

NEWSLETTER

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



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CEO's Message

Welcome to the final edition of the FSA's newsletter for the year 2018.

The year 2018 has proven to be an exciting year for the FSA in terms of progress made towards its continued development as an organization, and the development of the non-bank financial services sector in Seychelles as a whole.

Since my appointment to office, late year, my vision has been to contribute in the creation of a thriving industry that is resilient in the face of the different prevailing challenges such as our continued commitment to international standards and best practices. Paramount to everything else, the FSA, as a regulator, is cognizant of the need to ensure that the jurisdiction's key principles such as the preservation of market integrity and the protection of investors remain constant in our endeavor to meet the needs of discerning investors and client while we continue to broaden the jurisdiction's value chain.

It is with the above mindset that we have approached the year 2018. As a mean of diversifying our service offerings, the FSA has, during 2018, initiated work aimed at putting in place a regulatory sandbox framework for Fintech or Financial Technology. We believe that it would be unwise for the Seychelles to fail to prepare for the unavoidable developments in the field of Fintech in Seychelles. In turn highlighting its efficiency as a Regulator, the FSA has taken further prerequisite steps to ensure the FSA and the jurisdiction as a whole is ready for such development. In an attempt to educate persons as to the possibilities and potential risks associated with fintech, the FSA has embarked on a capacity building, both in house and industry wide.

On the regulatory side, the Seychelles underwent a Mutual Evaluation Assessment to evaluate the Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) framework in place in the Seychelles. This process, culminated in the adoption of the Seychelles Mutual Evaluation Report during the Council of Ministers meeting of the Eastern and Southern Africa Anti-Money Laundering Group ("ESAAMLG") held in Seychelles, in September this year, where the Seychelles also took over the Presidency and chairmanship of the ESAAMLG.

The year 2018 has been an exhilarating year for the FSA. However, we are even more optimistic for the future. I have faith in our staff's resilience and work ethic. I would like to take this opportunity to thank all of the FSA staff, the board of directors and the stakeholders for their ongoing support and hard work.

I wish you all a Merry Christmas and a prosperous New Year 2019, filled with success, happiness and good health.

Dr. Steve Fanny

Chief Executive Officer



The Global Forum on Transparency and Exchange of Information for Tax Purposes



In 2001, Seychelles became a member of the Global Forum, a sub-body of the OECD, as a sign of its commitment to eliminate harmful tax practices. The commitment includes Seychelles adoption of certain standards in favor of transparency, non-discrimination and effective exchange of information, which are at the heart of the OECD's work.

Peer Reviews

Peer review aims to ensure compliance with international guidelines, standards and principles in order to maintain the availability of, the access to, and the exchange of all information relevant for tax purposes. The Peer Review process is undertaken in two phases. Phase 1 reviews, assess the quality of a jurisdiction's legal and regulatory framework for the exchange of information, while Phase 2 reviews, look at the practical implementation of that framework. The Global Forum also has a process for supplementary reports for follow-up on recommendations, as well as for the ongoing monitoring of jurisdictions following the conclusion of the review. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

The reviewed country co-operates by making all documents and data available, responding to questions and requests for self-assessment, facilitating contacts and hosting on-site visits. Each peer review may have its own procedure, but they follow a common pattern of preparation, consultation and assessment. At the final phase, a collective discussion on a draft report is held by the Peer Review Group. At this stage, the reports are thoroughly discussed and may be negotiated where disagreements arise over the assessment or recommendations. The report is then presented to the Global Forum and once adopted by the Forum, it is published.

Seychelles Last Peer Review

Seychelles last report in relation to this work was published in 2015 where Seychelles was rated "largely compliant" overall with the International Standard for Exchange of Information on Tax Matters.

