also listed its shares on the MERJ Exchange Ltd.

REGULATORY DEVELOPMENTS

SEYCHELLES MUTUAL EVALUATION REPORT

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is a Financial Action Task Force (FATF) style regional body founded in August 1999, with the purpose to combat money laundering and terrorism financing by implementing anti-money laundering measures. The Mutual Evaluation (ME) exercise is designed to assess a country's compliance with the international AML/CFT standards. This involves assessing whether the necessary Laws, Regulations or other measures required under the essential criteria of the FATF Methodology are in force and effective. The ESAAMLG is made up of 18 member countries (which also comprises of Seychelles), 4 observer jurisdictions, and 17 regional and international bodies.

Following the adoption of the MER in 2018, the Seychelles initiated steps to rectify the deficiencies identified in the MER. The first step was to initiate a complete review of the existing AML/CFT framework and following it, drafted a new AML/CFT Act that would address the deficiencies identified by the MER and incorporate the recommendations of the ESAAMLG.

On the 6th March 2020, the new AML/CFT Law was officially published which has with it the aim to decentralize AML/CFT supervision through a sectorial approach to AML/CFT supervision, whereby the Central Bank of Seychelles (CBS) and FSA are the designated AML/CFT supervisors of the entities under their regulatory purview. The Financial Intelligence Unit (FIU) remains the AML/CFT supervisor for the remaining designated non-financial business and professionals.

The new law has also formalized the formation of a National AML/CFT Committee (NAC), which constitutes the heads of all relevant institutions that have a role in AML/CFT in Seychelles, and this is chaired by Mr. Patrick Payet the Secretary of State for Finance, Economic Planning and Trade. The NAC is supported by the Technical AML/CFT Committee (TAC), which forms the working arm of the NAC. The FSA is also represented on the TAC.

In line with its mandate, the NAC has spearheaded the drafting of the Beneficial Ownership law which was published in the Gazette together with the new AML/CFT Act on

the 6th March 2020. The new Beneficial Ownership Act introduces a requirement for all legal entities and arrangements to identify and verify their beneficial owners. It also sets up a centralized register of beneficial owners to be maintained with the FIU.

Following the adoption of the MER in 2018, Seychelles has submitted requests for re-rating to the ESAAMLG for consideration in 2021. The deficiencies identified related to the Recommendations that had been erstwhile determined 'partially compliant' or 'non-compliant' in the MER where these were prioritized by the Seychelles as being those that needed to be addressed so as to obtain an upgrade in re-ratings.

As part of its Follow up Reporting requirements with the ESAAMLG, Seychelles has, since the publication of its MER, had to demonstrate significant progress in addressing the deficiencies highlighted. As at September 2021, the Seychelles has been able to demonstrate significant progress to qualify for re-ratings to Largely Compliant and Compliant on eight Recommendations. Additionally, the Seychelles has been re-rated as being partially compliant on one Recommendation that was previously rated as non-compliant (Recommendation 7).

The table below provides an overview of the rating upgrades that the Seychelles has managed to achieve as a result of its ongoing reforms of the AML/CFT framework.

Recommendations	R1	R2	R7	R16	R26	R29	R35	R37	R38	R39
MER TC Rating (2018)	PC	PC	NC	PC	PC	PC	PC	PC	NC	PC
Post MER TC Re-Rating	C	LC	PC	LC	LC	LC	LC	LC	LC	LC

The Seychelles continues to report bi-annually on the outstanding deficiencies in line with the Follow Up procedures.

TAX REFORMS TO COMPLY WITH EU STANDARDS

The EU Code of Conduct Group on Business Taxation (CoCG) first assessed Seychelles in the

2017. This was done in parallel with the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) review where Seychelles had to

Review of certain harmful preferential tax regimes.

The EU has then introduced certain standard in relation to territorial tax regimes without any conditions attached (i.e. Foreign Source Exemption Regimes). This is where a tax system, which fully excludes passive income with a foreign link from taxation without any condition, is considered harmful. According to the CoCG, such tax systems can result in ring-fencing and a lack of substance. Ring-fencing arises because the receipt of passive income generally requires a transaction with a non-resident and as Seychelles has a territorial tax system, the passive income is deemed exempt and this is seen as potential for to double non-taxation. Passive income is generally not coupled with economic substance requirements. The CoCG has found that the exemption of passive income without clear conditions (e.g. explicit link to some real activity in the jurisdiction) contravenes the principles of the CoCG.

As part of its efforts to undertake the necessary reforms to comply with the standard, with the assistance of a consultancy firm, Seychelles had been in dialogue with representatives of the CoCG, which has resulted into an understanding that one way to address the

CoCG's concerns is to ensure that only entities with sufficient 'economic substance' are eligible to benefit from the exemption of business tax on their foreign income.

In December 2020 and September 2021, following extensive dialogues with the consultants and the representatives of the CoCG, amendments to the Business Tax Act, (Cap 20) were published in the Gazette to address these deficiencies highlighted by CoCG. The new amendments brought about by the Government introduced a new definition of permanent establishment, which is in-line with OECD's definition, detailed substance rules, with tests that are in line with CoCG standard.

These amendments result in Seychelles taxing the foreign income of Seychelles' companies at the normal business tax rate, if such persons do not sufficiently demonstrate that they have adequate 'economic substance' in Seychelles. This approach is consistent with CoCG's guidelines on foreign income exemption regimes published on December 5, 2019. A guideline to facilitate the implementation of this new tax rule has been formulated by the Consultants in collaboration with SRC and FSA under the guidance of the COcG. The guideline is yet to be finalised and approved by the CocG, following which the document will be shared

with the industry for their guidance in the implementation of the new rules.

MUTUAL ADMINISTRATIVE ASSISTANCE ON TAX MATTERS

On the 1st October 2015, Seychelles became a signatory to the Multilateral Convention on Mutual Administrative Assistance for Tax Matters³. This meant that Seychelles is obligated, by being party to the convention, to respond to any request for information submitted by countries that are a party to this convention.

SEYCHELLES' PEER REVIEW FOR EXCHANGE OF INFORMATION ON REQUEST

Seychelles undertook the Global Forum's peer review assessment for exchange of information on request in 2019. This involved the participation of various enforcement, regulatory and supervisory authorities involved in the exchange of information framework. The scope of the information to be exchanged under the standard includes legal ownership information, beneficial ownership information, banking information and accounting information. The peer review assesses both the legal and regulatory framework in force and

the practical implementation of the framework (i.e. effectiveness), including exchange of information requests received and sent during the review period of 1st July 2015 to 30th June 2018.

Following the review of the Seychelles' legal framework and the conduct of an onsite review in 2019, Seychelles received a downgrade from being largely compliant to partially compliant. This was primarily the result of unavailability of accounting records upon request by authorities in Seychelles. In order to remedy this deficiency, in 2021, Seychelles made several amendments to its legislations (i.e. the International Business Companies Act, Trusts Act, Limited Partnerships Act and Foundations Act) to impose the obligation on all such entities and arrangements to keep their accounting records in Seychelles at all times. Following the changes in its legal framework and increased monitoring of implementation of the new rules, Seychelles has been approved for a Supplementary review by the Global Forum. The onsite review is expected to take place in the second half of 2022.

³ *The Convention facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-*

operation between states in the assessment and collection of taxes. This co-operation ranges from exchange of information, including automatic exchanges, to the recovery of foreign tax claims.

FOREIGN ACCOUNT TAXPAYER COMPLIANCE ACT

The United States' Foreign Account Taxpayer Compliance Act ("FATCA") aims to ensure that United States' ("U.S.") persons with financial assets outside the US are paying the correct amount of tax in the U.S. It was enacted in March 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act. It is an information reporting regime aimed at combating tax evasion by U.S. persons holding investments in accounts outside the U.S. FATCA focuses on reporting by foreign financial institutions about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

The Government of the United States and the Government of the Seychelles have reached an agreement in substance. Seychelles has adopted the Model 1 Intergovernmental Agreement ("IGA") which is an agreement between states. In Seychelles, all Financial Institutions (the definition of which includes a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company) had to register with the Internal Revenue Service ("IRS") by the 31st December 2014. Registration is required regardless of whether the financial institution has existing

U.S. clients and is still open to any financial institution who has not applied yet.

The IGA requires financial institutions in the Seychelles to report information on financial accounts to the authorities in the Seychelles and to register with the IRS. The Seychelles' authorities, in turn, provide this information to the IRS on an automatic basis. No data protection waivers are required and no 30 percent withholding tax on all U.S. sourced payments will be applied by the U.S. The agreement was signed in July 2019 however, this agreement is yet to be ratified.

FINANCIAL STABILITY COMMITTEE

The Financial Stability Committee ("FSC") was created in March 2016 with the task of maintaining financial stability within the Seychelles' domestic economy. The FSC has been reviewing, analysing and promoting a coordinated approach to the promotion of financial stability and financial distress events that may or is likely to happen in Seychelles. 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 liberalized economy, it is important that the financial system can

withstand adverse domestic and external shocks.

The current members of the FSC are:

- The Governor of the Central Bank of Seychelles (who holds Chairmanship)
- The Secretary of State of the Ministry of Finance, Trade and National Planning
- Chief Executive Officer of the Financial Services Authority
- Director of the Financial Intelligence Unit

The FSC is an advisory body where members can inform one another of the rising risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive risks and collectively ascertain the state of financial stability within the country. Meetings are held on a quarterly basis.

IOSCO MEMBERSHIP APPLICATION

The International Organisation of Securities Commissions (“IOSCO”) is the international body that brings together the world’s securities regulators and is recognized as the global standard setter for the securities sector. The Commission was established in 1983 and its membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions, where securities regulators in emerging markets account for 75% of its

ordinary membership. IOSCO develops implements and promotes adherence to internationally recognized standards for securities regulation. Furthermore, IOSCO works extensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

IOSCO has three categories of membership (Ordinary Membership, Associate Membership and Affiliated Membership) that reflect the different approaches to securities markets regulation, while also ensuring that those with an interest in the regulation of securities markets are also involved in the debate on securities market issues.

The FSA became an Associate Member of IOSCO on 8th March, 2018 and had one year to submit an application to become an Ordinary Member and a signatory to the Multilateral Memorandum of Understanding (MMoU) concerning consultation and cooperation and the exchange of information.

On the 28th February 2019, FSA submitted its application for Ordinary Membership of IOSCO. However, the application was not successful mainly in view of the current legal deficiencies in meeting the requirements of the MMoU. Following that, the FSA will be seeking the

assistance of the IOSCO's Technical Assistance Committee to review the current legal framework in order to include the vital amendments so that the eligibility criteria can be improved based on the last application.

As a small island state, being an Ordinary Member of an international body will not only increase the Seychelles' visibility on the global environment, but will also improve the Seychelles' transparency and accountability by adhering to the IOSCO principles.

GROUP OF INTERNATIONAL FINANCE CENTRE SUPERVISORS (GIFCS)

The GIFCS is a long-established group of financial services supervisors with a core interest of promoting the adoption of international regulatory standards especially in the banking, fiduciary and AML/CFT arena. The GIFCS, in its previous form as the formerly Offshore Group of Banking Supervisors (OGBS), was established in 1980.

Today, the Group has become a very positive contributor to promoting compliance among its membership with the Basel Core Principles and FATF Recommendations. The GIFCS has also become recognized as a leading authority on the regulation of trust and company service

providers, and the interface of these intermediaries with AML/CFT standards.

Being a member of GIFCS would provide Seychelles with an appropriate medium through which guidance, common issues can be shared amongst the member authorities and be up-to-date with the best practices within the global Financial Sector Industry.

In view of this, the FSA along with the Central Bank of Seychelles (CBS) submitted a joint application to become a member in September, 2019 and in October 2019, Seychelles was subjected to a second submission phase, after which Seychelles was given approval to become a member of the GIFCS on the 15th November 2019.

On the 4th November 2020, the Seychelles became an official signatory to the GIFCS MOU and is now a full member. Additionally, being a full member, Seychelles can now assist with Mutual Evaluation of other jurisdictions and is currently assisting with the Isle of Man in relation to the GIFCS TCSP standards.

GLOBAL FINANCIAL INNOVATION NETWORK (GFIN)

The GFIN is a network of 50 organisations committed to supporting financial innovation

in the interests of consumers. It was formally launched in January 2019 by an international group of financial regulators and related organisations, including the UK's Financial Conduct Authority (FCA) built on the FCA's early 2018 proposal to create a global sandbox. The GFIN seeks to provide a more efficient way for innovative firms to interact regulators, helping them navigate between countries as they look to scale new ideas.

Seychelles, through the FSA, officially became a full member of GFIN on 21st October 2019. Being a member of the Network, would facilitate discussions and provide a platform through which FSA would be informed about current trends and developments within this sector.

OUR OPERATIONS

INTERNAL AUDIT SECTION

The Internal Audit Section is established by the Board of Directors as a key component of the organisation's governance framework.

The role of internal audit is to provide independent and objective assurance that the organisation's risk management, governance and internal control processes are operating effectively.

As internal auditors, we have a professional duty to provide an unbiased and objective view. We must be independent from the operations we evaluate and report to the highest level in an organisation: this is the audit committee and the board of directors.

We help the organisation to achieve its objectives through a combination of assurance and consulting engagement. The assurance part of our work involves informing the most senior level of executive management and to the board's audit committee how well the systems and processes designed to keep the organisation on track are working. Then, we offer consulting help to improve those systems and processes where necessary.

KEY RESPONSIBILITIES

- Assessing the organisation's management of risk;
- Assisting management in the improvement of internal controls;
- Assess compliance with applicable laws, regulations, and contract to ensure that management is addressing the requirements;
- Provides reasonable assurance to the board's audit committee that the organisation's risk management framework, internal control and governance process are adequate and functioning as intended and will enable the organisation achieve its objectives.

KEY DEVELOPMENTS OF 2021

- Performed asset verification
- Assisted with the development of the organisation's Business Continuity Plan
- The Internal Audit Section was restructured to align with the needs of the organisation as well the risks faced by the organisation.

OUTLOOK FOR 2022

For the year 2022, the focus of the Internal Audit Section will be to:

Implement the audit competencies framework; Internal Auditors must continuously enhance their knowledge, skills and other competencies through continuing professional development. This shall allow the internal auditors to provide more challenge, innovation and assurance. The Framework will thus provide a clear and concise professional development plan for internal auditors at every level of their career.

➤ Continuously provide assurance and consulting services. The mission for internal auditing is to enhance and protect organisational value by providing risk-

based and objective assurance, advice and insight.

➤ Develop Internal Audit Quality Assurance and Improvement Programmes;

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

RISK MANAGEMENT, MONITORING & EVALUATION

SECTION

The Risk Management, Monitoring and Evaluation Unit (RMME) was established in August 2021 to mitigate potential threats to the financial stability of the Authority, its operational efficiency, reputation and to ensure compliance with local and international financial services legislations.

The RMME Unit was created upon approval of the FSA Board following recommendation from the Public Enterprise Management Commission (PEMC), which is the government body responsible for monitoring and evaluating the overall performance of public enterprises, including the FSA.

In addition to reporting to the CEO of the FSA, the RMME Unit also reports directly to the Audit and Risk Management Committee at Board level.

KEY RESPONSIBILITIES

The RMME Unit is accountable for the risk management operations of the FSA, to include the integration of risk concepts into strategic planning, risk identification and mitigation activities. This includes considering the

potential impact of all types of risks associated with the FSA's processes, products, activities, services, and stakeholders, in line with the International Organisation for Standardisation's ISO 31000:2018 Standard on Risk management — Principles and Guidelines.

The Unit is also responsible for the development and implementation of the Enterprise Risk Management, Monitoring and Evaluation frameworks for the organisation.

KEY DEVELOPMENTS OF 2021

Following the creation of the RMME unit, the Audit Committee at Board level was re-established as the Audit and Risk Committee (ARC) to also capture the reporting requirements of the RMME Unit. The necessary Terms of Reference was drafted to capture the Committee's added responsibilities.

As a newly created unit, the RMME Unit conducted introduction and awareness sessions with the FSA Management on the development of the Enterprise Risk Management, Monitoring and Evaluation Frameworks for the organisation. This also

included the presentation of the RMME function and work plan to ARC and Senior Management of the FSA.

In line with its mandate, the Unit also provided its inputs and recommendations to new project proposals within the FSA. This ensured that the necessary risk aspect was factored in. The Unit was also tasked with the responsibility for submission of the FSA's quarterly Risk Assessment Matrix on Financial Stability to the national Financial Stability Committee (FSC). The FSA submission provided the identified local and international systemic risks that might spread to Seychelles' financial system (within the FSA's purview), and the identified measures and policy proposals required to mitigate these risks.

OUTLOOK FOR 2022

The Unit will be undertaking the necessary research for the development of the FSA's Enterprise Risk Management framework. This will require assessing the current risk management practices, identifying the gaps and formulating an action plan to address these through the development of the

framework. The work will also include producing the consolidated risk register for the organisation.

The focus of the Unit will also be on the development and implementation of the Monitoring and Evaluation framework for the FSA's Strategic Plan 2021 to 2025. This will include preparation of the mid-year and end-of-year progress reports.

Continued focus will be placed on cultivating a culture of risk awareness across the organisation and, providing inputs and recommendations to FSA new project proposals and ongoing projects.

The Unit will also be assisting with the coordination and participating in the country's first National Risk Assessment on Virtual Assets and Virtual Assets Service Providers, being led by the FSA. The Unit will also be responsible for the internal coordination of the FSA's participation in the country's second National Risk Assessment for ML/TF risks.

CORPORATE COMMUNICATION SECTION

The Corporate Communication Unit was established in August 2021, to act as a liaison between the organisation and the public. The multifaceted Unit is responsible for the preparation of the organisation's literature including the Annual Report, Newsletters, Press Releases and Newspaper Articles.

The Unit also handles all requests for information received from local and foreign authorities/ and persons as prescribed by the FSA Act. While ensuring that service standards and guidelines are observed while responding to RFI's, it is imperative that statistics are properly collected and maintained. These statistics are considered by the OECD and the FATF, in their assessment of the jurisdiction.

The Unit also processes all complaints received by the organisation as mandated by the FSA Act.

The Unit is responsible for the development of the industry through a system of continued education whereby courses relevant to the industry are made available to maintain a high level of service standard and compliance within the industry.

Another important aspect of the Unit is to assist the Seychelles Investment Board (SIB) in

the market development initiatives through the organising of roadshows in different countries, publications of articles in reputable international magazines to create awareness of the Seychelles financial services. It is also the role of the unit to update the FSA website as well as its social media pages to ensure that licensees, stakeholders and the public has updated information in regards to any developments in the sector.

KEY DEVELOPMENTS OF 2021

INDUSTRY TRAINING

Capacity building within the non-bank financial services industry is one of the FSA's objectives to ensure the availability of competent individuals to serve the industry. This is also a key component of the FSA's strategic plan. In 2021, FSA launched the following policies, which covers professional and academic qualification;

The FSA Scholarship policy focuses on certificate, diploma and postgraduate professional courses related to financial services products. This policy is to ensure that individuals interested in seeking a career in the financial services sector and those already working within the industry and other support

institutions have the relevant capacity in terms of qualifications.

The FSA's Scholars Award for the Non-bank financial services sector (NBFS) focuses on specialised, i.e. bachelor's degree, master's degree and UK Level 7 qualifications. Under this policy, two individuals are awarded two fully sponsored scholarships annually.

The FSA undertook the following industry training initiatives:

ICA TRAINING PROGRAM

In 2021, the following ICA trainings were organised:

- a cohort of 10 participants from the FSA and the industry completed the Certificate in Compliance,
- 3 participants completed the Certificate in Anti-Money Laundering (AML);
- 4 participants completed the Advanced Certificate in AML;
- 7 participants completed the Specialist Certificate in Money-Laundering Risk in Betting and Gaming; and
- 1 participant completed the Diploma in Governance, Risk and Compliance; and
- 1 participant completed the Diploma in AML.

The courses were conducted by the International Compliance Association (ICA) in collaboration with the FSA. The participants gained an in-depth knowledge and better understanding of the AML matters surrounding the world of financial services. The course focused on different aspects of international legislations and best practices, key monitoring activities and transactions, and other key areas such as; AML framework, risks management and the prevention of financial crimes.

FSA's SCHOLARSHIP POLICY

Under the FSA's Professional scholarship Policy, the following scholarships were offered in 2021:

- 20 participants received a scholarship to undertake the ICA Certificate in Compliance and;
- 25 participants received a scholarship to undertake the CISI International Introduction to Securities and Investments Certification.

The aim of this initiative is to provide financial assistance to individuals willing to join the industry, thereafter enabling the FSA to alleviate the shortage of adequately skilled manpower required to serve a growing industry by ensuring that individuals interested

in seeking a career in this sector acquire the relevant competencies in terms of formal training and qualifications.

FSA SIGNS MOU WITH SIB

In its efforts to increase collaboration between both parties, the FSA and the SIB signed a new Memorandum of Understanding (MoU) on the 25th February 2021. The MoU repealed and replaced, in its entirety, the MoU previously entered into on 3rd March 2014 by the FSA and SIB for the implementation of promotional activities by SIB. The MoU highlights the principal responsibility of SIB to drive the promotion of non-banking financial services and act as coordinator and facilitator for these promotional activities.

