

FSA
ANNUAL REPORT
2022



**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

It is with distinct pleasure and gratitude that I present once again, on behalf of the Board of Directors, the Annual Report of the Financial Services Authority (FSA), for the financial year 2022.

The FSA welcomed its new members on the Board of Directors, appointed for a three-year term. Mr. Muhammad Saley, from the Attorney General's Office and Ms. Anne Rosette as the new Chief Executive Officer of the Seychelles Investment Board.

Albeit the lingering impact of the Covid-19 pandemic, the year under review remained one of steady progress and recovery. Having been forced to reevaluate our traditional approaches as a country, we remained averred in our attempt to maintain the stability and resilience of the sector. We must never underestimate the impact another crisis may have on the economy. Nonetheless, the resilience of the non-bank financial services, and its ability to adapt to ever-changing conditions has proven that under the right conditions the non-bank financial services sector can be sustained.



From a regulatory perspective, I am quite satisfied that we managed to bring to fruition a number of significant amendments to our legal framework. These were the, *AML - CFT (Amendment) Regulations, 2022*, *AML - CFT (Counter-measures) Regulations, 2022*, *AML - CFT (Cross Border Declaration) Regulations, 2022*, *AML - CFT (National Risk Assessment) Regulations, 2022*, *Beneficial Ownership (Amendment) Act, 2022*, *International Corporate Service Providers (Amendment of Schedule) Regulations, 2022*, *International Trade Zone (Amendment of*

Schedule) Regulations, 2022, International Trade Zone (Employment) (Amendment) Regulations, 2022, Seychelles Gambling (Capping of Slot Machine and Casino Licenses) Regulations, 2022, Trusts (Amendment) Act, 2022. The Financial Consumer Protection Act, 2022 was also enacted. Amendments were also, made to The Trust Act to require the exchange of information, including Beneficial Ownership information, between co-trustees. The Beneficial Ownership Act was amended to ensure continued compliance with the international standards set by the Financial Action Task Force (FATF) and Organization for Economic Cooperation and Development (OECD).

The Authority also published new guidelines for Trust following the enactment of the new Trust Act, 2021 and a new code for Compliance Function for its licensees, under the International Corporate Service Providers Act, Securities Act, Mutual Fund and Hedge Fund Act, Seychelles Gambling Act and Insurance Act. The FSA initiated work on a Code for Fit and Proper for all licensees under its administration. These Codes are expected to be finalized in 2023. Moreover, groundwork has been initiated

for the review of additional regulations; The Seychelles Gambling Act, The Insurance Act, Establishment of Pension Framework, Financial Services Authority Act, Licensing requirements for the Securities Dealers, Policy framework for Virtual Assets and Virtual Asset Service Providers (VA/VASP), Beneficial Ownership Regulations and Beneficial Ownership Guidelines and the AML/CFT Reliance on Regulated Persons Regulations.

One of the lessons, learned post-pandemic is the need to ensure that risks are being well mitigated and that we have in place an effective framework and business continuity plan, to handle any risk that threatens our financial services industry and economy. In this view, an assessment of the existing risk management practices of the FSA was undertaken. The gaps and recommendations identified, was addressed through the development of the Enterprise Risk Management Framework. Furthermore, the FSA officially set up the Financial Stability Committee (FSC) technical subcommittee, to support the FSC in effectively delivering its mandate. The Subcommittee, comprises of members of the licensing sections and other key sections in the FSA, and are responsible

to advise the FSC members on current and emerging financial stability risk and trends, and make policy recommendations and propose mitigating measures necessary to promote financial stability. The FSA also led and commissioned the first National Risk Assessment on Virtual Assets and Virtual Assets Services Providers (NRA VA/VASP), with the primary objective of aiding the FSA and the other relevant competent authorities to assess the feasibility, potential benefits and drawbacks of having a VA/VASP regime in Seychelles.

As per the previous years, we remained actively engaged with our international and local counterparts through the exchange of information. FSA has maintained our commitment to sharing information while adhering to our established service standards. Consultations with the industry players also remains essential for the Authority.

The FSA is cognisant that regular dialogue with industry players, through our various

committees, fosters collective action for the betterment and growth of the sector.

On that note, I wish to call upon all the licensees to demonstrate the highest level of integrity and competence to maintain the industry's good repute.

Finally, I wish to express my compliments to Mr. Randolph Samson on his appointment as the new CEO of the FSA. I wish to thank the Board of Directors for their unfaltering support, commitment and continued support to the FSA. To the staff of the FSA, I wish to commend your dedication and motivation to carry the organisation forward. Through our joined efforts, we are on the trajectory to achieve the FSA's Strategic plan 2021-2025. Let us strive for the Seychelles Financial Services Industry to be recognized as a jurisdiction of good governance, transparency and a safe environment to conduct business.

Mr. Patrick Payet
Chairman
Of the
Financial Services Authority

CHIEF EXECUTIVE OFFICER'S STATEMENT

As the newly appointed Chief Executive Officer, having assumed office in October 2022 during the year under review, it is with great pride and a privilege that I present the Financial Services Authority's (FSA) Annual Report for the year 2022. Having served the Authority for a period of 15 years prior to my appointment as CEO, I am extremely honored to be taking the helm of the FSA, to continue the hard work of my predecessors and to build on the foundations laid by the FSA's staff and stakeholders both past and present.

Reflecting back on the challenges faced by the Seychelles as a country over the recent years and the uncertain times it has had to navigate operating within the new realities of a post-pandemic world, I am proud that the Seychelles and the Non-Bank Financial Services (NBFS) industry, have both commendably risen to the challenges posed by these uncertainties. This is ample evidence of our innate resilience and versatility to be able to adapt ourselves to challenges and circumstances, it is also a testament to our willingness to innovate and embrace new and alternative ways of doing



things whilst remaining focused on the FSA's vision of being an effective regulator with particular focus on safeguarding the Seychelles' non-bank financial services.

Since taking office, one of my priorities has been to ensure that we focus on achieving the objectives set under our Strategic Plan 2021-2025, which identifies our four strategic pillars; *1. A robust, user friendly and sound regulatory framework and effective supervision, 2. Fostering innovations,*

3. *Professional services and competent talent pool*, 4. *Stakeholders and industry's support, collaboration and consultation*.

In line, with these strategic pillars, I will ensure that resources are directed towards achieving our objectives and that all our efforts are translated through to the Seychelles having a successful and robust non-bank financial services sector.

To ensure the continuous growth and development of the sector, the FSA, has throughout the years, remained committed to providing capacity building training programs and support incentives for industry practitioners and graduates to become professional specialists in the sector. This commitment has been further reinforced by the launch of the FSA's Scholars Award for the NBFS Sector, a scholarship program whereby two fully sponsored scholarships; one at undergraduate and one at postgraduate levels, are awarded annually, to deserving professionals to pursue higher education in the financial services field. In June, the FSA had the honour of awarding the first scholarships under this program. The recipients were Ms. Steffi Larue and Mr. Mike Morel who are undertaking a

Bachelor's Degree in Business with Financial Risk Management and a Master's Degree in Regulation and Compliance respectively.

With the rapid development and innovation in the global financial markets, there has been an increasing need for financial supervisory authorities to identify new ways to improve financial consumer protection and promote fair practices. On this basis, the Financial Consumer Protection Bill 2022 was approved by the National Assembly in March and assented by the President in April. This new piece of legislation, the Financial Consumer Protection Act, 2022, which came into operation effective the 1st May, 2022 will give the FSA and the Central Bank of Seychelles (CBS) the explicit mandate to become the Competent Authorities for financial consumer protection to ensure that the financial sector remains fair, efficient, responsible and most importantly safe at all times.

In June, the Authority received Cabinet's approval to supervise public pension and private pension schemes which entails the supervision of pension for prudential and market conduct in Seychelles. The FSA will now work with relevant stakeholders to have the required legal framework in place

for the supervision of pension with the ultimate goal of protecting the rights and interests of members and beneficiaries.

Overall 2022 has been a year of consolidation for the non-bank financial services industry where despite the ongoing implementation of a number of compliance-driven initiatives brought about by the legislative changes of the recent years, the non-bank financial services sector has displayed its resilience in the face of these changes. The FSA has, during the year 2022 intensified its supervisory activities, through its supervisory inspections, compliance checks and enforcement actions in respect to a number of areas including those relating to improved transparency and substance within the jurisdiction. The FSA remains committed to ensuring that the it at all times proactively remains at the forefront of international best practices and abreast with the Seychelles' commitments at the international level.

To end, I would like to express my sincere appreciation to the Board, management and staff of the FSA for the support extended to me since my appointment. I am certain that collectively, we can achieve the objectives

set under the Authority's Strategic Plan and meet our regulatory obligations to ensure that the stability and reputation of the sector is preserved. During my tenure, I also look forward to further reinforce the collaboration that exists between the Authority and the industry for the development and success of the sector.

Mr. Randolph Samson

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 Wavel Ramkalawan, 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 2022

<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. Randolph Samson
S5(1)(c)	Principal Secretary of the Ministry responsible for Finance or a representative of the Principal Secretary	Mrs. Seylina Joymon
S5(1)(d)	Attorney-General or a representative of the Attorney General	Mr. Muhammad Saley
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	Mrs. Samanta Esparon

S5(1)(h)	Chief Executive Officer of the Seychelles Investment Board or a representative of the Chief Executive Officer	Ms. Anne Rosette
S5(1)(i)	Appointed by the President	Mrs. 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 2022, ten 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 2022)

Mrs. Samanta Esparon	-	Chairperson
Mrs. Seylina Joymon	-	Member
Mr. Richard Rampal	-	Member

Secretary to the Committee Ms. Elizabeth Bodwell

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 2022)

Mrs. Wendy Pierre	-	Chairperson
Mr. Philip Moustache	-	Member
Mrs. Samanta 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 2022)

Mrs. Seylina Joymon	-	Chairperson
Ms. Anne Rosette	-	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 2022)

Mr. Muhammad Saley	-	Chairperson
Mr. Philip Moustache	-	Member
Mrs. 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

AML - CFT (Amendment) Regulations, 2022

AML - CFT (Counter-measures) Regulations, 2022

AML - CFT (Cross Border Declaration) Regulations, 2022

AML - CFT (National Risk Assessment) Regulations, 2022

Beneficial Ownership Act, 2020

Beneficial Ownership Regulations, 2020

Beneficial Ownership (Amendment) Act, 2021

Beneficial Ownership (Amendment) Act, 2022

Companies (Special Licences) Act, 2003

Companies Special Licenses (Amendment) Act, 2018

Companies Special Licenses (Amendment) Act, 2021

Financial Consumer Protection Act, 2022

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 Corporate Service Providers (Amendment of Schedule) Regulations, 2022

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

International Trade Zone (Amendment of Schedule) Regulations, 2022
International Trade Zone (Employment) (Amendment) Regulations, 2022

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

Seychelles Gambling (Capping of Slot Machine and Casino Licenses) Regulations, 2022

Trust Act, 2021

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

Trust (Amendment) Act, 2022

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 CEO of the FSA and Co-chaired by the CEO of the SIB.

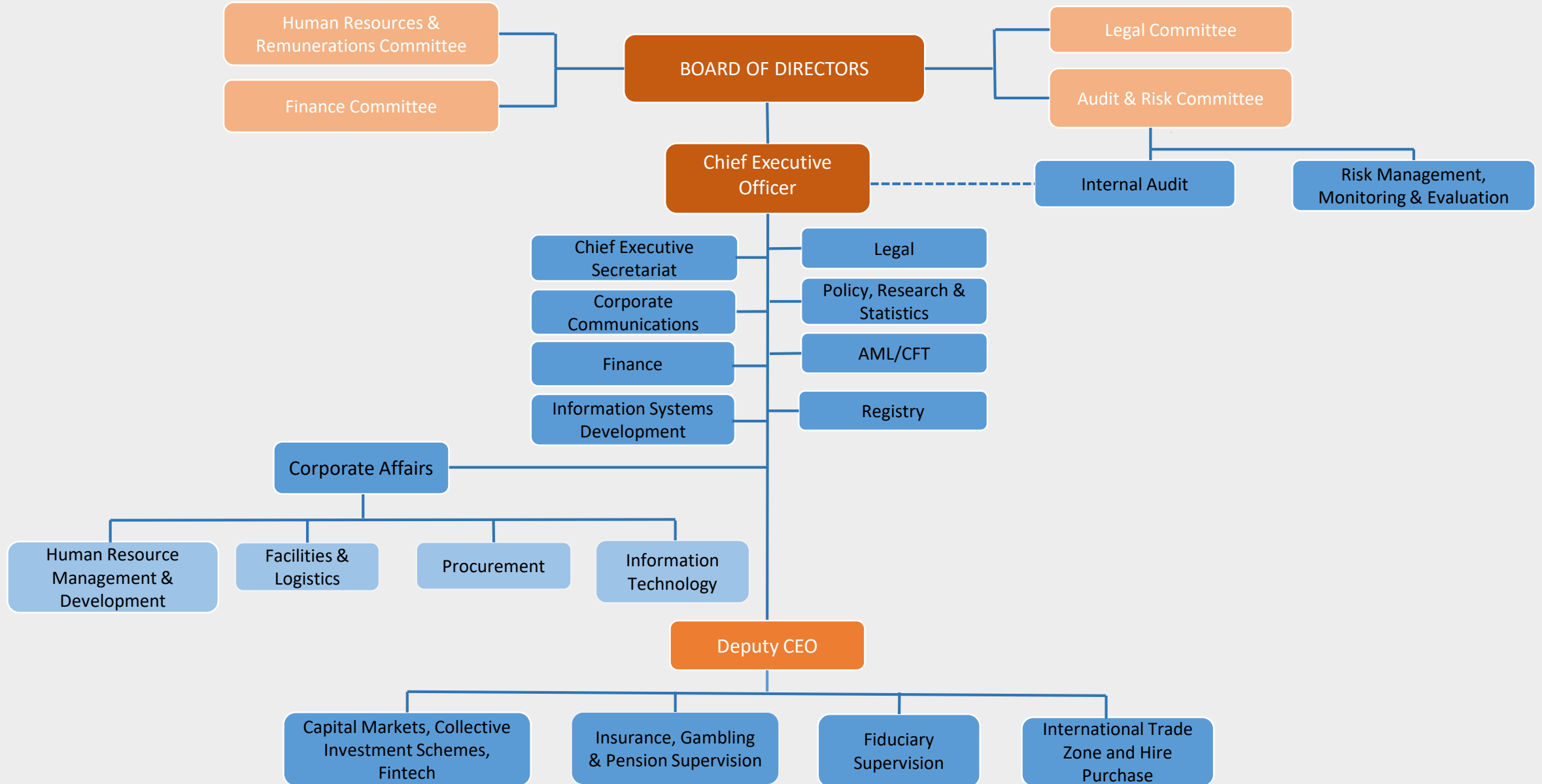
FSA EVALUATION COMMITTEE

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 Outlook published in January 2023, global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024. The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 (World Economic Outlook (WEO)) but below the historical (2000–19) average of 3.8 percent. The rise in central bank rates to fight inflation and Russia’s war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017–19) levels of about 3.5 percent.

The balance of risks remains tilted to the downside, but adverse risks have moderated since October 2022 as published in the WEO report. On the upside, a stronger boost in demand from numerous economies or a faster fall in inflation are evidently on the

rise at a slow pace. On the downside, severe health outcomes in China could hold back the recovery, Russia’s war in Ukraine could escalate, and tighter global financing conditions could worsen debt distress. Financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation could hamper economic progress.

In most economies, amid the cost-of-living crisis, the priority remains achieving sustained disinflation. With tighter monetary conditions and lower growth potentially affecting financial and debt stability, it is necessary to deploy macro prudential tools and strengthen debt restructuring frameworks. Accelerating COVID-19 vaccinations in China would safeguard the recovery, with positive cross-border spillovers. Fiscal support should be better targeted at those most affected by elevated food and energy prices, and broad-based fiscal relief measures should be withdrawn. Stronger multilateral cooperation is essential to preserve the gains from the rules-based multilateral

system and to mitigate climate change by limiting emissions and raising green investment.

REGIONAL ECONOMIC PERSPECTIVE

Sub-Saharan Africa's recovery has been abruptly interrupted. Last year, activity finally bounced back, lifting GDP growth in 2021 to 4.7 percent. But growth this year is expected to slow sharply by more than 1 percentage point to 3.6 percent, as a worldwide slowdown, tighter global financial conditions, and a dramatic pickup in global inflation spill into a region already wearied by an ongoing series of shocks. Rising food and energy prices are striking at the regions most vulnerable, and public debt and inflation are at levels not seen in decades. Given that the region's prospects are tied firmly to developments in the global economy, while locally, the sociopolitical and security situation for many countries remains particularly difficult. Against this backdrop, and with limited options, many countries find themselves pushed closer to the edge. The near-term outlook is extremely uncertain.

