



ANNUAL REPORT

2020



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Our 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 the local and international regulatory norms and best practices.

Our Vision

To lead and position the Seychelles jurisdiction as a competitive Financial Centre through a sound regulatory regime.

Our Core Values

❖ INTEGRITY, VIGILANCE AND PROFESSIONALISM

We believe that the highest level of integrity, vigilance and professionalism are the fundamental pillars of our financial services industry.

❖ GREAT REPUTATION OF JURISDICTION

We value the reputation of Seychelles financial services industry as a fully compliant jurisdiction.

❖ COLLECTIVE CONTRIBUTION

We believe in, and appreciate the collective contribution of all our stakeholders to the development of the financial services sector.

CHAIRMAN'S STATEMENT

It is my distinct pleasure to present, on behalf of the Board of Directors, the Annual Report of the Financial Services Authority, Seychelles (FSA) for the financial year 2020. The period under review, has been an eventful one for Seychelles. Faced with the volatility of the COVID 19 pandemic, the Seychelles economy, without precedence, was challenged. In spite of the impact of the pandemic, the resilience, versatility and adaptability of the Non-Bank Financial Services (NBFS) Sector was evident.

In the first quarter of 2020, a Health Order was imposed by the Public Health Commissioner to restrict movement in order to mitigate the spread of the virus. Efforts had to be intensified to ensure the business continuity for the sector, and as part of its Business Continuity Plan, the Authority adopted certain precautionary measures to ensure the safety of its staff as well as its licensees and stakeholders. The FSA operated via a combination of staff working in rotation at the office and staff working remotely. In view of the increased reliance on digital modes of communication, the FSA



and its licensees and stakeholders exercised due care by encrypting sensitive information in order to mitigate the associated cyber risks.

The Authority, appreciated the initiative and proactive approach taken by the stakeholders and licensees to ensure that their contingency plans are in place to effectively deal with the risk posed to their business and the interest of their clients. All things considered, the pandemic has highlighted the need for the diversification

of the local economy through strengthening and expanding the financial services sector. Moreover, with the growing threats posed in the year under review, the need for stability of the financial system remained pertinent, as it had in the years before. As a result, The Financial Stability Committee, continued their oversight to monitor and assess the risks within the domestic financial system that could potentially cause economic instability. The Committee identified potential risks (both domestic and internationally) and thereafter proposed different measures to mitigate these risks. These measures included salary support and credit facilities for businesses affected by the pandemic.

With the adoption of the Mutual Evaluation Report (MER) in 2018, Seychelles initiated several steps to rectify deficiencies which were identified, as a result a new AML/CFT Law was published in March 2020 amalgamating the recommendations from the MER and the ESAAMLG. Seychelles has during the recent years intensified its effort to combat money laundering and terrorist financing. It became evident that AML/CFT should be handled through a sectorial approach, and consequently the National

AML/CFT Committee (NAC) and the Technical AML/CFT Committee (TAC) were established. The committees pushed forth new requirements of the Beneficial Ownership Act. The FSA also created a centralized unit that handles all the supervision and compliance matters relating to the AML/CFT.

To remain compliant with the EU standards, Seychelles also had to make certain changes to its Business Tax Act. This review, gazetted in December 2020, introduced new amendments to align Seychelles with international best practices and also remove harmful tax regimes.

In the spirit of international corporation, the Authority maintains its membership to the Group of International Finance Centre Supervisors (GIFCS) and the International Organisation of Securities Commissions (IOSCO). In November 2020, the Seychelles became an official signatory to the GIFCS MOU and is presently a full member of the committee. As a full member, Seychelles can now assist with the Mutual Evaluation of other jurisdictions and is currently assisting the Isle of Man with the GIFCS standard. Through these memberships we have

committed to the consultation of other countries on international best practices and cooperation in the exchange of information. The engagement and consultation with our stakeholders and regulatory authorities' on new developments and emerging and existing risks, remains a top priority for the FSA, as it's through these initiatives that potential strategies are discussed and adopted pragmatically for the betterment of the sector.

To conclude, I would like to thank the Board Members, the management team and our valued staff members for their continued hard work and dedication. We must embrace change and keep striving to raise the bar to consolidate the financial services sector as one of the main pillars of the Seychelles Economy.

Mr. Patrick Payet
Chairman
Of the
Financial Services Authority

CHIEF EXECUTIVE OFFICER'S STATEMENT

This year, we give homage to the late Dr. Steve Fanny, for his significant contribution to the Financial Services Sector over the past few years in his capacity as the CEO and Chairman of the FSA Board. As the newly appointed CEO, I present the Annual Report 2020 on his behalf.

It is now a quarter of a century since the establishment of the Financial Services Authority in Seychelles. Over the past 25 years the Financial Services Industry (FSI), has continued to thrive and grow steadily, despite a challenging international financial landscape and the growing demand to implement global regulatory reforms. The FSI has remained sound and resilient and thus far, the FSI has established itself as one of the key contributor in the Seychelles economy, contributing a total of SCR 85,268,991 in dividends in the year under review.

A slight decrease in new IBC incorporations was recorded for the year 2020, from 8,457 in 2019 to 7,701. However, there was a significant increase in the FSA's total revenue, from SCR 157,065,812 in 2019 to SCR 200,182,716 in 2020.



In an ongoing effort to refine, harmonise and modernise our regulatory framework, considerable work was done on that front. A number of key legislations were enacted, namely the Anti-Money Laundering and Countering the Financing of Terrorism Act (AML/CFT Act), 2020, and the Beneficial Ownership Act, 2020.

Furthermore, numerous amendments were made to several existing laws, the Financial Services Authority (Amendment) Act, 2020, Foundations (Amendment) Act, 2020, International Business Companies

(Amendment) Act, 2020, amongst others. Regulations were also not spared, with amendments also made to the Insurance (Fees) (Amendment) Regulations, 2020, International Business Companies (Amendment of Second Schedule) Regulations, 2020, International Corporate Service Providers (Amendment of Schedule) Regulations, 2005, etc. In tandem, our supervisory and prudential regulatory framework, focuses on safeguarding the stability of the jurisdiction.

Undoubtedly, with the increasing complexities of financial products, the need for Consumer Protection is critical. As part of its objectives to enhance the Consumer Protection Framework, the FSA in collaboration with the Central Bank of Seychelles (CBS), is working on the Consumer Protection Bill which aims to protect the interests of the financial consumers by promoting equitable and fair treatment of consumers, increase transparency and ensure an effective and efficient complaint resolution mechanism for the furtherance of financial sector development and financial stability.

In order to maintain transparency and fairness, the Authority designated complaints

handling to the Communications Unit which is processed accordingly. Complaints are then streamlined to the relevant sections for their in-depth investigations. The Authority also revised its Complaints Handling Guidelines and Procedures.

Leveraging on close ties with other Regulatory Authorities, the Authority entered into a Memorandum of Understanding (MoU) with the Anti-Corruption Commission of Seychelles (ACCS), to facilitate and cooperate in regards to the exchange of information to ensure compliance and the prevention of corruption in the non-bank financial services sector.

The Authority also entered in a tripartite MoU with the CBS and the Financial Intelligence Unit (FIU) aiming to reinforce their cooperation through joint inspections, exchange of information and other collaborative efforts for the effective implementation of the AML/CFT Act.

The Authority also launched a new website and made additional technology investments to support the Authority's core operations and essential operational procedures, all of which were guided by a robust Information Technology (IT) strategy. After a comprehensive risk assessment was

conducted, in 2019, to mitigate the risks of cybersecurity and to strengthen our IT infrastructure. A new IT platform will be introduced which will enable its stakeholders to submit license applications online which will improve the efficiency and efficacy of the organisation.

Lastly, I would like to convey my words of appreciation to the staff for their dedication

and diligence to partake in achieving the Authority's objective. I am optimistic that we will overcome any challenges we may encounter. I also wish to recognise the continued support and strong collaboration of our stakeholders and other Regulatory Authorities to accomplish the desired result for the benefits of the Seychelles.

*Mr. Damien Thesée,
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 in terms of ensuring that the resources of the Authority are utilized economically and efficiently, the internal management and financial controls of the Authority are adequate, that the Authority operates in accordance with the principles of good governance and 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 current board of the FSA was appointed by the President Danny Faure, effective Friday 18th July, 2020, for a term of three years.

MEMBERS OF FSA BOARD OF DIRECTORS AS AT 31st DECEMBER 2020

Capacity in accordance with Section 5 of the Financial Services Authority Act, 2013 *Member*

S5(1)(a)	Chairperson	Mr. Suketu Patel
S5(1)(b)	Chief Executive Officer	Dr. Steve Fanny
S5(1)(c)	Principal Secretary of the Ministry responsible for Finance or a representative of the Principal Secretary	Ms. Seylina Verghese
S5(1)(d)	Attorney-General or a representative of the Attorney General	Mr. David Esparon
S5(1)(e)	Chairperson of the Seychelles Chamber of Commerce and Industry or a representative of the Chairperson	Mr. Robert Stravens
S5(1)(f)	Chairperson of the Seychelles Bankers' Association or a representative of the Chairperson	Mr. Phillip Moustache
S5(1)(g)	Governor of the Central bank of Seychelles or a representative of the Governor	Ms. Jenifer Sullivan

S5(1)(h)	Chief Executive Officer of the Seychelles Investment Board or a representative of the Chief Executive Officer	Ms. Cindy Vidot
S5(1)(i)	Appointed by the President	Ms. Veronique Herminie
S5(1)(i)	Appointed by the President	Mr. Mike Laval

Secretary to the Board - Ms. Zenabe Daman

BOARD MEETINGS

Board meetings must be held at least once every three months. In 2020, seven 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 2020)

Ms. Jenifer Sullivan	-	Member
Ms. Tanya Potter	-	Member
<i>Secretary to the Committee Ms. Zenabe Daman</i>		

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 2020)

Ms. Jenifer Sullivan	-	Chairperson
Ms. Cindy Vidot	-	Member
<i>Secretary to the Committee Ms. Zenabe Daman</i>		

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 2020)

Ms. Cindy Vidot - Member

Secretary to the Committee Ms. Zenabe Daman

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 2020)

Mr. David Esparon - Chairperson

Ms. Tanya Potter - Member

Mr. Mike Laval - Member

Secretary to the Committee Ms. Zenabe Daman

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

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

Beneficial Ownership Act, 2020

Beneficial Ownership Regulations, 2020

Companies (Special Licences) Act, 2003

Companies Special Licenses (Amendment) Act, 2018

Foundations Act, 2009

Foundations (Amendment) Act, 2011

Foundations (Amendment) Act, 2020

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 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 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 Trusts Act, 1994

International Trusts (Fees) Regulations, 1995

International Trusts (Amendment) Act, 2011

Limited Partnerships Act, 2003

Limited Partnerships (Amendment) Act, 2011

Limited Partnerships (Amendment), 2020

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

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.