The MoU also sets forth the intent of both parties to establish a framework, with the intention of mutual assistance and coordination to the full extent permitted by the laws, regulations and rules under the parties' respective responsibility, including:

- To organise roadshows and participate in international conferences and events in key emerging markets in order to maintain the visibility of the jurisdiction

- To promote Seychelles internationally as a premier jurisdiction for non-bank financial services
- To maintain a strong relationship through close collaboration between the government and the private sector through the Financial Service Marketing Committee (FSMC)
- To ensure a strategic approach to the promotion of the non-bank financial services industry
- To enhance knowledge on training initiatives relating to the promotion of the industry

The intent is to ensure harmonisation and collaboration between both parties so as to promote the non-banking financial services in Seychelles. This will bring further economic prosperity, international visibility and heighten Seychelles' competitive advantage internationally.

FSA CONDUCTS COURTESY VISIT IN DUBAI

On the 23rd to 29th October 2021, a delegation from the FSA conducted several courtesy meeting with other authorities and key counterparts in Dubai. The first meeting was held at the Dubai Financial Services Authority, (DFSA) which is the Regulator for financial services in Dubai. Another meeting was held

with The Dubai International Financial Centre (DIFC), which is a financial free zone in Dubai, The Dubai Multi Commodities Center (DMCC), the world's No.1 free zone and centre of global commodities trading, The Securities & Commodities Authority (SCA), the regulator for companies operating with the Capital Markets Sector in Dubai. The meetings provided the Authorities with the opportunity to leverage on each other's expertise on common challenges relating to AML-CFT, Supervision, International best practices, capacity building, regulatory framework, and risk based approach and exchange of information. The delegation also met with Hensley&Cook, a corporate service provider and fund administrator with one of their offices located in Seychelles.

BUSINESS CONFERENCE IN DUBAI

The FSA hosted its first Business Conference in Dubai, in collaboration with the SIB, on the 28th October, 2021 under the theme "A wealth of Opportunities for the Middle Eastern Market". The conference was held at the Hyatt Regency Creek Heights hotel, was attended by the President of Seychelles, Mr. Wavel Ramkalawan, the Minister for Finance, Economic Planning and Trade, Mr. Nadiir Hassan, industry practitioners and other distinguished guests. The business conference

targeted potential investors and the business community in the Financial Services Industry. The event focused on the opportunities in the International Trade Zone Sector, the Capital Markets Sector, Mutual Funds and Hedge Funds, Wealth Management and Asset Protection.

OUTLOOK FOR 2022

INDUSTRY TRAINING

FSA aims to intensify its efforts to provide adequate professional and academic courses to the industry. Through the FSA Scholarship Policy and The FSA's Scholars Award for the Non-Bank Financial Services Sector, several individuals from industry and seeking to join the industry will be awarded scholarships to follow their professional and specialised courses.

MARKET DEVELOPMENT INITIATIVES

In collaboration with SIB and the marketing committee, marketing strategies will be intensified. Over the past two years, marketing of the jurisdiction had taken a back seat due to the global pandemic. The Digital Marketing campaign will be launched during the third quarter of 2022 in order to maintain our visibility on the International scene.

FINANCE SECTION

The Finance Section is divided into two units, namely the Revenue and Debtors Control Unit, the Financial Reporting and Budgeting, Accounts Payable and Creditors Control Unit. The Revenue and Debtors Control Unit is responsible for the collection and recording of revenue and fees for all the services that the FSA renders.

The Financial Reporting and Budgeting, Accounts Payable and Creditors Control Unit has two major parts, the first one is the responsibility for the controlling and monitoring and managing of the FSA's expenditures and spending. The other one is the responsibility for the financial reporting and the preparation and management of the annual budget of the FSA.

KEY RESPONSIBILITIES

The Section provides leadership in financial management and accountability for the FSA. Key objectives of the Section include management of the annual budget, collection of revenue, financial reporting to senior management, the Public Enterprise Monitoring Commission (PEMC) and the FSA Board. The Section is responsible for recording all transactions in an accurate, transparent and

time-bound manner, tracking expenses and purchases, keeping financial records and writing and compiling financial reports. Accounting issues or budgetary problems within the FSA are brought to the attention of the FSA Board through the CEO.

The Section is also responsible for the management of cash balances and for the overall financing of the operations of the FSA. At the end of each financial year, to ensure transparency and fairness, the FSA's annual accounts are prepared and submitted to the Office of the Auditor General who conducts the audit of the FSA's accounts and subsequently certifies its financial statements.

In line with Section 36. (1) of the PEMC Act, 2013, the FSA shall, within three months after the end of its financial year submit audited accounts as part of the Annual report to;

- a) the Minister of Finance;
- b) the Responsible Minister;
- c) and the Public Enterprise Commission

The FSA's audited statement of Income and Expenditure and statement of Assets and Liabilities and the Report of the Auditors for the year 2021 are set out at the end of this Report.

KEY DEVELOPMENT OF 2021

Similar to previous years, the FSA has not received any subventions from the government but instead has been self-financing all its operations and capital expenditure through the revenue collected from the licensing and registration fees. The FSA has been financially contributing to the Consolidated Fund through quarterly dividend payments to the Government. For the year 2021, the FSA has managed to collect a total of **SR223.65 million** as gross revenues and effected a transfer of surplus funds of **SR92.57 million** (41.39 percent of actual revenue collected) to the Government, as it was being anticipated in the outlook for the year 2021. The dividends paid to the Government in 2021 is about 5% more than the payments made for the years 2020 and it is the highest annual dividend payment made during the last 5 years.

In 2021, similar to 2020, the Finance Section continued to make use of information technology by such as processing of funds received from clients and making payments via online banking and other internet platforms, to improve and expedite internal processes and monitoring of transactions which resulted in improving the Section's effectiveness and productivity.

OUTLOOK FOR 2022

As in previous years, in 2021, the Section will continue to concentrate on effective staff development and performance management, capacity building and upgrading the skills and knowledge of its existing staff so that they are at par with latest financial practices and standards and that they have the necessary skills and knowledge to deliver effectively and efficiently.

The Section will continue with the exercise that it started in 2020 for updating, revising and implementing of internal policies and procedures so that they reflect the changes, following the implementation of the new accounting software and restructuring of the Finance Section and the FSA. The end result will be one complete, consolidated document, aligned with current best practices and international standards, which will subsequently be used as guidance and training with regards to good financial and accounting practices.

The Section will continue to make use of information technology to improve and expedite internal processes and monitoring of transactions with the aim of improving the Section's effectiveness and productivity, which

will contribute to the attainment of the Authority's strategic plan.

In order for the Authority to continue to contribute towards quarterly payments of dividend to the Consolidated Fund, the Finance section will continue to exercise effective and

proper budgetary preparation, management, monitoring and control of the Authority's financial resources in close collaboration with all internal stakeholders so that the FSA continues and progressively increase the total of quarterly dividend payments to the Government.

LEGAL SECTION

The Legal Unit is the unit responsible for ensuring the legality and compliance of the FSA as an organisation. Comprising of a 4-person legal team, the Unit functions as a support section, whilst ensuring that accountable decisions are taken at the right level in the organisation. The Unit is closely involved in compliance, enforcement and monitoring functions, the identification of legal risks relating to contracts, the provision of advice, both internally and external, the driving of financial services related legislations as well as aiding the organisation to improve its efficiency by providing early warning and intelligence.

KEY RESPONSIBILITIES

The Legal Unit liaises with the entire organisation, to provide legal assistance as required. This includes the drafting or reviewing of all contracts that the FSA undertakes, Memorandum of Understandings between the FSA and third parties, as well as new laws and regulations which may have an effect on the industry. The team is heavily involved during the drafting stage of legislations that are administered by the FSA. The Unit also provides legal interpretations and where necessary, liaises with the Office of the Attorney General and with the FSA's external

counsel where relevant. The Legal Unit is also fundamental in the regulatory and enforcement aspects of the FSA and works closely with the authorisation and supervision units of respective sections to ensure that the FSA acts within the parameters of its applicable laws when taking necessary enforcement actions.

The Legal Unit comprises of a Director, a Senior Legal Officer and two Legal Officers. The Director is entrusted with the responsibility of overseeing the work of the Legal Unit and ensuring that organisational legal matters are managed properly, efficiently and ensuring that updates and reports are expedited to the respective stakeholders, management and the Board, where necessary. The Senior Legal Officer is tasked with a closer oversight of the Unit and to provide support to the Legal Director and together with the Legal Officers, is commissioned with a task of non-exhaustive responsibilities. Together, the Legal Officers are responsible for the execution of the day to day tasks of the Legal Unit.

KEY DEVELOPMENT OF 2021

In 2021, the FSA, passed a number of amendments to several financial services

legislation, namely the International Business Companies Act, the Foundation Act, the Limited Partnerships Act as well as the enactment of the new Trust Act 2021. These amendments were in line with the efforts to remove Seychelles off the EU's List of Non-cooperative jurisdictions, whereby one of the requisite was for the Seychelles' Partially Compliant rating to be upgraded to a Largely Compliant rating for the OECD's Global Forum Exchange of Information on Request Review.

In addition, following the 2020 move to a sectoral supervisory approach of the AML/CFT Act of 2020, with the FSA moving to the supervision of institutions under its regulatory purview for the purpose of the aforementioned Act, the FSA through the Legal Unit, along with other supervisory authorities/sections, successfully contributed to the review and introduction of a number of amendments to both the AML/CFT Act as well as the enactment of the Beneficial Ownership Act of 2020. A review of the employment framework of the International Trade Zone was also kick-started in 2021, under which negotiations with the Ministry of Employment were started, with the aim of the FSA modernising and aligning certain employment matters within these specially demarcated international trade zones. This is

expected to conclude with the signing of a memorandum of understanding with the Ministry of Employment during the year 2022.

Amongst other on-going projects, the Legal Unit in 2021 collaborated closely with the Central Bank of Seychelles, to prepare a legal framework for financial consumer protection, stemming from a recognition from both regulators, to reinforce consumer protection rights in the financial sector. This framework is expected to come into force in 2022.

OUTLOOK FOR 2022

Having successfully attained associate membership to the International Organisation of Securities Commission ("IOSCO") in February of 2019, and following a number of obstacles to attain ordinary membership with the IOSCO, the FSA formally sent a letter of commitment and a request for technical assistance to the IOSCO secretariat, in January of 2022. Technical assistance is expected to begin during the second quarter of 2022.

The FSA, through the Legal Unit, is also in the process of acquiring membership to the International Association of Insurance Supervisors, discussions which will begin in the second quarter of 2022.

2022 will also see the passing of several amendments to the Financial Services Authority Act (“FSA Act”) 2013, driven primarily by the Legal Unit, with the aim of bringing the FSA’s governing Act in line with the present financial climate to ensure the effective supervision of its licensees.

In addition to the above and in line with recommendation 15 of the Financial Action Task Force in relation to New Technologies and the requirement to have Virtual Assets Service Providers (“VASPs”) regulated, the FSA, through the Legal Unit and together with other stakeholders, has commenced the process to engage in a national VASP risk assessment in order to assess the feasibility, potential benefits and potential draw-backs of having a VASP regime in the Seychelles.

Additionally, forthcoming in 2022 is the move of the FSA to be granted the power to supervise both public and private pension schemes with the ultimate goal being the supervision of the pension sector, with an emphasis on the protection of rights and interests of plan members and beneficiaries. As part of its function to drive the enactment of new legislations, the Legal Unit has been tasked with transforming the above policy into law,

through the enactment of a new Pension Act, as part of its close collaboration with the office of the Attorney General. Preliminary works for the Act is expected to begin during the second quarter of 2022.

The Legal Unit is also proactive in the revision of the Gambling sector in Seychelles, and is working closely with the relevant sections for the enactment of a new Gambling Act, and subsequent regulations. There is also work being done for the revamp and modernisation of the Securities Act, with the aim of introducing more substance for securities dealers in Seychelles. Another law which the Legal Unit is involved in its revision is the Insurance Act, also with the aim of modernising the legal and regulatory framework and enhance the scope of the Authority’s powers. Under the insurance framework, The FSA also intends to introduce captive insurance in Seychelles. There will also be continued work on the review of the International Trade Zone Act and relevant regulations to modernise the law and to cater for the changes and developments within that sector. Other projects for 2022 include amendments to the Beneficial Ownership Act, the International Corporate Service Providers Act and the Hire Purchase and Credit Sales Act.

POLICY, RESEARCH & STATISTICS

The Policy, Research and Statistics Section is divided into the following two units:

- Product Development and Research Unit
- Policy and International Relations Unit

The **Product Development and Research Unit** is the principal research arm of the FSA that is focused around the development of the non-bank financial services industry. It is responsible for the development of policies to conceptualise new products through promulgation of new legislations and oversee amendments in existing laws to modernise product portfolios for a healthy non-bank financial services industry. This is done through consultations with other government stakeholders and the industry in order to ensure that policy decisions are as effective as possible.

A key undertaking of the Unit is research. It is through research that the FSA gives consideration to new products, as well as ways in which to add value to the existing products so that we are able to enhance our competitive edge in the international financial services

industry but at the same time remaining compliant with international standards. It is also through research that the FSA assesses the impact of its policies. This mandate also involves the collection and analysis of statistical information regarding FSA's products and the industry.

The Unit is also responsible to develop codes and guidelines to facilitate the industry's implementation of the legal framework in order to be in compliance with the regulatory requirements.

The **Policy and International Relations Unit** has the mandate of ensuring that the legal and regulatory framework of the non-bank financial services industry is in compliance with the international standards. It entails making recommendations to review the areas in the legal and regulatory framework that fall short of international standards in order to ensure that Seychelles' reputation is safeguarded.

The Unit's main responsibility is to design policy papers to initiate amendments to the existing legislations in order to comply with

international standards and international best practices. The Unit also reviews the relevant codes and guidelines to guide the industry in their implementation of the legal framework so to ensure greater compliance with their regulatory obligations.

As part of its mandate of ensuring that Seychelles remain at par with international standards, in terms of monitoring the effectiveness of the legal framework, the Unit remains in constant liaison with other sections of the FSA and other government stakeholders, such as the Seychelles Revenue Commission, exchanging the relevant statistics and ironing any issues that may arise in the implementation of the laws which may include further review of existing legislations and practices. As a consequence, The Unit is mandated to provide advices for interpretation of policies and its accompanying legislations for internal and external parties.

The Unit also co-ordinates the application for membership to international setting standard bodies. In essence the unit acts as focal point for international standard setting bodies (e.g. IOSCO, Global Forum (OECD), CISNA) and internal parties and external parties within

Seychelles in order to maintain relationships pertaining to policy matters.

KEY DEVELOPMENTS OF 2021

NEW LEGISLATIONS ENACTED

Amendments were undertaken to the International Business Companies Act, Limited Partnerships Act, Foundations Act and Trusts Act, with the main amendment being the requirement for accounting of these legal entities and legal arrangements to be kept in Seychelles at all times. This follows recommendations made by the Global Forum on Transparency and Exchange of Information for Tax Purposes in Seychelles Second Round Review Report.

The Companies (Special Licences) Act was amended to improve the legislation, following the amendments undertaken in 2018 in relation to the Base Erosion and Profit Shifting work of the Forum on Harmful Tax Practices (FHTP).

The International Corporate Service Providers Act, the International Business Companies Act and the new Trusts Act have been amended to make provision for the introduction of Private Trust Companies.

A new modern Trusts Act has been enacted which allows Seychelles' residents to set up Trusts in Seychelles. However, the trust is not permitted to hold Seychelles' immovable property, either directly or indirectly. Amendments were undertaken to the Income and Non-Monetary Benefits Tax Act and the International Trade Zone (Employment) Regulations in relation to the tax treatment of compensation and overtime payments within the Seychelles International Trade Zone (SITZ).

PROPOSED NEW POLICIES

The Section have continued the groundwork for different projects that has been initiated in the previous years. These will be pursued further in 2022. Those not specifically addressed in preceding sections are summarized below.

REVIEW OF SEYCHELLES GAMBLING ACT

The FSA has procured the consultancy of Gaming Laboratories International Africa ("GLI") to review the existing gambling legislative framework and standards pertaining to all forms of gambling in the Seychelles of the consultancy is to develop a modern regulatory framework that will facilitate the most efficient and effective oversight of all aspects of

gambling in Seychelles. The FSA continued its engagement with the consultant and the other relevant FSA Sections during 2021.

REVIEW OF THE INSURANCE FRAMEWORK

There has been a comprehensive review of the Insurance Act and the goal is to finalize the amendments to the Insurance Act in 2022.

REVIEW OF THE PENSION FRAMEWORK

The FSA has initiated the groundworks to develop a regulatory framework to supervise public pension schemes (i.e. the Seychelles Pension Fund) and to licence and supervise Private Pension Schemes.

REVIEW OF THE INTERNATIONAL TRADE ZONE REGIME

The FSA has initiated a review of the ITZ Act to modernise various legislative requirements so as to keep the regime relevant in line with the current business environment.

REVIEW OF THE FINANCIAL SERVICES AUTHORITY ACT

Following the approval of the Cabinet of Ministers in 2020 to the proposed amendments to the FSA Act, the FSA has been working on the draft amendment Bill. The FSA

intends to finalise the proposed amendments in 2022.

REVIEW OF LICENSING REQUIREMENT FOR THE SECURITIES DEALERS

In 2021, the FSA initiated a review of the minimum physical licensing requirement for securities dealers in order to enhance the regulatory framework. This exercise is expected to be completed in 2022 and the relevant legislative amendments will henceforth be undertaken.

REVIEW OF THE BENEFICIAL OWNERSHIP ACT

With the promulgation of the new Beneficial Ownership Act in 2020, the FSA, in close collaboration with other stakeholders, under the guidance of NAC, has been working on various amendments to be undertaken to the Beneficial Ownership Act in a bid to tighten up the Seychelles' framework in line with the FATF's recommendations. The amendments are expected to be finalised in 2022. Following that, the relevant guidelines, to better understand and interpret the laws, will be updated accordingly.

VIRTUAL ASSET AND VIRTUAL ASSET SERVICE PROVIDERS

Following the non-compliant rating Seychelles received for Recommendation 15 (regarding new technologies) in its Mutual Evaluation Report, the Policy Section has been conducting comprehensive research on Virtual Assets and Virtual Asset Service Providers. Following the research, the FSA will be undertaking a National Risk Assessment on VA and VASP in 2022 in order to recommend on the relevant policy decisions.

CODES

The FSA initiated work on a Code for Compliance Function and a Code for Fit and Proper for all licensees under its administration. These Codes are expected to be finalized in 2022.

OUTLOOK FOR 2022

Groundwork for different projects has been undertaken in the previous years. These will be pursued further in 2022. Those not specifically addressed in preceding sections are summarized below.

FOREIGN INCOME EXEMPTION REGIME

The Ministry of Finance, National Planning and Trade spear-headed a working group which comprised of the FSA and Seychelles Revenue Commission (SRC) to finalise amendments in the Business Tax Act in order to comply with

the EU's CoCG guidelines on foreign income exemption regimes. The revision of the Act was being guided by Ernest and Young (EY) consultancy firm which provided their expertise for Seychelles to be compliant. This exercise has been recurring during the year which includes the participation of key

members from the industry, mainly members of the Seychelles International Finance Services Association (SIFSA). For the year 2022, the Ministry, FSA and SRC would work with EY to finalize guidelines for interpretation of the amendment in Business Tax Act.

AML/CFT SECTION

To enable it to adapt to the several changes in the legal and regulatory landscape and aligned with the envisioned long term growth and development of the organisation and the non-bank financial services sector it supervises the FSA re-organised its existing roles, as well as creating new roles and functions to re-align with FSA's strategy and the aforementioned changes in the legal landscape.

The re-organisation of the organization was also aimed at improving the FSA's operational efficiency, to facilitate the decision-making process and enable better communication both internally and externally. These changes to the FSA took effect as of August 1st, 2021 preceding the FSA's official launch of its Strategy 2021-2025 in December 2021.

Following the restructuring of the FSA, the AML/CFT Unit, previously part of the Fiduciary Supervision Section became a dedicated, stand-alone Unit under the direct oversight of the Chief Executive Officer to ensure that the FSA's supervisory mandate as it pertains to AML/CFT can be better administered through the application of a risk-based approach aimed towards the FSA's supervision of the diverse

AML/CFT obliged persons across the various prudentially supervised sectors under the FSA's purview.

To note that the primary objective of the Unit is to ensure the effective use of institutional and sectoral risk assessments aligned with the commensurate risk mitigation measures and subsequent sanctioning, as these are all deemed to be important elements of a risk-informed approach to AML/CFT supervision.