In this regard, policymakers face the most challenging environment in years. They will

need to deal with immediate socioeconomic crises as they emerge, while also reducing vulnerabilities to future shocks as best they can by building resilience. Ultimately, however, the region's safety and prosperity will require high-quality growth, so policies must also set the stage for a sustainable recovery, which is moving away from the edge.

With 123 million acutely food-insecure people across the region, rising food and energy prices mean that lives are at risk. Tackling this issue is a clear priority, but the ability to rapidly expand social safety nets is constrained in many cases, so some countries have turned to expensive and poorly targeted support measures. While these measures, especially food support, may be necessary in the current emergency, they should eventually be phased out and replaced with better-targeted alternatives, ensuring that scarce resources go to those who need them most.

With increased inflation and rising global interest rates, most authorities have started to tighten monetary policy. But in a context of fiscal consolidation and a fragile recovery, authorities face a difficult balance. They

should increase policy rates gradually and cautiously, keeping a close eye on inflation expectations and the level of foreign exchange reserves.

Consolidating public finances amid tighter financial conditions is primordial. Regional debt is approaching levels last seen in the early 2000s before the impact of the Heavily Indebted Poor Countries Initiative. And, in the context of rising global interest rates, access to funding will likely become much less forgiving. To build resilience and absorb the cost of a higher interest bill, authorities will need to continue consolidation. Further, credible medium-term fiscal frameworks, including effective debt management can reduce exposure to shifts in risk sentiment and can lower borrowing costs. For some countries, debt reprofiling or restructuring may be needed, requiring improved implementation of the G20 Common Framework.

High-quality growth has long been a priority, but the context for reform is changing dramatically in the context of accelerating

climate change. Investment in resilient, green infrastructure is increasingly important. Moreover, capitalizing on the region's sizable endowment of renewable energy sources and potentially leapfrogging from fossil-fuel-based models will require both innovating private finance and energy sector reforms.

THE SEYCHELLES CONTEXT

According to the Central Bank of Seychelles annual report 2022¹, at the commencement of 2022, the domestic economy seemed poised to further consolidate the economic recovery that began in 2021. However, the invasion of Ukraine by Russia in February brought about a significant level of uncertainty in view of its potential implication on the tourism sector. In addition, there was still the threat of the evolving COVID-19 pandemic. Nonetheless, the successful vaccination campaign combined with the decreasing number of cases locally, provided the scope for health restrictions to be gradually lifted during the year. As such, effective 15th March, fully vaccinated visitors no longer required a

¹

<https://www.cbs.sc/Downloads/publications/Annual%20Report%202022.pdf>

negative PCR1 test to enter the country and as of 1st December, tourists were not mandated to show proof of COVID-19 vaccination or a negative PCR upon arrival. The renewed global optimism for travel resulted in a stronger-than-anticipated growth of 82 per cent in visitor arrivals in 2022, compared to 2021.

Developments in the tourism sector implied a sustained inflow of foreign exchange into the domestic market. However, in light of the higher economic activity, coupled with elevated international commodity prices, there was an uptick in demand for foreign exchange. Nonetheless, the increased inflow of foreign exchange was sufficient to offset the rise in demand, which ultimately led to an overall strengthening of the Seychelles rupee, in annual average terms, relative to 2021. For the year under review, the rupee traded on average at R14.2727 relative to the US dollar.

Preliminary estimates indicated a contraction in output from the fisheries sector, whilst an expansion was observed in the agriculture segment. During the year, emphasis was placed on enhancing the output generated by these sectors, to

reduce the reliance on imported products as well as increase the value addition of processed goods. In that context, key developments included the continuation of agricultural projects on the outer islands and the growing interest in aquaculture-related activities.

Output from the manufacturing sector was estimated to have expanded during the year. Primarily, there was an increase in the production of construction materials and the manufacture of beverages and tobacco. Conversely, the manufacture of fishery products contracted, given the production challenges related to sourcing packaging materials, labor shortages and greater competition from international counterparts. In addition, there was a double-digit expansion in output within the telecommunications industry and this was mainly attributed to increases in data traffic, mobile accounts, internet connections, cable TV connections and international calls.

In view of the improved market sentiments given the strong pick-up in economic activity, growth in credit extended to the private sector exceeded expectations and rose by 5 per cent in December compared to

end-2021. However, this did not require policy response on the part of CBS as its impact on inflation was limited. The growth in credit resulted mainly from an expansion of 18 per cent in local currency-denominated loans (excluding the Private Sector Relief Schemes), and which accounted for 78 per cent of total claims on private sector. By contrast, credit extended in foreign currency declined by 17 per cent in rupee terms, partly due to valuation effects, given the stronger domestic currency relative to 2021 as well as a slowdown in new loan disbursements. The latter was on account of the persistent increase in interest rates throughout 2022 which discouraged borrowers from lending in foreign currency. Of note, the higher interest rates on foreign currency-denominated loans also reflected the credit granting financial institutions' concerns over the impact of external developments on the domestic economy, particularly within the tourism sector. As a result, foreign currency-denominated loans as a share of credit disbursed to the private sector dropped from 27 per cent in December 2021 to 21 per cent as at end-2022.

In October, Fitch Ratings upgraded Seychelles' Long-Term Foreign-Currency Issuer Default Rating (IDR) from 'B+' to 'BB-' with a stable outlook. The main reasons for this upgrade related to the country's declining public debt to-GDP ratio and improved external position. The strong economic growth, limited impact on tourism from the conflict between Russia and Ukraine, stable fiscal performance and firm macroeconomic framework were among the key factors that were considered in upgrading the country's rating.

In terms of outlook for 2023, an overall decline in global economic activity is expected as the tighter monetary conditions, increasing interest rates and challenges brought about by the war between Russia and Ukraine continue to weigh on already weakened economies. International commodity prices are forecasted to remain elevated, despite a decline in oil prices. Given the nature of the Seychelles economy, it is anticipated that such external developments, in particular the expected contraction in economic activity in Europe, may impact the local tourism industry. In that context, the authorities aim to intensify their effort in

marketing the islands in non-traditional markets to counter any potential loss from the existing tourism source markets. Hence, it is anticipated that the continued positive performance of the tourism sector will provide sustained inflows of foreign exchange, ensuring relative stability in the exchange rate and the general price level. As such, it is expected that an accommodative monetary policy stance will be maintained to support domestic economic activity. With regard to the country's external position, it is forecasted to remain relatively strong as international reserves is projected to be at

least at a similar level to 2022. Given the above-mentioned developments, the initial forecast is that GDP might grow at a slower rate of 4.3 per cent in 2023 compared to 8.4 per cent in 2022.

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 20 member countries (which also comprises of Seychelles) and includes a number of regional and international observers.

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 businesses and professions.

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 the Ministry of Finance, National 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 legal arrangements in Seychelles to identify and verify their beneficial owners. It also sets up a centralized beneficial ownership database 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 so as to qualify for re-ratings to Largely Compliant and Compliant on 8 Recommendations. Additionally, the Seychelles has been re-rated as being partially compliant on 1 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 and, as part of its 3rd re-rating submission in September 2022, has also

requested re-rating for Recommendations 5, 19, 25, 28, 33 and 34.

Seychelles also undertook a National Risk Assessment (NRA) for Virtual Assets and Virtual Asset Service Providers (VA/VASPs) in 2022

with the aim of identifying the gaps and risks in the sector which could lead to AML/CFT non-compliance with FATF standards and harmful effects to Seychelles' reputation. The NRA report for VA/VASPs was published in August, 2022 following the endorsement of the Cabinet of Ministers in July 2022.

TAX REFORMS TO COMPLY WITH EU STANDARDS

Seychelles was first assessed by the EU Code of Conduct Group on Business Taxation (CoCG) in 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 certain harmful preferential tax regimes.

The EU has then introduced standards in relation to territorial tax regimes which did not have any conditions attached to the regime (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 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 economic 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. This 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 These amendments resulted 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 and has been published accordingly.

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 Matters². 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.

² *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-*

OECD's definition, detailed substance rules, with tests that are in line with CoCG standard.

SEYCHELLES' PEER REVIEW FOR EXCHANGE OF INFORMATION ON REQUEST

The Seychelles, being a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, undertook its last Global Forum's peer review assessment for exchange of information on request in 2019. 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. The scope of the information to be exchanged under the standard includes legal ownership information, beneficial ownership information, banking information and accounting information.

Following the 2019 review, 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,

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.

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.

As a consequence of the changes in its legal framework and increased monitoring of implementation of the new rules, Seychelles was approved for a Supplementary review by the Global Forum.

The peer review of Seychelles was launched in September 2022, with the onsite visit by the assessors taking place mid December 2022 in Seychelles. During the on-site visit, a series of meetings were scheduled with both the government authorities and representatives from the private sector (e.g. ICSPs, bankers, lawyers, etc.). The main aim of the onsite visit was to provide the assessors with a better appreciation of the practical implementation of the framework for exchange of information and it also provided Seychelles with an opportunity to demonstrate the effectiveness of its laws, primordially the implementation of the recent legislative changes and the monitoring efforts undertaken by the

authorities to ensure the availability of accounting records in Seychelles.

Following the on-site visit, the assessors will produce a draft report which will be discussed with the Seychelles' authorities and amended accordingly before it is discussed by the Peer Review Group in June 2023, and subsequently adopted by the Global Forum.

The new rating of Seychelles from the supplementary review will have significant impact on Seychelles' position vis-à-vis the EU list of non-cooperative jurisdictions whereby, an upgrade in the overall rating will be positive, while failure to obtain an upgrade will have a negative impact.

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.

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.

In 2019, the 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. In 2021, the FSA submitted its Letter of Commitment to the IOSCO and officially put forth the request for Technical Assistance (“TA”) to the IOSCO TA Committee which was accepted in 2022. The TA would be for the review of the current legal framework and the identification of its deficiencies, with the aim of not only addressing such deficiencies through vital amendments in line with the MMoU requirements but to ensure, in addition that the eligibility criteria are improved based on the last application. The TA is expected to start by the end of the second quarter of 2023.

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.

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 Evaluations of members' compliance

with the GIFCS Standard on the Regulation of Trust and Company Service Providers. This will provide Seychelles with the necessary

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

expertise to assist in the preparation of its own Mutual Evaluation, which is expected to take place in 2024.

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 and Risk 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;
- Provide 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.

STRUCTURE

The Internal Audit Unit is headed by a Head of Internal Audit. The post for an Internal Audit Manager, is currently vacant, and with the remaining subordinated positions are the Internal Auditors.

KEY DEVELOPMENTS OF 2022

In 2022, the Internal Audit was restructured from being a section to a unit and certain positions were re-evaluated and were

upgraded. The Internal Audit Unit was restructured to align with the needs of the organisation as well the risks faced by the organisation. The position of Head of Internal Audit was introduced during Q2 of 2022 and all subordinated positions were upgraded to Internal Auditors and thus it enabled the Unit to recruit more qualified and professional staff to boost the unit up.

Several trainings, including the CIA, were identified for internal audit staff to be enrolled on during 2022 and in subsequent years, so that internal audit staff could have the necessary skills and knowledge to discharge their responsibilities and to better deliver on their assigned tasks.

Besides performing its routine assurance and consulting engagements, as part of its departmental work plans, the Internal Audit Unit embarked on a mission to educate and bring awareness to the different internal stakeholder's on the functions and activities of the Internal Audit Unit. This is planned to continue over a prolonged period of time with the aim of getting better collaboration and co-operation of all internal stakeholders so that the internal audit unit can better deliver on its mandate and assist the Authority to improve

on its organisation's risk management, governance and internal control processes.

OUTLOOK FOR 2023

For the year 2023, the focus of the Internal Audit Unit will be to:

- Contribute to the improvement of the risk management process by continuously providing 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 an Internal Audit Quality Assurance and Improvement Programme. 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.
- Ensure there is continuous staff Professional Development and capacity building for improved staff performance.

- Develop and implement a Competency Framework so as to enable the IA staff to develop competencies that will help them meet their individual career objectives. 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.

- Promote and increase internal stakeholders' education and awareness,

such as management and other sections within the FSA on the functions, the roles and responsibilities of the Internal Audit Unit and how it can positively impact on the performance of Authority and so as to subsequently get the collaboration and co-operation of staff from other sections within the FSA thus facilitating future internal audit engagements.

- Updating of the internal audit strategic plan, Internal Audit Operational Procedure manual and the Internal Audit Charter, for alignment with the FSA's strategic plan and structure, and to ensure the Internal Audit's conformance to the IIA's standards.

RISK MANAGEMENT, MONITORING & EVALUATION UNIT

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. 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

As part of its mandate, the RMME Unit is responsible for the development and implementation of the Enterprise Risk Management, Monitoring and Evaluation frameworks for the organisation.

The 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 also monitors and evaluates the progress of the FSA Strategic Plan 2021 to 2025, to ensure its successful implementation. This includes identifying solutions for overcoming strategic risks and challenges.

STRUCTURE

The Unit comprises of a Director, Risk Management, Monitoring & Evaluation, assisted by two Risk Management, Monitoring & Evaluation Officer.

KEY DEVELOPMENTS OF 2022

DEVELOPMENT OF THE ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

During the year 2022, the RMME Unit conducted introduction and awareness sessions with all sections of the FSA on the development of the ERM Framework for the organisation. The sessions provided an introduction to risk management concepts and allowed the following actions to be completed:

- Undertake stocktaking of current risk management practices;

- Develop a risk culture across the organization by creating awareness and securing ownership of risk management practices;
- Gather all necessary data for establishing the risk register and as required for preparation of the ERM framework;
- Build a network of risk champions across all sections.

Following these sessions, an assessment of the existing risk management practices of the FSA was undertaken. The findings were captured in a report, which also outlined the gaps for effective risk management and presented the proposed recommendations to address these, through the development of the ERM framework. Moreover, from the various inputs received from all sections, the first consolidated risk register for the organisation was prepared.

ASSESSMENT OF RISKS TO FINANCIAL STABILITY IN NON-BANK FINANCIAL SERVICES

As part of the overall coordination of the financial stability work on the FSA side, there was the continued submission of the FSA's quarterly Risk Assessment Matrix on financial stability. The FSA submissions 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. These were then presented to the national Financial Stability Committee (FSC), along with the identified systemic risks by other competent authorities.

Further to strengthening the work on financial stability, the FSC technical subcommittee was officially set up, to support the FSC in effectively delivering its mandate. The subcommittee has a number of key functions as outlined in its Terms of Reference. Some of these include advising FSC members on current and emerging financial stability risks and trends, and making policy recommendations and proposing mitigating measures necessary to promote financial stability, to the FSC for consideration, based on analyses conducted. The FSA participated actively in the setting up of the subcommittee and is represented therein by the following sections: RMME, Policy, Research and Statistics, AML/CFT, and all licensing sections with the exception of ITZ.

MONITORING AND EVALUATION OF THE FSA STRATEGIC PLAN

Following the first year of implementation of the FSA's Strategic Plan 2021 to 2025, the Monitoring and Evaluation framework for this, was developed in consultation with all sections of the FSA. Through this, the achievements, challenges and planned way forward for the Strategic Plan were analysed. This thus allowed for preparation of the mid-year and end-of-year progress reports. The evaluated progress showed that the FSA is on track to meeting its strategic objectives. Moreover, these reports also set out the recommendations for improving the Monitoring and Evaluation framework as well as how to continue with the successful implementation of the Strategic Plan.

NATIONAL RISK ASSESSMENTS

The RMME Unit assisted with the coordination and participated in the country's first National Risk Assessment on Virtual Assets and Virtual Assets Service Providers (NRA VA/VASP), being led by the FSA. The FSA led and commissioned this national project, which had the primary objective of aiding the FSA and other relevant competent authorities to assess the feasibility, potential benefits and drawbacks of having a VA/VASP regime in the Seychelles. The NRA VA/VASP was successfully completed in July 2022. The outcome of the risk assessment for

VA/VASP will now inform the national policy position and also feed into the wider NRA which started in 2022.

The Unit also took on the role for the internal coordination of the FSA's participation in the country's second National Risk Assessment for ML/TF risks. The FSA is a key stakeholder for this project, and in particular, the designated leads for three modules, namely for the Legal Persons and Legal Arrangements, Insurance and Capital Markets sectors. The FSA is also represented across other modules, especially in line with its other regulated sectors such as gambling and TCSPs. The work for the NRA officially began in July 2022 and is set for a duration of 15 months. The main outputs for the year were the draft individual module reports based on the intensive data collection and analysis undertaken. These reports will contribute to the national report that will be finalised in 2023.

OUTLOOK FOR 2023

ENTERPRISE RISK MANAGEMENT

During the year 2023, the Unit will be implementing the recommendations for the establishment of the ERM framework. This will include preparation of the required strategic documents and further improvement of risk

management procedures within the organisation. The Unit will also continue to conduct capacity building sessions in risk management with all sections. Continued focus will be placed on cultivating a culture of risk awareness across the organisation and, providing inputs and recommendations to the new and ongoing projects.