FSA PRODUCT AND LEGISLATION COMMITTEE

The FSA Product and Legislation Committee (replacing the FSA Liaison and Technical Committee) comprises of FSA staff and representatives from the industry. The

Committee considers new legislations and proposed changes to existing legislations. The Committee reports to the CEO.

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 EVALUATION COMMITTEE

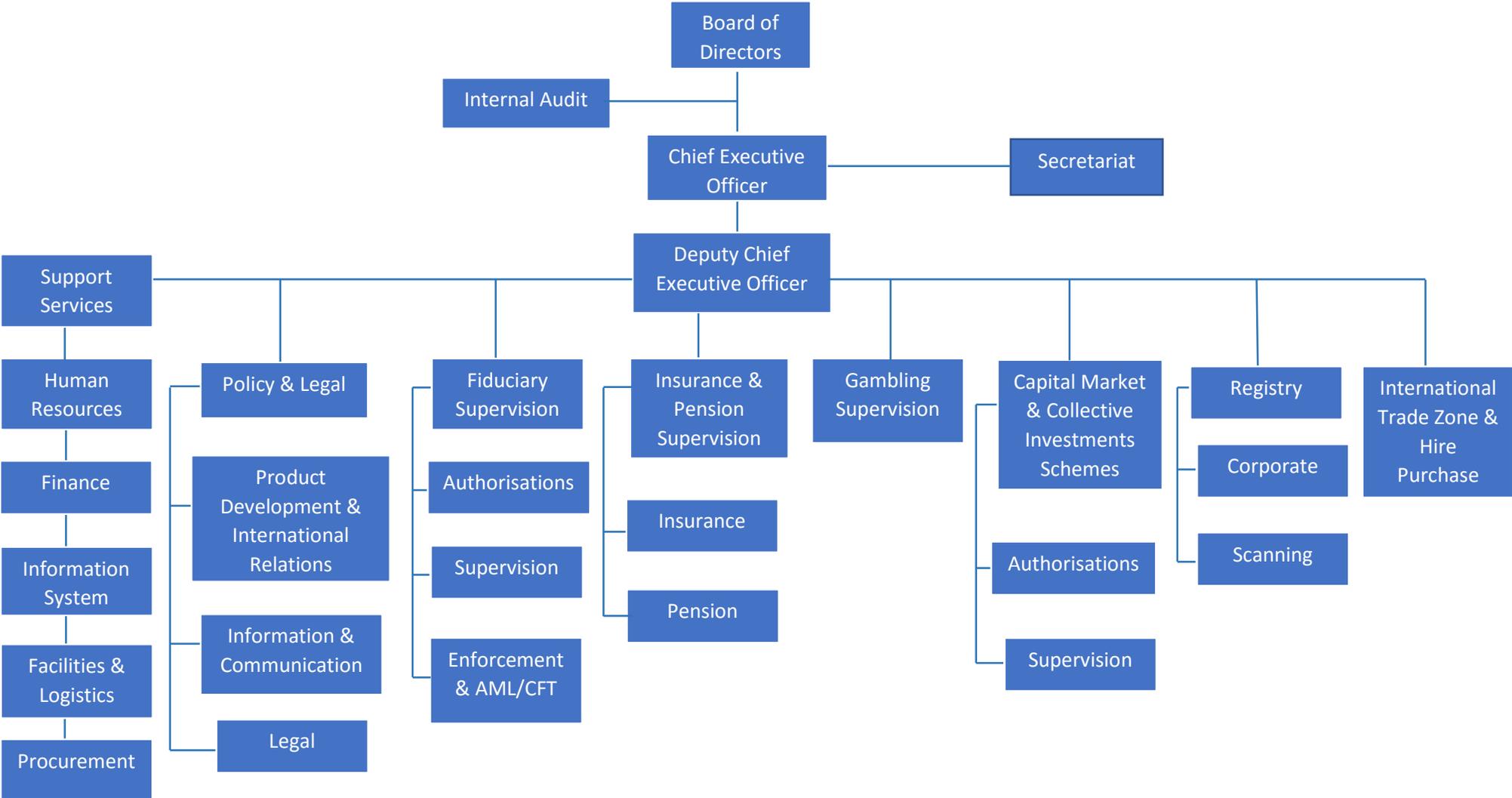
The Evaluation Committee comprises of representatives of the FSA. The committee's main function is to review and evaluate tenders, proposals or quotation for the purpose of identifying the most competitive proposal from responsive bidders. The committee is also tasked with preparing bid evaluation reports 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.

ORGANISATIONAL STRUCTURE



THE ECONOMIC
AND
REGULATORY SETTING

ECONOMIC SETTING

INTERNATIONAL ECONOMIC PERSPECTIVE

According to the World Economic Outlook¹ published in April 2021, one year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook, primarily related to the path of the pandemic.

The contraction of activity in 2020 was unprecedented in living memory in its speed and synchronized nature. But it could have been a lot worse. Although difficult to pin down precisely, IMF staff estimates suggest that the contraction could have been three times as large if not for extraordinary policy support.

On the other hand, much remains to be done to beat back the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries.

Improved outlook: After an estimated contraction of -3.3 percent in 2020, the

global economy is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. The contraction for 2020 is 1.1 percentage points smaller than projected in the October 2020 *World Economic Outlook* (WEO), reflecting the higher-than expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to the ways of working.

The projections for 2021 and 2022 are 0.8 percentage point and 0.2 percentage point stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. Global growth is expected to moderate to 3.3 percent over the medium term – reflecting projected damage to supply potential and forces that predate the pandemic, including aging-related slower labor force growth in advanced economies and some emerging market economies. Thanks to unprecedented policy response, the COVID-19 recession is likely to leave

¹ International Monetary Fund, *World Economic Outlook, April 2021: Managing Divergent Recoveries*, Washington, DC.

smaller scars than the 2008 global financial crisis.

However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

Divergent impacts: Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Many of these countries entered the crisis in a precarious fiscal situation and with less capacity to mount major health care policy responses or support livelihoods.

The projected recovery follows severe contraction that has had particularly adverse employment and earnings impacts on certain groups. Youth, women, workers with relatively lower educational attainment, and the informally employed have generally been hit the hardest. Income inequality is likely to increase significantly because of the pandemic. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with the pre-pandemic projections.

Furthermore, learning losses have been more severe in low-income and developing countries, which have found it harder to cope with school closures, and especially for girls and students from low-income households. Unequal setbacks to schooling could further amplify income inequality.

High uncertainty surrounds the global outlook: Future developments will depend on the path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage (scarring); the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring across countries.

In many aspects, this crisis is unique. In certain countries, policy support and lack of spending opportunities have led to large increases in savings that could be unleashed very quickly should uncertainty dissipate. At the same time, it is unclear how much

savings will be spent, given the deterioration of many firms and households balance sheets (particularly among those with a high propensity to consume out of income) and the expiration of loan repayment moratoria. In sum, risks are assessed as balanced in the short term, but tilted to the upside later on.

Considering the large uncertainty surrounding the outlook, policymakers should prioritize policies that would be prudent, regardless of the state of the world that prevails – for instance, strengthening social protection with wider eligibility for unemployment insurance to cover the self-employed and informally employed; ensuring adequate resources for health care, early childhood development programs, education, and vocational training; and investing in green infrastructure to hasten the transition to lower carbon dependence.

Policy Priorities: The factors shaping the appropriate stance of policy vary by country, especially progress towards normalization. Hence, countries will need to tailor their policy responses to the stage of the pandemic, strength of the recovery, and structural characteristics of the economy. Once vaccination becomes widespread and

spare capacity in health care systems is generally restored to pre COVID-19 levels, restrictions can begin to be lifted. While the pandemic continues, policies should first focus on escaping the crisis, prioritizing health care spending, providing well-targeted fiscal support, and maintaining accommodative monetary policy while monitoring financial stability risks. Then, as the recovery progresses, policymakers will need to limit long-term economic scarring with an eye toward boosting productive capacity (for example, public investment) and increasing incentives for an efficient allocation of productive resources. It is a delicate balance, especially given the prevailing uncertainty.

Therefore, when support is eventually scaled back, it should be done in ways that avoid sudden cliffs (for instance, gradually reducing government’s share of wages covered under furlough and short-time work programs while increasing hiring subsidies to enable relocation as needed). All the while, long-term challenges – boosting productivity, improving policy frameworks, and addressing climate change – cannot be ignored.

Differential recovery speeds across countries may give rise to divergent policy stances, particularly in advanced economies benefit sooner than others from wide vaccine coverage. Clear forward guidance and communication from advanced economy central banks is essentially crucial, and not just for calibrating the appropriate domestic monetary accommodation. It also vitally bears on external financial conditions in emerging markets and the impact that divergent policy stances have on capital flows.

Strong international cooperation is vital:

For achieving these objectives and ensuring that emerging market economies and low-income developing countries continue to narrow the gap between their living standards and those of high-income countries. On the health care front, this means ensuring adequate worldwide vaccine production and universal distribution at affordable prices – including through sufficient funding for the COVAX facility – so that all countries can rapidly and decisively beat back the pandemic. The

international community also needs to work together to ensure that financially constrained economies have adequate access to international liquidity so that they can continue needed health care, other social, and infrastructure spending required for development and convergence to higher levels of income per capita.

Countries should also work closely to redouble climate change mitigation efforts. Moreover, strong cooperation is needed to resolve economic issues underlying trade and technology tensions (as well as gaps in the rules-based multilateral trading system). Building on recent advances in international tax policy, efforts to continue to focus on limiting cross-border profit shifting, tax avoidance, and tax evasion.

REGIONAL ECONOMIC PERSPECTIVE

According to the Regional Economic Outlook² for Sub Saharan Africa, faced with unprecedented health and economic crisis, countries have acted swiftly to protect their people from the worst of the crisis. But amid

² International Monetary Fund, *Regional Economic Outlook, Sub Saharan Africa, October 2020; A Difficult Road to Recovery*, Washington DC.

high economic and social costs, many have been reopening their economies.

Overall, the region is projected to contrast by -3.0 percent in 2020. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies will slow significantly but be positive in 2020.

Looking ahead, regional growth is forecast at 3.1 percent in 2021. This is a smaller expansion than expected in much of the rest of the world, partly reflecting sub-Saharan Africa's relatively limited policy space within which to sustain a fiscal expansion. Key drivers of the next year's growth will include an improvement in exports and commodity prices as the world economy recovers, along with a recovery in both private consumption and investment.