KEY RESPONSIBILITIES

To supervise and enforce compliance with the provisions of the above mentioned Acts by all reporting entities under the ambit of the FSA and licensed under the Acts specified hereunder:

- A licensee under the Mutual Fund and Hedge Fund Act, 2008;
- A licensee under the Securities Act, 2007;
- A licensee under the Insurance Act, 2008;
- A licensee under the Seychelles Gambling Act, 2014; and

- A licensee under the International Corporate Service Providers Act, 2003

KEY DEVELOPMENT OF 2021

AWARENESS SESSIONS

FSA has conducted certain awareness raising sessions with the Reporting Entities in all its regulated Sectors in February 2021.

This was deemed necessary as whilst some sectors such as Fiduciary and Securities sectors had a relatively better understanding of AML/CFT obligations due to experience and the latter being subject to core principles (IOSCO), the other regulated sectors were found to not have the same level of understanding and preparedness for even the basic requirements of the AML/CFT Act.

The awareness sessions with the reporting entities under its purview were held on the following dates:

February 16th, 2021 - Gambling sector;

February 18th, 2021 – Insurance sector;

February 19th, 2021 – Securities sector; and

February 23rd, 2021 – Fiduciary sector.

The objective of the sessions was to increase and enhance the knowledge and level of understanding of licensees vis-à-vis their

obligations as reporting entities under the AML/CFT Act by assisting reporting entities in:

- Better understanding their role as gate keepers and how this has an impact on the reputation of Seychelles as a financial centre;
- enhance knowledge of the latest ML/TF risks faced by their companies and their role in mitigating this risk; and
- ensure that reporting entities are aware of the relevant AML/CFT legal and regulatory obligations and compliance measures, including the established internal control systems of a reporting entity.

The awareness sessions also highlighted the importance of filing Suspicious Transaction Reports (“STRs”) and the role of reporting entities in cooperating with the Financial Intelligence Unit (“FIU”) and other law enforcement agencies during an investigation.

The AML/CFT Unit, led by the Chief Executive Officer Mr. Damien Thésée, met with several insurance practitioners licensed under the Insurance Act, 2008 on October 8th, 2021 as part of its outreach to the private sector to understand the challenges being faced by those reporting entities, particularly where it concerns the compliance of those reporting

entities to their obligations under the AML/CFT Act. A number of issues were raised by the practitioners in relation to some of the AML/CFT obligations imposed on the REs particularly, where it concerns the practical application of those obligations.

As part of the awareness raising earmarked for the legal persons and legal arrangements, the AML/CFT Unit also issued Frequently Asked Questions (“FAQs”) in October 2021 to assist legal persons, legal arrangements and their respective resident agents under FSA’s regulatory purview in understanding how to apply the provisions of the Beneficial Ownership Act and Beneficial Ownership Regulations. These FAQs also clarified the position of the FSA on certain provisions of the Beneficial Ownership Act and Beneficial Ownership Regulations in order to assist compliance with such provisions. The AML/CFT Unit intends to issue additional FAQs or guidance, as appropriate.

GUIDELINES

The AML/CFT Unit issued the Institutional Risk Assessment guidelines to the reporting entities under the regulatory purview of the FSA, on January 26th, 2021. This was done following an exercise conducted by the AML/CFT Unit to

better understand and assess the level of AML/CFT controls in place within the office of its reporting entities to mitigate ML/TF risks identified.

The primary objective of this exercise was to have a better understanding of the level of risk management systems in place within the office of the reporting entities which would in turn allow the AML/CFT Unit to determine the level of guidance to be issued to the reporting entities and type of awareness raising initiative necessary to ensure that adequate and appropriate risk management frameworks are adopted by the reporting entities under the regulatory purview of the FSA. Guidance on high risk jurisdiction have also been issued to the reporting entities and published in FSA’s website.

WORKSHOP / WEBINAR

The FSA also facilitated and participated in a STAR Initiative (part of the World Bank) workshop from March 30th - 31st, 2021 on the country application of the Beneficial Ownership concepts to a large segment of resident agents in anticipation of the obligations under the Beneficial Ownership Act vis-à-vis Seychelles legal person and arrangements considering that these resident

agents would be fulfilling the roles of gate-keepers in terms of the BO obligations placed on the legal persons/arrangements.

In 2021, the reporting entities under the regulatory ambit of the FSA were given the opportunity to attend the following virtual workshop and webinars:

- Webinar on countering proliferation finance for the private sector stakeholders in Seychelles on 16 June 2021 conducted by Royal United Services Institute (“RUSI”)
- AML/CFT webinar conducted by Refintiv for the reporting entities on Friday 5th November 2021

INSPECTIONS

As part of FSA’s commitment to meet effectiveness assessment obligations under the Mutual Evaluation by the Eastern and Southern African Anti-Money Laundering Group (“ESAAMLG”), the AML/CFT Unit undertook its AML/CFT and Beneficial Ownership inspections in 2021 for the reporting entities falling under FSA’s purview, since assuming sectoral responsibility for AML/CFT supervision for its prudentially-supervised sectors.

Below table provides the statistics on the AML/CFT inspections undertaken for the year 2021:

	Sector	Type of Licence	Reporting Entities Inspected		Total
			AML/CFT	BO	
1	Fiduciary	ICS*	7	6	13
		ITS*	-	5	5
		FS*	-	6	6
2	Insurance	Insurance Companies	2	-	2
		Insurance Brokers	2	-	2
3	Gambling	Casinos	2	-	2
		Slot Machines	2	-	2
4	Securities	Securities Dealers	2	-	2
Total			17	17	34

**Note:*

ICS – International Corporate Services, ITS – International Trustee Services, FS – Foundation Services

FIT AND PROPER ASSESSMENT

Fit and Proper tests are an important form of entry control where key persons aiming to have a key role within the reporting entities would be vetted and determined as fit and proper.

To complement this, the AML/CFT Act also sets out a similar framework for Compliance Officers and Alternate Compliance Officers appointed under sections 34 (1) and 34 (3) of the AML/CFT Act who are required to be vetted by their supervisory authorities before they are approved to carry out the function and subsequently register with the FIU as an approved person for those purposes.

The assessments will have regard to a number of parameters such as:

- Probity and integrity;
- Experience;
- Educational and professional qualifications and membership of professional or other relevant bodies; and
- Other relevant information (diligence with which the person has fulfilled similar functions).

Table below provides the statistics on the number of approvals granted by the AML/CFT Unit for the appointment of Compliance Officers, Alternate Compliance Officer / absolving the reporting entity from appointing an Alternate Compliance Officer under the AML/CFT Act:

Sector	Number of Compliance officers approved for 2021	Number of Alternate Compliance Officers approved/ absolved from appointing an Alternate Compliance Officer
Gambling	9	8
Fiduciary	68	68
Securities	76	57
Insurance	31	31
Total Approvals	184	164

OUTLOOK FOR 2022

NATIONAL RISK ASSESSMENT (“NRA”) – VIRTUAL ASSETS (“VA”) AND VIRTUAL ASSETS SERVICE PROVIDERS (“VASP”)

Following the Mutual Evaluation conducted by the ESAAMLG, a Financial Action Task Force (“FATF”) style regional body, and the publication of the Mutual Evaluation Report in 2018, Seychelles was deemed as being non-compliant with regards to Recommendation 15 of the FATF standards.

In light of FSA’s on-going assessment by the ESAAMLG for which the FSA have to report on a bi-annual basis to show compliance to Recommendation 15 and in view of the high level of prevalence of the use of Seychelles registered entities undertaking activities in the field of crypto-currency or other block-chain technology-based services in recent years, the FSA deems it necessary to conduct a risk assessment of VAs and VASPs, as the said activities are currently not being licensed/regulated by the FSA.

The primary objective the VA/VASP risk assessment is to aid the FSA and other relevant competent authorities to assess the feasibility, potential benefits and potential draw-backs of having a VA/VASP regime in the Seychelles

where due consideration and focus will be placed on assessing the risks pertaining to such a regime. It is important to note that the exercise will also guide and inform the establishment of a national policy position on the subject matter which is an important first step vis-à-vis the development of legislations in line with the established policy position that will allow the Seychelles to meet its obligations in regards to Recommendation 15.

The AML/CFT Unit is driving this project, which is expected to last for a period of six months. In this regard, the services of a qualified and experienced consultant have been acquired to assist in conducting the risk assessment of VAs and VASPs that will benefit Seychelles in general and the results will feed into the broader NRA, earmarked during the course of 2022.

BENEFICIAL OWNERSHIP INSPECTIONS

FSA, as one of the custodian of the Beneficial Ownership Act, will implement a risk-based supervision methodology to ensure compliance to the Beneficial Ownership Act by legal persons and legal arrangements that will include both, offsite and onsite supervision as follows:

- review of Beneficial Ownership registries maintained at the registered office address of the legal persons/arrangements along with supporting documentations accompanying the registries;
- conduct beneficial ownership survey (to gauge how the three-tiered / cascading approach is being implemented and the documents used for verifying the authenticity of beneficial ownership information being declared); and
- compare the Beneficial Ownership registry maintained at the registered office address of the legal persons/arrangements with that maintained at the FIU to verify the accuracy of the beneficial ownership information of the legal persons/arrangements in the database.

REGISTRY SECTION

FUNCTIONS AND KEY RESPONSIBILITY

The Registry Section administers the Registry legislations set out per Part 2 of Schedule 1 of the FSA Act under which either the FSA CEO or the FSA itself is mandated to act as the Registrar. The Section administers the following laws:

- The International Business Companies Act, 2016
- The Foundations Act, 2009
- The Trusts Act, 1994
- The Limited Partnerships Act, 2003

The Section is responsible for ensuring that the different registers for the different entities or legal arrangements are maintained in accordance with the provisions of the relevant laws that govern them.

The main duties and responsibilities of the Registry Section focus on the registration of specified entities in the first instance (i.e. incorporation or registration) such as International Business Companies (IBCs) and Foundations in accordance with their relevant legislation.

The Section also processes post-registration transactions including the renewals of legal personalities and amendments to their constitutional documents that are filed with the Registrar.

The Registry Section is also responsible for the issuance of Certificates of Good Standing and Certificates of Official Search as well as other information upon requests made in accordance with the relevant provisions of the legislations.

The main areas of priority for the Registry Section is to ensure a culture of high performance and high levels of service delivery vis-à-vis its core responsibilities. Additionally, the Section is committed to ensuring that the records it keeps are as complete and accurate as possible.

GENERAL OVERVIEW OF NEW LEGAL ENTITIES AND ARRANGEMENTS REGISTERED IN 2021

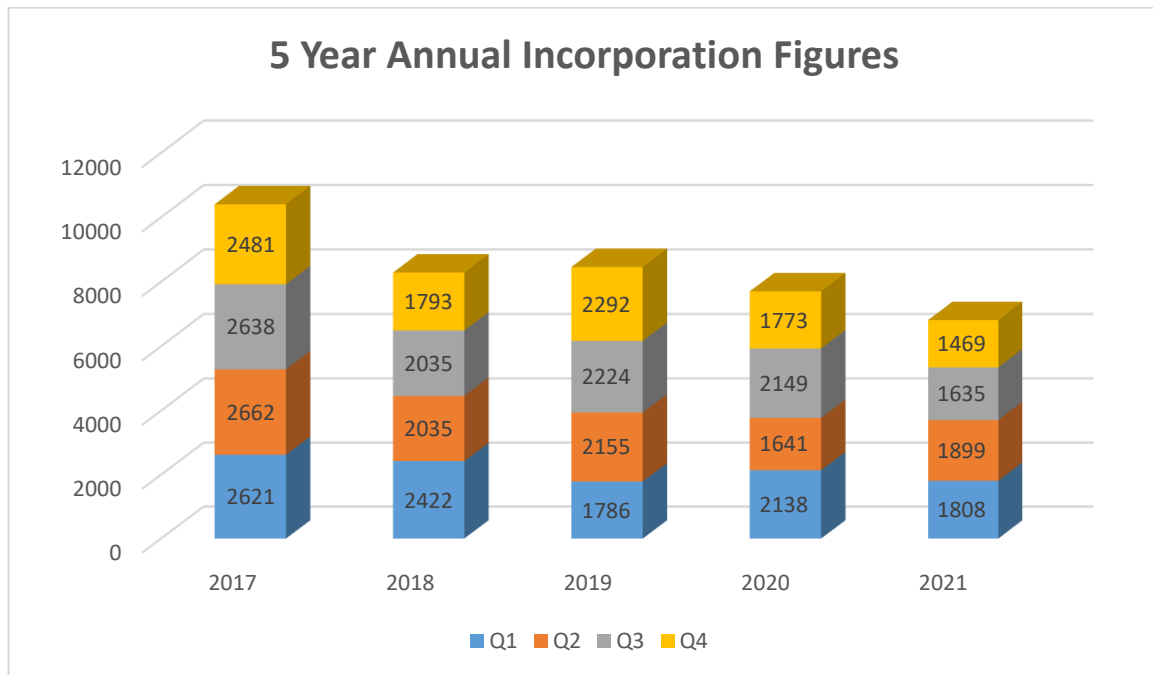
	New Registrations
IBCs	6811
Foundations	73
Trusts	32
Limited Partnerships	1

INTERNATIONAL BUSINESS COMPANIES (IBC)

New IBCs incorporated in 2021 amounted to 6,811 companies. The average number of IBCs incorporated on a monthly basis was 567

companies during 2021, compared to a monthly average of 641 companies in 2020.

Year	New Incorporations	Cumulative Total
2017	10,402	199,931
2018	8,285	208,216
2019	8,457	216,824
2020	7,701	224,525
2021	6,811	231,336

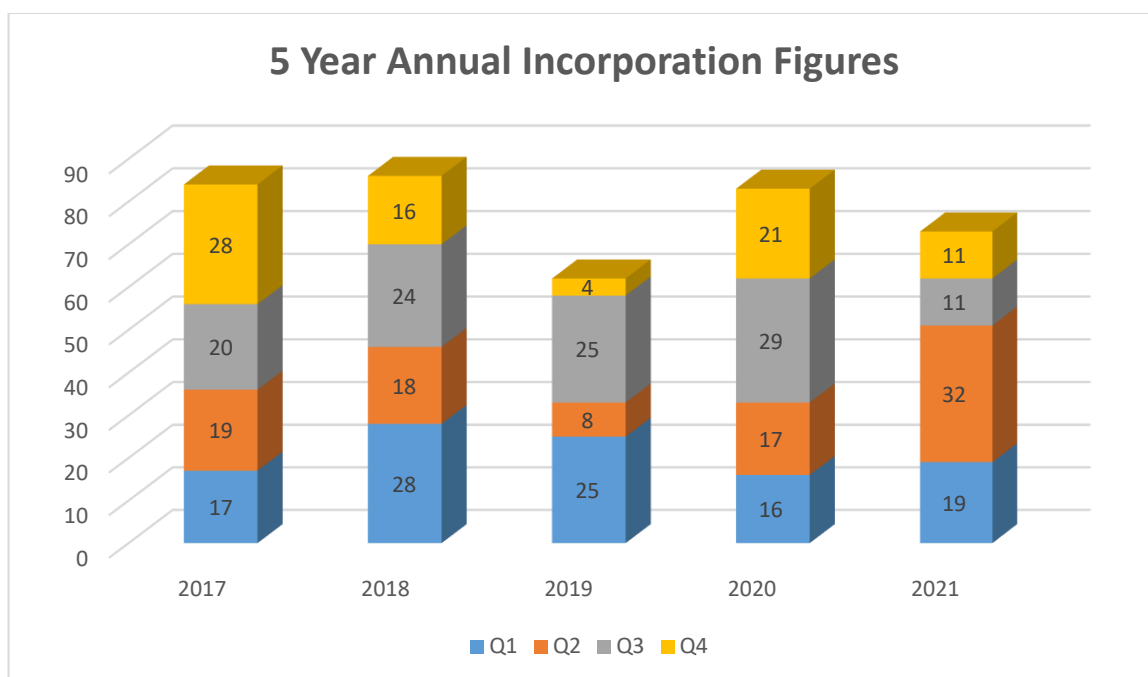


FOUNDATIONS

New foundations incorporated in 2021 amounted to 73 foundations. The average

number of foundations incorporated on a monthly basis was 6 foundations during 2021.

Year	New Incorporations	Cumulative Total
2017	72	686
2018	74	760
2019	75	835
2020	83	918
2021	73	991

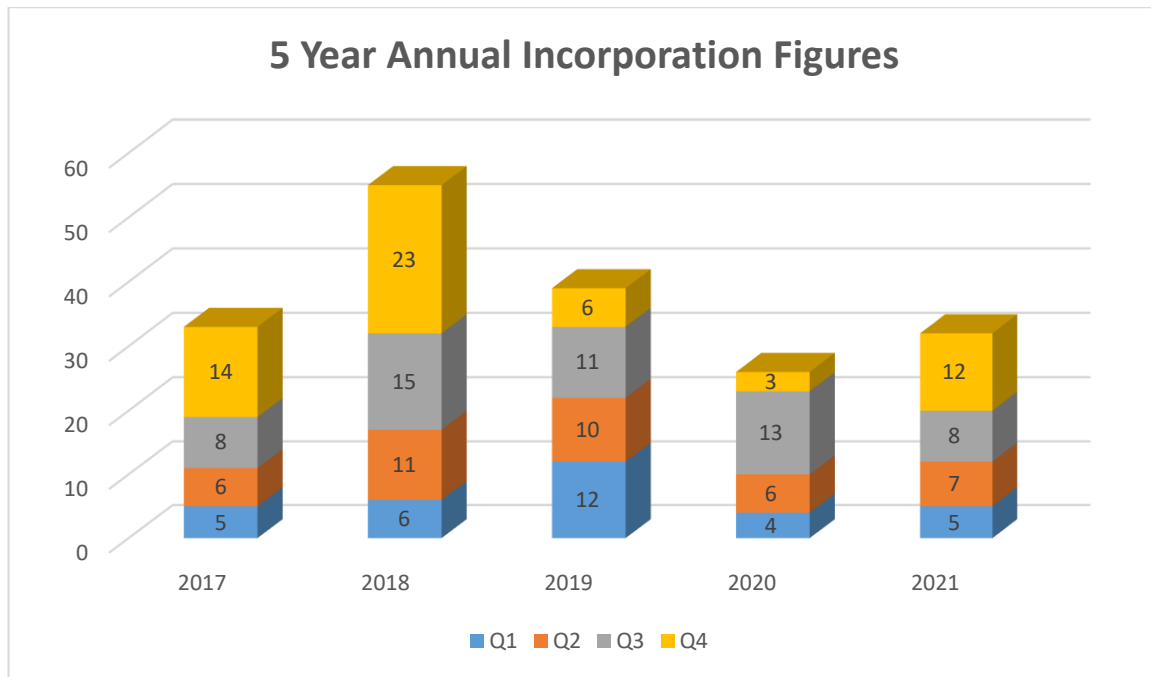


TRUSTS

New trusts registered in 2021 amounted to 32.

The average number of trusts registered on a quarterly basis was 8 during 2021, compared to a monthly average of 6 in 2020.

Year	New Registrations	Cumulative Total
2017	33	729
2018	55	784
2019	39	823
2020	26	849
2021	32	881



LIMITED PARTNERSHIPS

Compared to the other products, the figures for newly registered limited partnerships remain very low over the years as depicted by the below table.

Year	New Registrations	Cumulative Total
2017	1	30
2018	1	31
2019	1	32
2020	0	32
2021	1	33

KEY DEVELOPMENTS OF 2021

The year 2021 proved to be a challenging year for the Registry Section particularly considering the decrease in IBC incorporation and the amendments that were made to the IBC Act which meant certain changes to the IBC

procedures. Another significant change was the amendment to the Business Tax Act which meant that the tax that was being applied on IBC, Trusts, Limited Partnerships and Foundations that was being collected by the FSA on behalf of Seychelles Revenue Commission are no longer applicable on the fees.

OUTLOOK FOR 2022

Going forward the Registry Section remains committed to ensuring that it is able to efficiently carry out its functions mandated by the various relevant laws. There is, increasingly a focus on the embracing of new technologies and processes to ensure that the Section's responsibilities are achieved in the most

efficient manner possible. Registry's focus for 2022 remains on new technologies and processes to provide high levels of service delivery vis-à-vis its core responsibilities.

LICENSING
AND
SUPERVISION
SECTIONS

THE FSA'S AUTHORISATION PERSPECTIVE

The FSA seeks to ensure that those entering the non-bank financial services sector under its purview meet and adhere to the standards established. The licensing phase is the stage whereby the FSA performs its pre-supervision function thereby protecting, from the onset, the reputation of Seychelles as an International Financial Services Centre.

LICENSING PROCESS

All licence applications, accompanied by a covering letter and the relevant application fee, must be submitted to the Chief Executive Officer of the FSA. An application for a licence

should be submitted in accordance with the respective law and guidelines. Guidelines that will assist applicants in the submission of an application, as well as the application forms and other relevant documents, can be accessed on the FSA's website (www.fsaseychelles.sc).

The licensing framework provides clear sets of licensing criteria and requirements for the processing of applications for a licence, authorisation or approval in line with internationally accepted norms of best practice. This is summarized hereunder.