FSA STRATEGIC PLAN

The planned work for 2023 will also include the continuous monitoring and evaluation of the FSA's Strategic Plan, by preparing the annual progress report. Additionally, given that the Strategic Plan will be halfway through its implementation period, the necessary mid-term review will be conducted. This will be done to ensure that the strategic objectives and timeline are still relevant to the overall strategic direction of the organization. The mid-term review will also take into account the dynamic changes that may have occurred since the plan was first launched. The Unit will also continue to further build awareness and

understanding internally on the Strategic Plan, through informative sessions and sensitisation materials.

FINANCIAL STABILITY IN NON-BANK FINANCIAL SERVICES

There will be continued commitment to leading and improving on the assessment of risks to financial stability in the non-bank financial services. This will include ongoing participation in the development of the financial stability framework for Seychelles and strengthening of inter-agency consultation through the FSC technical subcommittee for the financial stability work.

COORDINATION OF PRIORITY PROJECTS

The Unit will maintain its role for ensuring the successful completion of FSA priority projects where it is tasked with the responsibility for the overall coordination and project management of such projects as the NRA.

CORPORATE COMMUNICATIONS UNIT

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 Request for Information (RFIs) 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 have updated information in regards to any developments in the sector.

KEY DEVELOPMENTS OF 2022

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 2022, the FSA undertook the following industry training initiatives:

THE FSA'S SCHOLARS AWARD FOR THE NON-BANK FINANCIAL SERVICES (NBFS) SECTOR

The FSA awarded its first scholarships to two deserving individuals under the FSA's Scholars Award for the NBFS Sector in June 2022. The awardees were Ms. Steffi Larue and Mr. Mike Morel who pursued a Bachelor's Degree in Financial Risk Management and a Master's Degree in Regulation and Compliance respectively. The Scholarship program which was launched in 2021, aims to address the technical skills gaps within the industry by providing specialised training in various fields of the NBFS.

FSA'S PROFESSIONAL SCHOLARSHIP POLICY

Under the FSA's Professional scholarship Policy, the following scholarships were offered in 2022:

- 30 participants received a scholarship to undertake the ICA Certificate in Compliance, AML and Money Laundering Risk in Betting & Gaming;
- 17 participants are undertaking the CISI Certificate in Securities which is the phase 2 of their scholarship received in 2021 after having completed the International Introduction to Securities and Investments Certification in phase 1.

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 ATTENDS THE ASIA OUTBOUND SUMMIT

The FSA attended the Asia Outbound Summit held in Dubai from the 17th to 18th May, 2022. The Summit was attended by the former CEO of the FSA, Mr. Damien Thesée, the respective technical staff of the Authority, industry representatives from the Fiduciary and Capital Markets Sector, as well as a representative of the Seychelles International Financial Services Association (SIFSA). The business conference targeted potential investors and the International Business Community in the Financial Services Industry. While the Summit was an opportunity to promote the Seychelles as a financial services jurisdiction of substance, it also enabled the Authority to learn of the good practices of other jurisdictions and the issues they are facing. The industry representatives present also had the opportunity to promote their services and to

network with other practitioners from the participating jurisdictions.

FSA ATTENDS THE AFSIC INVESTING IN AFRICA CONFERENCE IN LONDON

A delegation headed by the Deputy CEO of FSA, Ms. Zenabe Daman and the CEO of the Seychelles Investment Board (SIB), Ms. Anne Rosette, attended the AFSIC - Investing in Africa Event in London which was held on the 10th and 11th October, 2022. The event focused on networking and provided participants with an unparalleled opportunity to discover and develop a robust network of African business leaders and investors.

The comprehensive programme offered delegates streamed sessions covering Banking, Agriculture, Sustainable Growth, Infrastructure, Capital Markets, Fintech amongst others. The FSA and SIB also participated in the exhibition whereby they had the opportunity to interact with the delegates and promote the products and services available in the Seychelles.

OUTLOOK FOR 2023

INDUSTRY TRAINING

FSA will continue to intensify its efforts to provide adequate professional and academic

courses to the industry. Through the FSA Professional Scholarship Policy and the FSA's Scholars Award for the Non-Bank Financial Services Sector, several individuals from the industry and those seeking to join the industry will be awarded with scholarships to follow their professional and specialised courses.

MARKET DEVELOPMENT INITIATIVES

In collaboration with the SIB and the marketing committee, marketing strategies will be intensified in 2023 to increase Seychelles' visibility on the international scene post-pandemic. A comprehensive marketing plan will be implemented which will target specific audiences and markets for different products under the purview of the FSA.

FINANCE SECTION

The finance section is headed by a Financial Controller and assisted by an assistant Financial Controller responsible for the financial reporting and the preparation and management of the annual budget of the FSA.

The Section is divided into two units, namely the Account Receivable and Debtors Control Unit, and Accounts payable and Creditors Control Unit.

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) and the Public Enterprise Monitoring 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 2022 are set out at the end of this Report.

STRUCTURE

The Account Receivable and Debtors Control Unit is responsible for the collection and recording of revenue and fees for all the services that the FSA renders.

The Accounts payable and Creditors Control unit is responsible for the controlling, monitoring and managing of the FSA's expenditures.

KEY DEVELOPMENT OF 2022

During 2022, one of the main development incurred was the investment into Fixed Deposit account. Initially the FSA started its investment portfolio in 2021 by investing into two Treasury bills. In 2022 upon maturity of the bill, the BOD and Management decided that the return on Investment was too low hence; decision was made to switch to investment of the fund into Fixed Deposit with private bank that provided the better rate of return.

OUTLOOK FOR 2023

The Finance Section plans to move to a new accounting software in 2023. The Sunsystem Accounting Software will replace the SAGE accounting software. The new Sunsystem will enhance the collection of revenue, as this will integrate with other software used by the FSA. Furthermore, it will improve reporting hence will result into better monitoring and decision making.

The finance section is also planning to amend some of the Finance policy and procedure manual, which will later be used to produce a manual for the Finance section. The Investment plan will continue in the year 2023.

LEGAL SECTION

The Legal Section is responsible for ensuring that the FSA meets its legal obligations as an organisation. Comprising of a 4-person legal team, the Section functions as a support section, whilst ensuring that accountable decisions are taken at the right level in the organisation. The Section is closely involved in compliance, enforcement and monitoring functions, the identification of legal risks relating to contracts, the provision of legal advice, both internally and external, as well as driving the enactment of financial services related legislations.

KEY RESPONSIBILITIES

The Legal Section 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 Section 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 Section 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.

STRUCTURE

The Legal Section comprises of a Director, a Legal Manager and two Legal Officers.

The Director is entrusted with the responsibility of overseeing the work of the Legal Section 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 Legal Manager is tasked with a closer oversight of the Section and has the crucial role of providing support to the Legal Director in the management of the section and together with the Legal Officers, is commissioned to ensure that the section's objectives are met.

Together, the Legal Officers are responsible for the execution of the day to day tasks of the Legal Section.

KEY DEVELOPMENT OF 2022

The year 2022 saw the enactment of the following legislations:

- Financial Consumer Protection Act, 2022;
- Trust (Amendment) Act 2022;
- ITZ (Employment) (Amendment) Regulations 2022;
- ITZ (Amendment of Schedule) Regulations 2022;
- Seychelles Gambling (Capping of Slot Machine and Casino Licenses) Regulations, 2022.

The Legal section also participated in the Overall National Risk Assessment for Virtual Assets and Virtual Asset Service Providers whereby a report was published in July 2022.

OUTLOOK FOR 2023

The year 2023 will be a challenging one in view that a number of financial services legislations are being amended or enacted, to bring more internationally compliant as well as value added products and services within the financial services industry.

The projects for 2023 include:

- Amendment of the International Corporate Service Providers Act, 2003 in line with the standards of the Group of International Finance Centre Supervisors (GIFCS);
- Amendment to modernise the Insurance Act, 2008;
- Amendment to modernise the Financial Services Authority Act, 2013;
- Amendment to modernise the Securities Act in line with standards of the International Organization of Securities Commissions (IOSCO);
- Revamp of the International Trade Zone framework to modernise the ITZ concept;
- New Gambling Act to consolidate all gambling activities under one Act;
- New Act for Private pension to regulate private pensions;
- Amendment of Beneficial Ownership Regulations in line with global standards;
- Enactment of Reliance on Third Parties Regulations in line with FATF standards;
- Enactment of Financial Consumer Protection Regulations to put into place a robust complaints handling framework;

➤ Conduct of the National Risk Assessment for Money Laundering/Terrorist financing under the Anti-Money Laundering and

Countering the Finance of Terrorism Act.

POLICY, RESEARCH & STATISTICS SECTION

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 provides advice for interpretation of policies and its accompanying legislations to 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 2022

NEW LEGISLATION ENACTED

Amendments were made to the Trusts Act to require the exchange of information, including Beneficial Ownership information, between co-trustees.

The Beneficial Ownership Act was amended to ensure continued compliance with the international standards set by the Financial Action Task Force (FATF) and Organization for Economic Cooperation and Development (OECD).

NEW GUIDELINES PUBLISHED

The FSA published new guidelines for Trusts following the enactment of the new Trusts Act, 2022.

CODES

The FSA published a new Code for Compliance Function for its licensees under the International Corporate Service Providers Act, Securities Act, Mutual Fund and Hedge Fund Act, Seychelles Gambling Act and Insurance Act.

The FSA initiated work on a Code for Fit and Proper for all licensees under its administration. These Codes are expected to be finalized in 2023.

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 2023.

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 2022.

REVIEW OF THE INSURANCE ACT

There has been a comprehensive review of the Insurance Act and the goal is to finalize the amendments into a new Insurance Act, which amongst other things, will provide for the adoption of a risk-based supervision framework for the sector.

ESTABLISHMENT OF PENSION FRAMEWORK

Further to the Cabinet’s approval in June 2022 of the proposed legislative framework for FSA to supervise public and private pension schemes, the FSA has initiated the groundworks to develop the legislations for such supervision from a risk-based supervision. The Bills are expected to be submitted to Government before the end of 2023.

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 2023.

REVIEW OF LICENSING REQUIREMENTS 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 2023 and the relevant legislative amendments will henceforth be undertaken.

POLICY FRAMEWORK FOR VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS (VA/VASP)

Following the non-compliant rating Seychelles received for Recommendation 15 (regarding new technologies) in its Mutual Evaluation Report, Section has been conducting comprehensive research on Virtual Assets and Virtual Asset Service Providers. The FSA also undertook a National Risk Assessment on VA and VASP and the report was published in August 2022. Moreover, the FSA has started developing a policy framework for the regulation of VA/VASP and the promulgation of a new Virtual Asset Service Providers Act is expected in 2023.

REVIEW OF THE BENEFICIAL OWNERSHIP REGULATIONS AND BENEFICIAL OWNERSHIP GUIDELINES

The FSA and the Financial Intelligence Unit (FIU), in close collaboration with its stakeholders, are working on various amendments to be undertaken to the Beneficial Ownership Regulations and guidelines so as to ensure consistency with the recent amendment to the Act, prescribe the relevant matters and to ensure compliance with the international standards. The

amendments are expected to be finalised in 2023.

AML/CFT RELIANCE ON REGULATED PERSONS REGULATIONS

The FSA has been working on introducing Regulations for the Reliance on Regulated Persons, in collaboration with the FIU, so as to better regulate the reliance on their parties by reporting entities under AML/CFT Act. The Regulations are expected to be finalised in 2023.

OUTLOOK FOR 2023

As mentioned above, groundwork for different projects has been undertaken in the previous years, and the projects not completed last year will be pursued further in 2023. Those not specifically addressed above are summarized below.

GAP ANALYSIS AGAINST GIFCS STANDARDS

In 2022, a preliminary analysis was undertaken on the International Corporate Service Providers Act and other related laws to identify the regulatory gaps in relation to the standards set by the Group Of International Finance Centre Supervisors (GIFCS) to which Seychelles is a member. This work is now on its second phase whereby the effectiveness of the laws

and policies will be assessed to further identify gaps. The analysis is expected to be completed in 2023.

REVIEW OF HIRE PURCHASE AND CREDIT SALES ACT

The FSA intends to amend the Hire Purchase and Credit Sales Act so as to increase vendors' protection and review the list of goods so as to make the regime more attractive.

ANTI-MONEY LAUNDERING & COUNTERING FINANCING TERRORISM UNIT

The AML/CFT Unit is under the direct oversight of the CEO 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 2022

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

The VA/VASP NRA was conducted over the first half of 2022 with the primary objective of aiding the National Anti-Money Laundering and Countering the Financing of Terrorism Committee (“NAC”) and its constituent competent and supervisory authorities to assess the Money Laundering (ML) and Terrorist Financing (TF) risks associated with the existing activities within this area and the risks associated with having a VA/VASP regime in the Seychelles in consistent with the Financial Action Task Force (FATF) recommendations.

The VA/VASP NRA assessed Seychelles’ overall ML/TF risks of VA/VASP as “Very High”. This rating is explained largely by the unregulated

activities happening in the Non-Banking Financial Institution (NBFI) sector.

The overall national vulnerability for Seychelles is rated "Very High". This is because the international financial sector, one of the key pillars of Seychelles economy and integrated with many countries' financial markets worldwide, offers VA services outside the FSA's purview.

Following the conclusion of the VA/VASP NRA, NAC received the endorsement of the Cabinet of Ministers for the adoption and publication of the NRA Report on VA/VASPs during a scheduled Cabinet meeting of August 24th, 2022.

The endorsement of VA/VASP NRA, permits the NAC to proceed with preparation of a policy framework, guided by the findings and aligned with AML/CFT international best practices. The findings of the VA/VASP NRA will also be fed in to the wider second National Risk Assessment, which was launched in July 2022 and remains ongoing.

A policy framework on VA/VASP prepared by the Policy section of the FSA has been

circulated to relevant stakeholders for consultation.

BENEFICIAL OWNERSHIP INSPECTIONS

Focused inspections continue to be a key part of AML/CFT Unit's supervisory approach, identifying a key theme or issue and exploring it across a wide range of licensees (in terms of size and risk rating assigned). The focus of inspections for the year 2022 was aimed at beneficial ownership information that are required to be maintained by legal persons and legal arrangements at the office of their resident agent in Seychelles in accordance with the provisions of Section 5 of the Beneficial Ownership Act, 2020 ("BO Act") to ensure compliance to the BO Act by legal persons and legal arrangements that included 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 principal place of business of the resident agent of the legal persons/arrangements with that maintained at the Central BO database by the Financial Intelligence Unit to verify the accuracy of the beneficial ownership information of the legal persons/arrangements in the Central BO database.

In 2022, the FSA undertook onsite inspections at the office of 35 resident agents (i.e. TCSPs) to review the compliance level of a sample of International Business Companies (“IBCs”), Limited Partnerships, Trusts and Foundations under their respective administration with a number of obligations under the AML/CFT Act and the Beneficial Ownership Act. The inspection team undertook review of a total sample of the 1,413 IBCs, 12 Limited Partnerships (i.e. all active partnerships), 14 Trusts and 6 Foundations as depicted in the table below:

Entities	Number of Resident Agents Inspected	Sample Size Chosen
IBCs	25	1,413

Limited Partnerships	7	12
Trusts	2	14
Foundations	1	6
Total	35	1445

EASTERN AND SOUTHERN AFRICAN ANTI-MONEY LAUNDERING GROUP (“ESAAMLG”) SEYCHELLES THRID RE-RATING REQUEST INTENTION

Since the adoption of the Seychelles Mutual Evaluation Report (“MER”) in September 2018, Seychelles Government has remained committed to address the technical compliance deficiencies identified in Seychelles’ legislative framework in order to counter money laundering, terrorist financing and proliferation financing and be compliant with the Financial Action Task Force (“FATF”) standards.

In that regard, on August 31, 2022, Seychelles sent its intention to submit an application for re-rating for Recommendations 4, 5, 6, 7, 8, 15, 19, 25, 28, 33 and 34 for discussion at the March 2023 Task Force Meetings following which the application and supporting information were submitted to the ESAAMLG secretariat on September 20, 2022.

This application sets out the progress made by Seychelles in addressing the technical compliance deficiencies identified in its MER. Based on the progress made since the publication of the MER, Seychelles has sought technical compliance re-ratings for Recommendations 5, 6, 7, 15, 19, 25, 28, 33 and 34 to be discussed in the ESAAMLG 45th Task Force of Senior Officials Meetings to be held in Arusha, Tanzania from 23 to 31 March 2023.

TECHNICAL ASSISTANCE EU AML/CFT GLOBAL FACILITY TO SEYCHELLES 1ST ROUND – DNFBP AND GAMBLING SUPERVISION

The on-site scoping mission took place on December 6th, 7th and 9th, 2022 to determine the technical assistance required by FSA for Gambling supervision with the following summary of actions:

- Preliminary meeting with relevant stakeholders involved in AML/CFT in Seychelles;
- Provision of training related to Gaming Typologies with the FSA, specifically the personnel responsible for the AML/CFT supervision of the gambling sector in Seychelles;
- Casino audit was undertaken with the AML/CFT team and the gambling supervision team; and

- An open floor discussion, Q&A session at the end of first day.