The current outlook is subject to greater-than-usual uncertainty and hinges on both the persistence of the COVID-19 shock, the availability of external financial support, and the availability of an effective, affordable, and trusted vaccine. Other risks include

political instability or the return of climate-related shocks, such as floods or droughts.

The need for transformative domestic reforms to promote resilience (including revenue mobilization, digitalization, and fostering better transparency and governance) is more urgent than ever.

THE SEYCHELLES CONTEXT

The Republic of Seychelles is an archipelago of 115 islands, with three-quarters of the population living on the main island of Mahé.

The country's recent economic performance has been strong, benefiting from the continued growth of the tourism sector, which directly accounts for more than one-fourth of GDP. However, in 2020 revenues from tourism fell 61% due to the effects of the COVID-19 pandemic, which cut tourist arrivals by 70%. Therefore, GDP fell an estimated 13.8% (from +3.9% one year earlier). As the situation is expected to gradually stabilize over 2021, GDP should grow by 4.2% this year and 5.6% in 2022 (IMF).

According to the Central Bank of Seychelles' Annual Report³, 2020 started on a positive note especially from the preceding year of 2019 whereby performance was upbeat. Such expectations primarily emanated from the tourism industry expected to outperform its previous years. The early forecast was that economic growth would be around 3.5 percent in real terms.

However, this followed with the spread of the COVID-19 pandemic declared by the WHO on 11th March 2020. This had catastrophic consequences in the tourism industry due to imposed restriction and lockdown globally.

Such developments impacted the foreign exchange market given that in 2019, tourism directly contributed an estimated 76 percent of total foreign exchange inflows into the economy. Following the supply-side shock, in early April foreign exchange inflows converted into rupees, fell from a normal daily average of US\$3.0 million to around US\$1.0 million before stabilizing at a new average of around half of its pre-pandemic level.

Seychelles runs large, structural current account deficits, financed substantially by foreign direct investment. After being close to balance in 2019, the pandemic-led crisis prompted the general government deficit to widen to 19% of GDP in 2020, due to a tax revenue shortfall and increased expense for social subsidies.

Further employment measures and the financial support given to Air Seychelles (around 3.5% of GDP) should keep weighing on the government budget in 2021 (forecasted at 14.1% by Fitch Ratings). General government debt was projected to reach 88.6% of GDP at end-2020, from 55.3% one year earlier, and should follow a downward trend in upcoming years. The depreciation of the Seychellois rupee has contributed to the increase in general government debt, half of which is denominated in foreign currencies. At the end of 2020, Fitch Ratings downgraded Seychelles' long-term rating to 'B' from 'B+', with a stable outlook.

Inflation doubled in 2020, reaching 3.9%, and is expected to stabilize to 2.9% in the

³ Annual Report 2020; Central Bank of Seychelles

forecast period (IMF). The government is diversifying the economy by developing the agricultural and fishing sectors as well as a small-unit manufacturing industry. Since introducing the Seychelles International Business Companies Act in 1994, over 200,000 companies have been registered and new offshore companies continue to register each month.

Seychelles is at the forefront of the "blue economy" movement focused on using oceans for economic growth, improved livelihoods and jobs while maintaining the ocean's ecosystem. Since 2012, more intense structural reforms have been implemented, focusing on fiscal reform, the restructuring of state companies and financial system regulations.

Seychelles has the highest per capita GDP in Africa, is classified as an upper-middle income country and currently has the highest literacy rate and the best healthcare system in the East Africa region. In the third quarter of 2020, the national unemployment rate stood at 4%, with males recording a higher unemployment rate (4.8%) than

females (3.2%). The labor force participation rate was recorded at 66.1% and the informal employment rate at 17.4% (National Bureau of Statistics).

According to World Bank data, the poverty rate is very low (2.5%), but a 2020 study by the National Bureau of Statistics found that 12% of the population is multi-dimensionally poor and experiencing deprivation related to the standard of living, education, health and employment. Given the limitations on land, labor and the fragile environment, economic growth will have to rely on increases in productivity in the medium term.

LOCAL CAPITAL MARKET TRENDS⁴

MERJ Exchange Limited, previously known as TROP-X, is an exchange in the Seychelles jurisdiction. The exchange began operation in the year 2014, consummating 7 years of providing its services.

For the end year 2020, the exchange recorded a total of 46 listings, an increase of 8 new listings as opposed to the previous year which had 38 listings. Out of the 46 listings, 43 are equities and 3 debt listings.

⁴ MERJ Exchange Limited, 2019 Year Review

The listings equated a total sum of US\$19 million capital raised.

SECDEX Exchange Limited is the second exchange licensed by the FSA in 2020 to operate as a multi-asset Securities and Derivatives Exchange.

Alongside domestic companies such as Sacos Group Ltd, Bodco Ltd and Seychelles Breweries Ltd listing their shares on the exchange, MERJ listed its own shares on the exchange. 16 percent of the exchanges' shares were listed for the price of US\$2.42 each.

The year 2019 also marked the year of the exchange acquiring full membership on the Association of National Numbering Agencies in Uruguay; a national numbering agency, which registers new financial instruments such as bonds and derivatives and assign

codes to issuers to uniquely identify these instruments⁵.

Members of the Securities Exchange of MERJ traded a total volume of 2,306,455 trades recorded in quarter three of 2020. It was further recorded in quarter four of 2020 a slight increase of volume of shares traded which equated to 2,581,985. This represents a substantial decrease from 2019.

On the other hand, the value of shares which were traded for quarter's three and four contributes a significant amount of foreign exchange gains due to the devaluation of the Seychelles rupee. Figures for quarter three were 644,716 USD whereas for quarter four there was a significant increase in the value of securities traded by members which equated to 1,104,028 USD.

⁵ <https://www.anna-web.org/members/about-anna-members/>

REGULATORY DEVELOPMENTS

SEYCHELLES MUTUAL EVALUATION REPORT

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

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

Arusha, Tanzania in April, 2019 and in the Kingdom of Eswatini in September 2019. Seychelles pushed to have the new laws published in order to rectify deficiencies and on the 6th March 2020 the new AML/CFT Law was officially published which has with it the aims to decentralize AML/CFT supervision through a sectorial approach to AML/CFT supervision whereby the Central Bank of Seychelles (CBS) and FSA are the designated AML/CFT supervisors of the entities under their regulatory purview. The Financial Intelligence Unit (FIU) remains the AML/CFT supervisor for the remaining designated non-financial business and professionals.

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

drafting of the Beneficial Ownership law which was published in the Gazette together with the new AML/CFT Act on the 5th March 2020. The new Beneficial Ownership Act introduces a requirement for all legal entities and arrangements to identify and verify their beneficial owners. It also sets up a centralized register of beneficial owners to be maintained by the FIU.

Further to the above, Seychelles submitted its re-rating requests in regards to technical compliance and after initial review from the group, Seychelles rating has been revised for the following recommendations:

- R1 got a re-rating of Compliant
- R15 maintained its Non-Compliant
- R16 got a downgrade from Partially Compliant to Non-Compliant being that no significant progress had been made
- R26 got a re-rating of Largely Compliant
- R29 got a re-rating of Compliant

On its part, the Seychelles continues to relay its progress and its commitment to strengthen its new AML/CFT laws and regime and expend upon existing bilateral and multilateral relationships with relevant partners and counterparts to actively increase the country's

efforts in the international fight against money laundering and terrorist financing.

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 standard in relation to Foreign Source Exemption Regimes. This is where a tax system that 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. Passive income is generally not coupled with economic substance requirements. The CoCG has found that the exemption of passive income without clear conditions (e.g. explicit link to some real activity in the jurisdiction) contravenes the principles of the CoCG.

As part of its efforts to undertake the necessary reforms to comply with the standard, with the assistance of a consultancy firm, Seychelles had been in dialogue with representatives of the CoCG, which has resulted into an understanding that one way to address the CoCG's concerns is to ensure that only entities with sufficient 'economic substance' are eligible to benefit from the exemption of business tax on their foreign income.

Following the extensive dialogues with the consultants and the representatives of the CoCG, in December 2020, the amendments to the Business Tax Act, (Cap 20) was published in the Gazette to address these deficiencies. The new amendments introduced by the Government is the introduction of a new definition of permanent establishment which is in-line with OECD's definition, additionally there are more detailed substance rules, with tests that are in line with international best practice. Additionally, there is an introduction of de-minimis threshold which would cater for large companies. However, the de-minimis rule was not acceptable by the CoCG and therefore further amendments will need to be undertaken in that regard.

This would result in Seychelles moving to tax the foreign income of its resident persons, 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.

REQUEST FOR INFORMATION UNDER 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 Matters⁶. 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, including France, which is a party to this multilateral international agreement.

France initiated an investigation towards the offshore companies of its residents after the information leaked in "Panama Papers" in 2016, out of which 15% of the involved entities were incorporated in Seychelles.

⁶ *The Convention facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-*

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

In 2019, Seychelles received a number of requests of information concerning several Seychelles companies owned by French residents. This request was made from the French authorities to the Seychelles Revenue Commission (“SRC”). The period of information which was requested was from 2016 and the consequent years.

As most of the requests related to FSA registered entities, the SRC had to request the information from the registered agents where information on these entities was not provided because they either had been struck off or dissolved, and there is no provision in law which requires accounting information to be kept in Seychelles.

Secondly, a number of requests related to a registered agent which had moved out of Seychelles and therefore, the Seychelles authorities could not access the information. The lack of information maintained in Seychelles therefore meant that SRC could not respond to the request in a timely manner. This delay in providing information to the French authorities lead to the Seychelles being added on the of non-cooperative states and territories which was published on 2nd December 2019.

In 2020, Seychelles has made significant progress in replying to requests from the international authorities in regards to request for tax matters. Although the current legislation is in line with the internationally accepted standards of best practices, the availability of accounting information, in practice, remains a concern especially for dissolved and struck off companies. Hence, in order to address this issue, Seychelles will be proposing amendments to the current legislations.

SEYCHELLES’ PEER REVIEW FOR EXCHANGE OF INFORMATION ON REQUEST

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

The peer review assesses both the legal and regulatory framework in force and the practical

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

Following the review of the Seychelles' legal framework and the conduct of an onsite review in 2019, the assessors has produced a draft report reflecting the current Seychelles' exchange of information framework which Seychelles authorities defended at the Global Forum's Peer Review Group meeting in February 2020.

Following the meeting, Seychelles received a downgrade from being Largely Compliant to Partially compliant. The relevant work to address the recommendations made in the report in order to upgrade Seychelles' rating has already started.

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 as yet.

The IGA requires financial institutions in the Seychelles to report information on financial accounts to the authorities in the Seychelles and also to register with the IRS. The Seychelles' authorities, in turn, provide this information to the IRS on an automatic basis. No data protection waivers are required and no

30 percent withholding tax on all U.S. sourced payments will be applied by the U.S. The agreement was signed in July 2019. However, this agreement is yet to be ratified.