THE FSA'S AUTHORISATION PERSPECTIVE

Internal Controls	Corporate Governance	Proposed Activity	Suitability of Persons	Prudential Requirements	Other Requirements
<ul style="list-style-type: none"> •Risk Management •Internal Audit •Compliance function 	<ul style="list-style-type: none"> •Composition and function of the Board of Directors 	<ul style="list-style-type: none"> •In line with legislative framework •Soundness of Business Plan 	<ul style="list-style-type: none"> •Customer Due Diligence •Personal Questionnaire •Fit and Propriety of applicant 	<ul style="list-style-type: none"> •Paid up capital •Solvency margins •Technical reserves 	<ul style="list-style-type: none"> •Insurance cover •Financial Capabilities •Management Capabilities •Source of funds

Requests for approvals may include new business applicants wanting to enter the sector or existing licensees wanting to extend their current services, seek additional permissions

for the provision of other regulated activities or undertake substantial changes in their operation. The application process includes the submission of the following documentation as

well as any other information deemed necessary by the Authority in making its determination.

Application Documents

- Application Form
- Detailed ownership structure of the applicant
- Certified true copies of the constitutional documents of applicant, including for each shareholder that is a legal person
- Certified true copies of audited accounts for the past two years (if any) of each for each shareholder that is a legal person
- Personal Questionnaire forms for each director, key officer, individual shareholder and beneficial owner of the applicant
- A detailed business plan
- Compliance and Procedures Manuals with regards to regulatory activity
- Compliance and Procedures Manual with regards to the Anti-Money Laundering law

Authorisation's staff also handle applications for fitness and propriety assessments from license holders in respect of Directors, Internal Auditors, Compliance Officers and other

certain senior staff and officers. In addition, key persons vetted by the Authority include shareholders and beneficial owners to ensure that they are of satisfactory repute.

Customer Due Diligence (CDD) Documents

As per current practice, CDD information are collected by the FSA through the Personal Questionnaire Form, which include:

- Proof of identity (passport, national identity card, driving license, etc.)
- Proof of address (utility bills, etc.)
- Proof of financial integrity and soundness (bank reference)
- Employment references
- Police clearance certificate
- Declaration of whether a person is a Politically Exposed Person
- Face to face interview (as required)

Final decision in regards to the licensing of applications rests with the FSA Board following the recommendation of the CEO.

Through its post authorisation regulation, the Authority gains a thorough understanding of the operations of the relevant licensees and other regulated persons, including the risks associated with their businesses and the mitigating structures and procedures in place to mitigate those risks. The Authority monitors compliance and adherence of licensees and other regulated persons to the relevant legislations, rules and best practices, and is able to take the necessary enforcement action against licensees and other regulated persons in cases of regulatory breaches.

Supervision of its licensees on an ongoing basis is a critical aspect of the FSA's operations. Ultimately, this allows the Authority to foster public and investor confidence in the financial system and maintain the good reputation of the Seychelles as an International Financial Services Centre.

In line with international best practice, the FSA takes a two-pronged approach to supervision, with on-site (inspections-based) supervision, complementing off-site (desk-based) surveillance.

Off-site supervision is a critical tool used to supervise licensees and other regulated persons in order to identify the need for regulatory interventions. It remains an effective tool to deal with the potential risks posed by licensees and other regulated persons. Off-site inspections represent the initial step to detect non-compliance areas.

On-site supervision entails the carrying out of inspections of the offices of licensees and other regulated persons. On-site inspections complement the on-going desk-based surveillance. A programme of on-site inspections may be planned based on the Risk Assessment Score, the findings of off-site reviews or adverse outcome from previous inspections conducted.

Overview of on-site and off-site supervision

Off-Site (desk-based) Supervision

Off-site supervision involves a broad spectrum of activities including, but not limited to:

- regulatory approvals
- determining compliance by licensees and other regulated persons with applicable laws, codes, guidelines and established best practices
- reviewing and understanding material issues disclosed by the financial statements
- identifying early warning signs of potential problem areas in the regulated entities
- assist on-site supervision team in focusing on high-risk areas and areas of greatest weakness in each licensee
- assist on-site supervision team to follow up on the compliance by the licensees and other regulated persons with any condition or direction

On-Site Supervision

The principal objectives of on-site supervision, in addition to those derived from off-site surveillance are to:

- monitor licensee's and other regulated person's adherence to the relevant laws
- ensure licensees and other regulated persons adhere to good corporate governance
- gain an understanding of licensee's and other regulated person's operations to identify the risks associated with their business and how these risks are being managed
- evaluate the risk management processes established by licensees and other regulated persons
- evaluate the internal control procedures established by licensees and other regulated persons
- review the roles performed by the board of directors and senior management of licensees and other regulated persons

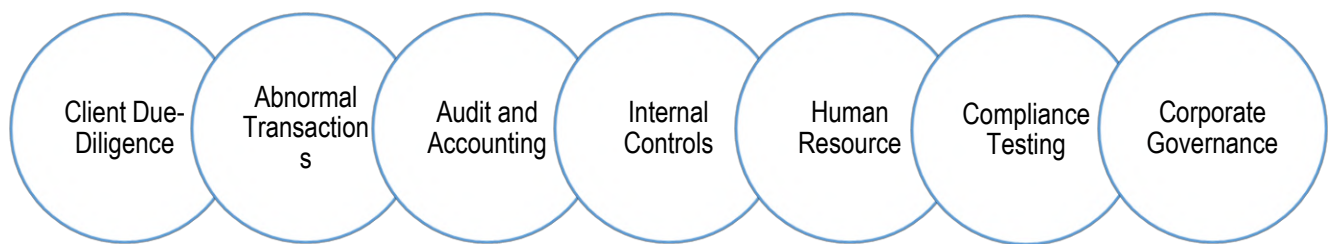
TYPES OF ON-SITE INSPECTIONS

On-site inspections may be general or theme based.

GENERAL-BASED

The inspection teams perform holistic reviews of the licensees and other regulated persons to

assess their operations, governance and risk management processes against regulatory requirements and standards. These full-scope inspections, which may be done in collaboration with the Financial Intelligence Unit (FIU), delve in the following aspects of the operations of a licensee.



THEME BASED

The inspection teams may also perform narrow focused review of a particular aspect of the operations of a licensee.

Theme based reviews are based either on a complaint, perceived risks or issues raised from off-site supervision, a recorded shortcoming, or following issues identified during a previous inspection.

REPORT ON FINDINGS

Any findings identified during an inspection (either general or theme based) are presented and discussed with directors and senior management of the licensee prior to a final report being issued. The final report informs the directors and management of the licensee of any adverse matters that require attention and deadlines to effect the corrections of those matters. The inspection cycle depends on the nature of the licensee and the respective supervisory unit's risk assessment.

INTERNATIONAL TRADE ZONE AND HIRE PURCHASE SECTION

INTERNATIONAL TRADE ZONE

The International Trade Zone Act, 1995 came into force on the 1st July 1995. The Act provides the FSA with the power to licence, regulate and supervise all operations of the designated Zones in Seychelles as mandated by the International Trade Zone Act and the FSA Act.

The Seychelles International Trade Zone (ITZ) is a free trade zone created by the ITZ Act, 1995 to allow for international trading in and through the Seychelles. These zones, designated by the Minister, are considered as ex-territorial and as such, some specific laws do not apply. These laws are specified in the ITZ Act and Regulations.

The ITZ is designed to cater for the needs of redistributors and exporters of goods and services. All business activities conducted by companies licensed under the ITZ Act must be geared towards exportation.

The types of licenses issued under the ITZ Act are as follows:

- Light Assembly
- Processing

- Redistribution
- Manufacturing
- Export Services licence refers to the provision of services relating to goods being physically handled in the zone such as:
 - a) Repair and reconditioning of goods;
 - b) Warehousing and rental of storage space, or;
 - c) Logistic services

HIRE PURCHASE AND CREDIT SALE

The Hire Purchase and Credit Sale Act, 2013 became operational in March 2014. However, the Regulations were only enacted in 2018, to provide for applicable fees and charges.

HIRE PURCHASE AGREEMENT

This is an agreement between the dealer and the client (Hirer) for the purchase of goods by the Hirer, with the ownership of the goods only remaining with the dealer until the payment of the final instalment. After the final instalment payment, the ownership of the good is transferred to the hirer. The hirer agrees to pay the dealer in instalments over an agreed period

of time not exceeding the maximum period as prescribed under the law.

CREDIT SALES AGREEMENT

Similar to the Hire Purchase Agreement, a Credit Sale is when goods are bought by a buyer from a dealer, for which the buyer does not have to pay the cash price of the goods at the time of purchase. Instead, the buyer pays for the goods over time through monthly instalments. However, unlike the Hire Purchase, the ownership of the goods bought passes to the buyer at the time the credit sales agreement is entered into or upon delivery of the goods.

STRUCTURE

The International Trade Zone and Hire Purchase Section does not comprise of any units, as the section does both authorisation and supervision. The authorisation function is responsible for the processing of licence applications, licence renewals, attending to queries and grievances. Whereas, the supervision function is responsible for the both on-site and off-site supervision of licensees and taking enforcement actions whenever required.

KEY RESPONSIBILITIES

The Section is responsible for the licensing and supervision of activities undertaken by ITZ licensees and hire purchase and credit sale licensees in order to ensure compliance of such licensees with the relevant legislations.

Employment matters within the ITZ are governed by the ITZ (Employment) Regulations, 1997 and the ITZ (Conditions of Employment) Order, 1997. These Regulations provide for the establishment of an Employment Council to advise the Minister and the FSA on all matters relating to employment within the ITZ, including grievance matters. The Section conducts regular employment visits at the premises of the ITZ licensees and handles complaints or enquiries from ITZ employees and employers.

The section processes employment grievances lodged by employees or employers in accordance with the ITZ (Employment) Regulations. This includes conducting the appropriate investigation in regards to the grievance, acting as the intermediary during joint consultations between employer and employee, and determines a way forward upon conclusion of the grievance procedure. The Section is also responsible for the processing of

ITZ work permit for ITZ licensees, prior to submission of the application to the Immigration Department.

AUTHORISATION PROCESS

The Section follows the same application process as that of the other licensing sections of the FSA in terms of the documentations required for licence applications. However, unlike other licensing sections, the Section does not place particular emphasis on “Fit and Proper” of individuals within ITZ licensees. However, the Section ensures that the individuals associated with a licensee are of satisfactory repute.

In addition, the Section ensures that prior to providing its approval to an ITZ application, the applicant possesses adequate premises for its operation. A site visit of the proposed premise is conducted in order to ensure that such premise can be demarcated as an ITZ. The number of new licenses issued in 2021 per licence type are as follows:

Licence	Approved	Rejected
Export Services	1	0
Redistribution	0	0
Light Assembly	0	0
Processing	1	0
Manufacturing	0	0
Hire Purchase	0	0

Credit Sales	0	0
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OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2017	2018	2019	2020	2021
Export Services	11	11	11	10	6
Redistribution	9	6	6	5	5
Light Assembly	1	1	2	2	2
Processing	8	7	7	8	7
Manufacturing	2	2	2	3	3
Hire Purchase	0	0	1	1	0
Credit Sales	0	0	0	0	0

SUPERVISION PROCESS

During the onsite supervision visits, the Section assesses the premises of the ITZ licensees, ensuring that the premises are not easily accessible by the public and ensuring that the business activities being conducted within the premises are within the activities specified in the licence of the licensee. The review of inventory list and conditions of which the license was given records of the licensee are inspected so as to ensure that, as per the revenues recorded on its financial records, all goods are being exported rather than being sold to the local market (unless the licensee has been allowed to sell a particular portion of its goods or services to the local market). The importation records of a licensee are inspected

to ensure that there is no abuse in tax concessions granted under the licence.

The value of imports and exports by ITZ companies for the past 5 years are as follows:

Year	Total Exports	Total Imports
2017	\$ 322,929,481.57	\$ 250,810,104.52
2018	\$ 385,799,764.17	\$ 180,820,741.56
2019	\$ 310,549,393.71	\$ 155,266,630.87
2020	\$ 241,547,900.72	\$ 220,418,943.62
2021	\$487,359,536.67	\$440,044,946.06

The Section assesses the placement of material goods and finished products by the licensee, ensuring that there are no hazardous materials within the premises. Additionally, the working environment of employees is inspected, ensuring that the health and safety aspects of the business premise meets the required standard. Interviews may also be conducted with the employees, which helps to deduce whether employees are aware of their rights and obligations as per the ITZ legislations.

INSPECTIONS UNDERTAKEN

Licensee	2021
Export Services	1
Redistribution	1
Light Assembly	1
Processing	3
Manufacturing	3
Total inspections	9

ENFORCEMENT ACTIONS

The ITZ Section did not undertake any enforcement actions against a licensee under its administration in 2021.

COMPLAINTS

The table below depicts the total number of complaints received by the Section for 2021 against the category of licensee.

	ITZ	HP&CS
Complaints Received	1	0
Resolved Complaints	1	0
Unresolved Complaints	0	0

The complaint was a joint grievance with regards to the payment of Public Holidays. The investigation concluded that there was no malpractice.

KEY DEVELOPMENTS OF 2021

Given the amendments undertaken in 2018 and 2019 to the ITZ Act to require geographically mobile activities (i.e. services) to meet the Global Forum's Base Erosion and Profit Shifting standard and also to bring geographically immobile activities (e.g. manufacturing activities) in line with the EU Code of Conduct for Business Taxation requirements. As such, as per the ITZ (Amendment) Regulation, 2018 companies

holding an export services licence but conducting consultancy services had to surrender their ITZ licence effective 30th June, 2021.

OUTLOOK FOR 2022

For 2022, the Section will keep on working closely with other sections within the FSA and other stakeholders to review and finalise the current ITZ regime, to bring it to par with international standards and to develop it into a more competitive zone compared to other jurisdictions. Furthermore, the section intends to conduct intensive research to improve the regime as well as the incentives being offered to attract more investors in the framework. The ITZ Section intends to finalise the ITZ (Employment) Regulations, 1997 in order to bring it in line with the current employment climate. We also intend to enter an intense discussion with the Ministry of Employment during the year 2022 to finalise and sign the MOU that the Authority initiated in 2021 so that the FSA as the regulator of employment within the zone may have complete authority to approve posts. Furthermore, the section in collaboration with SRC will be drafting a transshipment procedure that will facilitate the daily operations of ITZ licensees within the zone as well as drafting a stevedore's

regulation specifically for ITZ companies that will regulate stevedores within the zone.

In terms of Hire Purchase and Credit Sales, the section intends on updating the list of activities permitted under the Hire Purchase and Credit sales licence. We also intend on placing more emphasis on public awareness using different means of media, so as to attract more businesses who are currently offering these services.

INSURANCE, GAMBLING AND PENSION SUPERVISION

SECTION: INSURANCE

The Insurance Act, 2008 assigns the responsibility for the regulation of insurance business to the FSA and provides for the licensing and regulation of the following persons:

- Domestic Insurers
- Non-domestic Insurers
- Domestic Brokers
- Non-Domestic Brokers
- Agents
- Sub-agents
- Principal Insurance Representatives
- Insurance Managers

KEY RESPONSIBILITIES

The Insurance, Gambling and Pension Supervision Section supervises and regulates insurance businesses and intermediaries in accordance with the Insurance Act, 2008 and the FSA Act, 2013. The mandates of the Section are as follows:

- Regulating and co-coordinating activities of insurers and insurance intermediaries
- Supervision and monitoring of insurers and insurance intermediaries
- Co-coordinating and implementing policies on insurance matters

- Specifying the code of conduct for members of the insurance industry
- Formulating standards in the conduct of the insurance business
- Protecting the interests of policyholders

As per the Financial Sector Development Implementation Plan (“FSDIP”), there is a need to extend the FSA’s prudential and market conduct regulations to the Seychelles Pension Fund to ensure the continuity of national pension payments and the Seychelles’ market stability and financial soundness. However, the section is yet to start regulating the pension fund sector in view that the necessary legislative amendments allowing the transfer are still pending.

STRUCTURE

The Section comprise of two units, the authorisations section and the supervision section. The authorisation section is responsible for the processing of licence applications, conducting fit and proper assessments on principal officers, renewal and surrender of licence, review and approve products. Whereas, the supervision unit is responsible for complaints handling, plan and

conduct on-site and off-site inspections duties, which includes analysis of audited financial reports, actuarial reporting, business plans, collect and consolidate statistics including the quarterly returns forms and review and update supervisory regulations and procedures in accordance to international best practice.

AUTHORISATION PROCESS

The IGPS Section follows the FSA authorisation process, as set forth earlier in the report.

NEW LICENSE APPLICATIONS

The table below depicts the number of applications received for 2021.

Licence	Approved	Rejected
Sub-Agent	8	0
Non Domestic Insurance Company	2	0
Domestic Broker	4	0
Principal Insurance Representative	2	0

No application was rejected in 2021.

OVERVIEW OF NUMBER OF LICENSES OVER THE PAST 5 YEARS

Licence	2017	2018	2019	2020	2021
Domestic Insurers	5	6	6	6	6

⁴ Principle Insurance Representatives

Non-Domestic Insurers	8	8	7	6	8
Domestic Brokers	14	17	16	20	24
Agents	3	3	3	3	2
Sub-Agents	36	40	47	47	48
Insurance Managers	1	0	0	0	0
Domestic Reinsurer	0	0	0	1	0
PIR ⁴	2	2	1	1	2

FIT AND PROPER APPROVALS

The table below depicts the total number fit and proper applications received in 2021.

Licence	Approved	Rejected
Non-Domestic Insurer	9	0
Domestic Insurer	13	0
Broker	9	0
Sub-Agent	8	0

SUPERVISION PROCESS

In terms of off-site supervision of licensees, the Section requires submission of:

- Audited Financial Statements
- Actuarial Reports
- Updated Business Plans
- Reinsurance Treaties

- Quaterly Returns Forms
- Suspected Fraud Cases

INSPECTIONS UNDERTAKEN

Licensee	Number of Inspections
Domestic Insurer	4
Domestic Brokers	5

ENFORCEMENTS ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2021.

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Non-Domestic insurer	-	-	-	-	-
Domestic Insurer	3	-	-	-	-
Brokers	4	-	-	-	-
Agents	1	-	-	1	-
Sub - Agent	-	-	-	-	-
PIR ⁵	-	-	-	-	1
Domestic Reinsurer	-	-	-	-	1

COMPLAINTS

The table below depicts the total number of complaints dealt with by the Section in 2021 against the category of licensee.

	Domestic Insurer
Complaints Received	20
Resolved Complaints	20
Unresolved Complaints	0

The complaints received are mainly from the insured against the insurance companies in regards to the inconsistencies in the claims handling process, not satisfied with the outcome of the claim i.e. the offer received

⁵ Principle Insurance Representatives

from the insurance companies and dissatisfaction of response received.

POLICY OWNER'S PROTECTION FUND ("POPF") CLAIMS

The claims made to the POPF Committee are for payment of claims which have been repudiated by insurance companies. These claims need to meet certain criteria in order to be considered by the committee. For the year 2021 the POPF Committee did not receive any claims.

GROSS WRITTEN PREMIUMS AND TOTAL ASSETS

The tables below illustrate an overview on how the market is developing in terms of Gross Written Premiums ("GWP") and Total Assets ("TA").

General Insurance Business		
Year	GWP (SCR)	TA (SCR)
2017	357,146,503	427,220,059
2018	385,996,525	510,329,899
2019	423,184,693	647,317,990
2020	455,087,483	763,955,880
2021	83,457,199.00	658,290,133.00

Life Insurance Business		
Year	GWP (SCR)	TA (SCR)
2017	68,857,550	542,950,151
2018	77,539,443	566,376,698
2019	84,949,605	587,286,992

2020	76,695,097	615,294,728
2021*	492,102,796.00	742,519,712.00

***Figures for 2021 does not include all the Insurance companies.**

KEY DEVELOPMENTS OF 2021

The Key developments for the year 2021 was the ongoing review of the Insurance Act, 2008 and its relevant regulations. A completely new Act is being finalized and progress is being made on the various regulations;

- Insurance (Brokers) Regulations
- Insurance (Fees) Regulations
- Insurance (Conduct of Business) Regulations (to capture claims management, risk management, internal control, restriction and fronting)
- Insurance (Policy Owners Protection Fund) Regulations
- Insurance (Auditors and Actuary) Regulations.
- Insurance (Insurance Business) Regulations
- Insurance (Insurance Professional) Regulations
- Insurance (Reinsurance) Regulations
- Insurance (Capital Requirement and Solvency) Regulations
- Insurance (Captive Insurance) Regulations

OUTLOOK FOR 2022

The following key projects are expected to be undertaken by the Section in 2022:

- Develop an ORSA (“Own Risk Solvency Assessment”) Framework for the licensed insurers
- Explore Captive Insurance Market and Private Pension Funds as new products
- Finalize the amendments of the Insurance Act
- Move for FSA to oversee and regulate the SPF and Pension sector respectively

INSURANCE, GAMBLING AND PENSION SUPERVISION

SECTION: GAMBLING

The Gambling Supervision Section was established in April 2015 to administer the Seychelles Gambling Act, 2014. The Seychelles Gambling Act came into force on the 1st November, 2015. The Act assigns the responsibility for the regulation of casinos, slot machines (also referred to as gambling machines) and interactive gaming to the FSA. The FSA took over the responsibility for these products from the Seychelles Licensing Authority in 2015. The other aspects of the gambling industry, such as lotteries and games of chance, remain under the purview of the Seychelles Licensing Authority. In August 2021, The Gambling Section merged with the Insurance and Pension Supervision section.