During the on-site visit, a general overview of the gaming typologies was provided by the expert, which was followed by an in-depth discussion of how the technical assistance could be tailored going forward. The casino audit was organised to have a better understanding of FSA's auditing skills by the expert.

Following the conclusion of the on-site mission, a report was submitted by the expert with recommendations in anticipation of the next steps of the technical assistance.

SEYCHELLES SECOND NATIONAL RISK ASSESSMENT

The Second NRA commenced on the July 4th, 2022, which is expected to take 15 months to complete. The assessment aims to review the ML/TF risks in Seychelles through a comprehensive analysis, in collaboration between different government agencies responsible for combatting ML/TF and the private sector stakeholders. The findings of the NRA will then help to amend the national AML/CFT strategy and mitigating actions to address the vulnerabilities. It will further assist

in allocating the available resources towards the fight against ML/TF more effectively and efficiently, while meeting the requirements of the international standards.

The risk assessment process is undertaken using the World Bank Group's self-assessment tool. In that regard, the World Bank Group conducted a capacity building exercise for all the working group members at the beginning of the NRA exercise.

Staff members of the AML/CFT Unit are actively engaged in the following modules of the ongoing NRA exercise:

- Legal Persons / Legal Arrangements
- Securities
- Designated Non-Financial Businesses and Professions (specifically, TCSP and Gambling sector)
- Insurance
- Terrorist Financing

Following the collection and analysis of the data required for the NRA exercise, the reports for the modules mentioned above have been

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:

completed and submitted to the NRA coordinators for compilation.

FIT AND PROPER ASSESSMENTS

To compliment the importance of entry control through fit and proper tests, 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).

Sector	Number of Compliance Officers approved for 2022	Number of Alternate Compliance Officers/Approved	Number of reporting entities absolved from appointing an Alternate Compliance Officer
Gambling	1	2	0
Fiduciary	8	1	1
Securities	25	6	15
Insurance	35	3	0
Total Approvals	69	12	16

ENFORCEMENT

During the course of 2022, two directions were issued to two reporting entities from the Fiduciary (CSP) and the Capital Markets (Securities Dealer) sector for non-compliance with the obligations of the AML/CFT Act. It is to be noted that the reporting entity from the Fiduciary sector complied with the direction within the set deadline whilst the reporting entity from the Capital Markets sector has not complied with the direction as it has re-domiciled its operation to another jurisdiction due to the revocation of its licence in Seychelles.

WORKSHOP

The Royal United Services Institute (RUSI) in partnership with the Seychelles FIU organized a workshop, in hybrid format, on proliferation financing and sanctions implementation for Designated Non-Financial Businesses and

Professions (DNFBPs) on September 28th and 29th, 2022.

RUSI is an independent, donor-funded research institution focusing on Defence and security studies. Since 2015, they have been conducting research and outreach activities on countering proliferation finance, building on their long-standing expertise in trends and tactics in proliferation and approaches to combating financial crime. UN Sanctions and FATF recommendations are a major focus of their programme.

80 participants from the TCSP and Gambling sectors including members of staff from the FSA took part in the workshop, where participants had the opportunity to follow a comprehensive analysis of sanctions and related requirements, and how the local

stakeholders may respond to these requirements, through presentations and discussions. The workshop also covered the implications of sanctions for the DNFBP sector and national risk assessment methodologies.

STAFF TRAINING

As part of the capacity building exercise, the staff of the AML/CFT Unit took part in the following key trainings during 2022:

NAME OF THE TRAINING	DELIVERED BY
12th Beneficial Ownership Focus Group Meeting - Special session on FATF Recommendation 24	WU Global Tax Policy Center
Online Workshop on Illicit Financial Flows Data Collection Tool	World Bank
US Treasury Virtual Asset Workshop	US Treasury
FATF Standards Training	World Bank
Regional Beneficial Ownership Training, Zambia	EU AML/CFT Global Facility
Countering Proliferation Financing	Royal United Services Institute
Seychelles Beneficial Ownership Technical Assistance Program	EU AML/CFT Global Facility

Technical Assistance for Gambling Supervision	EU AML/CFT Global Facility
Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs), and Central Bank Digital Currencies: Financial Action Task Force (FATF) Requirements and the AML/CFT Framework	IMF and Africa Training Institute

OUTLOOK FOR 2023

EASTERN AND SOUTHERN AFRICAN ANTI-MONEY LAUNDERING GROUP (“ESAAMLG”) – RE-RATING REQUESTS FOR R25 AND R15

Following submission of the application and supporting information for re-rating request for Recommendations 4, 5, 6, 7, 8, 15, 19, 25, 28, 33 and 34 to the ESAAMLG secretariat on September 20, 2022, the preliminary report of the reviewers states that Seychelles has made progress in resolving some of the technical compliance deficiencies identified in its MER.

Considering the information provided in support of the request for re-rating of Recommendations 5, 19, 25, 28, 33 and 34 initially rated as Partially Compliant (“PC”) and given the overall progress made by Seychelles since the adoption of its MER, its technical compliance with five (5) FATF Recommendations has been revised as shown in table below:

Recommendations	Rating
R5	Largely Compliant (LC)
R19	Compliant
R25	LC
R28	LC
R34	LC

Out of the Recommendations that went for re-rating, R15 and R25 fall under the purview of the FSA. Notwithstanding the fact that Seychelles has successfully completed the NRA for VA/VASP in 2022, R15 has not been considered for re-rating as majority of the criterion for R15 has not been addressed by Seychelles. That said, the rating for R25 has been upgraded to LC from PC given the amendments to the relevant legislations to address the deficiencies noted in the MER.

Seychelles' 3rd Re-Rating application will be taken up for discussions during the 45th ESAAMLG Task Force of Senior Officials Meeting to be held in Arusha, Tanzania. Concerning R15, the FSA is anticipating to have the relevant legislative and regulatory framework in place to be able to apply for re-rating to be discussed in the ESAAMLG Task Force Meeting scheduled for March 2024.

TECHNICAL ASSISTANCE EU AML/CFT GLOBAL FACILITY TO SEYCHELLES 1ST ROUND- DNFBP AND GAMBLING SUPERVISION

Following the first round of the on-site mission for gambling supervision, the technical assistance will focus on the below mentioned recommendations for the year 2023:

- Gambling sector to undergo a specific Risk Evaluation through questionnaires to gather specific details on the individual gambling licensees with the objective to assess their risks, whilst also having a better understanding of their individual characteristics in terms of AML/CFT. This will allow the FSA to conduct risk based supervision which is at core of the FATF standards.
- Training specifically on Risk Based Approach shall be conducted to provide guidance on how to analyse and assess risks based on the information collected from the gambling licensees.
- Training specifically on Supervision shall be conducted with the FSA, particularly with the senior team to encourage an enhanced supervision culture on the gambling sector.
- Following data collection from gambling licensees and the Risk Based Approach training, a risk assessment of the gambling shall be undertaken.
- Once the above are in place, the technical assistance will focus on

outreach sessions, training with the sector, cooperation (public/private and public/public), and drafting of supervisory policies and procedures.

TECHNICAL ASSISTANCE FOR BENEFICIAL OWNERSHIP WORKSHOP – WORLD BANK STOLEN ASSET RECOVERY INITIATIVE (StAR)

The AML/CFT Unit is anticipating to follow a 2-day workshop on Beneficial Ownership with the technical assistance through the World Bank StAR Initiative during the second quarter of 2023 with main focus on the following:

- the BO Supervisory regime - RBS framework relating to reporting entities with providing assistance in devising and putting in place the framework in terms of the FSA's supervisory role, internal capacity requirements, internal manuals, inspection tools/ working papers, tools that could be procured to assist with the supervisory work.
- TCSPs' understanding of the BO concept, their role as gatekeepers, and their risk awareness.

INSPECTIONS

As part of FSA's commitment to meet effectiveness assessment obligations under the

Mutual Evaluation by the ESAAMLG, the AML/CFT Unit will continue to undertake its AML/CFT inspections in 2023 for the reporting entities falling under FSA's purview.

In addition, FSA, as one of the custodian of the Beneficial Ownership Act, will implement a risk-based inspections 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 principal place of business of the resident agent 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.

duration for the successful completion of the NRA.

SEYCHELLES SECOND NATIONAL RISK ASSESSMENT

The NRA is expected to be completed by September 2023 and the AML/CFT Unit is fully committed to this exercise for the entire

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 2022

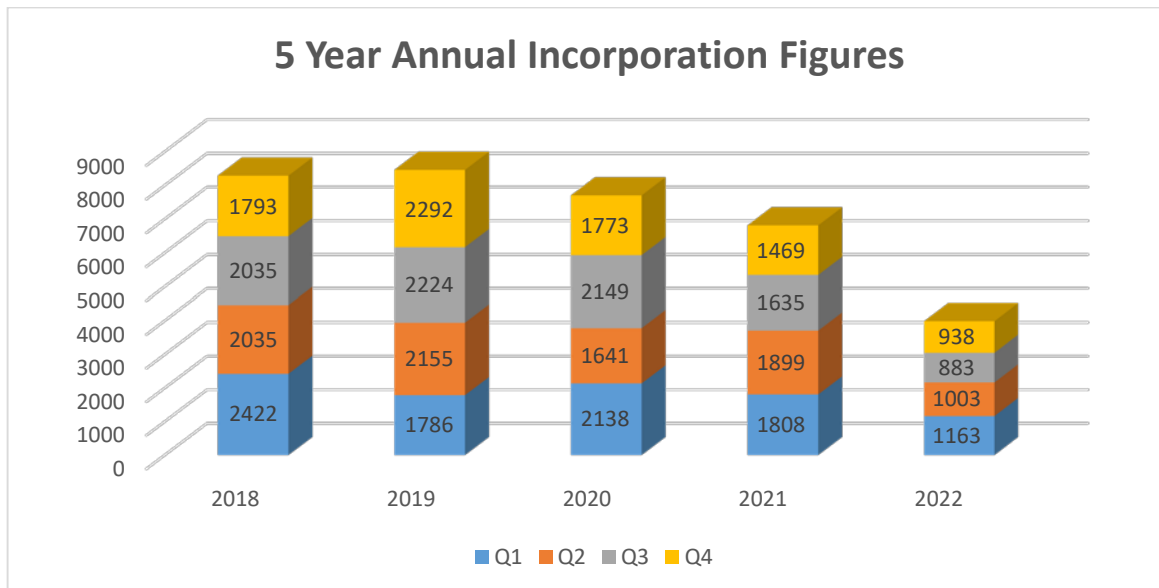
	New Registrations
IBCs	3987
Foundations	62
Trusts	41
Limited Partnerships	2

INTERNATIONAL BUSINESS COMPANIES (IBC)

New IBCs incorporated in 2022 amounted to 3,987 companies. The average number of IBCs incorporated on a monthly basis was 332

companies during 2022, compared to a monthly average of 567 companies in 2021.

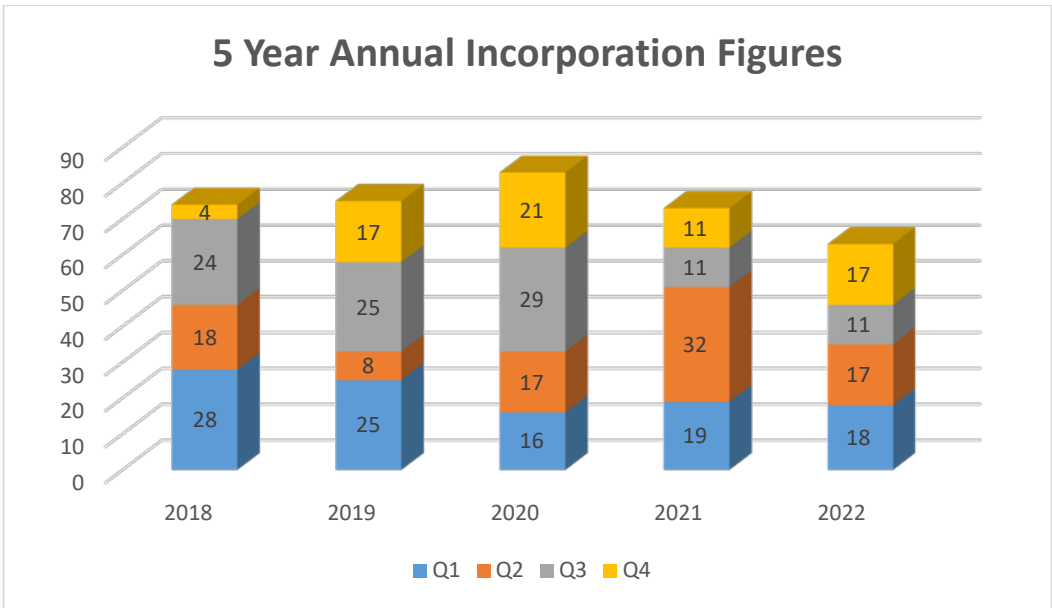
Year	New Incorporations	Cumulative Total
2018	8,285	208,216
2019	8,457	216,824
2020	7,701	224,525
2021	6,811	231,336
2022	3,987	235,323



FOUNDATIONS

New foundations incorporated in 2022 amounted to 62 foundations. The average number of foundations incorporated on a monthly basis was 5 foundations during 2022.

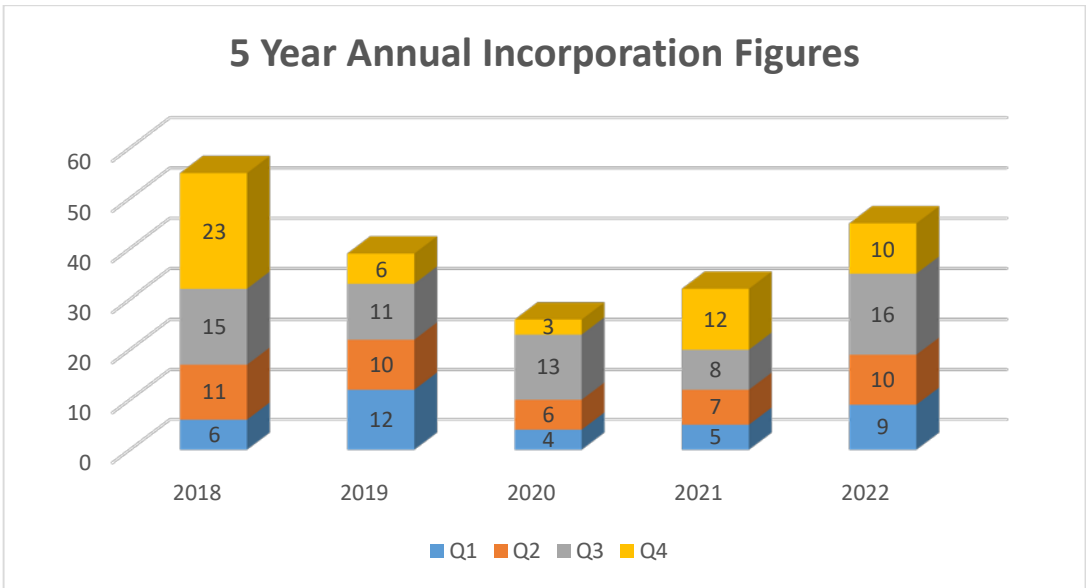
Year	New Incorporations	Cumulative Total
2018	74	760
2019	75	835
2020	83	918
2021	73	991
2022	62	1053



TRUSTS

New trusts registered in 2022 amounted to 41. The average number of trusts registered on a quarterly basis was 10 during 2022, compared to a monthly average of 8 in 2021.

Year	New Registrations	Cumulative Total
2018	55	784
2019	39	823
2020	26	849
2021	32	881
2022	41	922



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
2018	1	31
2019	1	32
2020	0	32
2021	1	33
2022	2	35

KEY DEVELOPMENTS OF 2022

The year 2022 proved to still be a challenging year for the Registry Section particularly considering the decrease in IBC incorporation.

OUTLOOK FOR 2023

Registry is not expecting any increase in registration compared to year 2022 due to an increase in compliance requirements and obligations. The Registry is forecasting a decrease between 5% to 10% in new registration of IBC.