In order to obtain such rating, Seychelles had to undertake a number of changes to its exchange of information framework which included, the abolishment of bearer shares for all companies in Seychelles, introduce new requirements for all share registers of International Business Companies (IBCs) to be kept at the company's registered office in Seychelles (so as to enhance the effectiveness and efficiency of the FSA's monitoring process) and require all IBCs to make an annual declaration that, amongst other things, the IBC is keeping accounting records in accordance with the IBC Act which can be made available through its registered agent (i.e. ICSP) if requested by any Seychelles competent authority. Seychelles also reviewed the level of penalties by increasing the penalty in instances of non-compliance with the keeping of Share Register and accounting records. New grounds for striking-off the IBCs were introduced, particularly in case of failure to comply with a request for information from the Seychelles Revenue Commission and failure to pay penalty fees imposed by the FSA. From a practical aspect, large efforts were made to ensure the availability of ownership and accounting information in Seychelles.

Finally, the FSA reinforced its supervisory functions through more rigorous onsite inspections and introduced new obligations on registered agents (i.e. ICSPs) to monitor compliance by IBCs, Limited Partnerships and Foundations with their ownership and accounting record-keeping requirements and to inform the FSA accordingly.

"...FSA reinforced its supervisory functions through more rigorous onsite inspections ..."

Seychelles Next Peer Review

Seychelles next peer Review was officially launched on the 6th December, 2018. Once again, the review will be based on Seychelles legal and regulatory framework for transparency and exchange of information for tax purposes as well as the practical implementation of that framework. However, compared to the last review, as per the revised methodology, this review will also cover the availability of beneficial ownership information of legal entities and legal arrangements. Relevant authorities are currently working on the first step of the review by completing a questionnaire. The draft report is expected to be submitted to the Peer Review Group for consideration and discussion at the Peer Review Group meeting in December 2019.

Seychelles will continue to take all necessary monitoring and supervisory steps and ensure that it pursues all its efforts in maintaining and improving its exchange of information framework.

ESAAMLG - Seychelles Review

The Eastern and Southern Africa Anti-Money Laundering Group (“ESAAMLG”) is a Financial Action Task Force (“FATF”) style regional body founded in August 1999. The purpose of the grouping is to monitor member countries implementation of the FATF Recommendations through the conduct of “peer reviews” (“mutual evaluations”). Upon completion of the peer review, a Mutual Evaluation Report (“MER”) is produced setting out how well the country has implemented the technical requirements of the FATF Recommendations and the effectiveness of its Anti-Money Laundering and Countering Financing of Terrorism (“AML/CFT”) system.

The ESAAMLG is made up of 18 member countries (which also comprises of Seychelles) and a number of observer countries and regional and international bodies. In September 2018, the Seychelles took over the Presidency and chairmanship of the ESAAMLG.

During the period 2017 to 2018, the Seychelles underwent the Mutual Evaluation Assessment and the Seychelles MER was adopted by the Council of Ministers in September 2018 and was published on November 9th, 2018. The report presents the key findings of the assessment team and the priority actions for Seychelles to improve its AML/CFT system.

The MER has concluded that the Seychelles AML/CFT framework is at an emerging stage and that there has been a number of legislative and institutional reforms that has contributed to improve the level of understanding of money laundering and terrorist financing risks across the board (albeit at different levels). However, the overall level of effectiveness has been affected by inadequate capacity and enforcement by key competent authorities.

A copy of the report of the Seychelles mutual evaluation report may be accessed through the following web link from the ESAAMLG website:

https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/411



Delegates at the plenary meeting

Seychelles amends its legislations with respect to BEPS Standard

The Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) brings together over 115 countries and jurisdictions to collaborate on the implementation of the OECD/G20 BEPS Package.

The BEPS initiative is an OECD initiative, approved by the G20, to identify ways of providing more standardised tax rules globally.

BEPS is a term used to describe tax planning strategies that rely on mismatches and gaps that exist between the tax rules of different jurisdictions, to minimise the corporation tax that is payable overall, by either making tax profits “disappear” or shift profits to low tax operations where there is little or no genuine activity. In general BEPS strategies are not illegal, rather they take advantage of different tax rules operating in different jurisdictions, which may not be suited to the current global and digital business environment.

Seychelles committed to the BEPS project in 2016 and is therefore required to comply with the 4 minimum standards set out under BEPS. These minimum standards are on harmful tax practices, tax treaty abuse, country-by-country reporting and dispute resolution mechanisms. In terms of harmful tax practices component, the FSA had been working in close collaboration with other government stakeholders and the private sector in order to identify whether any of the Seychelles’ preferential tax regimes are potentially harmful.