FINANCIAL STABILITY COMMITTEE

A Financial Stability Committee (“FSC”) has been created effective March 21, 2016 with the task of maintaining financial stability within the Seychelles’ domestic economy. Financial stability is the condition whereby the financial system is resistant to economic shocks without major disruption. With the higher number of market participants, a broader range of financial services and products on offer and a more liberalized economy, it is important that the financial system can withstand adverse domestic and external shocks.

Members of the FSC are:

- Central Bank of Seychelles (which holds Chairmanship)
- Ministry of Finance, Trade, Investments and Economic Planning
- Financial Services Authority
- Financial Intelligence Unit

The FSC is an advisory body where members can inform one another of rising risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive

risk and collectively ascertain the state of financial stability within the country. Meetings are held on a quarterly basis.

The Covid -19 pandemic outbreak in Seychelles around March 2020 has led to significant disruptions in the economic activities and this has led to the Financial Stability Committee closely monitoring the outcomes.

One of those concerns was in regards to how the Covid-19 affected the tourism industry and caused a significant decline in tourist arrival which being a country dependent on tourism saw a rippling effect in regards to the economy as a whole.

There was a huge rise in unemployment as many tourism establishments had to close their operations due to the Covid-19 and further health restrictions imposed on the country as a whole saw many businesses close down and cease operations. This greatly impacted the Foreign exchange market and this caused a depletion in availability of foreign currency which caused a rise in the rates.

We however saw that due to the uncertainty caused as to how the economy and market will fare, FSA had an increase in renewals of its licensees and in turn revenue rose substantially

for the year 2020 with the additional benefit of the rise in the US Dollars.

Another impact on the Financial Stability that was highlighted was the financial performance of both the public and private sectors given the recent revisions in the Employment Act and the increase in unemployment and the negative impact that they may have on the Government's budget and finances and how this can spill over to the financial system.

The need for enhanced oversight of the Seychelles Pension Fund (SPF) in view of the systemic importance that the SPF has to the country's financial system, as reflected by its size and its contribution to the GDP of the country, was also on the agenda of the FSC. It was urged by the members that the government move swiftly on establishing the regulatory oversight of the institution and proposed that FSA take over the oversight from the PEMC. The FSC will be working in close collaboration with various stakeholders to establish a dedicated legal framework to implement the FSC's mandate and objectives.

IOSCO MEMBERSHIP APPLICATION

The International Organisation of Securities Commissions ("IOSCO") is the international body that brings together the world's securities

regulators and is recognized as the global standard setter for the securities sector. The Commission was established in 1983 and its membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions, where securities regulators in emerging markets account for 75% of its ordinary membership. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. Furthermore, IOSCO works extensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

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

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

On the 28th February 2019, FSA submitted its application for Ordinary Membership of IOSCO and in March 2019, the application was forwarded to the screening group for assessment and currently FSA is awaiting feedback from the screening group.

The FSA is planning on engaging the Technical Assistance Committee so that they can assist in amending the relevant laws to include the vital amendments so that the eligibility criteria can be improved based on the last application.

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

GROUP OF INTERNATIONAL FINANCE CENTRE SUPERVISORS (GIFCS)

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

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

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

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

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

currently assisting with the Isle of Man in relation to the GIFCS' TCSP standards.

GLOBAL FINANCIAL INNOVATION NETWORK ("GFIN")

The GFIN is a network of 50 organisations committed to supporting financial innovation in the interests of consumers. It was formally launched in January 2019 by an international group of financial regulators and related organisations, including the UK's Financial Conduct Authority (FCA) built on the FCA's early 2018 proposal to create a global sandbox. The GFIN seeks to provide a more efficient way

for innovative firms to interact regulators, helping them navigate between countries as they look to scale new ideas.

One of the main reasons Seychelles joined GFIN was in-line with FSA's initiative to establish a FinTech Hub. 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. Seychelles, through the FSA, officially became a full member of GFIN on 21st October, 2019.

OUR OPERATIONS

INTERNAL AUDIT

The Internal Audit Section remains committed to proactively provide independent and objective assurance to the Audit Committee over the FSA’s risk management, governance and internal control processes as set forth in its Charter.

Prior to the start of each financial year, the Audit Committee approves the section’s annual audit plan and reviews the progress and the results of audit activities, with a focus on unsatisfactory audit results.

Early during the Covid-19 pandemic, the approved internal audit plan was adjusted to capture high risk areas and cater for the new management requests.

During the year 2020, the Section carried out 3 audits, although this was conducted remotely by leveraging technological tools to ensure business continuity.

The current crisis has caused the FSA to review its business continuity plan during the year. The Section contributed in the exercise with the management team.

In mid-2020, the Public Enterprise Monitoring Commission (“PEMC”) scheduled the Assessment of the Corporate Governance Framework of the FSA. Internal Audit Section was reviewed as part of the scope. The Section is expecting the final assessment report.

With the recent events and emerging risks, the FSA has decided to implement a risk management system. As part of its consultancy services, Internal Audit has been engaging with management team by providing recommendations and advising on the best practices.

OUTLOOK FOR 2021

For the year 2021, the focus of the Internal Audit Section will be to:

- Implement the audit competencies framework
- Contribute to the improvement of risk management process
- Continuously provide Assurance and Consulting Services
- Develop Internal Audit Quality Assurance and Improvement Programmes

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

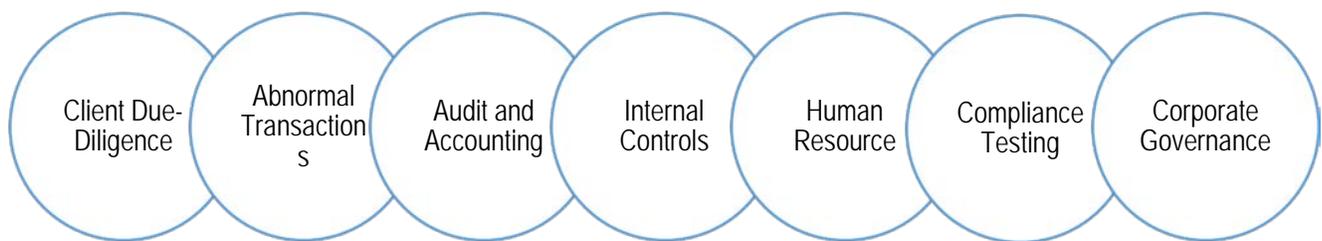
TYPES OF ON-SITE INSPECTIONS

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.

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 International 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.

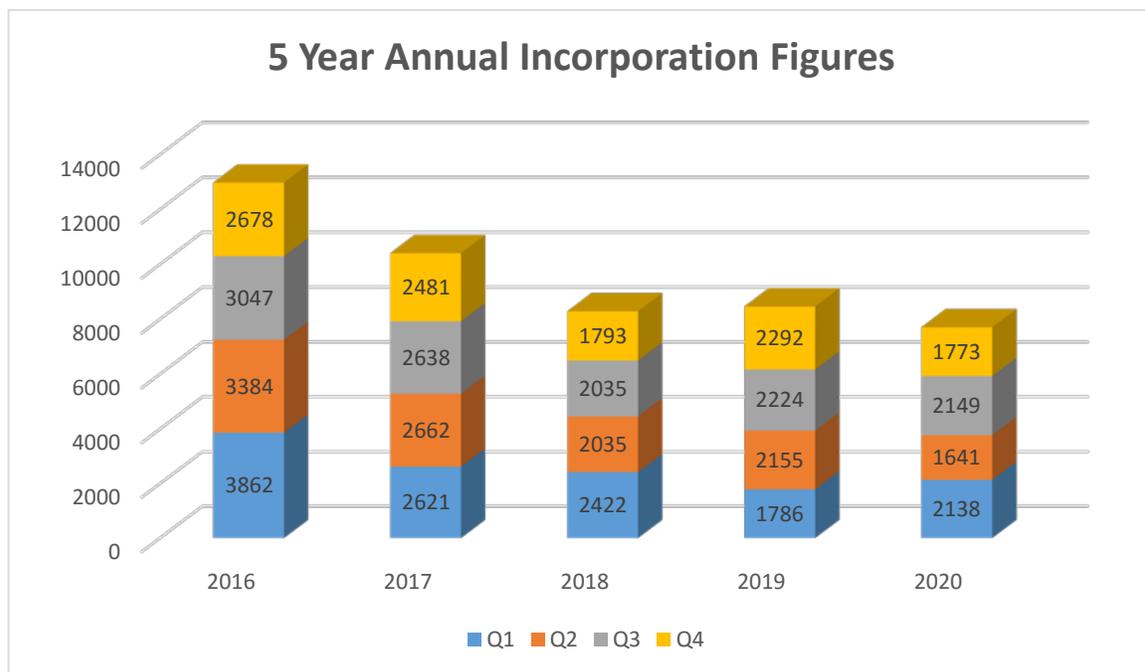
GENERAL OVERVIEW OF NEW LEGAL ENTITIES AND ARRANGEMENTS REGISTERED IN 2020

	New Registrations
IBCs	7701
Foundations	83
International Trusts	26
Limited Partnerships	0

INTERNATIONAL BUSINESS COMPANIES (IBC)

New IBCs incorporated in 2020 amounted to 7,701 companies. This figure represents a 7.5 % decrease when compared to the total incorporations for the year 2019. The average number of IBCs incorporated on a monthly basis was 640 companies during 2020, compared to a monthly average of 704 companies in 2019.