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 repute 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 compliment 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

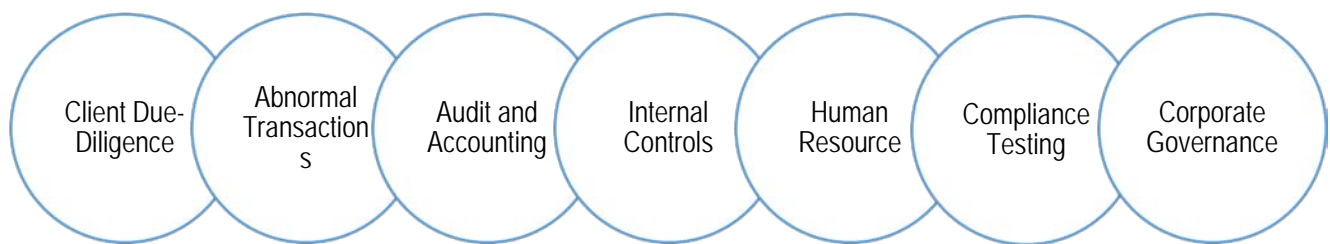
TYPES OF ON-SITE INSPECTIONS

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 conducts both the authorisation and supervision function. The authorization function is responsible for the processing of licence applications, licence renewals. Whereas, the supervision function is responsible for the both on-site and off-site supervision of licensees and taking enforcement actions whenever required. Employment matters and matters relating to the movement of goods in the zone is done by the ITZ Employment & Logistic Officers.

KEY RESPONSIBILITIES

The Section is responsible for the licensing and supervision of activities undertaken by ITZ licensees, hire purchase, and credit sale licensees in order to ensure compliance of such licensees with the relevant legislations. These are done through regular on and off site review of licensees.

Employment matters within the ITZ are governed by the ITZ (Employment) Regulations, 1997 and the ITZ (Conditions of Employment) Order, 1997. These Regulations also provide for the establishment of an ITZ Employment Council to advise the Minister and the FSA on all matters relating to employment within the ITZ, including grievance matters.

Given that the Section regulates employment within the zone, the section also conducts regular employment visits at the premises of the ITZ licensees and handles complaints or enquiries from ITZ employees and employers.

The section also 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 permits for ITZ licensees, prior to submission of the application to the Employment department, which is then followed by submission 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. There were no new licenses issued in 2022 per licence type as per the following table:

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

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2018	2019	2020	2021	2022
Export Services	11	11	10	6	5
Redistribution	6	6	5	5	5
Light Assembly	1	2	2	2	2
Processing	7	7	8	7	7
Manufacturing	2	2	3	3	3
Hire Purchase	0	1	1	0	0
Credit Sales	0	0	0	0	0

SUPERVISION PROCESS

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

Year	Total Exports	Total Imports
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	\$ 440,044,964.06
2022	\$529,980,453.12	\$529,460,136.27

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	2022
Export Services	3
Redistribution	2
Light Assembly	1
Processing	2
Manufacturing	2
Total inspections	10

ENFORCEMENT ACTIONS

The ITZ Section did not undertake any enforcement actions against any licensee under its administration in 2022.

COMPLAINTS

The table below depicts the total number of complaints received by the Section for 2022 against the category of licensee.

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

Unresolved Complaints	0	0
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KEY DEVELOPMENTS OF 2022

Given the discrepancies pertaining to tax treatment on compensation and overtime pay for employees in the International Trade Zone, the Authority and the SRC had to make certain amendments to the Income and Non-Monetary Benefits Tax Act, through S.I. 5 of 2022 to make it on par with the national norms, whereby tax is no longer applicable on overtime and compensation for workers within a zone.

Additionally, further amendments was made through S.I. 4 of the International Trade Zone (Employment) (Amendment) Regulations, 2022, whereby the definition of compensation was amended and also covered payment of compensation upon resignation and retirement as prior compensation upon retirement and resignation was something which was agreed upon between the employer and employee.

OUTLOOK FOR 2023

For 2023, 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 and this will be done through an impact assessment.

The ITZ Section intends to also revamp and finalise the ITZ (Employment) Regulations, 1997 in order to bring it in line with the current employment climate. We also intend to finalise and sign the MOU that the Authority initiated in 2021 with the Ministry of Employment so that the FSA as the regulator of employment within the zone may have complete authority to approve posts. In line with that we also intend to finalise the stevedore's regulation specifically for ITZ companies that will regulate stevedores within the zone.

Furthermore, the section in collaboration with SRC will be having intense discussion on how to streamline processes and avoid duplication of laws in the context of disposal and movements of goods in order to facilitate the daily operations of the ITZ licensees.

In terms of Hire Purchase and Credit Sales, the section intends to finalise the Act in the year 2023 – 2024 in order to attract current/new business providing credit sales and Hire

Purchase services without a license. The section also intends on planning certain familiarisation visits in other jurisdictions to acquire knowledge and receive training on the products so that the section can become more efficient in terms of offering these services. Furthermore, the section would conduct more research and create more awareness through doing intense marketing through various form of media.

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
- Reinsurers

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

The FSA has been granted powers to extend its 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 comprises of two units, the Authorisations and the Supervision units. The Authorisation unit 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. The section is also responsible to 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 2022.

Licence		Approved	Rejected
Non Domestic Insurance Company		1	0
Domestic Broker		1	0

No application was rejected in 2022.

OVERVIEW OF NUMBER OF LICENSES OVER THE PAST 5 YEARS

Licence	2018	2019	2020	2021	2022
Domestic Insurers	6	6	6	6	6
Non-Domestic Insurers	8	7	6	8	9
Domestic Brokers	17	16	20	24	24

³ Principle Insurance Representatives

Agents	3	3	3	2	2
Sub-Agents	40	47	47	48	44
Insurance Managers	0	0	0	0	0
Domestic Reinsurer	0	0	1	0	0
PIR ³	2	1	1	2	2

FIT AND PROPER APPROVALS

The table below depicts the total number fit and proper applications received in 2022.

Licence	Approved	Rejected
Non-Domestic Insurer	7	0
Domestic Insurer	14	0
Broker	6	0

SUPERVISION PROCESS

The section's supervisory process is concerned with the oversight and supervision of licensed market participants. These include all of the processes and procedures to review the operations of licensed insurance entities. These processes include receiving information from the insurers and intermediaries, reviewing and analyzing these information, carrying out analysis and inspections, forming a supervisory view of the strength of the insurer/intermediaries, and enforcing

corrective action whenever that is required. In general, supervisory processes cover the work that is directed at licensed insurers. Since, 2017 the section has been conducting its supervisory function on a risk based approach.

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

With regards, to the risk based approach adopted by the section, emphasis is made on certain high-risk areas of the business, whereby the section conducts onsite inspections with focus on;

- Compliance with laws, regulations and codes;

- Verification of information and data of the accuracy and completeness of the financial reports;
- Audit reviews on internal controls and governance structures.

The section has a yearly inspection schedule, with focus on priority inspection for particular licensees based on off-site risk analysis. The table below provides an overview of the number of inspection carried out in 2022;

Licensee	Number of Inspections
Domestic Insurer	7
Domestic Brokers	17
Domestic Agents	1

ENFORCEMENTS ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2022.

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Non-Domestic insurer	2	-	2	-	-
Domestic Insurer	5	1	-	1	-

Brokers	6	1	3	1	1
Agents	-	-	1	1	1
Sub - Agent	-	-	5	-	-
PIR⁴	-	-	-	-	-

COMPLAINTS

The table below depicts the total number of complaints dealt with by the Section in 2022 against the category of licensee.

Domestic Insurer	
Complaints Received	11
Resolved Complaints	11
Unresolved Complaints	0

The complaints received for the year were mainly as a result of complaints handling procedures for motor claims. The nature of the complaints were based on delay in claims settlement, quantum of claim settlement, customer service and miscommunication between insurer and claimant. All complaint lodged with the FSA were resolved.

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 2022 the POPF Committee received one (1) claim of which was not entertained for compensation as it does not fall within the ambit for compensation under this Act as per the criteria set in section 91(1) of the Insurance Act, 2008.

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)
2015	316,564,178	369,720,203
2016	336,903,832	406,660,477
2017	357,146,503	427,220,059
2018	385,996,525	510,329,899

⁴ Principle Insurance Representatives

2019	423,184,693	647,317,990
2020	455,087,483	763,955,880
2021	492,102,796	742,519,712
2022	471,457,115	730,999,686

Life Insurance Business		
Year	GWP (SCR)	TA (SCR)
2015	61,336,622	486,358,159
2016	70,642,280	476,847,036
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	83,457,199	658,290,133
2022	95,123,088	692,356,803

OUTLOOK FOR 2023

The target for the year 2023 is to finalize the insurance legislations (Bills) which includes new draft insurance framework (regulations, codes, guidelines and procedures) and to explore Captive Insurance Market and Private Pension Funds as new products.

KEY DEVELOPMENTS OF 2022

- The Insurance Act was reviewed in 2022 and the new Insurance Bill is being finalized.
- Creation of the Gambling and Insurance Working Groups whereby the FSA met with them to discuss relevant issues within the insurance industry.
- The cabinet of ministers has granted approval for the FSA to oversee the Pension Sector in Seychelles.

INSURANCE, GAMBLING AND PENSION SUPERVISION

SECTION: GAMBLING

The Gambling Supervision (GS) Section was established in April 2015 to administer the Seychelles Gambling Act, 2014.

In August 2021, the Gambling Section merged with the Insurance and Pension Supervision Section.

The Seychelles Gambling 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.

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:

- The proposed premise of the casino or slot machine, in particular the location the licensee wishes to operate.
- The age of the individuals to be employed in the gambling sector, which must be at least 21 years.
- The employees of licensees, which must hold a certificate of approval from the FSA.
- The financial viability of the business operations
- Emphasis on responsible gambling by the licensee.

- Understanding and mitigating measures in place by the licensee, in regards to AML/CFT vulnerabilities within the gambling sector.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received for 2022.

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

An application for Slot Machine License was rejected on the grounds of the proposed location, this was justified by objection letters received from different organisations and individual and internal analysis conducted by the section in conjunction with the Seychelles Gambling Act, 2014.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2018	2019	2020	2021	2022
Casino	5	6	6	4	4
Slot Machine	7	8	8	7	7
Interactive Gaming	0	0	0	0	0

SUPERVISION

In terms of supervision processes, the section requires the submission from the licensee in terms of;

- Audited Financial Statements
- Monthly Regulatory Returns Forms

Furthermore, in regards to operations, the licensees are obligated to request for approval by the Authority for the following changes;

- Slot Machine Game Change
- Floor/Machine/Casino Table movement change
- Importation/Exportation of Slot Machines and Casino Tables
- Break Seal and/or Seal Replacements
- Change of location for operations
- Currency Changes for chips

INSPECTIONS UNDERTAKEN

The section has a yearly inspection schedule, with focus on priority inspection for particular licensees based on off-site risk analysis. The table below provides an overview of the number of inspection carried out in 2022;

Licensee	Nº of night spot Checks
Casino	5
Slot Machine	14

In addition to the yearly inspection schedule, the section also conducts on-site upon request of the licensees for change requests made.

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2022.

Enforcement Action	Slot Machine	Casino
Directions	3	0
Directives	0	0
Penalty Fees	1	2
Suspension	0	0
Revocation	0	0

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2022 against each category of licensee. IG&PSS received only one formal complaint during 2022 against one of our slot machine licensee.

	Slot Machine
Complaints Received	0
Resolved Complaints	0
Unresolved Complaints	0

The FSA has not recorded any formal complaints in relation to gambling operators,

however the FSA has on some occasions received queries on gambling operators operations from players but none has submitted any formal complaints.

FINANCIAL STATISTICS

The Monthly Regulatory Reports (“MRRs”) submitted by the licensees, enables the FSA to have an overview on the financial operations of the licensees on a monthly basis. From the data submitted, the FSA has consolidated the revenue and pay-outs recorded by both Slot Machine and Casino licensees.

The table below depicts the consolidated total in revenue and pay-outs for the year 2022.

	REVENUE	PAY-OUTS
Slot machines	230,880,019.25	5,545,176,666.37
Casino	120,001,790.59	153,448,958.52
Total	350,881,809.84	5,698,625,624.89

KEY DEVELOPMENTS OF 2022

- The Gambling Act was reviewed in 2022.
- Creation of Gambling Insurance working group to discuss relevant issues within the gambling industry.

- Issued the Seychelles (Slot Machine & Casino license) Regulations, 2022 that made provisions for the capping on applications for new gambling operators.

OUTLOOK FOR 2023

- Finalize the Gambling legislations and rules
- Finalize the technical standards
- Enhance gambling legislative framework for interactive gambling

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

The FS Section comprises of 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.

Another important element of the responsibility of the Supervision Unit is to undertake risk assessments of its licensees so as to apply a risk-based approach to 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 2022.

License Applications			
	ICS	ITS	FS
Received	2	0	2
Approved	1	0	2
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 2022.

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

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2018	2019	2020	2021	2022
ICS	69	68	66	64	63
ITS	22	23	22	22	20
FS	18	20	19	19	21
CSL	328	336	338	242	224
PCC	18	18	21	24	25

FIT AND PROPER APPROVALS

The FSS is vested with the responsibility of exercising entry controls with respect to individuals holding significant roles and responsibilities, including directors and other members of managerial staff, within the office of regulated entities under the ICSP Act. 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, all directors and members of managerial staff, including managers and other employees, must undergo a fitness and propriety assessment. The criteria for determining fitness and propriety is defined in the Code for International Corporate Service Providers.

Fitness tests 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).

2022	ICS	ITS	FS
Approved	32	7	10
Rejected	7	2	3
Withdrawn	4	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. Furthermore, in the event that an applicant is determined not to possess experiences linked to the sector, the applicant is not found to meet the minimum requirements of the ICSP Code. In order to assist the development of national pool of human resources, the FSS may recommend that the applicant enrol on a specific course, which would aid in future applications.

MONITORING OF SUBMISSION OF AUDITED ACCOUNTS VIS-À-VIS LICENSED ENTITIES UNDER THE ICSP ACT

As described above, the Authorisations Unit is also vested with the mandate to monitor the submission of audited accounts by licensees under the ICSP Act and thereafter perform financial analysis on the audited accounts lodged. For the year of 2022, the Unit has imposed penalty fees for the late submission of audited accounts on five licensees.

MONITORING, SUPERVISION AND ENFORCEMENT VIS-À-VIS THE CSL ACT

The CSL (Amendment) Act, 2021 was enacted in August of 2021 and since then, the FS section has strengthened its monitoring and supervisory work vis-à-vis CSLs, particularly in

respect to the submission of audited accounts and annual returns (“AA/AR”) and the payment of annual licence fees. Similar to the ICSP Act, the CSL Act requires all relevant companies holding a Special Licence to submit to the FSA its AA/AR within 6 months of the end of its financial year. The amended CSL Act of 2021 introduced new financial sanctions for failure to comply.

For the year of 2022, a total of 53 CSLs were sanctioned (imposition of penalty fees) for failure to submit their AA/AR in accordance with the CSL Act.

In relation to the payment of renewal fees, the CSL Act provides that the Special Licence should be revoked should the CSL fail to pay its increased annual license fee. For the year 2022, the FS section has recorded a total of 27 cases of revocation of Special Licences. The section has also recorded a total of 18 cases of surrender of Special Licences for the same period.

ON-SITE INSPECTIONS

COMPLIANCE INSPECTIONS OF LICENSEES UNDER THE ICSP ACT

The table below illustrates the number and types of compliance inspections conducted on

licensed entities under the ICSP Act for the year 2022.

Type of inspection	No.
Office visits related to changes in principal place of business	3
Verification of compliance with dual control requirement	5

CHANGE 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.

The table hereunder depicts the types of changes that the FSA has been notified of and subsequently approved under the ICSP Act for the year of 2022.

Type of changes inspection	No.
Changes in directorship of licensees	4
Approvals for change in the shareholding and ultimate beneficial ownership of licensees	3
Locum arrangements	3
Change of principal place of business	2

SURRENDER OF LICENCES

For the year of 2022, three (3) licensees tendered their intention to surrender their licences, two of which were international corporate services licences and one trustee licence.

In line with the obligation stipulated under the AML/CFT Act, BO Act, Trusts Act and IBC Act pertaining to the handing over of records upon cessation of operations of a licensee, licensees are required to undergo the handing over of relevant records for safe custody by the FSA as the supervisory authority.

COMPLIANCE INSPECTIONS RELATING TO IBCs, FOUNDATIONS AND LPs

A large proportion of the FSS' onsite work for 2022 has been centred on the inspection of IBCs', foundations' and LPs' compliance with their record keeping obligations. With the 2021 amendments to the IBC Act, Foundations Act, Trusts Act and LP Act pertaining to the on-shoring of accounting records in Seychelles, the FS section intensified its supervision work with the aim of ensuring compliance by the relevant entities, in order to show the effectiveness of the new legislations.

Over the course of 2022, the Supervision Unit within the FS Section, joined by the SRC, undertook a total of 33 compliance inspections at the registered office address of IBCs, foundations and LPs. In addition to the inspection of accounting records, the scope of the inspection included keeping of registers, such as the register of directors and members in the case of IBCs. It is important to note that in assessing the compliance level of the entities with the keeping of registers, the internal systems and controls of the licensees are also assessed.