KEY RESPONSIBILITIES

The Section licences, supervises and regulates casinos, slot machines and interactive gaming in order to ensure compliance of licensees with the Seychelles Gambling Act and the FSA Act.

STRUCTURE

The GS Section currently comprise of two units, the authorization and supervision unit. The authorisation function entails the processing of applications, conduct review and approvals for

the Certificate of Approvals (“COA”), assist the Supervision Unit with the conduct of onsite inspections and approval of gambling premises. The supervision function entails both on-site and off-site supervision, approval for dismantling of machines, complaints handling, approval of game changes, review of audited financial statements and Monthly Regulatory Returns (“MRR”).

AUTHORISATION PROCESS

In addition to the stringent FSA-wide application process, the Section must have regards to:

1. The proposed premise of the casino or slot machine, in particular the location the licensee wishes to operate from
2. The age of the individuals to be employed in the gambling sector, which must be at least 21 years
3. The employees of licensees which must hold a hold a certificate of approval from the FSA.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received for 2021.

Licence	Approved	Rejected
Casino	0	0
Slot Machine	0	1
Interactive Gaming	0	1

The slot machine application was rejected by based on the proposed location. The Authority also considered objection letters which was received from different organisations and individuals stating that the proposed location inappropriate due to its close proximity to a school and the bus terminal.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2017	2018	2019	2020	2021
Casino	5	5	6	6	4
Slot Machine	7	7	8	8	7
Interactive Gaming	0	0	0	0	0

INSPECTIONS UNDERTAKEN

Licensee	Nº of night spot Checks
Casino	1
Slot Machine	0

During 2021, GS unit was unable conduct major onsite inspection during the first and second quarter of 2021 due to the restrictions on COVID-19. The unit inspected mainly changes

to gambling devices such as game changes, changes to the machines denomination, OS versions and RTP's. Inspections was conducted at 3 casinos and 6 slot machines licensees during the third and fourth quarter including one-night spot check where we inspected entrance notices, rules and licence certificate on display, presence of security officers, the atmosphere on the gaming floor and the security and surveillance systems, machines not in use and compliance to restriction on age to gambling establishment.

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2021.

Enforcement Action	Slot Machine
Directions	0
Directives	0
Penalty Fees	0
Suspension	0
Revocation	0

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2021 against each category of licensee.

	Slot Machine
Complaints Received	1
Resolved Complaints	1

Unresolved Complaints

0

Complaints received was due to malfunctioning of machines.

KEY DEVELOPMENTS OF 2021

The FSA has procured the consultancy of Gaming Laboratories International Africa (“GLI”) to review the existing gambling legislative framework and standards pertaining to all forms of gambling in the Seychelles. The objective of the consultancy is to develop a modern regulatory framework that will facilitate the most efficient and effective oversight of all aspects of gambling in Seychelles. GLI has completed the following draft documents: technical standards,

Seychelles Gambling Bill, Seychelles Gambling Regulations and Codes. The FSA has already conducted a first review of the Seychelles Gambling Bill and the industry provided their comments.

OUTLOOK FOR 2022

In 2022, the Section will continue working with the consultants on the revision of the existing gambling legislative framework, which will include an assessment of the impact of proposed new legislation on the existing businesses operating within the gambling industry. GS section endeavours to create a committee in order to develop a framework to tackle problem gambling or the negative effects of gambling within the society.

FIDUCIARY SUPERVISION SECTION

The Fiduciary Supervision Section licenced under the following regulatory legislations as defined by the FSA Act:

1. International Corporate Service Providers Act, 2003 (“ICSP Act”)
2. The Companies (Special Licences) Act, 2003 (“CSL Act”)
3. Protected Cells Companies Act, 2003 (“PCC Act”)

The ICSP Act provides for the following types of licences to be issued:

- International Corporate Services (“ICS”)
- Trustee Services (“TS”)
- Foundation Services (“FS”)

The Section also assesses applications for the determination of fitness and propriety of individuals within the sector, in accordance with the provisions of the ICSP Act. Further to same, applications for special licences pursuant the CSL Act and application for approvals of Protected Cell Companies (“PCC”), under both the PCC Act and IBC Act, are also processed by the FS Section.

KEY RESPONSIBILITIES

The FS Section’s main mandate is to promote a sound regulatory framework so as to ensure high levels of compliance with regulatory requirements, policies, practices and procedures adopted to safeguard public interest and foster investor confidence.

STRUCTURE

In order to achieve its mandate, the Section is segregated into two units, namely the Authorisations Unit and the Supervision Unit.

AUTHORISATIONS UNIT

The Authorisations Unit’s key functions are to receive, review and determine the merit of applications for licences under the ICSP Act, the CSL Act and the PCC Act. The Unit also conducts financial analysis by analyzing the audited financial statements of licensees under the ICSP Act and CSL Act. Information obtained through financial analysis then informs, inter alia, the Section’s risk-based supervision of the different licensees under its purview.

SUPERVISION UNIT

The Supervision Unit is mandated with the undertaking of the Section’s off-site or desk-

based supervision of the conduct of all its licensees. These include, but are not limited to, the monitoring of business conduct and activities of licensees to ensure that these are in line with the relevant laws, codes, guidelines, licensing conditions and any directions or directives as issued by the FSA.

As part of its desk-based supervisory activities, the Supervision Unit provides authorisations or approvals for the appointment of directors and key officers, changes in the legal and beneficial ownership of licensees under its purview and requests for approval for proposed acquisitions and mergers of licensees. The review of the advertising standards of licensees through the assessment of licensee's marketing materials is undertaken by the Unit to ensure that no undue risk is posed to the reputation of the Seychelles via the different advertising activities of regulated persons.

The Supervision Unit also carries out the function of on-site supervision where it is able to obtain first-hand insight into the internal control mechanisms, risk management structure and general compliance of licensees. This entails the monitoring licensees' adherence with all applicable laws, regulations

and codes. It is undertaken either through theme-based (focused) or full-scope on-site examinations. In light of the ongoing Covid-19 pandemic in 2021, the inspections of records were carried out both virtually and in-person (duly respecting health protocols in place).

Another important element of the responsibility of the Supervision Unit is to undertake risk assessments of its licensees to apply risk-based supervision. The maintenance and updating of the risk profiling system is an important function, which has an overarching influence on other activities within the Section such as its on-site and off-site supervisory activities.

The Supervision Unit is the custodian of the Section's complaints handling function. Complaints in relation to licensees or specified entities, as defined by the ICSP Act, are handled by the Unit where the necessary actions, enforcement of otherwise, are undertaken depending on the nature of observations and findings from the investigations conducted.

THE AUTHORISATIONS PROCESS

In addition to the FSA's authorisation process set forth earlier in the report, the Section has

special regards to the following when processing applications:

- The fitness and propriety of each director, member of the managerial staff and any other employees of a licensee or proposed licensee having significant powers or responsibilities with respect to the regulated activities of the licensees;
- Ensuring that each person having an ownership and/or controlling interest in the prospective licensee is of satisfactory repute and financial standing.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received, approved, rejected and withdrawn under the ICSP Act for the year 2021.

License Applications			
	ICS	ITS	FS
Received	2	0	2
Approved	1	0	0
Rejected	0	0	0
Withdrawn	1	0	0

The table below depicts the number of applications received under the CSL Act and the PCC Act for 2021.

License Applications		
	CSL	PCC
Approved	1	2
Rejected	0	0
Withdrawn	0	0

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2017	2018	2019	2020	2021
ICS	67	69	68	66	64
ITS	19	22	23	22	22
FS	16	18	20	19	19
CSL	323	328	336	338	242
PCC	18	18	18	21	24

FIT AND PROPER APPROVALS

The FSA is vested with the responsibility of exercising entry controls with respect to key individuals within regulated entities. The overarching objective of this responsibility is to prevent individuals who may pose certain risks to the sector and the public from entering these regulated sectors. As such, any director or member of managerial staff, including managers and other employees having significant powers or responsibilities with respect to the business activities of the licensee, must undergo the Fit and Proper test. Fitness tests usually seek to assess the competence of persons holding significant functions within the office of licensees and

their capacity to fulfil the responsibilities of their positions while propriety tests seek to assess their integrity and suitability to fulfil certain roles within the licensee. To determine competence, formal qualifications, previous experience and track record are some of the elements considered for fitness. In order to assess integrity and suitability, elements considered include criminal records, a person's financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

The table below shows the number of fit and proper applications received and processed by FS section (inclusive of applications from prospective licensees).

2021	ICS	ITS	FS
Approved	12	2	2
Rejected	1	1	0
Withdrawn	5	0	0

It is usually a small proportion of fit and proper applications that are rejected, as can be seen in the above table. When the FSA rejects an application, this is typically due to the applicants having insufficient knowledge specific to the trust and company services

sector. In the event that an applicant is determined not to possess such experience, the applicant is not found to meet the minimum requirements of the ICSP Code.

Over the course of 2021, the Supervision Unit within the FS Section undertook a series of compliance inspections at the registered office address of licensees under its purview. These inspections comprised of thematic inspections whereby a specific area of the law was reviewed and assessed for compliance, and in other instances, a full-scope inspection was conducted. The latter comprises of a review of all systems and controls implemented by the licensee.

On-site compliance inspections may be focused on the licensee as a supervised entity or on the entities under the administration of the licensee. The principal inspections of 2021 were conducted in conjunction with the inspections focused on the testing of the availability of accounting records of the international business companies.

COMPLIANCE INSPECTIONS OF LICENSEES

The ICSP Act, and equally the AML/CFT Act, obliges all licensed entities to have in place well documented control systems and procedures

suitable to the level and scope of a licensee's business. These licensed entities are also required to ensure that its managerial staff and relevant employees perform their duties in line with such systems and procedures. Similarly, the FS section conducts one full-scope inspections on licensed entities to verify whether this provision is being adhered to and how well it is being implemented. In 2021, one full-scope inspection was conducted, covering themes such as the corporate governance framework, procedures for on-boarding clients, customer due diligence measures in place, monitoring and customer activities and transactions, risk management, amongst others.

The table below illustrates the number and types of compliance inspections conducted on licensed entities under the ICSP Act in ensuring their compliance with the said Act.

Type of inspection	No.
Office visits related to changes in principal place of business	1
Full-scope inspection	1

COMPLIANCE INSPECTIONS RELATING TO IBCs, TRUSTS AND FOUNDATIONS

The FS Section is also tasked with monitoring the compliance of IBCs, trusts and foundations

in respect to the IBC Act, Trusts Act and the Foundations Act, respectively. These compliance inspections are centred around the record keeping obligations of the named entities vis-à-vis the relevant legislations (including the BO Act) and the keeping of reliable accounting records. In relation to the inspection of IBC's accounting records, the SRC joins the FSA in this undertaking. The below table outlines the types of records inspected in relation to IBCs, trusts and foundations and the number of inspections conducted (note, a licensee may have been inspected more than once).

Product Type	Record Keeping Requirement	No. of inspections
IBCs	Register of directors Register of members Annual Return (Repealed)	15
	Accounting records	24
Trust	Trust Register Accounting records	5
Foundations	Register of founders Register of councilors Register of registered agents Accounting records	6

In comparison to previous years, the FS Section has recorded a good level of compliance in respect to the keeping of the registers. In respect to the keeping of accounting records, it is to be noted that IBCs were requested to make available their accounting records at

their respective registered office address given that the transitional period (or grace period) for the lodging of the accounting records was still in ongoing. In general, more effort is required to ensure good compliance levels in terms of the availability and reliability accounting records, by these entities. As per the provisions of the IBC Act, the striking off process was initiated in respect to IBCs found to be non-compliant with the Act.

APPROVALS

The ICSP Act obliges licensees to notify the FSA of any changes in the directorship, shareholding and beneficial ownership of the licensee, following which the FSA may approve or object to the change.

Type of changes submitted	No.
Changes in directorship of licensees	3
Approvals for change in the shareholding and ultimate beneficial ownership of licensees	0
Change of name	1
Locum arrangements	3
Change of principal place of business	1

The table hereunder depicts the types of changes that the FSA should be notified of, prior to the licensee effecting these changes, as well as the approvals made by the Authority under the ICSP Act and FSA Act for the year 2021.

SURRENDER OF LICENCE

For the year of 2021, the FSS recorded a total of two (2) licensees, that have tendered their intention to surrender their licences; both of which were the international corporate services licence, which is also the most common type of licence issued by the FSS. One of the licensees was a managed corporate service provider. It is to be noted that by virtue of the new AML/CFT Act which came into force in August of 2020, licensees ceasing their businesses now have to adhere with obligation of handing over their records to the FSA for safe custody so as to preserve records within the jurisdiction so as, inter alia, to enable the Seychelles to meet its different Exchange of Information (“EOI”) obligations under the relevant legislations.

ENFORCEMENT ACTION

During the course of 2021, as part of the FSS’ supervisory work, three directions were issued pursuant to the FSA Act to two ICS licensees. The principal grounds for such enforcement

action was attributed to the licensees being in contravention of the ICSP Act. It is to be noted that both licensees complied with the directions issued. Adding to the above, one (1) ICS license was revoked in 2021 pursuant to the FSA Act. The revocation of the licence stemmed from non-compliances of the former licensee in respect to the AML/CFT Act and the ICSP Act.

Enforcement Actions	
Directions Issued	3
Revocation of ICS license	1

COMPLAINTS

Complaints	
Complaints Received	38
Complaints Closed	31

Complaints received by the SU are in respect to complaints lodged by the public against licensees (service providers) as well as complaints relating to specified entities such as IBCs and CSLs. The complaints mechanism provides the Authority with an extra tool in its supervisory function where it enables it to protect the interests of the consumers of non-bank financial services and also to maintain the good repute of the Seychelles via the investigation and remediation where possible of illegal or unethical practices. The SU has observed an increasing trend in the number of

complaints received involving IBCs engaged in the provision of services relating to virtual assets, or VASP. To that end, the complaint procedures adopted by the SU continues to evolve to adapt with the changing nature of complaints being brought to the FSA's attention, enabling the Authority to better discharge its duties.

In terms of statistics, during the year 2021 the FS Section recorded 38 complaints ranging from alleged fraudulent transactions from specified entities, typically IBCs, or disputes relating to the payment of fees for services rendered by licensees. Out of the 38 complaints received, 31 complaints have been closed.

KEY DEVELOPMENTS OF 2021

OBLIGATION FOR IBCs, FOUNDATIONS, LIMITED PARTNERSHIPS AND TRUST TO LODGE AND KEEP ACCOUNTING RECORDS IN SEYCHELLES

In August 2021, the amendments to the IBC Act, Foundations Act and Limited Partnership Act came into force. In the case of trust, a new Trusts Act was enacted, where the International Trusts Act, 1994 was repealed. The principal change made to the Acts is the

obligation for IBCs, foundations, limited partnerships, and trusts to lodge and keep their accounting records in Seychelles. The amended legislations also provided additional clarity in terms of the definition of accounting records, what would constitute compliance with the Acts and the sanctioning for non-compliance. These amendments in the respective Acts is largely attributed to the recommendations of the GF/OECD following Seychelles' second round of reviews on the implementation of the international standard of transparency and exchange of information on request (finalised in March 2020), in light of the deficiencies identified in the manner in which accounting records were being maintained per the law and its subsequent availability and quality of records made available by reporting entities (prior to the amendments).

The FS Section also assisted the Policy Unit with the drafting of the IBC guidelines which not only addressed certain general issues related to the IBC Act, but provided additional clarification in respect to what is expected of IBCs and equally registered agents, in relation to the lodging and keeping of accounting records in Seychelles.

AMENDMENTS IN THE CSL ACT

The third quarter of 2021 also saw the enactment of the amendments to the CSL Act wherein the main changes made were to improve the practical implementation of this Act. In general, the changes relate to additional clarification in respect to the companies' obligations when it comes to the Companies Act, clarification regarding the validity of a Special License once issued, an extension of the grounds on which the FSA may undertake enforcement actions against a company issued with a Special License, an extension in the timeframe that the relevant company is required to submit its annual return and audited accounts, amongst other changes.

STRUCTURAL CHANGES WITHIN THE FS SECTION

Following the FSA's restructuring in August 2021, the Enforcement and AML/CFT Unit which was part of the FS Section, is now a separate unit and has been renamed to AML/CFT Unit. The FS Section also consolidated two clusters that was part of the Supervision Unit, namely the offsite cluster and the onsite cluster. All staff within the Supervision Unit is now tasked with both onsite and offsite duties in undertaking the monitoring, supervision and

enforcement work. The Authorisations Unit remains unchanged.

OUTLOOK FOR 2022

ONSITE COMPLIANCE INSPECTIONS ON LEGAL PERSONS, LEGAL ARRANGEMENTS AND LICENSED ENTITIES

In cognizance of the importance of the need to ensure the availability of and access to accounting information, especially in view of the 2021 amendments in the IBC Act, Foundations Act, Trusts Act and Limited Partnership Act obligating these entities to lodge and keep accounting records in Seychelles, the section will continue to focus its resources towards inspecting IBCs', trusts', foundations' and limited partnerships' compliance with the maintenance of accounting records. In line with previous inspections, the section anticipates to strengthen its working relationship with the Seychelles Revenue Commission in order to test the availability and quality of such records being kept by legal entities and legal arrangements under the purview of the FSA.

Further to same, the FS Section will continue inspecting the keeping of registers, licensee's application of customer due diligence measures and other thematic reviews in

accordance with the prevailing Acts. Equally, the FS Section will be focusing its attention on the conduct of entities licensed under the ICSP Act, that is the ICS, ITS and FSA licensees, vis-à-vis their compliance with relevant legislations such as the AML/CFT Act, the BO Act as well as the ICSP Act. These compliance inspections are critical in light of Seychelles' commitment with international bodies such as the OECD through the Global Forum initiative, the FATF, the European Union and others, to show effectiveness in the implementation and application of the amended legislations. It is thus believed that such inspections shall enhance the Seychelles' reputation, amongst other matters.

AUTOMATION OF PROCESSES AND CONSOLIDATION OF DATA

It remains the FSA's key objective to automate its administrative procedures as far as possible in order to ensure a high service standard towards its clients and stakeholders.

CONSOLIDATION OF THE RISK-BASED APPROACH TO SUPERVISION

The Section has gradually developed an in-house risk-based approach to supervising its licensed entities, comprising mainly of the licensees under the ICSP Act, using several

parameters that have an influence on risk observed by the Section in the course of its day-to-day supervisory work and also through the course of inspections conducted, amongst other sources. The Section anticipates on utilising this approach for the upcoming year to enhance the effectiveness of its supervisory and monitoring work.

NATIONAL RISK ASSESSMENT OF VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS

The FSA will be embarking on a National Risk Assessment (NRA) on the feasibility, potential

benefits and potential draw-backs of having virtual assets and virtual asset service providers, or VAs/VASPs, framework in the Seychelles, where due consideration and focus shall be placed on assessing the risks pertaining to its adoption. To note, the NRA on VAs/VASPs is meant to feed into the wider overall NRA anticipated to take place during the course of 2022. The outcome of the NRA shall assist the FSA in undertaking an informed decision as to whether and how VAs/VASPs should be legislated, regulated or prohibited in Seychelles.

CAPITAL MARKETS & COLLECTIVE INVESTMENT

SCHEMES SUPERVISION SECTION

The Capital Markets and Collective Investment Schemes Supervision Section is responsible for the regulation and supervision of licensees within the Capital Markets and Collective Investment Schemes (“CIS”).

The Mutual Fund and Hedge Fund Act, 2008 governs CIS business in or from the Seychelles. This Act provides for the licensing, regulation and supervision of various fund structures (professional funds, private funds and public funds) and fund functionaries, such as fund administrators. It also governs the disclosure requirements applicable to all types of CIS (referred to as mutual funds in the legislation).

The Securities Act, 2007 governs the securities business in or from the Seychelles. This Act provides for the licensing, regulation and supervision of the Seychelles Securities Exchange, its clearing agency, securities facility and market intermediaries such as securities dealers, investment advisors and representatives. It also sets requirements for exempt Securities Dealers, the public issue of securities and the ongoing obligations of its respective issuers.

KEY RESPONSIBILITIES

According to the International Organisation of Securities Commissions (IOSCO) the three core objectives of securities regulation are as follows:

- The protection of investors
- Ensuring that markets are fair efficient and transparent
- The reduction of systemic risk

The need for regulation and supervision stems from the duty of the FSA to protect the interests of the investors. If capital market intermediaries and collective investment schemes are left unregulated and unsupervised, such persons may act in a manner which subordinates the interests of the investors to that of their own. This is detrimental to the public interest. The collapse of a capital market institution or a collective investment scheme or an act of irregularity in such an institution may deter public confidence in the capital market and in collective investment schemes. Thus the need for regulation and supervision of such activities. Regulation without supervision serves no

useful purpose. Even in the most regulated and best supervised markets, there are institutions collapsing due to insolvency and scams. These cannot be totally prevented, but the incidence of such occurrences may be reduced if proper regulation and supervision is in place.