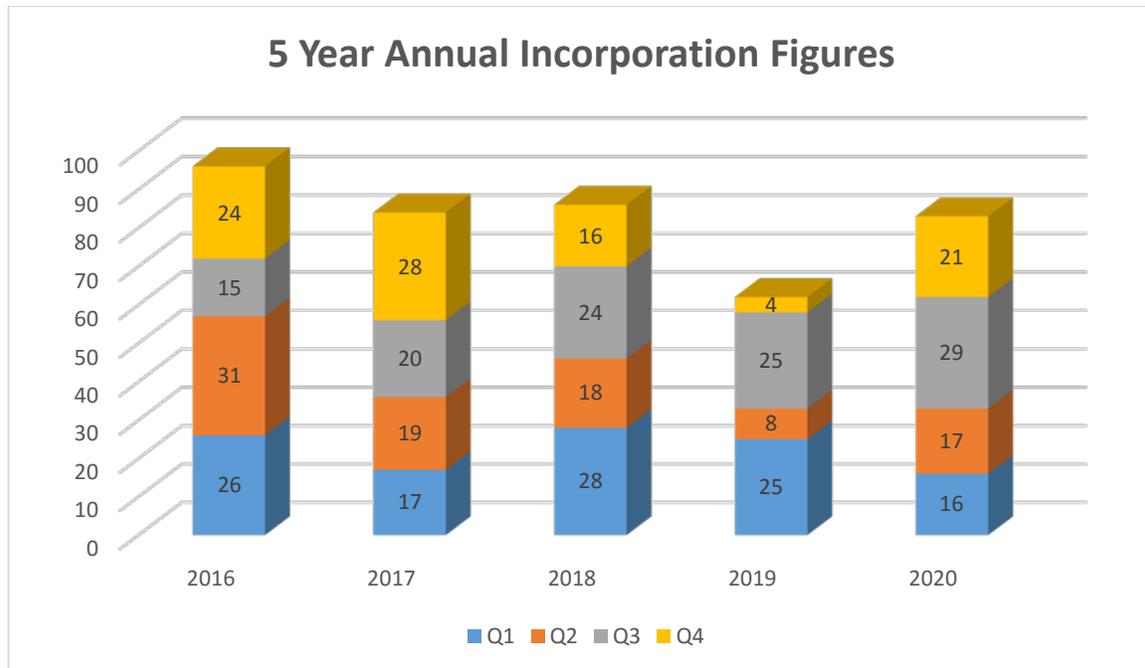
Year	New Incorporations	Cumulative Total
2016	12,971	189,529
2017	10,402	199,931
2018	8,285	208,216
2019	8,457	216,824
2020	7,701	224,525



FOUNDATIONS

New foundations incorporated in 2020 amounted to 83 foundations. The average number of foundations incorporated on a monthly basis was 6 foundations during 2020 similar to that of year 2019.

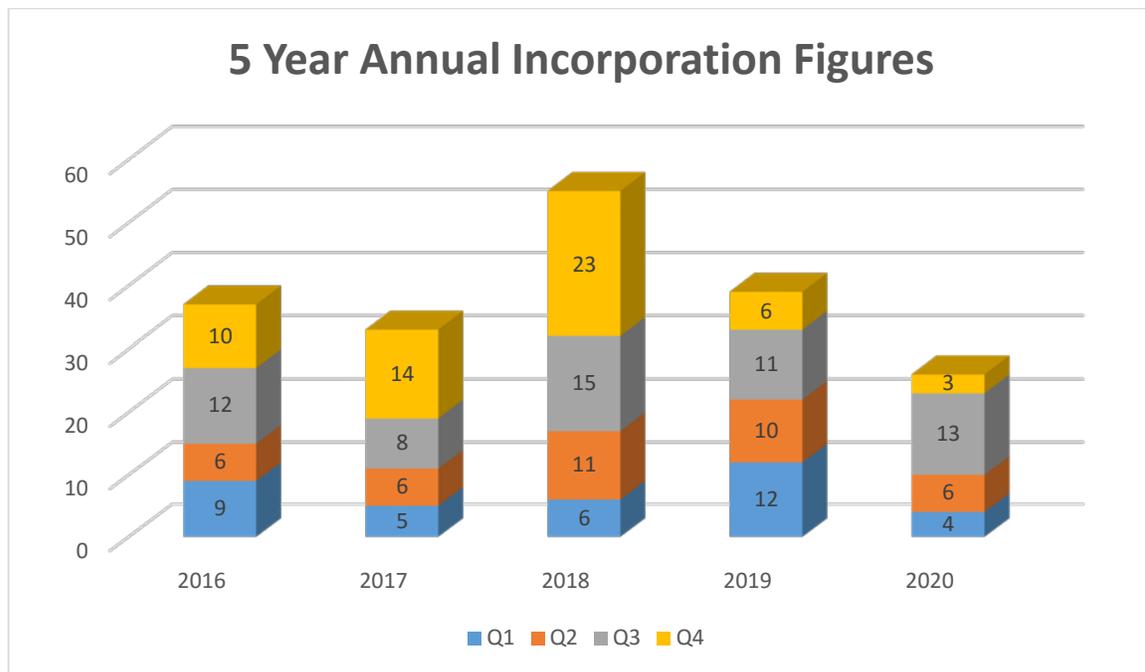
Year	New Incorporations	Cumulative Total
2016	100	614
2017	72	686
2018	74	760
2019	75	835
2020	83	918



INTERNATIONAL TRUSTS

New international trusts registered in 2020 amounted to 26. The average number of international trusts registered on a quarterly basis was 6 during 2020, compared to a monthly average of 14 in 2018.

Year	New Registrations	Cumulative Total
2016	37	696
2017	33	729
2018	55	784
2019	39	823
2020	26	849



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
2016	0	29
2017	1	30
2018	1	31
2019	1	32
2020	0	32

KEY ACHIEVEMENTS OF 2020

The year 2020 proved to be an important year for the Registry Section particularly considering that amendments were made to the IBC incorporation fees which increased from

USD100 to USD130. During the month of March, the Section recorded the highest number of IBC renewals which was 13,327.

OUTLOOK FOR 2021

Going forward the Registry Section remains committed to ensuring that it is able to efficiently carry out its functions mandated by the various relevant laws. There is, increasingly a focus on the embracing of new technologies and processes to ensure that the Section's responsibilities are achieved in the most efficient manner possible. Registry's focus for 2021 is on new technologies and processes to provide high levels of service delivery vis-à-vis its core responsibilities.

INTERNATIONAL TRADE ZONE AND HIRE PURCHASE SECTION

INTERNATIONAL TRADE ZONE

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

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

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

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

- Light Assembly
- Processing
- Redistribution

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

HIRE PURCHASE AND CREDIT SALE

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

HIRE PURCHASE AGREEMENT

This is an agreement between the dealer and the client (Hirer) for the purchase of goods by the Hirer, with the ownership of the goods only remaining with the dealer until the payment of the final instalment. After the final instalment payment, the ownership of the good is transferred to the hirer. The hirer agrees to pay the dealer in instalments over an agreed period of time not exceeding the maximum period as prescribed under the law.

CREDIT SALES AGREEMENT

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

STRUCTURE

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

KEY RESPONSIBILITIES

The Section is responsible for the licensing and supervision of activities undertaken by ITZ

licensees and hire purchase and credit sale licensees in order to ensure compliance of such licensees with the relevant legislations.

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

The Section conducts regular employment visits at the premises of the ITZ licensees and handles complaints or enquiries from ITZ employees and employers.

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

The Section is also responsible for the processing of ITZ work permit for ITZ licensees,

prior to submission of the application to the Immigration Department.

KEY DEVELOPMENTS OF 2020

With the review conducted by the “Code of Conduct Group” (COCG) for Business Taxation, the International Trade Zone Act, 1995 was amended to remove the harmful features identified by the COCG by removal of the business tax exemption provision under the ITZ Act. The guideline for ITZ is being finalized along with the relevant schedule within the Act. A grandfathering period applies to some existing licensees to continue to benefit from the business tax exemption until December 2022.

Moreover, with the sudden COVID-19 pandemic in 2020, there was a need to revise the ITZ work permit framework so as to make it more efficient in regards to the situation and also to be more or less in line with Government policies. Also pertaining to the special leave that the Ministry of Employment initiated earlier in 2020 the ITZ also had to revise its regulation so as that to incorporate the special leave, whereby the ITZ introduced its own International Trade Zone Employment (Coronavirus Special Leave) (Temporary measures) Order, 2020. Both framework for

work permit and special leave order was introduced during the first phase of the pandemic in 2020.

AUTHORISATION PROCESS

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

In addition, the Section ensures that prior to providing its approval to an ITZ application, the applicant possesses adequate premises for its operation. A site visit of the proposed premise is conducted in order to ensure that such premise can be demarcated as an ITZ.

The number of new licenses issued in 2020 per licence type are as follows:

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	2016	2017	2018	2019	2020
Export Services	11	11	11	11	10
Redistribution	10	9	6	6	5
Light Assembly	1	1	1	2	2
Processing	8	8	7	7	8
Manufacturing	3	2	2	2	3
Hire Purchase	0	0	0	1	1
Credit Sales	0	0	0	0	0

SUPERVISION PROCESS

During the onsite supervision visits, the Section assesses the premises of the ITZ licensees, ensuring that the premises are not easily accessible by the public and ensuring that the business activities being conducted within the premises are within the activities specified in the licence of the licensee. The relevant records of the licensee are inspected so as to ensure that, as per the revenues recorded on its financial records, all goods are being exported rather than being sold to the local market (unless the licensee has been allowed to sell a particular portion of its goods or services to the local market). The importation records of a licensee are inspected to ensure that there is no abuse in tax concessions granted under the licence.

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

Year	Total Exports	Total Imports
2016	\$ 269,006,010.57	\$ 188,626,396.77
2017	\$ 322,929,481.57	\$ 250,810,104.52
2018	\$ 385,799,764.17	\$ 180,820,741.56
2019	\$ 310,549,393.71	\$ 155,266,630.87
2020	\$ 241,547,900.72	\$ 220,418,943.62

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	2020
Export Services	0
Redistribution	0
Light Assembly	0
Processing	0
Manufacturing	0
Total inspections	0

*Due to the pandemic situation the ITZ suspended all outside visits

ENFORCEMENT ACTIONS

The ITZ Section did undertake enforcement actions against one licensee under its administration in 2020.

COMPLAINTS

The table below depicts the total number of complaints received by the Section for 2020 against the category of licensee.

	ITZ	HP&CS
Complaints Received	2	0
Resolved Complaints	2	0
Unresolved Complaints	0	0

OUTLOOK FOR 2021

For 2021, the Section will keep on working closely with other sections of the FSA and other stakeholders to further review the current ITZ regime to bring it at par with international standards and to develop it into a more competitive zone.

Given the amendments undertaken in 2018 and 2019 to the ITZ Act to require geographically mobile activities (i.e. services) to meet the Global Forum's Base Erosion and Profit Shifting standard and also to bring geographically immobile activities (e.g.

manufacturing activities) in line with the EU Code of Conduct for Business Taxation requirements, the guidelines are being finalized to reflect these changes. Also, guidance is being finalized in relation to the substance requirements introduced in 2019, only licensees meeting the substance requirements will be able to enjoy the benefits the ITZ framework.

The Section intends to continue the review of the ITZ (Employment) Regulations, 1995 in order to bring it in line with the current employment climate and the section will be in an intense discussion with the Ministry of Employment in the year 2021 that started in 2020 so that the FSA as the regulator of employment within the zone may have the veto to approve posts. Furthermore, the section will be drafting a custom procedure that will help the licensees that's within the zone for better understanding. In terms of Hire Purchase and Credit Sales, more emphasis will be placed on public education using the means of media, so as to attract more businesses to offer the service and to bring more awareness for clients using these service.