Product Type	Record Keeping Requirement	No. of Inspections
IBCs	Register of directors Register of members Accounting records	19
Foundations	Register of founders Register of councillors Register of registered agents Accounting records	6
Limited Partnerships	Register of Limited Partnerships interests Accounting records	8

Compliance levels in relation to the keeping of registers continue to remain relatively high with only minor breaches, such as missing certain particulars to the register. In respect to the lodging of accounting records in Seychelles, compliance levels remains moderate. Overall, more effort is required to ensure better compliance levels in terms of the availability and reliability accounting records, by these entities. As per the provisions of the respective Acts, the striking off or deregistration process was initiated in respect to identified breaches to the law.

COMPLIANCE INSPECTIONS FOR RESTORATION OF IBCs

The IBC (Amendment) Act, 2021 also now obliges all struck off or dissolved IBCs to be inspected for compliance with record keeping obligations under the IBC Act, prior to its restoration. In that regard, over the course of 2022, the FS section has conducted over 250 of such inspections.

ENFORCEMENT ACTIONS

During the course of 2022, as part of the FSS' supervisory work, one direction was issued pursuant to the FSA Act. The ground for such enforcement action was attributed to the licensees being in contravention of the ICSP

Act. The licensee has since complied with the direction issued and has rectified the non-compliance.

Directions Issued	1
Suspension of license	0
Revocation of license	0

COMPLAINTS

The table below illustrates the number of complaints received in 2022;

Complaints	
Complaints Received	73
Complaints Closed	52

During 2022, the FS Section recorded 73 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 73 complaints received, 52 complaints have been closed.

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.

KEY DEVELOPMENTS OF 2022

NATIONAL RISK ASSESSMENT ON VASPs

Early 2022, the FSA embarked on its first overall national risk assessment of the ML/TF risks of VA and VASP in Seychelles. This exercise was conducted in conjunction with domestic competent authorities and LEAs, such as the FIU, SRC, RoC, CBS and the FCIU. The NRA follows the recommendations of the FATF recommendation 1 and 15, in respect to the conduct of risk assessments for the application of a risk based approach and identifying and assessing the ML/TF risks that may arise in relation to the development of new products

and new business practices, and the use of new or developing technologies, such as the VA and VASP, respectively. The assessment generally found that there are a significant number of IBCs under the administration of CSPs that are engaged in VA and/or are VASP. It is thus expected that the Seychelles will be introducing a VASP registration and/or licensing regime in order to mitigate and address the risks and weaknesses identified in this sphere. The NRA was concluded in July 2022.

NATIONAL RISK ASSESSMENT NRA ON ML/TF

As a member of the ESAAMLG (regional body for the FATF), Seychelles is committed to implementing the FATF standards and recommendations to combat ML/TF. In that regard, the country initiated its second NRA on ML/TF mid-2022, wherein the World Bank's methodology was adopted to guide the conduct of the risk assessment. It is expected that the results of the NRA shall foster a more effective mechanism for policy making and development, more efficient allocation of resources to better mitigate identified risk and overall promote better regulation of the assessed sectors of the Seychelles' economy, in order to combat the identified threats and vulnerabilities linked to ML/TF. The exercise is

expected to be completed by end of the third quarter of 2023. The last NRA on ML/TF was conducted in 2018.

OUTLOOK FOR 2023

TRAINING AND DEVELOPMENT

With the ever-changing financial services landscape, it is imperative that internal staff and equally, industry practitioners, remain abreast of important changes within the industry and how to cope with them in order to understand them and remain compliant, and in turn, ensure the sound development of the sector. In that respect, it is anticipated that more sensitisation programmes, workshops and enrolment on professional courses shall be prioritised in 2023.

CONTINUATION OF MONITORING AND SUPERVISORY ACTIVITIES ON LICENSED ENTITIES, IBCs, TRUSTS, FOUNDATIONS AND LPs

The FSA is committed to ensuring that it continues to monitor and supervise licensed entities and other legal persons and legal arrangements falling under the Fiduciary Sector. The inspections are to be conducted on a risk based approach, covering areas such as the systems and controls in place and corporate governance of licensed entities. In

the case of legal persons and legal arrangements, the scope of the inspection will be in terms of compliance with record keeping obligations, including the keeping of registers and accounting records. It is to be noted that these inspections are especially important in order to meet the international standards, as set out by the GF/OECD and the GIFCS.

AUTOMATION OF PROCESSES AND CONSOLIDATION OF DATA

In order to strengthen the FSA's service delivery standards towards its clients and stakeholders, it remains a key objective to automate the FSA's administrative procedures.

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 Capital Markets and CIS industry are governed by two main legislations namely the Securities Act, 2007 (“Securities Act”) and the Mutual Fund and Hedge Fund Act, 2008 (“MF&HF Act”). Both legislations provides the applicable requirements for licensing, regulation and supervision of its respective license categories.

The Securities Act governs securities business conducted in or from the Seychelles. The following license categories are governed under the Securities Act, the Seychelles Securities Exchange, clearing agency, securities facility and market intermediaries such as the securities dealers, investment advisors and representatives. The Securities Act also sets the requirements for exempt Securities Dealers and a regulatory framework for the public issue of securities inclusive of the obligations of securities issuers.

The MF&HF Act governs CIS business in or from the Seychelles and includes the governing of the following license categories the Fund Administrators and various fund structures namely professional funds, private funds and public funds. The MF&HF Act also sets the requirements for exempt fund administrators and foreign funds.

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

In line with the IOSCO’s core objectives, the FSA as the Supervisory Authority for the Capital Markets sector carries out its functions in strict observance of these objectives.

The regulation and supervision of capital market intermediaries and collective investment schemes is of utmost importance

and should the sector participants are left unregulated and unsupervised, such persons may act in a manner which is detrimental to public interest and may pose significant threats to the reputation of the jurisdiction and the economy. The failure of a capital market institution/collective investment vehicle or an act of misconduct within the sector may considerably deter public confidence within the sector and the Seychelles financial services sector as whole. Therefore echoing the need for regulation and supervision of capital markets businesses.

The promotion and adoption of concepts of accountability, transparency, risk management, effective compliance, development of corporate governance and business resilience, high ethical standards and international best practices is of high priority for the FSA. Understanding the risk factors facing the jurisdiction by both industry participants and the regulator, can significantly reduce certain dominant challenges presently being faced by the sector such as scam schemes, unregulated activities, increasing number of complaints and occurrences of compliance breaches.

While it must be admitted that these deficiencies cannot be eliminated altogether, however such incidence may be reduced with an appropriate regulation and supervision framework.

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:

- Effectively license persons engaged in securities-related business and to monitor and supervise the conduct of such business by licensees
- To promote the confidence amongst investors and to foster fair, efficient and transparent capital markets which will allow investors to make well informed investment decisions
- To protect investors through encouraging high standards of ethics, transparency, fairness and best

practices

- To maintain effective compliance and enforcement programs
- To promote the growth and development of Seychelles capital markets
- To suppress and prevent financial crimes and illegal practices

STRUCTURE

The Section is segregated into two units, namely the Authorisations Unit and the Supervision (Onsite & Offsite) Unit. The Authorisation's 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 reputation 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 2022.

	Approved	Rejected
Securities Exchanges	-	-
Securities Facilities	-	-
Clearing Agency	-	-
Securities Dealer	48	18
Securities Dealer's Representative	65	19
Fund Administrator	-	-
Approved Foreign Administrators	-	-

OVERVIEW OF APPLICATIONS REJECTED IN 2022 (REASONS FOR REJECTION)

The FSA received a total of 42 applications within the year 2022. Despite the continuous increase in license application submission, an improvement within the quality of applications received have been observed. Such observance is further evidenced with a reduction of rejected application from 42 Securities dealer license and 44 Representative license applications rejected in the year 2021 and 18 Securities Dealer license and 19 Representative license applications rejected in the year 2022.

The Securities Dealer and Representative license applications was the only license

application type received and subsequently processed by the Authority in 2022.

The main basis for rejection of applications during the year 2022 has been failure of the applicant's key individuals to meet the FSA's criteria for fit and proper as set out in the code for fit and proper and competency standards.

The FSA has taken note that the shortage of individuals within the jurisdiction specializing within the capital markets sector, has greatly affected the ability of applicants to identify and propose fit and proper individuals.

In some cases, the Authority has taken note that following rejection of license applications, the applicants have subsequently resubmitted their license application and proposed individuals who successfully met the fit and proper criteria.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

COLLECTIVE INVESTMENT SCHEMES:

	2018	2019	2020	2021	2022
Fund Administrators	4	4	4	6	7
Restricted Fund Administrators	0	0	0	0	0
Approved Foreign Administrators	2	2	2	2	2
Private Funds	3	3	3	4	4
Professional Funds	8	8	8	8	3
Public Funds	2	2	2	2	1
Exempt Foreign Funds	0	0	0	0	0

SECURITIES:

	2018	2019	2020	2021	2022
Securities Exchanges	1	1	2	2	2
Listed Companies	30	38	47	55	53
De-listings	1	2	3	6	13
Securities Facilities	1	1	2	2	2
Clearing Agency	1	1	2	2	2
Exempt Securities Dealer	0	0	1	1	1
Securities Dealers	18	33	68	89	133
Securities Dealer's Representatives	20	35	69	93	139
Investment Advisors	4	5	4	2	2

Investment Advisor's Representatives	3	3	3	2	2
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INSPECTIONS UNDERTAKEN

A total number of 5 on-site inspections on licensees regulated under the Securities Act and the MF&HF Act were undertaken for the year 2022. Additionally on-going off-site inspection and monitoring were also undertaken on licensed entities during the year 2022.

ENFORCEMENT ACTIONS

The table hereunder depicts the enforcement actions taken by CM&CISS for 2022:

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	0	0	1	0	0
Public Fund	1	0	2	0	0
Fund Administrator	0	0	0	0	0
Investment Advisor	0	0	0	0	0
Securities Dealer	5	0	4	0	1
Securities Exchange	0	0	0	0	0
Clearing Agency	0	0	0	0	0
Securities Facility	0	0	0	0	0

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2022. It has been observed that all complaints received were against only one licensed category namely Securities Dealer as reflected below:

OVERVIEW OF COMPLAINTS

	Securities Dealer
Complaints Received	98
Resolved Complaints	13

The complaints received varied from investors seeking for compensation, cash back requests, bonus policies and third party service providers. It can be observed that investors are failing to understand and adhering to terms

and conditions, there are cases whereby investors are making investment decisions without necessarily understanding securities products and having the appropriate knowledge. Additionally investors are entering into a business relationships with persons who are operating scam schemes and are unregulated/unlicensed. It is noted that for the year of 2022 the FSA issued several scam alerts to warn investors of such persons and to always exercise caution and care prior to entering into a business relationship with persons offering such services.

That being said, the FSA believes that there is a necessity to educate investors in respect to securities products which are complex and extremely volatile. Education of licensees is also necessitated in order to promote best practices while having regards of the importance a fiduciary relationship with investors and implementation of adequate internal processes.

It is anticipated that with the enactment of the Financial Consumer Protection Act, 2022 that increased sensitization shall be made to both investors and licensees.

KEY DEVELOPMENT OF 2022

In line with the Financial Action Task Force (“FATF”) recommendation 15 which refers to new technologies and the perception that the Seychelles is a Virtual Assets and Virtual Asset Service Providers’ centre. The Seychelles proceeded with conducting its Overall National Risk Assessment (“NRA”) on Virtual Assets (“VA”) and Virtual Asset Service Providers (“VASPs”). The aim of the NRA on VA and VASPs was to assess the country’s risks in relation to VA and VASPs. It should be noted that the securities sector was featured as a module which was assessed within the NRA on VA and VASPs.

Further to the above, it is to be noted that the Seychelles commenced its NRA on Money Laundering (“ML”) and Terrorist Financing (“TF”) in July 2022. Similar to the NRA on VA and VASPs the ML and TF risks for the Securities Sector are being assessed and its findings to be made available as part of the publishing of the country’s NRA on ML and TF report.

Furthermore, following the negative impacts of the covid-19 pandemic including travelling restrictions, in 2022 several countries opened up their borders, which also meant the resumption of in persons meetings. In view of

this, the 44th IOSCO Annual Meeting was subsequently held in person in Marrakech, Morocco in October 2022 compared to the year 2020 and 2021 of which same was held virtually. The FSA being an associate member of the IOSCO seized the opportunity to participate in the conference to demonstrate its commitment with the commission and reinforce international cooperation. The conference comprised of several important meetings of which the FSA and other member countries discussed several key topics.

The FSA is confident that the meeting in Marrakech was fruitful and an additional building block towards a more sustainable and well-structured capital markets framework in the Seychelles.

OUTLOOK FOR 2023

REINFORCEMENT OF THE CAPITAL MARKETS SUPERVISORY FRAMEWORK

The FSA shall on an on-going basis review and strengthen its Capital Markets supervisory framework in line with best practices and international standards. The FSA shall place emphasis on fostering an effective supervisory framework through implementation of risk based supervision and increased on-site inspections of licensed entities.

CAPACITY BUILDING AND COLLABORATION WITH THE INDUSTRY

Capacity building within the securities sector remains an area of great importance, considering the limited pool of specialised persons within the jurisdiction it to undertake key roles within licensed entities. The FSA shall provide support and commitments to the industry similarly to the previous years, with the goal to build a pool of qualified individuals within the capital markets sector and subsequently upholding best corporate governance and risk management practices.

Aside from capacity building needs within the securities sector, it should be noted as well that in order to strengthen the FSA's supervisory framework internal capacity building trainings program should also be undertaken for the CM&CISSS.

Another key aspect of stakeholder engagement and collaboration sensitisation programmes to industry practitioners and investors shall be intensified.

DEVELOPMENTS OF NEW PRODUCTS

In line with the FSA's strategic plan to diversify, the section will also be working in close collaboration with the other sections of the FSA

and other stakeholders to consider new regulatory products. The aim of venturing in new regulatory products shall be to ensure that risk factors associated with unregulated

activities and significantly affecting the capital markets regulatory framework shall be effectively identified and managed.

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

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

STRUCTURE

HUMAN RESOURCES 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 complies 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 2022

- Digitalisation of payslip.
- FSA Scholarship – The FSA sent one of its employees on an overseas scholarship.
- Employee Engagement Survey – The section undertook a survey, which provided an insight on the level of staff satisfaction across the various factors.
- Assessments of performances- the section revised the assessment of performance at the end of contracts and the accompanying benefits.

TRAININGS CONDUCTED IN 2022

- Basic computer training
- Work life balance
- Teambuilding training
- Report writing
- Basic Fire safety

- Security Training
- GLI Slot Basic with Advanced Topics
- Virtual assets (VA) and (Virtual assets services Providers (VASP) workshop
- Basic First Aid training
- Basic and Intermediate Microsoft Excel
- Report writing training
- Introductory Certificate in Seychelles Financial Services
- Work Shop (Sensitization in Donor Recruitment and Retention)

- Foundation in Insurance course

OUTLOOK FOR 2023

- Succession plan update
- BCM
- Employee Satisfaction Survey Analysis Report & Recommendations
- Learning and Development Calendar
- Revise performance management system

FACILITIES AND LOGISTICS SECTION

The Facilities and Logistics assumed the responsibilities of the Administration Section and the responsibilities for the FSA zone from the SITZ Section in 2019. This integration allowed for Facilities Unit of the Section to manage all of FSA facilities (freehold or rented) by one section, along with the Logistics Unit which provides services those facilities and the FSA staff.

The Section is responsible for the following:

- i. **Logistics and Delivery Services:** coordination of courier, fleet management, transport bookings; management of internal conference / meeting rooms; manages contracts with external service providers of additional logistical services with high level of customer service to both internal and external customers.
- ii. **Purchasing and Stores:** Ensuring that the procurement, storage, disbursement, consumption and if necessary, the disposals of consumables and stationaries are compliant to the requirements set policies, standards and regulations that governs the organisation.
- iii. **Asset Management:** Ensuring that the procurement, storage, disbursement, consumption and where applicable, the disposals of assets are compliant to the set policies, standards and regulations that governs the organisation.
- iv. **Records Management:** Provides necessary support to Sections in managing their records in terms of either movement, storage or disposal.
- v. **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.
- vi. **Warehouse and Tenants' Relationship:** deliver effective services to tenants FSA's facilities; securing adherence to compliance to guidelines for good business practices and safe enjoyment of the facilities as well overall health and safety of the FSA zone; enforce, through negotiations, where necessary, the consequences of any non-adherence to tenancy; supports the tenants to address challenges to their operations in the zone; support on new possibilities within the zone for business development.
- vii. **Infrastructure and Ground Maintenance:** Provides support and performing general repairs and preventive maintenance duties within the zone and its infrastructures.

viii. **Security Services:** 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 behaviors expected of them while accessing and interacting at FSA premises.