Following the review of all relevant preferential tax regimes, amendments were made to the following legislations in order to bring them in line with BEPS:

- The International Business Companies Act has been amended to allow IBCs to carry on business in Seychelles. This is in line with the amendments made in the Business Tax Act to move Seychelles tax system to a territorial system. The tax exemption clause under the IBC Act has been removed. Only IBCs deriving “Assessable Income” in Seychelles will be required to submit Annual Returns and Audited Accounts (in line with the Companies Ordinance 1972) to the FSA.
- Similarly, in light with concurrent amendments in the Business Tax Act to move Seychelles tax system to a territorial system, the Companies (Special Licences) Act has been amended to remove the 1.5% business tax concession and withholding tax exemptions. CSLs incorporated on or before the 16th October 2017 may still be able to enjoy these tax concessions and exemption until the 30th June 2021 (other limitations apply).
- The Insurance Act has been amended to remove tax exemption provision applicable to non-domestic insurers. Non-domestic insurers licensed on or before the 16th October 2017 may still be able to enjoy these tax concessions and exemption until the 30th June 2021 (other limitations apply). Moreover, the Second Schedule of the Business Tax Act was amended earlier this year to remove the tax exemption applicable to reinsurance business.
- The licensable Export Services activities under the International Trade Zone Act has been amended to remove the activities falling within the scope of the OECD work on BEPS. Under the revised export services regime, the holder of an Export Services License will not be allowed to provide any services other than repair and reconditioning of goods, warehousing and rental of storage space or logistic services provided that these activities relate to goods physically handled in the zone, in Seychelles. Export Services operators licensed on or before the 16th October 2017 may still be able to enjoy all concessions and exemptions accorded under the International Trade Zone Act until the 30th June 2021 (other limitations apply).
- The Securities Act and Mutual Fund & Hedge Fund Act have been amended to require licensees to meet the minimum substance requirements in order to benefit from the concessionary tax rate afforded under these legislations. The Regulations provides that the substantial activity requirements shall be met if the licensee (including fund administrator) undertakes its core income generating activities in Seychelles by employing, a reasonably adequate number of suitably qualified persons to carry out the core activities. The licensees are also expected to incur an adequate amount of operating expenditures for such activities.

“... Seychelles committed to the BEPS project in 2016 and is therefore required to comply with the 4 minimum standards set out under BEPS.”

Following the enactment of these new pieces of legislations, the FSA will now monitor the various new requirements, including the implementation of the minimum substance requirements, in collaboration with the Seychelles Revenue Commission. These new regulations will take effect as of 1st January 2019.

Aside from the BEPS amendments, other non-BEPS amendments were also made to the International Business Companies Act which include:

- limit access to the filed register of directors
- increase of the automatic dissolution period of a company from 5 years to 7 years
- extension of the Registrar’s power to restore a struck off company (rather than a Court restoration order being required) under all circumstances, except where a company is struck off for fraudulent purposes or for a reason which jeopardize the reputation of Seychelles as a financial centre.

In view of these amendments, Seychelles hopes to reinforce its commitment to the work of the international community towards best practices.



Singapore Fintech festival

The Singapore FinTech Festival is considered to be the largest Financial Technology event in the world. In 2017 the festival attracted more than 30,000 participants, decision makers and investors from 103 countries. This year was no different, with a record of more than 45,000 participants. The event is considered by the FinTech community as the world's largest platform for the global FinTech community, with Singapore thriving as an international hub at the forefront of FinTech innovation. An FSA delegation was present at the Festival.



Panel Discussion

Present at the Singapore FinTech festival 2018 were some high level dignitaries such as Mrs. Christine Lagarde, the Managing Director of the International Monetary Fund (IMF), the Prime Minister of India, his excellency Narendra Modi and Mr. Chris Colbert, the Managing Director of Harvard Innovation Labs.