INSURANCE AND PENSION SUPERVISION SECTION

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

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

KEY RESPONSIBILITIES

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

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

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

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

STRUCTURE

The Section does not comprise of any units, as the section does both authorisations and supervision. The authorisation function is responsible for the processing of licence application, conducting fit and proper assessments on principal officers, attending to queries and complaints handling. Whereas, the supervision function is responsible for both on-site and off-site supervision duties, which includes analysis of audited financial reports,

actuarial reporting, business plans, returns forms and daily functions of the businesses.

AUTHORISATION PROCESS

The IPS 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 2020.

Licence	Approved	Rejected
Sub-Agent	8	0

OVERVIEW OF NUMBER OF LICENSES OVER THE PAST 5 YEARS

Licence	2016	2017	2018	2019	2020
Domestic Insurers	5	5	6	6	6
Non-Domestic Insurers	7	8	8	7	6
Domestic Brokers	14	14	17	16	20
Agents	2	3	3	3	3
Sub-Agents	34	36	40	47	47
Insurance Mangers	1	1	0	0	0
PIR ⁷	3	2	2	1	1

⁷ Principle Insurance Representatives

FIT AND PROPER APPROVALS

The table below depicts the total number fit and proper applications received in 2020.

Licence	Approved	Rejected
Non-Domestic Insurer	17	0
Domestic Insurer	6	0
Sub-Agent	8	0

SUPERVISION PROCESS

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

- Audited Financial Statements
- Actuarial Reports
- Updated Business Plans
- Reinsurance Treaties
- Quarterly Returns Forms
- Suspected Fraud Cases

INSPECTIONS UNDERTAKEN

The Section did not undertake onsite-inspections during 2020.

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2020.

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Non-Domestic insurer	-	-	-	-	-
Domestic Insurer	-	-	-	-	-
Brokers	-	-	-	-	-
Agents	-	-	-	-	-
Sub - Agent	-	-	4	-	-
PIR⁸	-	-	-	-	-

COMPLAINTS

The table below depicts the total number of complaints dealt with by the Section in 2020 against the category of licensee.

	Domestic Insurer
Complaints Received	11
Resolved Complaints	11
Unresolved Complaints	0

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. In the year 2020 the POPF Committee did not receive any claims.

GROSS WRITTEN PREMIUMS AND TOTAL ASSETS

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

General Insurance Business		
Year	GWP (SCR)	TA (SCR)
2016	336,903,832	406,660,477
2017	357,146,503	427,220,059
2018	385,996,525	510,329,899
2019	423,184,693	647,317,990
2020	455,087,483	763,955,880

Life Insurance Business		
Year	GWP (SCR)	TA (SCR)
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

⁸ Principle Insurance Representatives

OUTLOOK FOR 2021

The following key projects are expected to be undertaken by the Section in 2021:

- Develop an ORSA (“Own Risk Solvency Assessment”) Framework for the licensed insurers
- Explore Captive Insurance Market and Private Pension Funds as new products.
- Finalize the amendments of the Insurance Act, 2008.

GAMBLING SUPERVISION SECTION

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

The Seychelles Gambling Act came into force on the 1st November, 2015. The Act assigns the responsibility for the regulation of casinos, slot machines (also referred to as gambling machines) and interactive gaming to the FSA. The FSA took over the responsibility for these products from the Seychelles Licensing Authority in 2015. The other aspects of the gambling industry, such as lotteries and games of chance, remain under the purview of the Seychelles Licensing Authority.

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 one unit whereby both the authorisation and supervision functions are undertaken. The authorisation function entails the processing of applications, vetting of key persons in the gambling industry, approving gambling

premises, attending to queries and handling of complaints. The supervision function entails both on-site and off-site supervision.

KEY DEVELOPMENTS OF 2020

The FSA, in collaboration with the National Bureau of Statistics, continued conducting the survey on the prevalence of gambling in the Seychelles, which started during the last quarter of 2019. The objective of the survey was to establish the type of gambling activity that is preferred by the residents and understand the propensity of the gambling addiction in the Seychelles. The result of the survey was finalized in 2020 and was presented to the industry. The information will assist the FSA in fulfilling its regulatory function and assist other stakeholders to establish the appropriate mechanism for responsible gambling. This will allow the provision of support services to residents suffering from the negative effects of gambling and to set up the relevant programs to protect the vulnerable.

The FSA has procured the consultancy of Gaming Laboratories International Africa (“GLI”) to review the existing gambling legislative framework and standards pertaining to all forms of gambling in the Seychelles. The

objective of the consultancy is to develop a modern regulatory framework that will facilitate the most efficient and effective oversight of all aspects of gambling in Seychelles.

As part of the review, the representatives of GLI conducted an official visit to Seychelles in August 2019 where they met with various policy-makers, regulators and other stakeholders to obtain a broader understanding of the current gambling industry. Following the review, draft documents for the technical standards, the new Gambling Bill, Regulations and Codes were proposed.

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

In 2020, the FSA undertook an amendment in the Gambling Fees Regulation in order to provide for a relief for gambling businesses to pay their license fee over a six-month period by installment in view of closure of such business establishments. The aim was to ease their obligation to pay up front in view of being non-operational during the Covid-19 pandemic.

AUTHORISATION PROCESS

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

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

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received for 2018.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2016	2017	2018	2019	2020
Casino	4	4	5	6	6
Slot Machine	5	7	7	8	8
Interactive Gaming	0	0	0	0	0

SUPERVISION PROCESS

During the onsite inspection, the Section inspects the gambling devices, electronic monitoring, security and surveillance systems

and accounting records. The section also undertakes night spot checks where they inspect entrance notices, rules and licence certificate on display, presence of security officers, the atmosphere on the gaming floor and the security and surveillance systems. During 2020, the section has not been able to conduct as much onsite inspections as per usual, only 6 inspections were conducted. There were no night spot checks conducted due to the pandemic, however the section monitored changes related to gambling devices such as video games, or changes in denomination.

The pandemic greatly impacted the gambling establishments because of restrictions imposed by the Public Health Authority. Since the closure of the business resulted in loss of revenue, the Minister for Finance, Trade, Investment and Economic Planning approved amendments to the Seychelles Gambling (Fees) Regulations, 2020, enabling gambling establishments to pay their annual licence fee within a period of six months in equal instalments. This was valid during the period of 1st May 2020 to 30th April, 2021.

INSPECTIONS UNDERTAKEN

Licensee	Nº of night spot Checks	No of Inspections
Casino	0	3
Slot Machine	0	3

3 inspections were conducted at a licensed casino establishment before approval was granted in order to reopen after the public health order was lifted. An additional 3 inspections were conducted at a slot machine establishment which was not adhering to the provisions of the Act.

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2020.

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

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2020 against each category of licensee.

Slot Machine	
Complaints Received	0
Resolved Complaints	0
Unresolved Complaints	0

OUTLOOK FOR 2021

In 2021, the Section will continue working with the consultants on the revision of the existing gambling legislative framework which will include an assessment of the impact of proposed new legislation on the existing businesses operating within the gambling industry.

FIDUCIARY SUPERVISION SECTION

The Fiduciary Supervision Section licenses and regulates persons licensed and other regulated persons 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”)
- International Trustee Services (“ITS”)
- Foundation Services (“FS”)

The Section also assesses applications for a special licence made under the CSL Act and application for approvals of Protected Cell Companies (“PCC”) under both the PCC Act and IBC Act.

KEY RESPONSIBILITIES

The main mandate of the FS Section is to promote a robust regulatory framework so as to ensure high level of compliance with regulatory requirements, policies, practices

and procedures adopted to safeguard public interest and foster investor confidence.

STRUCTURE

In order to achieve its mandate, the Section is segregated into three units, namely the Authorisations Unit, the Supervision Unit and the Enforcement and AML/CFT Unit.

AUTHORISATIONS UNIT

The Authorisations Unit’s key functions are to receive, review and determine 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 direction or directive 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 risk-based supervision. The maintenance and updating of the risk profiling system is an important function which has an overarching influence on other activities within the Section such as its on-site and off-site supervisory activities.

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

Following the enactment of the Beneficial Ownership Act, 2020 ("BO Act") in 2020, the Supervision Unit is now also tasked with the supervision and enforcement of the obligations set out in the BO Act for legal persons and legal arrangements, including international business companies, foundations.

ENFORCEMENT AND AML/CFT UNIT

The AML/CFT Unit's core mandate is two-fold. Primarily the Unit processes and carries out the relevant enforcement actions available within the Authority's powers under the FSA Act with respect to licensees operating under the

Fiduciary Sector. This function is effected through, inter alia:

1. the assessment of cases of non-compliance as observed or referred to it based on facts already established as a result of desk-based and onsite supervision activities; and
2. coordinating discussions and actions with other Units of the Section and with other Sections of the FSA where relevant.

The Unit's mandate also includes overseeing and driving the FSA's responsibilities as a Sectoral Supervisor under the Anti-Money Laundering and Countering of the Financing of Terrorism Act, 2020 ("AML/CFT Act"). The Unit has the role of coordinating the works of the different individual specialist prudential sections of the FSA into a coherent AML/CFT framework for the organization as a whole.

	CSL	PCC
Approved	2	5
Rejected	0	0
Withdrawn	0	0

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 having significant powers or responsibilities with respect to the regulated activities of the licensees.
- Each person having an ownership and/or control interest in the prospective licensee is of satisfactory repute and financial standing.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received under the ICSP Act for the year 2020.

Licence Applications			
	Approved	Rejected	Withdrawn
ICS	0	0	1
ITS	0	0	0
FS	0	0	0

The table below depicts the number of applications received under the CSL Act and the PCC Act for 2020.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2016	2017	2018	2019	2020
ICS	68	67	69	68	66
ITS	20	19	22	23	22
FS	14	16	18	20	19
CSL	310	323	328	336	338
PCC	16	18	18	18	21

FIT AND PROPER APPROVALS

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

competence, formal qualifications, previous experience and track record are some of the elements considered for fitness. In order to assess integrity and suitability, elements considered include criminal records, a person's financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

ON-SITE INSPECTIONS

Throughout 2020, the On-Site Cluster of the Supervision Unit undertook a series of compliance inspections at the registered office address of licensees under its purview. The compliance inspections conducted were focused both on the conduct of the licensee and on specified entities under the administration of the licensee. The principal inspection of 2020 saw the participation of the Seychelles Revenue Commission ("SRC") in respect to an inspection focused on the testing of the availability of accounting records of international business companies.

COMPLIANCE INSPECTIONS OF LICENSEES

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

licensed entities under the ICSP Act in ensuring their compliance with the said Act.