The benefits of regulation and supervision are as follows:

- Enhances the credibility of the market and improves market confidence
- Increases the competitiveness of the market internationally
- Protects the investors
- Reduces systemic risk
- Stabilizing effect on the economy

The objectives of regulation and supervision are as follows:

- To promote full disclosure by entities seeking a listing and entities already listed to enable the investors to make well informed investment decisions
- To reduce the incidence of securities crime and to maintain a level playing field for all investors
- To foster the stability of regulated entities

STRUCTURE

The Section is segregated into two units, namely the Authorisations Unit and the Supervision (Onsite & Offsite) Unit. The Authorisations Unit's key function is to receive, review and determine applications for licenses. The Authorisations Unit has the responsibility of ensuring that high regulatory standards are applied at the outset to ensure that, where applications may cause harm to the good repute of the jurisdiction, such applications are referred for rejection. The Supervision Unit is responsible to supervise and take enforcement actions against licensees and other regulated persons under the Securities Act and the Mutual Fund and Hedge Fund Act.

AUTHORISATION PROCESS

The Section follows the FSA authorisation process, as detailed earlier in the report.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received under the Securities Act and the Mutual Fund and Hedge Fund Act for the year 2021.

	Approved	Rejected
Securities Exchanges	0	0
Securities Facilities	0	0

Clearing Agency	0	0
Securities Dealer	22	42
Securities Dealer's Representative	35	44
Fund Administrator	2	0
Approved Foreign Administrators	1	0

OVERVIEW OF APPLICATIONS REJECTED IN 2021 (REASONS FOR REJECTION)

The FSA has observed a continuous increase in the number of Securities Dealer license applications received and the most common grounds for rejections was failure of the applicant's key individuals to meet the FSA's criteria for fit and proper set out in the code for fit and proper and competency standards. Certain applications were deemed incomplete and therefore did not meet the requirements to be granted a license as such were also rejected.

COLLECTIVE INVESTMENT SCHEMES:

	2017	2018	2019	2020	2021
Fund Administrators	4	4	4	4	6
Restricted Fund Administrators	0	0	0	0	0
Approved Foreign Administrators	3	2	2	2	2
Private Funds	5	3	3	3	4
Professional Funds	7	8	8	8	8
Public Funds	1	2	2	2	2
Exempt Foreign Funds	0	0	0	0	0

SECURITIES

	2017	2018	2019	2020	2021
Securities Exchanges	1	1	1	2	2
Listed Companies	24	30	38	47	55
Securities Facilities	1	1	1	2	2
Clearing Agency	1	1	1	2	2
Exempt Securities Dealer	0	0	0	1	1
Securities Dealers	13	18	33	68	89
Securities Dealer's Representatives	13	20	35	69	93
Investment Advisors	4	4	5	4	2
Investment Advisor's Representatives	2	3	3	3	2

INSPECTIONS UNDERTAKEN

Following a decrease in covid-19 cases the Capital Markets Section began on-site inspection in December. This resulted to 1 inspection conducted for the year 2021.

ENFORCEMENT ACTIONS

The table hereunder depicts the enforcement actions taken by CM&CISS for 2019:

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	-	-	1	-	-
Public Fund	-	-	-	-	1
Fund Administrator	-	-	-	-	-
Investment Advisor	-	-	1	-	-
Securities Dealer	8	-	8	-	-
Securities Exchange	-	-	-	-	-
Clearing Agency	-	-	-	-	-

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2021. It has been observed that all complaints received were against only one licensed category namely Securities Dealer as reflected below:

Securities Dealer	
Complaints Received	53
Complaints Closed	8
Total	45

OVERVIEW OF COMPLAINTS

The majority of the complaints received varied from investors not being compensated following either making investments decision without the necessary understanding of the securities trading, failure to read the terms and conditions and unregulated/unlicensed persons making false representation of being licensed.

KEY DEVELOPMENT OF 2021

In line with the FSA's strategic objectives detailed in its strategic plan 2021-2025, the FSA as a regulator advocates the fostering of a collaborative relationship with all its stakeholders. For the same reasons the FSA found it as imperative to re-establish its capital markets committee in 2021 and the objectives of the committee ranges from fostering of a collaborative relationship between the regulator and the industry, consideration of new products and assess the feasibility of introducing these to the market, review challenges and impediments to capital markets and collective investment schemes development and propose potential solutions and areas for improvement and review of amendments of the current legislation to cater for existing and new products amongst others. The committee is chaired by the CEO of the FSA and presently comprises of 8 representatives from the Capital Markets Industry and the

FSA's technical staff. The members shall serve on the committee for a period of 2 years.

Furthermore, with a fast pacing growing industry the FSA has taken note of the shortage of suitably qualified persons within the Capital Markets industry. Therefore, due to this shortage and in line with the FSA's mandate to develop the industry, the FSA launched its scholarship initiative and offered 40 individuals the CISI level 3 certificate in Investment Compliance and the Capital Markets programme.

Additionally, to the above and in order to build capacity internally the FSA also organised a 3-day Capital Master class training session at Savoy Resort and Spa for the benefits of its staff. The training was attended by the CEO, Deputy CEO and employees from relevant sections within the FSA namely the Capital Markets & Collective Investment Schemes, Risk Management, Monitoring & Evaluation, Policy, Research & Statistics, Legal, AML/CFT and Corporate Communications.

OUTLOOK FOR 2022

REVIEW OF THE CAPITAL MARKETS FRAMEWORK

The FSA shall be reviewing its Capital Markets framework in line with best practices and international standards. With the FSA's rebranding and the launching of its strategic plan 2021-2025 the FSA is emphasizing on promoting a robust regulatory Framework and effective supervision.

CAPACITY BUILDING AND COLLABORATION WITH THE INDUSTRY

With the aim to strengthen collaboration with all stakeholders and build provide support to the industry, the FSA has in place a plan to provide continuous trainings and sensitisation programmes to industry practitioners.

DEVELOPMENTS OF NEW PRODUCTS

The section will also be working in close collaboration with the other sections of the FSA and other stakeholders to consider new products in order to expand the range of products on offer.

CORPORATE AFFAIRS

HUMAN RESOURCES SECTION

The Human Resources Section is responsible for the human aspects of the organisation. Employee performance is vital to the organisation. The key functions of the Section are summarized as follows:

1. **Performance management:** Ensuring that the existing system is working and performance management is continuous whereby employees are given feedback throughout the year.
2. **Reward management:** The formulation and implementation of strategies and policies that aim to reward employees fairly, equitable and consistently.
3. **Recruitment and selection:** Ensuring that the most skilful and competent individuals are selected for the job. The recruitment process generates a pool of capable individuals to apply for employment at the FSA.
4. **Career development and succession planning:** Looking at the availability of career development and planning for such. It ensures that FSA is attracting new talent and expanding the capabilities of existing employees to fill in business-critical positions.
5. **Capability Development and Learning and Development:** Placing importance on people and their capacity to perform at high levels in rapidly changing working environments and contexts. It ensures that the organisation has in place the right strategy to support learning and development of employees.
6. **Operational Human Resource:** These are services provided by the section to business operations and technical sections. It includes the implementation of staff benefits, employee relationship management, management of day-to-day issues, counselling and handling of databases.
7. **Health, Safety and Wellbeing:** Identifying workplace hazards, investigating complaints, recording accidents, undertaking inspection of all FSA premises and making recommendations to the management on where improvement is

8. required and organising activities that will help increase awareness about health and safety in the workplace.

STRUCTURE

Human Resource Business Partner Unit - is responsible for providing a full spectrum of HR service and systems that drive business performance and contribute to the realisation of the mission and core values of the FSA through the utilisation and deployment of programmes, tools, policies and framework developed to attract, motivate and retain the workforce.

Learning and Development Unit- is responsible for the management of the FSA's talent pool plan and coordination and facilitation of training and development programmes to ensure a high level of staff performance, productivity and capacity.

Health and Safety Unit – is responsible for creating and implementing health and safety policies and ensure that the organisation is in compliance with the latest legislation so that employees stay safe and the workplace is safe.

Payroll Services and Solutions Unit – is responsible for the efficient coordination,

review in order to ensure accuracy in the processing of monthly payroll, payroll taxes and processing of financial facilities granted to staff whilst ensuring compliance with the relevant policies and laws. The unit is also responsible for disbursement of loans and advances in line with the loans and salary advance policy and procedures as well processing of the monthly board and committee fees.

KEY DEVELOPMENTS OF 2021

SKILLS AUDIT

The section conducted a skills audit for key and non-key positions within the organisation. Such an audit allowed the organisation to identify the skills and knowledge of employees as well as identify the skills gap within the organisation.

RESTRUCTURING OF THE ORGANISATION

The organisation underwent a review of its structure and the revised structure was implemented in August 2021 whereby we saw the creation of new sections and units. The aim of the restructuring was to create a more modern and well-structured organisation in line with its strategic realignment.

REVIEW OF THE SCHEME OF SERVICE

In order to improve its attractiveness and retain its competitiveness on the labour market it was necessary for the organisation to address and align its scheme of service. Same was also aimed at enabling the organisation retain its existing talents.

FSA SCHOLARSHIP

Through the revision of its Training Policy the organisation was able to launch its Scholarship initiative which provided 2 employees of the organisation with the opportunity to apply for a Master's Degree or a Bachelor's Degree which would enable the employee to attend the training on a full time basis at a University.

TALENT POOL PIPELINE

The Talent Pool Pipeline which is a database of potential candidate's profiles was set up to enables efficient employee recruitment. This pool saves the organisation time and resources in identifying the right talent to on-board.

TRAININGS CONDUCTED IN 2021

- Stores and inventory management
- Capital Market Master class
- Basic word
- Self-defense training
- Health and Safety – Maintenance Operators

OUTLOOK FOR 2021

The section will be partnering with the Information Systems Development Unit to have its Performance Management and Development System online and to have its pay slips digitalized. The restructuring of the organization will also be undergoing a 2nd phase to ensure more efficiency of the organisations' operations. The section also plans to produce guidelines in terms of its contract of employment. It also plans to send the two first recipient of the FSA scholarship overseas so that they can pursue their studies.

FACILITIES AND LOGISTICS SECTION

The Facilities and Logistics Section operates as two Units:

- Facilities Unit
- Logistics Unit

The Section is responsible for efficiently supporting the operations of the FSA through effective logistical planning and management of FSA Facilities and Infrastructures. It is important for the Facilities and Logistics Section to ensure that FSA's physical environment provides the right environment for its employees and tenants to deliver the necessary performance in order to generate the due return on FSA's infrastructural investments.

The Facilities and Logistics Section operates on the principles of exceptional customer relationship management and excellent custodianship of the FSA's facilities and infrastructures.

The Section is responsible for the following:

1. **Logistics and Delivery Services:** Responsible for courier, transport management, coordinate availability of conference rooms and office space for meetings and staff respectively. Also

Manages contracts with external service providers of additional logistical services.

2. **Purchasing and Stores (including asset management):** Ensuring that the procurement, storage, disbursement, consumption and where applicable, the disposals of consumables and other assets are compliant to the set policies, standards and regulations that governs the organisation.
3. **Customer Service:** Seeks to support both internal and external customers with the initial information that would enable them to interact with other Sections of the FSA, thus contribute towards the collective responsibility of safeguarding reputation and image of the organisation.
4. **Housekeeping:** Provides internal cleaning services to the offices and common areas as well as assist our visitors to the FSA premises with the required housekeeping requirements.
5. **Warehouse and Tenants' Relationship:** Ensuring that the tenants of the FSA's facilities, more specifically the warehouses and the FSA Zone as a whole including its surroundings, benefit from effective strategies that allow for the

implementation of FSA's standards and expectations, whilst securing their compliance which ensure the correct enjoyment of the facilities as well overall health and safety of the FSA zone. It also seeks to enforce, through negotiations, where necessary, the consequences of non-adherence to their tenancy, including their financial obligations. Furthermore, it supports the tenants to find new possibilities within the zone that could help them grow their business and investments.

6. Infrastructure and Ground Maintenance:

Provides support and performing general repairs and preventive maintenance duties within the zone and its infrastructures.

- 7. Security:** Seeks to safeguard FSA premises from unwanted external interference, assist with customer service and ensure that employees, tenants and visitors adheres to acceptable standards and behaviours expected of them while accessing and interacting at FSA premises.

KEY DEVELOPMENTS OF 2021

It is impossible to ignore the impact of Covid-19 on the performance of the section for 2021. The biggest achievement was the implementation of all of plans directed by management. The team were able to act swiftly

to ensure that all FSA staffs, Zone tenants and Zone users are protected and work processes remained unaffected. We were able to implement the organisations business continuity plan. The Section worked closely with other sections and the relevant authorities as well as with tenants to ensure that

1. The level of Hygiene recommended by Health authorities was maintained in the workplaces and the zone
2. Specific Consumables related to maintenance of individual and group / organisation were of the quality and were readily and consistently available
3. Ongoing consultations with tenants regarding how FSA could better assist their operations, including maintaining the Covid discount measures of 2020 more effectively while recovering areas from affected businesses.
4. Smooth integration as part of the Corporate Affairs Team

With the support of HR, the Section recruited effective replacements to the Security and Maintenance team as well as to logistics team.

With management putting notable emphasis on refurbishments of office buildings and infrastructures, the Section responded timely

and effectively to ensure that those projects were set in motion.

The below table depicts occupancy and revenue for the warehouses in 2021.

Warehouse Block	No. of Tenants	No. of warehouses Occupied
A	9	18
B	13	18
C	2	2
J	5	8
K	9	8
Total	38	90

The below table depicts the trend of revenue collected in 2021.

	Warehouse Rent (SCR)	Outdoor Space (SCR)
2018	28,933,365	306,484
2019	32,348,575	415,883
2020	29,694,011	127,343
2021	30,088,529	43,890

OUTLOOK FOR 2022

- Completion of the election of bidders and Award of contract for the construction of the New FSA Headquarters and New FSA Warehouse following the re-tender process in 2021
- Refurbishment of the Utility Block to be converted into office space.
- Support our tenants and generate revenue through retaining their businesses in the FSA zone, as well as attract new tenants

PROCUREMENT SECTION

The Procurement Section regulates all procurement activities in line with the Public Procurement Act, 2008 (“PPA 2008”) and Public Procurement Regulations, 2014 (“PPR 2014”). The Section ensures that all relevant sections of the FSA engaged in procurement of goods and services, civil works, and consultancy services, adhere to the PPA 2008 and PPR 2014.

The Procurement Section of the FSA is governed through the following principles:

- Transparency
- Competition
- Quality
- Efficiency
- Fairness
- Accountability, and;
- Good Governance

Moreover, the Procurement Section is focused on ensuring that the principles mentioned above are respected by all concerned parties and that all procurements are conducted ethically.

STUCTURE

The Procurement Section falls under Corporate

Affairs, and it is headed by the Procurement Manager along with one Procurement Officer. The Section is responsible for all procurement activities that falls above the threshold of SR150,000.00 excepts for Consultancy Services which is above SR50,000.00.

The main objective of the Procurement Section is to provide support and assist the different Sections to complete their key objectives through the procurement of Goods and Services, Civil Works and Consultancy Services in line with the FSA’s Strategic Plan 2021-2022, bearing in mind a clear focus on effective and efficient delivery of the FSA’s National and International mandate.

KEY DEVELOPMENTS OF 2021

The key developments of 2021 were as follows:

1. Upgrade of the FSA CCTV Cameras and Security Lights in the FSA Zone at Bois De Rose Avenue.
2. Procurement of Consultancy Services to Conduct a Risk Assessment on the Virtual Assets and Virtual Assets Service Providers in Seychelles which will be part of the National Risk Assessment.

3. Retender for the Consultancy Services for the Construction of the New FSA Administration Building.
4. Retender for the Consultancy Services for the Construction of a New 300Sqm Warehouse at the FSA zone.
5. Procurement of Consultancy Services to provide Training and Education Services for the Insurance, Gambling & Pension Supervision Section.

OUTLOOK 2022

The key projects to be undertaken in 2022 are as follows:

- Project Initiation for the Construction of the New FSA Administration Building at Bois De Rose Avenue.
- Project Initiation for the Construction of the New 300Sqm Warehouse at the Bois De Rose Avenue.
- Project Initiation for the Maintenance Work on the FSA Warehouses at Bois De Rose Avenue.
- Procurement of Consultancy Services for Insurance, Gambling & Pension Supervision Section to formulate a Risk Based Capital Framework and Solvency Structure.
- Procurement of Consultancy Services for Insurance, Gambling & Pension Supervision Section to create Policies and Procedures Manual Governing Operations.
- Procurement of Consultancy Services for Capital Markets & Collective Investment Schemes for the Revision of the Securities Act.

INFORMATION SYSTEM SECTION

The responsibility of the Information Systems Section is to provide technological support to the different sections within the FSA through the establishment of international standards and to safeguard the Information Technology infrastructure of the FSA. The section continues to assess the technological requirements of the organisation and in collaboration with management, find new ways in which the organisation can build a competitive advantage by introducing Information Technology in the daily operations to make it more efficient.

OUTLOOK FOR 2022

The goal for 2022 is to collaborate with management and harness the capabilities of Information Technology to further enhance the service delivery. For the year 2022, the Information Systems section will be working to move our emails online to reduce the cost of ownership and also leverage the cloud facilities. The section will also be working to enhance our current backup capabilities and also working towards automated archival.

APPEALS BOARD

THE APPEALS BOARD

The Appeals Board was constituted through the enactment of the Financial Services Authority (Appeals Board) Regulations, 2014. The Regulations allows any person who is aggrieved by the decision of the Authority to make an appeal to the Board within 90 days of the decision being made. The appeal must be in the prescribed form as per the Regulations and must be delivered to the Secretary of the Appeals Board.

The Appeals Board, upon hearing the appeal, may affirm the decision of the FSA, vary the decision or set aside the decision and remit the matter concerned for reconsideration by the FSA in accordance with such direction as the Appeals Board considers fit.

The Appeals Board consists of five members appointed by the Minister responsible for Finance. Members will serve on the appeals board for a period of three years.