The 2018 edition of the Singapore Fintech Festival conference took place from November 12th to the 16th, 2018. The programme was divided into three aspects: the conference, the Innovative Lab Crawls and the Industry events; with key topics covering artificial intelligence (AI) in finance, the future of banking, insurtech, market infrastructure, financial inclusion, the future of money, fintech opportunities in ASEAN, cybersecurity, techrisk and regtech, and more.



Participants at the festival

The event also comprised of a Global Fintech Hackcelerator, with this year's focus on four problem areas, namely:

- Financial Inclusion: Solutions which empower consumers and businesses to gain access to financial services.
- Regtech and Supotech: Solutions to ensure compliance of regulatory requirements, when financial institutions engage in corporate activities.
- Insurtech: Solutions to help financial institutions transform and shape the future state of insurance.
- General: Solutions which enable financial institutions to enhance customer experience or increase their efficiency.

The event concluded with the closing ceremony and the last two days Innovative Lab Crawls and Industry events. The next Singapore FinTech Festival is being scheduled for November, 2019. The Fintech Festival provided an amazing insight for the different Fintech products and services, which will allow for a better understanding in the development of the regulatory framework for such activities.

14th Annual Gaming Regulators Africa Forum Conference

With its inaugural conference held in 2003, Gaming Regulators Africa Forum (GRAF) is comprised of national gambling regulators from the African Continent. Seychelles as one of its newest member jurisdictions, being represented by the Financial Services Authority (FSA), attended the 14th Annual GRAF Conference for the first time this year.

Hosted in Botswana by the Botswana Gambling Authority, at the Grand Palm Hotel Casino Convention Resort. The conference's opening ceremony was launched by Honorable. Moiserale Goya, the Assistant Minister of Investment, Trade and Industry of Botswana. The conference hosted speakers from numerous gambling regulatory authorities of Africa, such as Botswana, South Africa, Malawi, Limpopo and key service providers from the gambling industry, including Gambling Laboratories International (GLI) and Casino Association of South Africa (CASA). As a new member jurisdiction, representatives of FSA were invited to the stage for an official welcome and a brief speech, given by the Deputy CEO of FSA, Ms. Zenabe Daman. As part of its mission to increase efficiencies in the gambling regulation, administration and enforcement of gambling laws in the region, the GRAF conferences cover a range of topics which are key to protection of citizens through ensuring adherence to regulatory laws applicable in the member states, and serve as a platform for sharing knowledge and experiences between various stakeholders of the gambling industry.

Attending the 14th Annual GRAF Conference has greatly enhanced FSA’s understanding of several key topics of the gambling industry, its impact on economies and societies, and the challenges that it presents. The FSA will continue to actively participate in GRAF conferences in the future in order to continue its development as a gambling regulator, to acquire and share knowledge and to enhance Seychelles’ position as a reputable gambling destination in Africa.



Group photo of the delegates

Financial Education Fair



FSA staff and CEO

Seychelles Financial Services Authority (FSA) in collaboration with the Central Bank of Seychelles (CBS) organized for the first time a Financial Education Fair which was held on the 23rd and 24th November 2018, on Mahe. The financial education fair brings together the different partners and stakeholders within the financial services sector, encompassing both banking and non-banking sector of the financial services industry. This includes both Government and the private sector, such as banks, bureau de change, insurance companies and capital markets. This fair created a platform providing the public with the opportunity to engage with representatives across the financial services community.

The aim of the fair forms part of the continuous attempt towards educating the public on the different financial products or services available and provide clarifications on the functions and answer any queries relating to the different financial services organizations and stakeholders.

The fair was declared open after two enlightening and energetic speeches by the two heads of the financial services regulators Ms. Carolina Abel, the Governor of the Central bank, followed by Dr. Steve Fanny, the CEO of the FSA. In his speech Dr. Fanny stated that, “Financial world is not complex. We are responsible to educate ourselves about the various products out there and make the most out of it.”

Another highlight of the event was the announcement and the unveiling of the winner of the Financial Education Mascot Design Competition, Ms. Shireen, Adeline who was presented with a cheque of Rs 20,000 by Ms. Abel and Dr. Fanny.

To ensure that a broad range of the Seychelles public had the opportunity to attend the fair, the team further held the Financial Education Fair on Praslin, on the 14th December 2018. This initiative aims to provide everyone with the opportunity to engage with the financial services community.