Type of inspection	No.
Compliance with dual control requirement	4
Office visits related to changes in principal place of business	4

COMPLIANCE INSPECTIONS RELATING TO IBCs

Focused inspection: record keeping obligation of IBCs

The On-Site Cluster conducted focused inspections at the registered office address of licensees in order to inspect the records of a sample of IBCs under the administration of the licensees. The focus was in the following areas:

IBC's

- the keeping of Register of Directors by IBCs;
- the keeping of Register of Members by IBCs;
- the availability of accounting records;
- the keeping of register of beneficial owners
- furnishing of the annual returns to registered agents by IBCs
- customer due diligence on directors, shareholders and beneficial owners.

In general, the IBCs inspected showcased a good level of compliance for the keeping of the above listed registers, whereas a small percentage of IBCs were not furnishing their annual returns with their respective registered agents. The striking off process as stipulated under the IBC Act was initiated for all IBCs found to be non-compliant to the relevant provisions of the IBC Act.

Focused inspection: accounting records

In a joint inspection with the SRC, a random sample of IBCs were selected for inspection of accounting records, in line with the requirements of the IBC Act.

APPROVALS

In line with the provisions of the ICSP Act, it is a requirement for licensees licenced under the ICSP Act to notify and/or seek the Authority's approval for certain changes made within the licensee, prior to same taking effect. Such changes are listed per the table hereunder, some of which also specifies the types of change requests received by the Authority, requires a licensee to notify the Authority and in some cases, seek the approval of the Authority, prior to effecting certain changes to the licensee's business or structure.

The table below shows the types of changes recorded and the approvals made by the Authority under the ICSP Act and FSA Act for the year 2020.

Type of changes submitted	No.
Changes in directorship of licensees	5
Approvals for change in the shareholding and ultimate beneficial ownership of licensees	4
Change of name	1
Locum arrangements	3
Change of principal place of business	3

SURRENDER OF LICENCE

For the year of 2020, the FSS recorded a total of three (3) licensees that have tendered their intention to surrender their licences; namely the international corporate services licence which is also the most common type of licence issued by the FSS. It is to be noted that by virtue of the new AML/CFT Act which came into force in August of 2020, licensees ceasing their businesses now have to adhere with obligation of handing over their records to the FSA for safe custody so as to preserve records within the jurisdiction so as, inter alia, to enable the Seychelles to meet its different Exchange of Information (“EOI”) obligations under the relevant legislations

ENFORCEMENT ACTION

During the course of 2020, as part of the FSS’ supervisory work, two (2) cases of revocation of ICS licences were effected. The revocation of licences stemmed from non-compliances of the former licensees in respect to the FSA Act and the ICSP Act.

MONITORING OF PROMOTIONAL ADVERTISEMENTS

As part of the Authority’s annual program, the Section reviewed the website of all licensees under its regulatory purview to monitor and ascertain that the information being advertised in the public domain is accurate and not detrimental to the good repute of the Seychelles jurisdiction. For the period of 2020, only one case of non-compliance or regulatory issues were identified with respect to online promotional advertisements by licensees and/or former licensees licensed under the ICSP Act.

COMPLAINTS

Complaints received by the SU are in respect to complaints lodged by the public against licensees (service providers) as well as complaints relating to specified entities such as IBCs and CSLs. The complaints mechanism provides the Authority with an extra tool in its

supervisory function where it enables it to protect the interests of the consumers of non-bank financial services and also to maintain the good repute of the Seychelles via the investigation and remediation where possible of illegal or unethical practices. The SU has observed an increasing trend in the number of complaints received involving IBCs engaged in the provision of services relating to virtual assets, or VASP. To that end, the complaint procedures adopted by the SU continues to evolve to adapt with the changing nature of complaints being brought to the FSA's attention, enabling the Authority to better discharge its duties.

In terms of statistics, during the year 2020 the FS Section recorded 14 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 14 complaints, 8 complaints have been closed whereas 6 remains ongoing.

KEY DEVELOPMENTS 2020 AML/CFT

Following the Mutual Evaluation ("ME") assessment of the Seychelles conducted by the FATF through the Eastern and Southern Africa Anti-Money Laundering Group ("ESAAMLG")

and the adoption of the subsequent Mutual Evaluation Report ("MER") in 2018, the Seychelles elected to review its AML/CFT supervision framework so as to address certain shortcomings identified in the MER.

In March 2020 the Seychelles enacted the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 ("AML/CFT") coming into force in August 2020.

With the coming into force of the AML/CFT Act the FSA officially took responsibility for sectoral supervision of its regulated sectors. The FSA set up a specialist AML/CFT Unit within the FSS in 2019 to drive the AML/CFT agenda within the FSA.

During 2020 the FSA through its AML/CFT Unit of the FSS has been very active on the different work streams within the national AML/CFT work being managed by the National AML/CFT Committee ("NAC") and its Technical Committee ("TAC").

ONGOING REVIEW OF THE AML/CFT BENEFICIAL OWNERSHIP LEGAL FRAMEWORK

Through its involvement as an active member of TAC. The FSS has, in conjunction with the Policy and Legal Section, contributed in the

review of the primary legislations of the AML/CFT Act and the BO Act towards their initial promulgation as well as on the amendments to those laws so as to meet Technical Compliance (“TC”) vis-à-vis the FATF standards.

The FSS has also contributed on the proposal, review and issuance of regulations and guidance for general issues related to the two laws and/or issues that are of particular interest or relevance to the non-bank financial services sector it regulate.

As part of its preliminary work, the Unit has been involved in the work related to the drafting of the AML/CFT Act and Beneficial Ownership Act in collaboration with other sections of the FSA and other government stakeholders. The AML/CFT Unit has also driven the work being done as part of a World Bank technical assistance to establish a risk-based framework to AML/CFT supervision.

ESAAMLG MEETINGS

The Seychelles is required to update the ESAAMLG, its FATF-style regional body, on a bi-annual basis at meetings on the progress of the Seychelles being made vis-à-vis the rectification of shortcomings identified and

adoption of the recommendations in the 2018 MER. At the meetings of 2020 the Seychelles reported mainly on the work being done to enact the new AML/CFT Act and BO Act, as well as non-statutory improvements made to the AML/CFT landscape in Seychelles.

OUTLOOK FOR 2021

NEW REQUIREMENTS REGARDING THE KEEPING OF ACCOUNTING RECORDS FOR IBCs, FOUNDATIONS, TRUSTS AND LIMITED PARTNERSHIPS

Through the conduct of onsite inspections and the Seychelles’ performance in terms of exchanging information upon request (or, EOIR) to international counterparts, a deficiency in the manner in which accounting records are being maintained per the law and its subsequent availability and quality of records made available by reporting entities has been a point of concern. In that regard, significant changes in the legislation governing the maintenance of accounting records is projected for 2021 to first of, clarify what accounting records are, what would constitute compliance with same and the sanctioning for non-compliance.

AUTOMATION OF PROCESSES AND CONSOLIDATION OF DATA

Automating the FSA’s administrative procedures remains key in ensuring that the FSA provide an improved service experience towards its clients and stakeholders. The new system has been in development phase throughout 2020 and is expected to be released to the industry in 2021.

BUSINESS CONTINUITY MANAGEMENT

With the situation concerning the outbreak of the COVID-19 virus to the level of a global pandemic, the FSA is required to innovate so as to counter and mitigate the risks posed by phenomena similar to the pandemic and its effects on the FSA’s regulated sectors and the economy at large.

The Section is anticipating, during the course of 2021, that there will be the need to further modify its practices so as to be able to meet its obligations and achieve its targets in an environment that has changed due to the pandemic. Essential functions of the Section such as inspections, will need to be revamped, leveraging on the use of technology so that this essential function is carried out.

Other essential considerations within the new environment is the use of resources in the Section to achieve its objectives. The well-being and safety of our staff is of paramount importance and to that end the Section will need to consider novel ways at ensuring that its staff are not overly exposed to the threats posed by the pandemic and others.

CONSOLIDATION OF THE RISK-BASED APPROACH TO SUPERVISION

The Section has over the years developed an in-house risk-based approach to supervising its licensed entities which are mainly the licensees under the ICSP Act using several parameters that have an influence on risk observed by the Section in the course of its day-to-day supervisory work and also through the course of inspections conducted amongst other sources.

With the assumption of responsibility for sectoral supervision of the AML/CFT mandate for its sectors, the FSA is presently benefitting from a World Bank Technical Assistance (“TA”) programme granted to the country in the form of a Risk-Based Approach (“RBA”) Workshop. The Fiduciary Sector is one of the sectors under the FSA’s purview that is being assisted to set up an RBA framework to countering money-

laundering and financing of terrorism in tandem with its usual prudential and market conduct supervision of regulated persons.

In the absence of “Core Principles” within the Fiduciary Sector (such as the IOSCO Core Principles and the IAIS Principles), the Fiduciary Sector is required to emerge with a framework for its DNFBs that caters for the risks that presently exist in the Sector.

ONSITE INSPECTIONS

As part of its ongoing supervisory mandate, in order to ensure the availability of and access to legal ownership and beneficial ownership of legal entities and legal arrangements, the section will continue its focus on onsite inspections at the offices of licensees.

Being cognizant of the importance of the need to ensure the availability of and access to accounting information, the section will

continue to focus its resources towards inspecting specified entities’, being IBCs, trusts and foundations, compliance with the maintenance of the accounting records, the keeping of registers and licensee’s application of customer due diligence measures, in accordance with the prevailing Acts. In line with previous inspection, the section anticipates to strengthen its working relationship with the Seychelles Revenue Commission in order to test the availability and quality of such records being kept by legal entities and legal arrangements under the purview of the FSA.

The section is also cognizant of the need to keep in line with the Seychelles’ commitment with international bodies such as the OECD through the Global Forum initiative, the FATF, the European Union and others, and thus believe that such inspections shall enhance the Seychelles’ reputation, amongst other matters.

CAPITAL MARKETS & COLLECTIVE INVESTMENT

SCHEMES SUPERVISION SECTION

The Capital Markets and Collective Investment Schemes Supervision Section is responsible for the regulation and supervision of the conduct of business activities of persons in the Capital Markets and Collective Investment Schemes (“CIS”) and the prudential supervision of these persons.

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

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

KEY RESPONSIBILITIES

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

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

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

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

The benefits of regulation and supervision are as follows:

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

The objectives of regulation and supervision are as follows:

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

STRUCTURE

The Section is segregated into two units, namely the Authorisations Unit and the Supervision (Onsite & Offsite) Unit. The Authorisations Unit's key function is to receive, review and determine applications for licenses. The Authorisations Unit has the direct 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 2020.