KEY DEVELOPMENTS OF 2022

1. Completion of the following project:
 - i. Completion of all refurbishment of the Maintenance Block to house the complete Facilities and Logistics team
 - ii. Completion of the Refurbishment of Utility block and re-location of the Finance team from rented office in Providence to FSA offices
 - iii. Re-routing of traffic flow in the zone for better / safer traffic management.
 - iv. Landscaping project by administration block.

2. Launching of the following projects:
 - i. Refurbishment of the Administration Block.
3. Evaluation of bids for the consultancy work for:
 - ii. New FSA Warehouse
 - iii. New FSA Headquarters
4. Restructuring of the Security team to include shift team leaders for better service delivery and team work

OUTLOOK FOR 2023

1. Completion of the refurbishment of the Administration Block
2. Award of contracts for the Consultancy for the Construction of the New FSA Warehouse
3. Tender and award for the Construction of New FSA warehouse
4. Award of contract for the Consultancy of the New FSA Headquarters
5. Operations of New Asset Management software

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 Unit is responsible for all procurement activities that falls above the threshold of SR 250,000.00 except for Consultancy Services which is above SR 75,000.00.

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 2021-2025, bearing in mind a clear focus on effective and efficient delivery of the FSA’s National and International mandate.

KEY DEVELOPMENTS OF 2022

The key developments of 2022 were as follows:

- Procured the services of a second Service Provider for FSA’s Back up Internet and Leased line Services in case the primary services get interrupts.
- Procured 1 Electric Scissor Lift to facilitate the work of the Technical and Maintenance Team in the Zone.

- Awarded the Contract for Consultancy Services for the Design and Project Management of a new 300sqm Warehouse at Bois De Rose Avenue which is currently in the design phase.
 - Initiated the procurement process for the Construction of a New Skip/Bin Site in the FSA Zone at Bois De Rose Avenue.
 - Initiated the procurement process for the Refurbishment of the FSA Admin Block which entails, removal and reinstallation of a new ceiling grid system, electrical re-wiring, telephone, and network recabling.
 - Procured the Services of a Consultancy Firm to carry out an Audit on the FSA Network Infrastructure and System.
 - Procured the Services of a Consultancy Firm to support the FSA in conducting a National Risk Assessment on the ML/TR Risks related to Virtual Assets and Virtual Assets Service Providers in Seychelles.
2. Awarded the Contract for Refurbishment on of the FSA Admin Block for the removal and reinstallation of a new ceiling grid system, electrical re-wiring, telephone, and network recabling.
 3. Awarded the Contract for a new 120 Bays – 5m Deep Heavy Duty Bulk Mobile Shelving’s to increase the storage capacity for its Registry Section.
 4. The FSA will also be awarding the Contract for Consultancy Services for the Design and Project Management of the new FSA Administration Building at Bois De Rose Avenue to the best-evaluated bidder.
 5. During the year the FSA will be launching the following Tender’s:
 - i. Construction of the New 300Sqm Warehouse at Bois De Rose Avenue.
 - ii. Procurement of a new Strix Software for the AML/CFT Unit.
 - iii. Procurement of Consultancy Services to review the Insurance Risk Based Framework and Solvency Structure.
 - iv. Procurement of Consultancy Services to perform an External Quality Assessment on the FSA’s Internal Audit Unit.

OUTLOOK 2023

The key projects to be undertaken in 2023 are as follows:

1. Awarded the Contract for the Construction of a New Skip/Bin Site in the FSA Zone at Bois De Rose Avenue.

- v. Procurement of Consultancy Services for Solvency Structure Supervision for pension.
- vi. Procurement of Consultancy Services to review the Securities Act 2007 for Capital Markets & Collective Investment Schemes Section.
- vii. Procurement of Consultancy Services to carry out an SITZ Impact Assessment from the Global Policy Incubator.
- viii. Procurement of Consultancy Services to implement the Virtual Asset and Virtual Asset Service Provider's Regime.
- ix. Procurement of Consultancy Services for the additional work on the FSA LIRA Software, which will go live in 2024.

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.

KEY DEVELOPMENTS OF 2022

In 2022, one of the key projects was moving Exchange Server to the cloud in a hybrid setup. This involves the migration of on-premises Exchange services to a cloud-based

infrastructure, facilitating a seamless integration of both environments. In this configuration, some mailboxes and services remain on-premises, while others are hosted in the cloud. The process typically begins with careful planning and assessment of the existing on-premises environment, followed by selecting an appropriate cloud service provider.

OUTLOOK FOR 2023

One of the Key targets for 2023 is to move our Exchange Server Fully online thus leveraging the full capabilities of the Microsoft Cloud Services and also combine it with the latest client technologies available for users.

APPEALS BOARD

THE APPEALS BOARD

The Appeals Board was constituted pursuant to section 42 of the Financial Services Authority Act and 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 filed with 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 2022)

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 2022)

CHIEF EXECUTIVE SECRETARIAT

Samson Randolf	Chief Executive Officer
Daman Zenabe	Deputy Chief Executive Officer
Mathiot Johnette	Personal Assistant
Joseph Maryline	Project Coordinator

INTERNAL AUDIT

Bodwell Elizabeth	Head of Internal Audit
Ah - Time Isha	Internal Auditor
Benstrong Annif	Internal Auditor
Senthil Kumar Anusha	Internal Auditor

RISK MANAGEMENT, MONITORING & EVALUATION

Saldanha-Camille Sheena	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

Etheve Cinthia	Financial Controller
Nicette Tracy	Assistant Financial Controller
Anderson Maria	Manager Accounts Payable and Creditors Control
Belle Marcial	Manager Revenue and Debtors Control
Belle Marlette	Accounts Officer - Foreign Currency Creditors
Dine Mayrose	Accounts Officer - Seychelles Rupees
Hoareau Judith	Accounts Officer - Debtors Control
Madeleine Naomi	Accounts Officer - Revenue
Ernesta Yannick	Accounts Technician
Servina Sofia	Accounts Technician

LEGAL

Auguste Taryn	Director Legal
Laporte Effie	Legal Manager
Chetty Serrah	Legal Officer
Houareau Arlette	Legal Officer

POLICY, RESEARCH & STATISTICS

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

AML/CFT

Naidu Vedhavalli Anitha	Manager AML/CFT
Adolphe Natalie	Monitoring and Surveillance 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

REGISTRY

Lau Toy Lisa	Director Registry
Thelemont Robert	Manager Registry
Boniface Bertyna	Registry Officer
Dubignon Kareen	Registry Officer
Gonthier Priscilia	Registry Officer
Houareau Lita	Registry Officer
Kilindo Maltanio	Registry Officer
Laporte Diane	Registry Officer
Venthoye Nadia	Registry Officer
Accouche Curlfa	Registry Clerk
Micoock Ena	Registry Clerk

CORPORATE AFFAIRS

Boniface Esther	Head of Corporate Affairs
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HUMAN RESOURCES

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

FACILITIES & LOGISTICS

Marie Pascal	Director Facilities and Logistics
Balette Anasthasse	Manager Zone Operations and Facilities
Nioze Louisiane	Manager Customer Services and Logistics
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
Farabeau David	Facilities and Maintenance Officer
Nicolas Herve	Facilities and Maintenance Officer
Didon Juliana	Supervisor Housekeeping
Cecile Reina	Housekeeper
Quatre Linda	Housekeeper
Rapide Marth	Housekeeper

SECURITY OFFICERS

Melanie Marie-Claire	Security Supervisor
Antat Winsley	Security Officer
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
Jiallo Helene	Security Officer
Jupiter Tony	Security Officer
Labrosse Marlon	Security Officer
Laurette Lorren	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 TECHNOLOGY

Thelermont Jean-Claude	Director Information Technology
Cafrine Nigel	Information System Officer
Cushion Daniel	Information System Officer
Padayachy Shaji	Information System Officer
Cecile Alexandro	Assistant IT Technician

INFORMATION SYSTEMS DEVELOPMENT

Alexander Leo	Director Information Systems Development
Coujandessamy Theresa	Senior Analyst Programmer
Lespoir Leroy	Analyst Programmer

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES

Quatre Virginie	Director CMCISSS
D'Souza Geetha	Manager Authorizations
Soubana Calvin	Senior Supervision Officer
Auguste Ella	Supervision Officer
Hoareau Aaron	Supervision Officer
Jasmin Jeniffer	Supervision Officer
Jeremie Claudia	Supervision Officer
Larue Stephanie	Supervision Officer
Madeleine Deborah	Supervision Officer
Marie Thea	Supervision Officer
Nourrice Emma	Supervision Officer
Petrousse Vanessa	Supervision Officer

INSURANCE, GAMBLING & PENSION SUPERVISION

Serret Dedrey	Director Insurance, Gambling and Pension Supervision
Cedras Farrah	Supervision Manager
Marie Nathalia	Authorizations Manager
Amade Abraham	Supervision Officer
Barratt Liza	Supervision Officer
D'offay Joshua	Supervision Officer
Herminie Sebastien	Supervision Officer
Vidot Jordana	Supervision Officer
Pool Julia	Business Analyst
Roucou Dorisha	Business Analyst
Saldanha Kathrina	Financial Analyst

FIDUCIARY SUPERVISION

Lafortune Hazel	Director Fiduciary Supervision
Stravens Amanda	Manager Authorizations
Tamatave Clara	Manager Supervision

Adela Karen	Business Analyst
Athanasius Ali	Business Analyst
Marie Petra	Business Analyst
Aglae Yves	Senior Supervision Officer
Antoine Alexandra	Supervision Officer
Chow Elizabeth	Supervision Officer
Monthy Micha	Supervision Officer
Rene-Cosgrow Liza	Supervision Officer
Wuart Melissa	Assistant Supervision Officer
Finesse Yves	Monitoring and Surveillance Analyst
Clothilde Meryl	Senior Financial Analyst
Philoe Shannen	Financial Analyst

INTERNATIONAL TRADE ZONE

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

FINANCIAL STATEMENT



Audited Financial Statements as at 31st December, 2022

FINANCIAL SERVICES AUTHORITY

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Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 26

FINANCIAL SERVICES AUTHORITY

CORPORATE INFORMATION

DIRECTOR : Mr. Patrick Payet Chairman
Mr. Randolph Samson CEO - Director
Mr. Muhammad Saley Director
Ms. Seylina Joymon Director
Mr. Robert Stravens Director
Mr. Phillip Moustache Director
Mrs. Samanta Esparon Director
Mrs. Annie Rosette Director
Mrs. Wendy Pierre Director
Mr. Richard Rampal 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, 2022.

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 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 safeguard the interest of the Seychelles non-bank financial services sector, through the establishment of a sound and ethical regulatory environment.

MISSION

- To uphold the good repute of the Seychelles through good governance and sound regulatory systems.
- To promote capacity building, innovation and efficiency of services within the non-bank financial services sector.
- Ensuring compliance with international regulatory norms and best practices.

CURRENT YEAR EVENT

The Authority adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the year 2022 is the seventh financial year that the Financial Services Authority is presenting its financial statements under International Financial Reporting Standards (IFRS).

The new FSA board was appointed effective January, 2021. The Chairman and 8 other board directors (including the new CEO) are new appointees to the board and one is an appointee from the previous boards.

RESULTS

	<u>2022</u>
	SR'000
Profit for the year	105,381
Retained earnings brought forward	<u>349,313</u>
Profit available for distribution	454,694
Transfer to Government of Seychelles (GOS)	(85,960)
Retained earnings carried forward	<u><u>368,734</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 control 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




Randolf Samson
Director & CEO



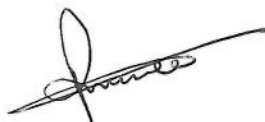
Muhammad Saley
Director



Seylina Joymon
Director



Robert Stravens
Director



Phillip Moustache
Director



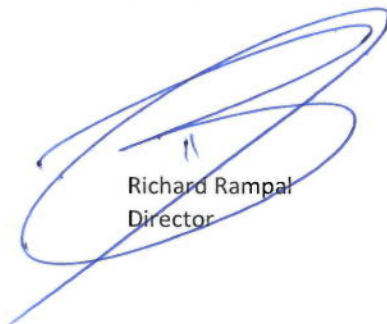
Samanta Esparon
Director



Anne Rosette
Director



Wendy Pierre
Director



Richard Rampal
Director

Dated: 12.05.2023

Mahé, Republic of Seychelles



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

3

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE FINANCIAL SERVICES AUTHORITY FOR 2022

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 2022 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 2022 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

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 and corresponding depreciation charge may be overstated with assets not in existence or pending write-off still included therein.

The implementation of the IT project, which is treated as working in progress in the accounts, needs to be monitored more closely so as to ensure that it does provide the intended solutions to the Authority. It is to be noted that a sum of SR13.4m has been spent on the project so far representing the full contract sum.

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.

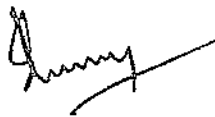
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could 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

19 May 2023
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2022

	Notes	December 31, 2022	December 31, 2021
		SR	SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	59,546,331	54,523,668
Investment property	6	242,266,051	240,314,059
Long term receivables	7	8,563,410	8,014,656
		310,375,792	302,852,383
Current assets			
Trade and other receivables	7	12,477,916	11,338,288
Cash and cash equivalents	9	153,089,697	114,567,375
Restricted cash as security for credit card		150,000	
Investment in Treasury Bills			5,202,897
		165,717,613	131,108,560
Total assets		476,093,405	433,960,943
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	854,064	1,708,127
Revaluation Reserve		26,674,451	21,690,601
Retained earnings		368,734,168	349,312,639
		404,978,383	381,427,067
LIABILITIES			
Non-current liabilities			
Staff benefit obligations	12	16,845,751	13,266,961
		16,845,751	13,266,961
Current liabilities			
Other payables	13	54,269,271	39,266,915
		54,269,271	39,266,915
Total liabilities		71,115,022	52,533,876
Total equity and liabilities		476,093,405	433,960,943

The Financial Statement have been approved for issue by the Board of Directors on:

				
Patrick Payet Chairman	Randolf Samson Director & CEO	Muhammad Saley Director	Richard Rampal Director	Seylina Joymon Director
				
Robert Stravens Director	Phillip Moustache Director	Samanta Esparon Director	Wendy Pierre Director	Anne Rosette Director

The notes on pages 8 to 26 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, 2022

	Notes	2022	2021
		SR	SR
Revenue	2(i)/14	197,493,943	223,646,468
Staff costs	15	(60,024,328)	(45,099,940)
Administrative expenses	16	(31,510,293)	(31,579,757)
Educational dissemination	17	(231,992)	(712,930)
Other operating costs	18	(1,757,449)	(1,618,663)
Finance income - Interest on staff loans/investment		1,036,776	663,165
Finance costs - borrowing costs		-	-
Marketing Grant to SIB		(545,108)	(545,762)
Other income	19	130,801	4,443
Foreign exchange (losses)/gains		(1,162,917)	(34,322,592)
Other comprehensive income - Surplus on Revaluation of Investment pro	6(a)	1,951,992	-
Profit and total comprehensive income for the year		105,381,423	110,434,432

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2022

	Note	Stated capital SR	Capital grant SR	Revaluation reserve SR	Retained earnings	Total SR
At January 1, 2022		8,715,700	1,708,127	21,690,601	349,312,639	381,427,067
Total comprehensive income for the year		-	-	-	105,381,423	105,381,423
Amortisation of grant	18	-	(854,063)	-	(85,959,894)	(854,063)
Transfer to the GOS		-	-	4,983,850	-	4,983,850
Revaluation of Property		-	-	-	-	-
At December 31, 2022		8,715,700	854,064	26,674,451	368,734,167	404,978,383

	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	18	-	(854,063)	-	(92,565,871)	(854,063)
Transfer to the GOS		-	-	-	-	-
At December 31, 2021		8,715,700	1,708,127	21,690,601	350,365,286	382,479,714
Prior period adjustment		-	-	-	-	-
At December 31, 2021 (Re-Instated)	5	8,715,700	1,708,127	21,690,601	349,312,639	381,427,067

- i. Prior period item relates to payment to a consultant in 2020 and 2021 in relation to FSA proposed building, charged to work in progress. The aforementioned services were discontinued in October 2021 and amount written off.

The notes on pages 8 to 26 form an integral part of these financial statements. Auditors' report on page 3.