Members of the Appeals Board

(As at 31st December 2021)

Mr. Divino Sabino	-	Chairperson
Ms. Sandra Hall	-	Member
Mr. Francis Lebon	-	Member
Ms. Jean Preira	-	Member

Secretary to the Board Ms. Taryn Auguste

DIRECTORY
OF EMPLOYEES

LIST OF EMPLOYEES (AS AT DECEMBER 2021)

CHIEF EXECUTIVE SECRETARIAT

Daman Zenabe	Deputy Chief Executive Officer
Mathiot Johnette	Personal Assistant
Thesee Damien	Chief Executive Officer

INTERNAL AUDIT

Chetty Ammu	Manager Internal Audit
Ernesta Yannick	Internal Audit Officer
Saldanha Kathrina	Internal Audit Officer

RISK MANAGEMENT, MONITORING & EVALUATION

Joseph Maryline	Director for Risk Management, Monitoring & Evaluation
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CORPORATE COMMUNICATIONS

Bristol Lissa	Director Corporate Communications
Vel Vesna	Corporate Communications Officer
Zelime Meggie	Corporate Communications Officer

FINANCE

Bodwell Elizabeth	Director Finance
Etheve Cinthia	Manager Financial Operations and Budget
Anderson Maria	Manager Accounts Payable and Creditors Control
Belle Marcial	Manager Revenue and Debtors Control
Belle Marlette	Accounts Technician
Dine Mayrose	Accounts Technician
Hoareau Judith	Accounts Technician
Madeleine Naomi	Accounts Technician

LEGAL

Auguste Taryn	Director Legal
Durand-Francourt Serrah	Legal Officer
Houareau Arlette	Legal Officer
Laporte Effie	Legal Officer

POLICY, RESEARCH & STATISTICS

Robert Paul	Director Policy, Research and Statistics
Elizabeth Marcus	Manager Product Development and Research
Felix Bryna	Manager Policy and International Relations
Hoareau Nigel	Policy Analyst (Product Development and Research)
D'Souza Eric	Policy Analyst (Product Development and Research)

Salomon Christy

Policy Analyst (Product Development and Research)

AML/CFT

Samson Randolf	Director for AML/CFT
Naidu Vedhavalli Anitha	Manager AML/CFT
Pierre Lucia	Business Analyst
Edmond Elna	Monitoring and Surveillance Analyst
Leon Angella, Gretel	Monitoring and Surveillance Analyst
Pool Tony	Monitoring and Surveillance Analyst
Vangadasamy Sheryl	Monitoring and Surveillance Analyst
Adolphe Natalie	Monitoring and Surveillance Analyst

REGISTRY

Lau Toy Lisa	Director Registry
The尔蒙特 Robert	Manager Registry
Venthoye Nadia	Registry Officer
Boniface Berttyna	Registry Officer
Dubignon Karen	Registry Officer
Gonthier Priscilia	Registry Officer
Houareau Lita	Registry Officer
Kilindo Maltanio	Registry Officer
Laporte Diane	Registry Officer
Micoock Ena	Registry Clerk
Mousbe Aisha	Registry Clerk
Servina Lorraine, Sophia	Registry Clerk
Benoit Annie	Registry Clerk
Accouche Curlfa	Registry Clerk

CORPORATE AFFAIRS

Boniface Esther	Head of Corporate Affairs
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HUMAN RESOURCES

Naidoo Vithya	Manager Human Resources
Louis-Marie Merisa	Payroll Services and Solutions officer
Thomas Kimberly	Human Resources Business Partner
Toussaint Angelique	Human Resources Business Partner
Barbe Maria	Learning and Development Specialist
Sedgwick Helda	Human Resource Development Officer
Confait Christopher	Health and Safety Officer

FACILITIES & LOGISTICS

Marie Pascal	Director Facilities and Logistics
Nioze Louisiane	Manager Customer Services and Logistics

Balette Anasthasse	Manager Zone Operations and Facilities
Sedgwick Marie-Andre	Senior Customer Services and Records Officer
Larue Steve	Customer Services and Records Officer
Auguste Julienna	Tenant Relationship and Zone Operations Officer
Charlette Flociana	Administrative Assistant
Ernesta Jeffrey	Senior Driver/Messenger
Berlouis Jacquelin	Driver/Messenger
Chang-Tave Martin	Driver/Messenger
Sicobo James	Maintenance Supervisor
Auguste Angelo	Facilities and Maintenance Officer
Nicolas Herve	Facilities and Maintenance Officer
Farabeau David	Facilities and Maintenance Officer
Didon Juliana	Supervisor Housekeeping
Quatre Linda	Housekeeper
Rapide Marth	Housekeeper
Cecile Reina	Housekeeper

SECURITY OFFICERS

Melanie Marie-Claire	Security Supervisor
Arissol Innocent	Security Officer
Belle Antoine	Security Officer
De Sylva Natanielle	Security Officer
Dufrenne Cliff	Security Officer
Finesse Kenneth	Security Officer
Houareau Jean-Francois	Security Officer
Jupiter Tony	Security Officer
Labrosse Marlon	Security Officer
Antat Winsley	Security Officer
Mussard Joseph Jim	Security Officer
Nibourette Sheilla	Security Officer
Onezime Francis	Security Officer
Savy Noella	Security Officer
Toussaint Nedy	Security Officer

PROCUREMENT

Volcy Dereck	Manager Procurement
Abubakar Aiysha	Procurement Officer

INFORMATION SYSTEM

The尔蒙特 Jean-Claude	Director Information Systems
Cecile Alexandro	Assistant Technician
Coujandessamy Theressa	Analyst Programmer
Cushion Daniel	Information System Officer

Lespoir Leroy	Analyst Programmer
Padayachy Shaji	Information System Officer
Cafrine Nigel	Information System Officer

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES

Alexander Leo	Director CMCISSS
Quatre Virginie	Manager Supervision
D'Souza Geetha	Manager Authorizations
Hoareau Aaron	Supervision Officer
Jeremie Claudia	Supervision Officer
Larue Stephanie	Supervision Officer
Marie Thea	Supervision Officer
Nourrice Emma	Supervision Officer
Auguste Ella	Supervision Officer
Soubana Calvin	Supervision Officer

INSURANCE, GAMBLING & PENSION SUPERVISION

Jupiter Garry	Director Insurance, Gambling and Pension Supervision
Cedras Farrah	Manager Authorisations
Serret Dedrey	Manager Supervision
Chang-Sam Jordana	Supervision Officer
D'offay Joshua	Supervision Officer
Herminie Sebastien	Supervision Officer
Amade Abraham	Supervision Officer
Marie Nathalia	Financial Analyst
Morel Lydie	Business Analyst
Roucou Dorisha	Business Analyst

FIDUCIARY SUPERVISION

Lafortune Hazel	Director Fiduciary Supervision
Rene Amanda	Manager Authorizations
Tamatave Clara	Manager Supervision
Athanasius Ali	Business Analyst
Chow Elizabeth	Supervision Officer (on site)
Clothilde Meryl	Supervision Officer (on site)
Finesse Yves	Supervision Officer (off site)
Aglae Yves	Supervision Officer (off site)
Marie Petra	Business Analyst
Monthy Micha	Business Analyst
Philoe Shannen	Financial Analyst
Wiar Melissa	Assistant Supervision Officer

INTERNATIONAL TRADE ZONE

Herminie Karl	Director International Trade Zone and Hire Purchase
Jean Aicha	Supervision Officer
Kandassamy Daniel	International Trade Zone & Hire Purchase Officer
Niole Julie	International Trade Zone & Hire Purchase Officer
Pillay Audrey	Business Analyst

FINANCIAL STATEMENT



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: auditgen@oag.sc

Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE FINANCIAL SERVICES AUTHORITY FOR 2021

Opinion

The accompanying financial statements of the Financial Services Authority (Authority), set out on pages 4 to 26 which comprise the statement of financial position, profit or loss and other comprehensive income, changes in equity, cash flows as at 31 December 2021 and the notes to financial statements including a summary of significant accounting policies for the year then ended have been audited as required by Section 13 (4) of the Financial Services Authority Act, 2013.

Accordingly, in my opinion:

1. proper accounting records have been kept by the Authority as far as appears from my examination of those records relating to material transactions;
2. the financial statements on pages 4 to 26 give a true and fair view of the financial position of the Authority as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Financial Services Authority Act, 2013.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor General's Responsibilities for the audit of the Financial Statements section of my report.

I am independent of the Authority in accordance with INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of the financial statements in Seychelles. I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of audit have been obtained. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Despite the ongoing COVID-19 pandemic and its effects on the economy in general, the Authority's Board and Management are confident and of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

The exercise to update and complete the asset register in line with the physical verification is still on going, consequently, property, plant and equipment balance may be overstated with assets not in existence or pending write-off still included therein.

My opinion is not qualified in respect of the above matters.

Responsibilities of the Management and those charged with Governance

The management is responsible for the preparation of financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Financial Services Authority Act, 2013 and the Public Enterprise Monitoring Commission Act, 2013, and for such internal control as the Board determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the Auditor General for the audit of financial statements

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance the Financial Services Authority Act, 2013.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional skepticism throughout the audit. The auditor also:

- identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;

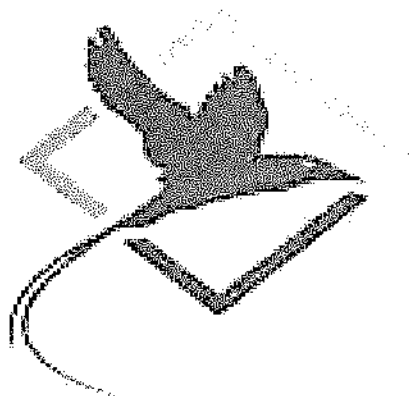
- concludes on the appropriateness of the Board's use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Authority to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicates with the Board, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that he identifies during the audit.



Gamini Herath
Auditor General

01 July 2022
Victoria, Seychelles





**Financial
Services
Authority**

Audited Financial Statements as at 31st December, 2021

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CORPORATE INFORMATION

DIRECTOR	: Mr. Patrick Payet	Chairman
	Mr. Damien Thesee	CEO - Director
	Ms. Samanta Esparon	Director
	Mr. Phillip Moustache	Director
	Mr. Richard Rampal	Director
	Mrs. Wendy Pierre	Director
	Mr. Robert Stravens	Director
	Ms. Seylina Verghese	Director
	Mrs. Anne Rosette	Director
	Mr. Muhammad Saley	Director
SECRETARY	: Ms. Zenabe Daman	Secretary
REGISTERED OFFICE	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles	
PRINCIPAL PLACE OF	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles	
AUDITORS	: Auditor General P O Box 49, Unity House Victoria, Mahé Seychelles	

DIRECTORS' REPORT

The Directors are pleased to submit their report together with the audited financial statements of the Authority for the year ended December 31, 2021.

PRINCIPAL ACTIVITY

The Seychelles Financial Services Authority (FSA) is the Regulator for non-bank financial services in the Seychelles. Established under the Financial Services Authority Act, 2013, the Authority is responsible for the licensing, supervision and development of the non-bank financial services industry of the Seychelles, which includes the capital markets and collective investment schemes, insurance and the gambling sector. The Authority is also responsible for the registration of International Business Companies, Foundations, Limited Partnerships and International Trusts in the Seychelles.

VISION

The vision of the FSA is to be an effective regulator focused on safeguarding a credible and innovative non-bank financial services jurisdiction.

MISSION

The mission of the FSA is to transform and grow the Seychelles' non-bank financial services industry, through the application of a sound regulatory and supervisory framework that protects the jurisdiction's reputation and the consumers' and stakeholders' investments.

CURRENT YEAR EVENT

A revaluation of the FSA's infrastructure was undertaken in December, 2020 with the report being issued in January 2021 by a professional independent assessor. In 2020, the Financial Services Authority (FSA), for the first time has elected to use the fair value model to account for owner occupied building and applied IAS 40 "Investment Property", that is, to use the fair value model to account for its investment properties.

The current FSA board was appointed in January, 2021, with two new members being appointed on 21st February, 2022. The 2021 audited accounts have been signed by the current FSA board appointed in January, 2021

RESULTS

	<u>2021</u>
	SR'000
Profit for the year	110,434
Retained earnings brought forward	<u>332,497</u>
Profit available for distribution	442,931
Transfer to Government of Seychelles (GOS)	(92,566)
Retained earnings carried forward	<u><u>350,365</u></u>

DIRECTORS AND DIRECTORS' INTEREST

None of the directors has any direct or indirect interest in the Authority.

DIRECTORS' REPORT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Authority including the operations of the Authority and making investment decisions.

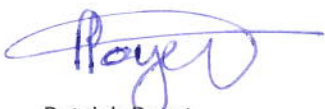
The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with Financial Services Authority Act, 2013. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Authority and those that are held in trust and used by the Authority.

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

The Authority is audited by the Auditor General.

BOARD OF DIRECTORS APPROVAL



Patrick Payet
Chairman



Damien Thesee
Director & CEO



Samanta Esparon
Director



Richard Rampal
Director



Phillip Moustache
Director



Wendy Pierre
Director



Seylina Verghese
Director



Anne Rosette
Director



Robert Stravens
Director



Muhammad Saley
Director

Dated:

Mahé, Republic of Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2021

	Notes	December 31, 2021 SR	December 31, 2020 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	55,576,315	54,871,375
Investment property	6	240,314,059	240,314,059
Intangible asset	7	-	-
Long term receivables	8(f)	8,014,656	10,241,148
		<u>303,905,030</u>	<u>305,426,582</u>
Current assets			
Trade and other receivables	8	11,338,288	16,283,599
Investment in Treasury Bills	9	5,202,897	-
Cash and cash equivalents	10	114,567,375	126,172,388
		<u>131,108,560</u>	<u>142,455,987</u>
Total assets		<u><u>435,013,590</u></u>	<u><u>447,882,569</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	8,715,700	8,715,700
Capital grant	12	1,708,127	2,562,190
Revaluation Reserve		21,690,601	21,690,601
Retained earnings		350,365,286	332,496,725
		<u>382,479,714</u>	<u>365,465,216</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	14	13,266,961	11,909,719
		<u>13,266,961</u>	<u>11,909,719</u>
Current liabilities			
Borrowings	13	-	10,612,046
Other payables	15	39,266,915	59,895,588
		<u>39,266,915</u>	<u>70,507,634</u>
Total liabilities		<u>52,533,876</u>	<u>82,417,353</u>
Total equity and liabilities		<u><u>435,013,590</u></u>	<u><u>447,882,569</u></u>

These financial statements have been approved for issue by the Board of Directors on: 10 June 2022

				
Patrick Payet Chairman	Damien Thesee Director & CEO	Samanta Esparon Director	Richard Rampal Director	Anne Rosette Director
				
Phillip Moustache Director	Wendy Pierre Director	Muhammad Saley Director	Robert Stravens Director	Seylina Verghese Director

The notes on pages 8 to 24 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2021

	Notes	'2021 SR	'2020 SR
Revenue	2(l)/16	223,646,468	199,381,537
Staff costs	17	(45,099,940)	(50,522,796)
Administrative expenses	18	(31,579,757)	(27,309,502)
Educational dissemination	19	(712,930)	(3,319,627)
Other operating costs	20	(1,618,663)	(1,238,602)
Finance income - Interest on staff loans & Investments		663,165	794,871
Finance costs - borrowing costs		-	(57,044)
Marketing Grant to SIB		(545,762)	(198,404)
Other income	21	4,443	6,308
Foreign exchange (losses)/gains		(34,322,592)	24,949,692
Other comprehensive income - Surplus on Revaluation of Investment prop	6(a)	-	96,815,103
Profit and total comprehensive income for the year		110,434,432	239,301,535

The notes on pages 8 to 24 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2021

	Note	Stated capital SR	Capital grant SR	Revaluation reserve SR	Retained earnings SR	Total SR
At January 1, 2021		8,715,700	2,562,190	21,690,601	332,496,725	365,465,216
Total comprehensive income for the year		-	-	-	110,434,432	110,434,432
Amortisation of grant	20	-	(854,063)	-	(92,565,871)	(854,063)
Transfer to the GOS		-	-	-	(92,565,871)	(92,565,871)
At December 31, 2021		8,715,700	1,708,127	21,690,601	350,365,286	382,479,714

	Note	Stated capital SR	Capital grant SR	Revaluation Reserve SR	Retained Earnings SR	Total SR
At January 1, 2020		8,715,700	3,416,253	-	178,464,181	190,596,134
Total comprehensive income for the year		-	-	-	239,301,535	239,301,535
Amortisation of grant	20	-	(854,063)	-	-	(854,063)
Transfer to the GOS		-	-	-	(85,268,991)	(85,268,991)
Revaluation of property	5(c)	-	-	21,690,601	-	21,690,601
At December 31, 2020		8,715,700	2,562,190	21,690,601	332,496,725	365,465,216

The notes on pages 8 to 24 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2021

	2021	2020
	SR	SR
Cash generated from operations		
Profit for the year	110,434,432	239,301,535
<i>Adjustments for</i>		
Depreciation on property, plant and equipment	2,472,726	2,089,215
Adjustment to prior depreciation of investment property	-	688,929
Amortisation of intangible asset	-	3,450
Amortisation of capital grant	(854,063)	(854,063)
Gain on revaluation of Investment Property		(96,815,103)
Retirement benefit obligations charge	4,993,484	5,125,411
Adjustment on accrued Interest upon completion of full repayment of Loan	(251,864)	-
Impairment of trade receivables	(40,858)	(120,027)
Interest payable	-	57,044
Interest receivable	(663,165)	(794,871)
	<u>116,090,693</u>	<u>148,681,520</u>
<i>Changes in working capital</i>		
- Increase in trade and other receivables	7,212,660	(3,414,550)
- (Decrease)/Increase in trade and other payables	(7,620,766)	26,012,597
	<u>115,682,586</u>	<u>171,279,567</u>
Cash generated from operations	115,682,586	171,279,567
Retirement obligations paid	(3,636,241)	(3,663,318)
Interest received	663,165	794,871
Net cash inflow from operating activities	<u>112,709,510</u>	<u>168,411,120</u>
Cash flows from investing activities		
Investment in Treasury bills	(5,198,525)	-
Purchase of property, plant and equipment	(3,177,666)	(7,772,000)
Payment - Investment Properties	-	(3,639,595)
Net cash outflow from investing activities	<u>(8,376,191)</u>	<u>(11,411,595)</u>
Cash flows from financing activities		
Loan Repayment	(10,612,046)	(19,230,270)
Interest paid	(91,590)	(1,359,258)
Amount transferred to the Government of Seychelles	(105,234,697)	(72,600,115)
Net cash outflow from financing activities	<u>(115,938,333)</u>	<u>(93,189,643)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(11,605,014)</u>	<u>63,809,882</u>
Movement in cash and cash equivalents		
At January 1,	126,172,388	62,362,506
Increase	(11,605,014)	63,809,882
At December 31,	<u>114,567,375</u>	<u>126,172,388</u>

The notes on pages 8 to 24 form an integral part of these financial statements.
Auditors' report on page 3.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

1. GENERAL INFORMATION

The principal activities of the Financial Services Authority are detailed on page 2. Its registered office and principal place of activity is at Bois de Rose Avenue, Roche Caiman Victoria Mahe Republic of Seychelles.

These financial statements will be submitted for consideration and approval at the forthcoming meeting of Board of Directors of the Authority.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Financial Service Authority Act, 2013.

The Authority adopted International Financial Reporting Standards for the first time for the year ended December 31, 2016 while previously the financial statements were prepared under Generally Accepted Accounting Practice (GAAP).

The financial statements are prepared under the historical cost convention, except that:

- (ii) relevant financial assets are stated at their fair values; and
- (iii) borrowings and relevant financial liabilities are stated at their amortised costs.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendments to IAS 7 require additional disclosures. IAS 7 Statement of Cash Flows has been amended to improve presentation and disclosure in financial statements. The Amendments require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement. The amendment suggests a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: 1. changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and 2. a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified. *The amendment has no impact on the Authority's financial statements.*

Amendment to IAS 12 - recognition of deferred tax assets for unrealised losses: The amendment to IAS 12, will be applicable for companies preparing their accounts under IFRS. IAS 12 sets out the basis for the recognition and measurement of current or deferred tax liabilities or assets and this amendment clarifies the position regarding unrealised losses on debt instruments measured at fair value and in particular, the recognition of deferred tax assets on such items. Such deferred tax assets are likely to occur where there is a decrease in the fair value of the debt instrument, but no tax deduction is able to be taken for the fall in value until the asset is realised. Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. *The amendment has no impact on the Authority's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)****Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)**

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. *The amendment has no impact on the Authority's financial statements.*

Annual Improvements to IFRSs 2018-2020 cycle

IFRS 1: The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS. *The amendment has no impact on the Authority's financial statements.*

The amendment to IFRS 9 clarifies which fees an entity includes when it applies the '10 per cent' test to assess whether there has been a modification or substantial modification to a financial liability.

An entity should only include only fees paid or received between the entity (the borrower) and the lender and fees paid or received on the other's behalf. *The amendment has no impact on the Authority's financial statements.*

IAS 28 is amended to clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. *The amendment has no impact on the Authority's financial statements.*

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Authority has not early adopted.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

IFRS 17 Insurance Contracts

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2015-2017 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

Where relevant, the Authority is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Property, plant and equipment

Except for owner occupied buildings, all other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured. Repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

A revaluation of the FSA infrastructure was undertaken in December, 2020 with the report being issued in January 2021 by a professional independent assessor. In 2020, the Financial Services Authority (FSA), for the first time FSA has elected to use the fair value model to account for owner occupied building. The asset is carried at the revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. The increase in value of owner occupied building has been credited to equity and is shown in the statement of accounts under "Revaluation Reserve".

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(b) Property, plant and equipment (Cont'd)**

Depreciation is calculated on the straight line method with reference to the expected useful life of the assets concerned. Depreciation is computed from the month after receipt of goods/assets using the following principal annual rates.

	%
Buildings	4
Gate and fencing	10
Motor vehicles	20
Plant & equipment	10 - 25
Furniture and fittings	10 - 20
Other assets	25

No depreciation has been charged on the value of the freehold property.

Assets are currently being depreciated up to a NIL balance. No depreciation is provided for in the month of disposal.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

(c) Investment property

Investment property, held to earn rentals or for capital appreciation or both and not occupied by the Authority are measured and accounted for at fair value.

There is a change in the accounting method for accounting of investment properties. In 2020, the Financial Services Authority (FSA), for the first time, has applied IAS 40 "Investment Property". The FSA has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in income statement for the period in which they arise. As per IAS 40, the gain on the revaluation of investment property has been recognised in the P&L, Other Comprehensive Income (OCI). Transfers to or from investment property can be made only when there has been a change in the use of the property. The revaluation exercise will take place every 3 years and therefore the next exercise will be in December, 2022.

(d) Intangible assets - Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives of 4 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred and are included in the statement of profit and loss.

(e) Financial instruments

Financial assets and liabilities are recognised on the Authority's statement of financial position when the Authority has become a party to the contractual provisions of the instrument. The Authority's accounting policies in respect of the main financial instruments are set out below.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(e) Financial instruments (Cont'd)****(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of profit or loss.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

(iii) Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares are classified as equity.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Authority has a legal enforceable right to set off the recognised amounts and the Authority intends either to settle on a net basis, or to realise the asset and liability simultaneously.

(h) Capital Grants

Grants related to assets from the Government of Seychelles for acquisition of property and equipment received in form of donations is treated as deferred income by crediting capital grant, classified under equity in the statement of financial position.