Dr. Fanny delivering his speech



FSA staff at the Fair



FSA staff at the Praslin Fair



Ms. Abel welcoming the participants

ICA-AML training

As part of its mandate in ensuring the development of the standard of practice within the financial services industry in Seychelles, the FSA, in collaboration with the International Compliance Associations (“ICA”) conducted its second compliance course enrollment for the year 2018, which is the certificate in Anti-Money Laundering (“AML”).

A one-day workshop for the certificate was held at the Guy Morel Institute on the 14th November, 2018 by Mr. Jonathan Bowdler, the head of Regulatory Compliance at the International Compliance Training (“ICT”), and was attended by numerous participants from the financial services industry.

The ICA certificate in AML aims at providing participants with an introductory understanding into the money laundering and terrorist financing challenges faced by financial institutions, and equip these participants with the knowledge of international best practice initiatives that will assist them in combating these challenges.

“...equip these participants with the knowledge of international best practice...”

The ICA certificate in AML is subsequent to the certificate in Compliance undertaken early during the year, and the FSA expect to conduct further training for the year 2019 to ensure that the industry is provided with the necessary tools and skills for a more efficient delivery in their work place.

ICA Certificate in Anti Money Laundering

Financial Sector Conduct Authority (“FSCA”) Familiarisation Training in Pretoria, South Africa, 21-23 November, 2018



The FSCA conducted a familiarisation programme on 21st – 23rd November 2018, in Pretoria, South Africa. Of which two FSA staff attended. The familiarisation was mainly focused on Consumer Financial Education programmes currently being implemented by the FSCA’s Consumer Education Department. The FSCA places great emphasis on projects concerning financial awareness, whereby they have developed various financial awareness projects targeting different market niches within the financial market.

The programme was brought about so that other countries in Africa can have an understanding of the developments in financial consumer education achieved by the FSCA in South Africa. In addition, the FSCA wanted to share with the participants a breakdown of the different projects they currently have in place and developing, and what are the achievements and downfalls they have faced over the years. Furthermore, the aim was to explain and educate the participants on how to go about with developing and implementing such projects and how to monitor and evaluate its effectiveness.

“... financial consumer education project for boys aged 12–13 years on the importance of saving money ...”

On the last day of the familiarisation programme, the participants went to visit a township where the FSCA was implementing a financial consumer education project for boys aged 12 – 13 years on the importance of saving money and the numerous way they can do so.

The programme was an opportunity to educate other regulators on how to better understand and develop their financial consumer education projects and how best to implement it so that it reaches the wider population in an efficient and effective manner.

The recent development in the Seychelles Fintech Environment

PWC FinTech training

The FSA organised a capacity building session on FinTech which was facilitated by Mr. Henri Arslanian and Mr. Tom Huynh from PricewaterhouseCoopers (PwC) Hong Kong. The whole day training took place on the 5th December 2018 at the Savoy the Resort and Spa and was attended by all the stakeholders. The session covered the following topics:

- Introduction to FinTech
- Blockchain
- Crypto Assets
- Virtual Banking followed by a case study
- TechFin
- Payments
- P2P
- RegTech followed by a case study
- InsurTech
- Robo-Advisor followed by a case study



Participants at the training— Savoy Resort and Spa

The training serves as a starting point to educate and enhance the knowledge of the FSA staff and the stakeholders on FinTech.

BitMEX in the Seychelles



Participants at the BitMEX presentation

The individuals behind BitMEX, a wholly owned and operated company by HDR Global Trading Limited (a Seychelles IBC), visited the Seychelles during the week of 10th-14th December 2018. During their visit, Ms. Angelina Kwan BitMEX, Chief Operation Officer delivered a short session on what is Bitcoin and the mining of bitcoins, on the 14th December, 2018, at STC Conference Room.

Further to the training session, Mr. Arthur Hayes the Co-founder and Chief Executive Officer of BitMEX signed a Memorandum of Understanding (MoU) with the FSA. The MoU will provide a framework that would allow for a strategic partnership and the fullest possible cooperation between the parties.

Happy Holidays

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