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2022

	Notes	2022 SR	2021 SR
Cash generated from operations			
Profit for the year		105,381,423	110,434,432
<i>Adjustments for</i>			
Depreciation on property, plant and equipr	5	2,596,118	2,472,726
Adjustment to WIP		84,000	-
Amortisation of capital grant	18	(854,063)	(854,063)
Loss on disposal of asset		7,810	-
Gain on revaluation of Investment Property		(1,951,992)	-
Staff benefit obligations charge	12	5,894,913	4,993,484
Adjustment on accrued Interest		-	(251,864)
Impairment of trade receivables		(96,491)	(40,858)
Interest receivable		(1,036,776)	(663,165)
		110,024,941	116,090,693
<i>Changes in working capital</i>			
- Increase in trade and other receivables		(1,591,891)	7,212,660
- (Decrease)/Increase in trade and other payables		(4,997,644)	(7,620,766)
Cash generated from operations		103,435,406	115,682,586
Staff Benefit obligations paid	12	(2,316,124)	(3,636,241)
Interest received		1,036,776	663,165
Net cash inflow from operating activities		102,156,058	112,709,510
Cash flows from investing activities			
Investment in Treasury bills			(5,198,525)
Proceeds from Treasury bills upon maturity		5,202,897	
Purchase of property, plant and equipment	5	(2,736,439)	(3,177,666)
Proceeds from sale of asset		9,701	
Net cash outflow from investing activities		2,476,159	(8,376,191)
Cash flows from financing activities			
Loan Repayment		-	(10,612,046)
Interest paid			(91,590)
Restricted cash as security for credit card		(150,000)	
Amount transferred to the Government of Seychelles		(65,959,894)	(105,234,697)
Net cash outflow from financing activities		(66,109,894)	(115,938,333)
Net increase in cash and cash equivalents		38,522,323	(11,605,014)
Movement in cash and cash equivalents			
At January 1,		114,567,375	126,172,388
Increase		38,522,323	(11,605,014)
At December 31,	9	153,089,697	114,567,375

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

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 has 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**Amended by Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendment has no impact on the Authority's financial statements.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37, Provisions, Contingent Liabilities and Contingent Assets did not specify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. Research conducted by the IFRS Interpretations Committee indicated that differing views on which costs to include could lead to material differences in the financial statements of entities that enter into some types of contracts. The amendment has no impact on the Authority's financial statements.

IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability. Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The purpose of this project was to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018. The Board completed this project in May 2020 by issuing amendments to IFRS 3. The amendments updated the reference to the Conceptual Framework. They also added to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Board added this exception to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances.

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)**

Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain. The Board expects this exception to remain in IFRS 3 for as long as the definition of a liability in IAS 37 differs from the definition in the latest version of the Conceptual Framework. The Board plans to consider aligning the definitions as part of a project to make targeted improvements to IAS 37. The amendment has no impact on the Authority's financial statements.

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:**IFRS 1, First-time Adoption of International Financial Reporting Standards.**

Subsidiary as a first-time adopter. 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 IFRSs. The amendment has no impact on the Authority's financial statements.

IFRS 9, Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment has no impact on the Authority's financial statements.

IAS 41, Agriculture

Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. 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)**

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

IAS 1 — Presentation of Financial Statements
IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12 — Income Taxes
IFRS 16 Leases
IFRS 17 Insurance Contracts

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

Property, plant and equipment are reported using the Fair Value model.

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, 2022 with the report being issued in January 2023 by a professional independent assessor. In 2020, the Financial Services Authority (FSA), for the first time FSA 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. The increase in value of owner occupied building has been credited to equity and is shown in the statement of accounts under "Revaluation Reserve".

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.

FSA has adopted the IFRS 13, the Fair value model, for the valuation of its investment property, 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 is undertaken on a bi-yearly basis and therefore the next exercise will be in December, 2024.

(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.

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 it's 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.

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, 2022, 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 SR1.16m (2021: SR 34.3m) 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:

	2022	2021
	SR	SR
Bank balances	145,271,653	77,584,154
Trade & other receivables	6,469,611	5,445,710
Borrowings		
Other payables	(28,333,070)	(36,037,094)
	<u>123,408,194</u>	<u>46,992,770</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.

(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.

	2022	2021
	%	%
5 major counterparties	50	34
Others (diversified risks)	50	66
	<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, 2022

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, 2022					
Bank Borrowings					
Other payables	<u>54,269</u>				<u>54,269</u>
At December 31, 2021					
Bank Borrowings					0
Other payables	<u>39,267</u>			-	<u>39,267</u>

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 2022, the Authority's strategy, which was unchanged from 2021, 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:

	2022 SR'000	2021 SR'000
Total debt	54,269	39,267
Less: Cash and cash equivalents	(153,090)	(114,496)
Net debt	<u>(98,820)</u>	<u>(75,229)</u>
Total capital	404,978	364,611
Net debt	(98,820)	(114,496)
Total capital plus debt	<u>306,158</u>	<u>250,115</u>
Gearing ratio	<u>(32.28)</u>	<u>(30.08)</u>

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, 2022

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2022

COST	Land &	Gates	Motor	Plant &	Furniture	Other	Work-in	Total
	Buildings	& fences	vehicles	equipment	& fixtures	assets	progress	SR
	SR	SR	SR	SR	SR	SR	SR	SR
At January 1, 2022	33,426,914	637,788	3,255,468	SR15,082,836	6,112,912	4,958,849	13,515,897	76,990,664
Additions	426,645	-	-	959,886.20	339,661	974,139	36,108	2,736,439
Disposal	-	-	-	(475,487.58)	(234,257)	(125,504)	-	(835,249)
Write offs	-	-	-	-	-	-	-	-
Transfers/Adjustments	4,983,850	-	-	0	-	(2,109)	(84,000)	4,897,741
At DECEMBER 31, 2022	38,837,409	637,788	3,255,468	15,567,235	6,218,316	5,805,375	13,468,005	83,789,592
ACCUMULATED DEPRECIATION								
At January 1, 2022	-	637,788	2,912,833	11,087,919	5,337,556	2,490,899	-	22,466,996
Charge for the year	-	-	221,999	1,199,876	295,194	879,050	-	2,596,118
Disposal	-	-	-	(472,751)	(229,175)	(117,926)	-	(819,853)
Write offs	-	-	-	-	-	-	-	-
At DECEMBER 31, 2022	-	637,788	3,134,832	11,815,044	5,403,575	3,252,023	-	24,243,261
NET BOOK VALUE								
At DECEMBER 31, 2022	38,837,409	-	120,636	3,752,188	814,741	2,553,352	13,468,005	59,546,331

(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 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, 2022 with the report being issued in January 2023 by a professional independent assessor. In 2020, the Financial Services Authority (FSA), for the first time FSA 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. 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, 2022

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2021

	Land &	Gates	Motor	Plant &	Furniture	Other	Work-in	Total
	Buildings	& fences	vehicles	equipment	& fixtures	assets	progress	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	4,958,849	14,568,544	78,043,311
Prior period adjustment	-	-	-	-	-	-	(1,052,647)	(1,052,647)
At DECEMBER 31, 2021 restated	33,426,914	637,788	3,255,468	15,082,836	6,112,912	4,958,849	13,515,897	76,990,664
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	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
At DECEMBER 31, 2021	-	637,788	2,912,833	11,087,919	5,337,556	2,490,899	-	22,466,996
NET BOOK VALUE								
At DECEMBER 31, 2021	33,426,914	-	342,634	3,994,917	775,356	2,467,950	13,515,897	54,573,668

(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 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2022

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

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

	2022	2021
	SR	SR
Consultancy/ structural engineer fees	16,000	1,052,647
Prior period item - Write-off of consultancy costs - proposed new building As restated 31.12.2021		(1,052,647)
Planning and other fees		-
IT Work In Progress	13,431,897	13,515,897
Improvement to Infrastructure	20,108	-
	<u>13,468,005</u>	<u>13,515,897</u>

Prior period adjustment relates to discontinued services with Hoolooman Consultancy services for consultancy services relating to the construction of the new FSA Building.

6. INVESTMENT PROPERTY

	2022	2021
	SR	SR
Cost		
At January 1,	240,314,059	240,314,059
Adjustment from previous year	-	-
Additions		-
Revaluation surplus	1,951,992	-
At December 31,	<u>242,266,051</u>	<u>240,314,059</u>
Accumulated depreciation		
At January 1,	-	-
Charge for the year	-	-
At December 31,	<u>-</u>	<u>-</u>
Net Book Value	<u>242,266,051</u>	<u>240,314,059</u>

(a) A revaluation of the FSA infrastructure was undertaken in January 2023 by a professional independent assessor. Investment properties have been revalued as follows:

	Value in Current State	2021
	(SR)	(SR)
Ware house A on Parcel Number V17888	33,375,636	32,718,215
Ware house B on Parcel Number V17889	46,355,050	45,441,965
Ware house C on Parcel Number V17890	36,185,964	36,185,964
Ware house K on Parcel Number V17885	63,174,700	61,831,398
Ware house J on Parcel Number V17893	63,174,700	61,831,398
Utility Block on Parcel Number V17893		2,305,119
	<u>242,266,050</u>	<u>240,314,059</u>

(b)

The Financial Services Authority is currently occupying units A1, A2 and A3 for a total area of 840m2 within the Warehouse A.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2022

7. TRADE AND OTHER RECEIVABLES

	2022	2021
	SR	SR
Trade receivables	6,906,386	6,249,063
Prepayments	1,235,391	1,311,397
Loans and receivables (note (f))	12,456,535	11,659,307
Other receivables	614,249	400,902
	21,212,561	19,620,670
Provision for credit impairment (note (c) and (d))	(171,235)	(267,725)
	<u>21,041,326</u>	<u>19,352,944</u>
Disclosed as follows:		
	2022	2021
	SR	SR
Within one year	12,477,916	11,338,288
After more than one year (note (f))	8,563,410	8,014,656
	<u>21,041,326</u>	<u>19,352,944</u>

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

(b) As at December 31, 2022, trade receivables that were past due but not impaired amounted to SR 1,564,599 (2021: SR2,730,412). These receivables were aged above 90 days.

(c) As at December 31, 2022, trade receivables amounting to SR 171,235 were impaired (2021: SR 267,725). 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:

	2022	2021
	SR	SR
At January 1,	267,725	308,583
(Reversal)/ Charge to the statement of profit or loss (note 16)	(96,491)	(40,858)
At December 31,	<u>171,235</u>	<u>267,725</u>

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

	2022	2021
	SR	SR
US Dollar	6,469,611	5,445,710
Seychelles rupee	14,571,716	13,907,235
	<u>21,041,326</u>	<u>19,352,944</u>

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

	2022	2021
	SR	SR
Within one year	3,893,125	3,644,651
After more than one year	8,563,410	8,014,656
	<u>12,456,535</u>	<u>11,659,307</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, 2022

8. INVESTMENT IN TREASURY BILLS	2022	2021
	SR	SR
365 Days Treasury Bills - 1%	-	247,735.21
365 Days Treasury Bills - 0.99%	-	4,955,161.67
		5,202,897.00

(a)

The Treasury Bills investment from 2021 reached its maturity period in November 2022. The Board Of Directors and the FSA management agreed not to re-invest the funds due to low interest rate. The interest and principal amount was re-credited to the FSA Nouvobanq SCR Current account

9. CASH AND CASH EQUIVALENTS	2022	2021
	SR	SR
Cash in hand	-	-
Cash at banks	153,089,697	114,567,375
Restricted cash	150,000	-
	153,239,697	114,567,375

(a) The total amount in cash at banks include a total of US\$5million (equivalent SCR.71,771,375) invested in a 2.8% interest bearing 90days Fixed Deposit account with the Nouvobanq bank.

(b)

Restricted cash relates to cash margin held as collateral by Nouvobanq for the VISA corporate card

10. STATED CAPITAL

Government contributed assets (notes (a) & 5(b))

(a) This represents the value of land transferred to the Authority by the Government of Seychelles in 1999.

11. 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.

12. STAFF BENEFIT OBLIGATIONS

	2022	2021
	SR	SR
At January 1,	13,266,961	11,909,719
Charge for the year (note 15)	5,894,913	4,993,484
Payments during the year	(2,316,124)	(3,636,241)
At December 31,	16,845,751	13,266,961

(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, 2022

13. OTHER PAYABLES	2022	2021
	SR	SR
Amount payable to the Government of Seychelles (note 13(a) and 22)	20,000,000	-
Advance payments - fees	9,640,976	15,248,044
Deposits-rent	9,249,027	8,896,365
Corporate Tax	-	1,000,744
Accrued Expenses	731,244	1,299,540
Other payables	14,648,024	12,822,221
	<u>54,269,271</u>	<u>39,266,915</u>
Disclosed as follows:		
	2022	2021
	SR	SR
Within one year	<u>54,269,271</u>	<u>39,266,915</u>
	<u>54,269,271</u>	<u>39,266,915</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:		
	2022	2021
	€R	€R
US Dollar	28,333,070	35,915,922
Seychelles rupee	17,252,032	3,229,822
	<u>45,585,103</u>	<u>39,266,915</u>
14. REVENUE	2022	2021
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	7,491,293	15,465,839
IBC annual licence fees	89,156,950	119,860,115
Other licence fees	6,639,844	9,066,218
Funds and securities fees	9,438,511	8,837,489
Insurance fees	1,815,064	2,117,431
Gambling Fees	8,739,750	9,272,379
Other services	26,110,404	28,894,578
	<u>149,391,816</u>	<u>193,514,049</u>
(b) Rental income		
Investment property	47,644,154	30,088,529
Outdoor space	457,973	43,890
	<u>48,102,127</u>	<u>30,132,419</u>
	<u>197,493,943</u>	<u>223,646,468</u>
15. STAFF COST	2022	2021
	SR	SR
Salaries & wages	51,452,220	38,183,793
Directors' emoluments (note 22)	305,066	298,693
SITZ Employment Council/FSA Appeals Board	389,480	384,689
Gratuity and compensation paid	5,894,913	5,105,012
Pension Scheme Contribution	1,982,648	1,127,753
	<u>60,024,328</u>	<u>45,099,939</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2022

16. ADMINISTRATIVE EXPENSES	2022	2021
	SR	SR
Administration costs	4,323,328	5,164,736
Rental Costs	5,855,502	6,037,378
Communication costs	2,344,670	2,867,094
Transport and travelling costs	3,955,375	1,214,996
Maintenance and repairs	1,172,849	1,222,324
Training	3,639,269	1,366,890
Legal fees	1,317,600	349,950
Audit and Accountancy fees	100,000	100,000
Professional fees	5,319,500	9,201,256
Bank charges	60,551	76,984
(Reversal)/ charge for provision for credit impairment (note 7(d))	(96,491)	(40,858)
Bad Debts Written Off		
General expenses	3,518,139	4,019,007
	<u>31,510,293</u>	<u>31,579,758</u>
17. EDUCATIONAL DISSEMINATION	2022	2021
	SR	SR
Information dissemination	102,548	436,087
Advertisement	129,444	276,843
	<u>231,992</u>	<u>712,930</u>
18. OTHER OPERATING COSTS	2022	2021
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	2,596,118	2,472,726
Assets written off (note 5(a))	15,395	-
Amortisation of capital grant	(854,063)	(854,063)
	<u>1,757,449</u>	<u>1,618,663</u>
19. OTHER INCOME	2022	2021
	SR	SR
Sundry income	130,801	4,443
	<u>130,801</u>	<u>4,443</u>
20. COMMITMENTS		
(a) Capital commitments		

As at December 31, 2022 full cost of the project in relation to FSA building is yet to be determined. However the authority is expected to incur approximately to SR24.113 million in the year 2023 which include consultancy cost and commencement of project. (2021:Nil).

The FSA currently has capital commitments for the completion of the NetEDGE software, however to date the costing relating to it has not yet been established.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2022

20 COMMITMENTS (CONT'D)

(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:

	2022	2021
	SR	SR
Not later than one year	267,893	275,349
Later than one year and not later than five years	1,071,570	1,101,398
	<u>1,339,463</u>	<u>1,376,747</u>

The future aggregate minimum lease payments under cancellable operating leases are as follows:

	2022	2021
	SR	SR
Not later than one year	47,262,711	42,317,164
Later than one year and not later than five years	108,184,901	96,683,105
	<u>155,447,612</u>	<u>139,000,269</u>

21. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2022 (2021: Nil).

22. RELATED PARTY TRANSACTIONS

Directors' emoluments (note 15)

	2022	2021
	SR	SR
PATRICK ALLAIN PAYET	49,920.00	
ROBERT STRAVENS	33,279.96	
SAMANTA ESPARON	33,279.96	
RICHARD RAMPAL	33,279.96	
SEYLINA JOYMON	33,279.96	
PHILLIP ARMAND MOUSTACHE	33,279.96	
WENDY PIERRE	33,279.96	
ANNE ROSETTE	27,733.30	
MUHAMMAD DANYAL SALEY	27,733.30	
	<u>305,066.36</u>	<u>298,693.06</u>
Holding entity		
- Surplus payable (note 13)	<u>85,959,894</u>	<u>92,565,871</u>

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances payable by management personnel relating to vehicles loans are secured and bear interest. Other 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, 2022, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2021: 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

	2022	2021
	SR	SR
Salaries and other benefits	23,233,566	15,182,403
Employer Pension costs	767,054	454,418
Accrued Benefits	2,567,340	2,277,360
	<u>26,567,960</u>	<u>17,914,182</u>

The above key management personnel includes the salaries and accrued benefits of the CEO, Deputy CEO, Directors and Managers of the FSA

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