Depreciation calculated on such assets is released from grants and credited to depreciation charge in the statement of profit or loss until those assets are fully depreciated.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(h) Capital Grants (Cont'd)**

In the event that property and equipment acquired from grants are disposed of before they are fully depreciated, the carrying amount of such asset is reversed to the grant and gain or loss, if any, are recognised to the statement of profit or loss.

(i) Retirement benefit obligations

The Authority provides for payments of compensation to permanent employees for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Authority does not carry out any actuarial valuation since the Authority's management have based themselves on the method as prescribed by the Ministry of Administrative & Power and Circular 9 A of 1993, 15% of gross salary in the case of PSC and on internal contracts of employees and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(j) Provisions

Provisions are recognised when the Authority has a present or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

(k) Foreign currencies*Functional and presentation currency*

Items included in the financial statements are measured in the currency of the primary economic environment in which the Authority operates. The financial statements are presented in Seychelles Rupees (SR) which is the Authority's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(l) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is recognised according to the following criteria:

(i) Services revenue

Revenue from services are recognised in the year in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

(ii) Rental income

Rental income is recognised on an accrual basis with the substance of the relevant rental agreements with the tenants.

(iii) Interest income

Interest income is recognised on an accrual basis with the substance of the relevant loan agreements with the staff.

(m) Business tax

The Authority is exempt from tax as per paragraph 1 of the Second Schedule to Business Tax Act, 2009.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial Risk Factors**

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest risk), credit risk and liquidity risk.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of its financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Market risk**(i) Currency risk**

The Authority is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars. Foreign exchange risk arises from commercial transactions and assets denominated in currencies other than the functional currency.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

At December 31, 2021, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, the impact on results for the year would have been SR1.29m (2020: SR 2.63m) higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency monetary assets and liabilities as depicted in the table below:

	2021	2,020
	SR	SR
Bank balances	77,584,154	114,570,415
Trade & other receivables	5,445,710	5,657,099
Borrowings	-	(10,612,046)
Other payables	(36,037,094)	(57,032,161)
	<u>46,992,770</u>	<u>52,583,307</u>

Management has proper policies in place to ensure that foreign exchange risk is minimised.

(ii) Cash flow and fair value interest rate risk

The Authority's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

At December 31, 2021, if interest rates on floating rate borrowings had been $\pm 1\%$ higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by SR 0.18k (2020: SR 245.55k) due to impact on interest expense on borrowings.

(b) Credit risk

The Authority's credit risk is primarily attributable to its trade receivables. The Authority does not have a significant concentration of credit risk, with exposure spread over a large number of customers. In addition, the Authority has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

The table below shows the concentration of trade receivables by number of counterparties at the end of the reporting period.

	2021	2,020
	%	%
5 major counterparties	34	59
Others (diversified risks)	66	41
	<u>100</u>	<u>100</u>

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, management monitors rolling forecasts of the Authority's liquidity reserve on the basis of expected cash flows.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Less than 1 year SR'000	Between 1 and 2 years SR'000	Between 2 and 5 years SR'000	Over 5 years SR'000	Total SR'000
At December 31, 2021					
Bank Borrowings	-	-	-	-	-
Other payables	39,267	-	-	-	39,267
At December 31, 2020					
Bank Borrowings	10,612	-	-	-	10,612
Other payables	59,896	-	-	-	59,896

3.2 Fair Value Estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Authority for similar financial instruments.

3.3 Capital Risk Management

The Authority's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Authority sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Authority monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2021, the Authority's strategy, which was unchanged from 2020, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio was as follows:

	2021 SR'000	2020 SR'000
Total debt	-	10,612
Less: Cash and cash equivalents	(114,496)	(126,172)
Net debt	(114,496)	(115,560)
Total capital	364,611	365,465
Net debt	(114,496)	(115,560)
Total capital plus debt	250,116	249,905
Gearing ratio	N/A	(46.24)

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Functional currency

The choice of the functional currency of the Authority has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The functional currency has been assumed by the Directors to be the Seychelles Rupee.

(b) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(c) Useful lives and residual values

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Authority and the relevant industry in which it operates in order to best determine the useful lives and residual values of property and equipment.

(d) Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Authority would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

(e) Impairment of other assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**(f) Limitation of sensitivity analysis**

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Authority's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Authority's views of possible near-term market changes that cannot be predicted with any certainty.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2021

	Land & Buildings	Gates & fences	Motor vehicles	Plant & equipment	Furniture & fixtures	Other assets	Work-in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
COST								
At January 1, 2021	33,426,914	637,788	3,255,468	13,660,096	5,873,946	2,753,598	15,257,836	74,865,645
Additions	-	-	-	1,422,740	238,966	1,006,518	509,442	3,177,666
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	1,198,734	(1,198,734)	-
At DECEMBER 31, 2021	33,426,914	637,788	3,255,468	15,082,836	6,112,912	4,958,850	14,568,544	78,043,311
ACCUMULATED DEPRECIATION								
At January 1, 2021	-	637,788	2,558,166	9,611,874	5,068,257	2,118,186	-	19,994,270
Charge for the year	-	-	354,667	1,476,045	269,300	372,714	-	2,472,726
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At DECEMBER 31, 2021	-	637,788	2,912,833	11,087,919	5,337,557	2,490,900	-	22,466,996
NET BOOK VALUE								
At DECEMBER 31, 2021	33,426,914	-	342,635	3,994,917	775,355	2,467,950	14,568,544	55,576,315

(b) In early 2017, Parcel Number: V17891 was cancelled and sub-divided into two parcels (V19847 and V19848) where parcel V19847 (with a total area of 2557 m²) was transferred to the Government for onward leasing to PUC at transfer price of SCR1. The sub division of the land commenced in 2016 and was finalised on 24.02.2017. No adjustment was effected for the reduction in cost in the accounts.

(c) A revaluation of the FSA infrastructure was undertaken in December, 2020 with the report being issued in January 2021 by a professional independent assessor. In 2020, the Financial Services Authority (FSA), for the first time, has elected to use the fair value model to account for owner occupied building. The asset is carried at the revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. The increase in value of owner occupied building has been credited to equity and is shown in the statement of accounts under "Revaluation Reserve".

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

5. PROPERTY, PLANT AND EQUIPMENT

(d) DECEMBER 31, 2020

	Land & Buildings	Gates & fences	Motor vehicles	Plant & equipment	Furniture & fixtures	Other assets	Work-in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
COST								
At January 1, 2020	18,608,182	637,788	3,255,468	11,594,815	5,648,087	2,418,961	10,194,607	52,357,908
Additions	82,995	-	-	2,065,280	225,859	334,637	5,063,229	7,772,000
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Transfers/Adjustments	14,735,738	-	-	-	-	-	-	14,735,738
At DECEMBER 31, 2020	33,426,914	637,788	3,255,468	13,660,096	5,873,946	2,753,598	15,257,836	74,865,645
ACCUMULATED DEPRECIATION								
At January 1, 2020	6,954,864	637,788	2,203,498	8,400,139	4,817,058	1,846,571	-	24,859,918
Charge for the year	-	-	354,667	1,211,735	251,198	271,614	-	2,089,215
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Transfers/Adjustments	(6,954,864)	-	-	-	-	-	-	(6,954,864)
At DECEMBER 31, 2020	-	637,788	2,558,166	9,611,874	5,068,257	2,118,186	-	19,994,270
NET BOOK VALUE								
At DECEMBER 31, 2020	33,426,914	-	697,302	4,048,221	805,689	635,413	15,257,836	54,871,375

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) Work in-progress comprised construction of new warehouses:

	2021	2020
	SR	SR
Consultancy/ structural engineer fees	1,052,647	1,052,647
IT Work In Progress	13,515,897	13,006,455
Improvement to infrastructure	-	1,198,734
	<u>14,568,544</u>	<u>15,257,836</u>

6. INVESTMENT PROPERTY

	2021	2020
	SR	SR
Cost		
At January 1,	240,314,059	175,690,697
Adjustment from previous year	-	(688,929)
Additions		3,639,595
Revaluation reserve		61,672,696
At December 31,	<u>240,314,059</u>	<u>240,314,059</u>
Accumulated depreciation		
At January 1,	-	35,142,407
Charge for the year	-	-
		<u>(35,142,407)</u>
At December 31,	<u>-</u>	<u>-</u>
Net Book Value	<u>240,314,059</u>	<u>240,314,059</u>

*The revalued amount/fair value of investment property for the previous year (i.e 2020) was not restated.

(a) A revaluation of the FSA infrastructure was undertaken in December, 2020 with the report being issued in January 2021 by a professional independent assessor. In the current year, the Financial Services Authority (FSA), for the first time, has applied IAS 40 "Investment Property". The FSA has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in income statement for the period in which they arise. As per IAS 40, the gain on the revaluation of investment property has been recognised in the P&L, Other Comprehensive Income (OCI). The next revaluation exercise will be undertaken in December, 2022. Investment properties have been revalued at the following values:

	Revaluation Value as at 31.12.2021	Revaluation Value as at 31.12.2020
	SR	SR
Ware house A on Parcel Number V17888	2,612,300	2,612,300
Ware house B on Parcel Number V17889	45,441,965	45,441,965
Ware house C on Parcel Number V17890	45,441,965	45,441,965
Ware house K on Parcel Number V17885	36,185,964	36,185,964
Ware house J on Parcel Number V17893	61,831,398	61,831,398
Utility Block on Parcel Number V17893	61,831,398	61,831,398
	<u>253,344,990</u>	<u>253,344,990</u>

¹⁴⁷ The Financial Services Authority is currently occupying units A1 and A2 for a total area of 840sqm² within the Warehouse A

7. INTANGIBLE ASSETS

Computer Software

	2021	2020
	SR	SR
Cost		
At January 1,	587,468	587,468
Additions	-	-
At December 31,	<u>587,468</u>	<u>587,468</u>
Amortisation		
At January 1,	587,468	584,018
Charge for the year	-	3,450
At December 31,	<u>587,468</u>	<u>587,468</u>
Net Book Value	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED DECEMBER 31, 2021

8. TRADE AND OTHER RECEIVABLES	2021	2020
	SR	SR
Trade receivables	6,249,063	7,466,687
Prepayments	1,311,397	1,334,390
Loans and receivables (note (f))	11,659,307	13,372,250
Other receivables	400,902	4,660,003
	<u>19,620,669</u>	<u>26,833,330</u>
Provision for credit impairment (note (c) and (d))	<u>(267,725)</u>	<u>(308,583)</u>
	<u>19,352,944</u>	<u>26,524,747</u>

Disclosed as follows:

	2021	2020
	SR	SR
Within one year	11,338,288	16,283,599
After more than one year (note (f))	8,014,656	10,241,148
	<u>19,352,944</u>	<u>26,524,747</u>

(a) The carrying amount of trade and other receivables approximate their fair values.

(b) As at December 31, 2021, trade receivables that were past due but not impaired amounted to SR2,730,412 (2020: SR5,027,420). These relate to a number of independent customers for whom there is no recent history of default. These receivables were aged above 90 days.

(c) As at December 31, 2021, trade receivables amounting to SR267,725 were impaired (2020: SR 308,583). These relate to a number of independent customers who are in unexpectedly difficult economic situations. These receivables were aged above 90 days.

(d) The movement in the provision for credit impairment is as follows:

	2021	2020
	SR	SR
At January 1,	308,583	428,610
(Reversal)/ Charge to the statement of profit or loss (note 18)	<u>(40,858)</u>	<u>(120,027)</u>
At December 31,	<u>267,725</u>	<u>308,583</u>

(e) The carrying amount of the Authority's trade and other receivables are denominated in the following currencies:

	2021	2020
	SR	SR
US Dollar	5,445,710	5,657,099
Seychelles rupee	<u>13,907,235</u>	<u>20,867,649</u>
	<u>19,352,944</u>	<u>26,524,748</u>

(f) Loans and receivables comprise staff loans and are analysed as follows:

	2021	2020
	SR	SR
Within one year	3,644,651	3,131,102
After more than one year	8,014,656	10,241,148
	<u>11,659,307</u>	<u>13,372,250</u>

(g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any other collaterals as securities, except for pledges on vehicles as security for Vehicle Loans.

(h) The other classes within trade and other receivables do not contain impaired assets and except for pledges in vehicles as security for staff loans, the Authority does not hold any other collateral as security.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

9.	INVESTMENT IN TREASURY BILLS	2021	2020
		SR	SR
	365 Days Treasury Bills - 1%	247,735	
	365 Days Treasury Bills - 0.99%	4,955,162	
		5,202,897	-
10.	CASH AND CASH EQUIVALENTS	2021	2020
		SR	SR
	Cash at banks	114,567,375	126,172,388
		114,567,375	126,172,388
11.	STATED CAPITAL		2021 & 2020
			SR
	Government contributed assets (notes (a) & 5(d))		8,715,700
(a)	This represents the value of land transferred to the Authority by the Government of Seychelles in 1999.		
12.	CAPITAL GRANT		
	Capital grant was received from the Government of Seychelles for purchase of assets in 1999. Capital grant is amortised over the useful lives of the assets to which they relate.		
13.	BORROWINGS	2021	2020
		SR	SR
	Bank borrowing		
	Non-current	-	-
	Current	-	10,612,046
		-	10,612,046
	The movement is as follows:		
		2021	2020
		SR	SR
	At January 1,	10,612,046	29,842,316
	Received during the year	-	-
	Paid during the year	(10,612,046)	(19,230,271)
	At December 31,	-	10,612,046
(a)	Bank borrowing is from Nouvobanq and amounted to USD 7.5 million to finance the construction of new warehouses of the Authority. The first disbursement was effected in March 2014 and repayment commenced in March 2016 by monthly instalments of USD 142,740. The loan was fully repaid in March, 2021.		
(c)	Borrowing is denominated in US Dollar and its maturity profile is detailed under note 3 (c) and the carrying amount of borrowing approximates its amortised cost.		
14.	RETIREMENT BENEFIT OBLIGATIONS	2021	2020
		SR	SR
	At January 1,	11,909,719	10,447,626
	Charge for the year (note 17)	4,993,484	5,125,411
	Payments during the year	(3,636,241)	(3,663,318)
	At December 31,	13,266,961	11,909,719
(a)	Retirement benefit obligations have not been computed in compliance with the requirements of IAS 19 since the Directors have estimated that the provisions as above, which have been based on the Ministry of Administrative & Power, Circular 9A of 1993 and 15% of gross salary in the case of PSC and internal contract of employees, are reasonable and would not materially differ had these been computed on an actuarial basis as mandated by IAS 19.		

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

15. OTHER PAYABLES	2021	2020
	SR	SR
Amount payable to the Government of Seychelles (note 15(a) and 24)	-	12,668,876
Advance payments -fees	15,248,044	19,780,863
Deposits-rent	8,896,365	10,995,066
Corporate Tax	1,000,744	1,236,437
Accrued interest on Overdraft	-	339,031
Accrued Expenses	1,299,540	1,640,527
Other payables	12,822,221	13,234,788
	<u>39,266,915</u>	<u>59,895,588</u>
Disclosed as follows:		
	2021	2020
	SR	SR
Within one year	39,266,915	59,895,588
After more than one year	-	-
	<u>39,266,915</u>	<u>59,895,588</u>
(a) The amount payable to the GOS represents the surplus for the year which is transferred on a quarterly basis as per section 12(3) of the Financial Services Authority Act 2013.		
(b) The carrying amount of other payables are denominated in the following currencies:		
	2021	2020
	SR	SR
US Dollar	35,915,922	57,032,161
Seychelles rupee	3,229,822	2,863,427
Euro	121,171	-
	<u>39,266,915</u>	<u>59,895,588</u>
16. REVENUE	2021	2020
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	15,465,839	16,185,784
IBC annual licence fees	119,860,115	97,358,369
Other licence fees	9,066,218	7,758,614
Funds and securities fees	8,837,489	8,079,999
Insurance fees	2,117,431	2,302,577
Gambling Fees	9,272,379	9,187,083
Other services	28,894,578	28,687,757
	<u>193,514,049</u>	<u>169,560,183</u>
(b) Rental income		
Investment property	30,088,529	29,694,011
Outdoor space	43,890	127,343
	<u>30,132,419</u>	<u>29,821,354</u>
	<u>223,646,468</u>	<u>199,381,537</u>
17. STAFF COST	2021	2020
	SR	SR
Salaries & wages	33,579,694	38,675,225
Employee benefits and related expenses	4,604,099	4,656,319
Directors' emoluments (note 24)	298,693	403,893
SITZ Employment Council/FSA Appeals Board	384,689	520,156
Gratuity and compensation charge (note 14)	5,105,012	5,125,411
Retirement benefit obligations	1,127,753	1,141,792
	<u>45,099,940</u>	<u>50,522,796</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

18. ADMINISTRATIVE EXPENSES

	2021	2020
	SR	SR
Administration costs	5,164,736	4,931,241
Rental Costs	6,037,378	6,423,197
Communication costs	2,867,094	2,614,619
Transport and travelling costs	1,214,996	503,954
Maintenance and repairs	1,222,324	2,497,236
Training	1,366,890	1,645,103
Legal fees	349,950	333,206
Audit and Accountancy fees	100,000	100,000
Professional fees	9,201,256	4,819,989
Bank charges	76,984	69,753
(Reversal)/ charge for provision for credit impairment (note 8(d))	(40,858)	(120,027)
General expenses	4,019,007	3,491,231
	<u>31,579,757</u>	<u>27,309,502</u>

19. EDUCATIONAL DISSEMINATION

	2021	2020
	SR	SR
Information dissemination	436,087	3,266,512
Advertisement	276,843	53,115
	<u>712,930</u>	<u>3,319,627</u>

20. OTHER OPERATING COSTS

	2021	2020
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	2,472,726	2,089,215
Amortisation (note 7)		3,450
Amortisation of capital grant	(854,063)	(854,063)
	<u>1,618,663</u>	<u>1,238,602</u>

21. OTHER INCOME

	2021	2020
	SR	SR
Sundry income	4,443	6,308
	<u>4,443</u>	<u>6,308</u>

22. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2021 amounted to SR NIL (2020: 3,039,553).

(b) Operating lease commitments - where the Authority is the lessor

The Authority leases land under non-cancellable operating lease agreements and buildings under cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	SR	SR
Not later than one year	275,349	404,681
Later than one year and not later than five years	1,101,398	1,618,725
	<u>1,376,747</u>	<u>2,023,406</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2021

22. COMMITMENTS (CONT'D)

(b) Operating lease commitments - where the Authority is the lessor (cont'd)

The future aggregate minimum lease payments under cancellable operating leases are as follows:

	<u>2021</u>	<u>2020</u>
	SR	SR
Not later than one year	42,317,164	59,980,593
Later than one year and not later than five years	96,683,105	140,997,973
	<u>139,000,269</u>	<u>200,978,565</u>

The contracts with most of the tenants for the cancellable operating leases are renewable every two years.

23. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2021 (2020: Nil).

24. RELATED PARTY TRANSACTIONS

	<u>2021</u>	<u>2020</u>
	SR	SR
Directors		
- Remuneration (note 17)	298,693	403,893
Holding Entity		
- Surplus payable (note 14)	<u>92,565,871</u>	<u>85,268,991</u>

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2021, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2020: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

(c) Key management personnel

	<u>2021</u>	<u>2020</u>
	SR	SR
Salaries and other benefits	15,182,403	14,878,596
Accrued Benefits	454,418	446,366
Employer Pension costs	2,277,360	2,231,789
	<u>17,914,182</u>	<u>17,556,752</u>

LIST OF ACRONYMS AND ABBREVIATION

AEOI	- Automatic Exchange Of Information
AFDB	- African Development Bank
AML	- Anti-Money Laundering
BEPS	- Base Erosion and Profit Shifting
CBS	- Central Bank of Seychelles
CFT	- Counter Financing of Terrorism
CIS	- Collective Investment Scheme
CSL	- Companies Special Licence
COMESA	- Common Market for Eastern and Southern Africa
ESAAMLG	- Eastern and Southern Africa Anti Money laundering Group
FATF	- Financial Action Task Force
FATCA	- Foreign Account Taxpayer Compliance Act
FIU	- Financial Intelligence Unit
FSA	- Financial Services Authority
FSDIP	- Financial Sector Development Implementation Plan
FSC	- Financial Stability Committee
FSMC	- Financial Services Marketing Committee
GOP	- Gainful Occupation Permit
HIRE	- Hiring Incentives to Restore Employment
IBC	- International Business Company
ICF	- Investment Climate Facility
ICSP	- International Corporate Service Provider
IGA	- Intergovernmental Agreement
IMF	- International Monetary Fund
IOSCO	- International Organisation of Securities Commission
ITZ	- International Trade Zone
ME	- Mutual Evaluation

MMoU	-	Multilateral Memorandum of Understanding
NRA	-	National Risk Assessment
OECD	-	Organisation for Economic Co-operation and Development
PCC	-	Protected Cell Companies
PMDS	-	Performance Management and Development project
SIB	-	Seychelles Investment Board
SIBA	-	Seychelles International Business Authority
SIFSA	-	Seychelles International Financial Services Association
STEP	-	Society of Trust and Estate Practitioners