	Approved	Rejected
Securities Exchanges	1	0
Securities Facilities	1	0
Clearing Agency	1	0
Securities Dealer	35	1
Securities Dealer's Representative	42	1

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2016	2017	2018	2019	2020
Fund Administrators	3	4	4	4	4
Restricted Fund Administrators	0	0	0	0	0
Approved Foreign Administrators	5	3	2	2	2
Private Funds	6	5	3	3	3
Professional Funds	5	7	8	8	8
Public Funds	2	1	2	2	2
Exempt Foreign Funds	0	0	0	0	0

	2016	2017	2018	2019	2020
Securities Exchanges	1	1	1	1	2
Listed Companies	9	24	30	38	47
Securities Facilities	1	1	1	1	2
Clearing Agency	1	1	1	1	2
Securities Dealers	11	13	18	33	68
Securities Dealer's Representatives	11	13	20	35	68
Investment Advisors	3	4	4	5	4
Investment Advisor's Representatives	2	2	3	3	3

ENFORCEMENT ACTIONS

The table hereunder depicts the enforcement actions taken by the Section for 2021

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	3	-	-	-	-
Public Fund	1	-	-	-	-
Fund Administrator	0	-	-	-	-
Investment Advisor	2	-	-	-	-
Securities Dealer	6	-	1	-	-
Securities Exchange	3	-	1	-	-
Clearing Agency	1	2	1	-	-

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2020 against each category of entity.

	Securities Dealer	Securities Exchange
Complaints Received	76	
Resolved Complaints	20	
Total	56	-

The complaints received varied from investors not being compensated for bad investments to bank related issues and persons making false representation of being licensed.

KEY DEVELOPMENTS OF 2020

The FSA finalised and published the Code on Outsourcing of Compliance Function on June 10th, 2020. The Code has been issued in accordance with section 33 of the Financial Services Authority Act, 2013 to establish the

rules and principles pertaining to outsourcing of the compliance function of a licensee under the Securities Act, 2007 and the Mutual Fund and Hedge Fund Act, 2008.

Additionally, on October 6th, 2020 the FSA published the Code for Fit and Proper and Competency Standards for licensees covered under the Securities Act, 2007 and the Mutual Fund and Hedge Fund Act, 2008. The Code sets out the standards expected by the Authority from individuals required to be fit and proper and formalises the level of competencies required.

OUTLOOK FOR 2021

REVIEW OF PROCESSING PROCEDURES

The Section will be reviewing its internal procedures with the aim of streamlining and easing the application process and improving

overall efficiency and service delivery standards.

SUPERVISION FRAMEWORK

As part of the FSA's continued efforts to improve the quality of monitoring and supervision carried out, the Section will continue its work towards the implementation of its risk-based supervision approach towards regulating and supervising its licensees and other regulated persons. Furthermore, a strong focus will be on continued capacity building and training.

The Section is reviewing and enhancing its on-site and off-site supervision policies and procedures and have the respective supervision framework fully implemented in 2020.

DEVELOPMENTS OF NEW PRODUCTS

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

SUPPORT SECTIONS

INFORMATION SYSTEM SECTION

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

OUTLOOK FOR 2021

The goal for 2021 is to collaborate with management and harness the capabilities of Information Technology to further enhance the service delivery. For the year 2021, the Information Systems section will be working with an international development company in order to create an online system for submission of license applications which will streamline the application process to become more effective and efficient. Once completed, all applications will have to be submitted through a portal by our clients.

POLICY AND LEGAL SECTION

The Policy and Legal Section is divided into the following three units:

- Product Development and International Relations Unit
- Information and Communication Unit
- Legal Unit

The role of the Product Development and International Relations Unit is focused around the development of the FSA's regulatory and legislative framework in line with developing international standards and best practice, whilst ensuring the continued development of a healthy non-bank financial services industry. The Unit is responsible to develop the policies which are then translated into legislation, codes and guidelines. This is done through consultations with the relevant sections of the FSA, as well as with other government stakeholders and the industry, to ensure that policy decisions are as effective as possible. The Unit is also heavily involved during the drafting stage of legislations, together with the Legal Unit.

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 keeping relevant statistical information regarding FSA's products and the industry.

The Information and Communication Unit acts as a liaison between the organisation and the public. The Unit is responsible for the preparation of the organisation's literature including the Annual Report, Newsletters, Press Releases and Newspaper Articles. The Unit handles request for Information received from local and foreign partners and acts as the point of contact for all complaints received by the organisation. 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 in the market development initiatives through the organising

roadshows in different countries, publications of articles in reputable international magazines to create awareness of the Seychelles financial services.

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

KEY ACHIEVMENTS OF 2020

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 2020, the FSA undertook the following industry training initiatives:

ICA TRAINING PROGRAM

In 2020, a cohort of 28 participants from the FSA and the industry completed the Advanced Certificate in Anti-Money Laundering (AML), which they started in October 2019. The course was conducted by the International Compliance Association (ICA) in collaboration with the FSA. The participants gained an in-depth knowledge and better understanding of the AML matters surrounding the world of financial services. The course focused on different aspects of international legislations and best practices, key monitoring activities and transactions, and other key areas such as; AML framework, risks management and the prevention of financial crimes.

INTRODUCTORY CERTIFICATE IN SEYCHELLES FINANCIAL SERVICES

The Guy Morel Institute welcomed a new cohort of 25 participants for the "Introductory Certificate in Seychelles Financial Services". The course, endorsed by the FSA, is a foundation level qualification providing an introduction to the financial services sector. The course is designed to enhance participant's basic understanding and appreciation of the industry by covering a wide range of subjects and providing a broad and balanced understanding and knowledge of the sector.

The course is also highly recommended for those currently employed in the non-bank financial services sector who wish to refresh their knowledge. The course has been developed to equip participants with practical and on-the-job skills that will enable them to successfully launch their career in the non-bank financial services industry and to enable current practitioners to update their knowledge, bearing in mind the constant changes taking place globally and in the Seychelles in particular.

FSA's SCHOLARSHIP POLICY

Under the FSA's scholarship Policy, 14 participants received a scholarship from the FSA to undertake the Introductory Certificate in Seychelles Financial Services which was conducted in October 2020.

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.

UPDATE OF APPLICATION FORMS, GUIDELINES & CODES

Following the thorough review of application forms, guidelines and codes in 2019, the Section undertook some adhoc reviews of some of these documents in 2020 in order to clarify certain licence application requirements and to provide more clarity in the guidelines in terms of implementation of new obligations linked to international standards.

OUTLOOK FOR 2021

Groundwork for different projects has been undertaken in the previous years. These will be pursued further in 2021. Those not specifically addressed in preceding sections are summarized below.

Having amended the International Trade Zone Act in 2019 in line with the EU's BEPS requirements, the Section had been working in close collaboration with the Ministry of Finance, Economic Planning & Trade and the Seychelles Revenue Commission to propose amendment in the Business Tax Act in order to comply with the EU's CoCG guidelines on foreign income exemption regimes. This exercise has been recurring during the year which includes the participation of key

members from the Seychelles International Finance Services Association.

AMENDMENTS TO THE FSA ACT

Following the approval of the Cabinet of Ministers early 2020 to the proposed amendments to the FSA Act, the necessary drafting instructions have been submitted to Attorney General's Office to initiate the drafting of the Bill.

REVIEW OF SEYCHELLES' AML/CFT FRAMEWORK

With the promulgation of the new AML/CFT Act and the new Beneficial Ownership Act in 2020, the FSA, in close collaboration with other stakeholders, under the guidance of NAC, has been working on various amendments to be undertaken in these legislations in a bid to bring the Seychelles' AML/CFT framework in line with the FATF's recommendations. Once the laws are enacted, the relevant guidelines, to better understand and interpret the laws, will be updated accordingly.

PRIVATE TRUST COMPANIES

The International Corporate Service Providers Act and the International Business Companies

Act will be amended to make provision for Private Trust Companies ("PTC"). The proposed new Trust Bill will also contain relevant provisions to cater for PTCs.

NEW TRUSTS ACT

A new Trusts Act has been proposed which will repeal and replace the International Trusts Act, 1994. Drafting of the new Trusts Act has been completed and is expected to be enacted alongside the amendments to provide for Private Trust Companies under the International Corporate Service Providers Act and the International Business Companies Act.

REVIEW OF LICENCE FEES AND REGISTRATION FEES

Over the years, the FSA has realized that the licence fees and registration fees have remained unchanged and it does not reflect the current cost of operations, including the cost of supervision of its licensees. Hence, the FSA will be undertaking an exercise to review the licence fees and registration fees of the products under its administration.

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.

KEY ACHIEVEMENTS FOR 2020

HRIS SYSTEM

The section launched the Human Resource Information System platform in 2020. It is a system which contains the digitalized personal profile and employment details of all employees and is accessible by employees online. It is aimed at facilitating access to personal information and facilitating the application for leave.

SKILLS AUDIT

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

WORK FROM HOME

Due to the pandemic which affected workplaces worldwide, the FSA had to move with adopting a work from home system. With the support of the Information Systems Section, the heads of section had to adopt a new means of monitoring and communicating with their employees to ensure that goals and objectives of the organisation were being met.

FLEXIBLE WORKING HOURS

In order to allow the workforce to adapt fully with changes which impacted on their social lives given Covid measures in place, the section moved with the introduction of flexible working hours.

SAFETY MEASURES AGAINST THE PANDEMIC

The Health and Safety Unit of the section provided awareness to staff about how best to stay safe during the pandemic. The organisation had to adopt numerous measures to ensure that we are in compliance with requirements of the Ministry of Health in order to protect our workforce.

GROUP TRAININGS

THE FOLLOWING GROUP TRAININGS WERE CONDUCTED DURING 2020;

- Microsoft Excel Advanced, Intermediate, Basic
- Modern Business Communication Skills
- Performance Leadership Management training
- Time Management
- Finance for non-finance managers training
- Training for Capital Market section
- Customer Service

- Report writing
- Business Continuity Management training
- Leadership Development Program
- Managing -self Modules 1-4
- Interpersonal and Counselling Skills

OUTLOOK FOR 2021

The section will be relooking at the organisation's structure in order to ensure that it has a structure which allows for the improved operation efficiency.

The section will also be producing additional guidelines and policies to act as reference tools for the management and staff of the organization. In an effort to improve the user friendliness of our performance management system we will be partnering with the IS section to move our system online.

FACILITIES AND LOGISTICS SECTION

The Facilities and Logistics Section operates as two Units:

- Facilities Unit
- Logistics Unit

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

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

1. **Logistics and Delivery Services:** Responsible for courier, transport management, coordinate availability of conference rooms and office space for meetings and staff respectively. Also manages contracts with external service providers of additional logistical services.
2. **Purchasing and Stores (including asset management):** Ensuring that the procurement, storage, disbursement, consumption and where applicable, the disposals of consumables and other assets are compliant to the set policies, standards and regulations that governs the organisation.
3. **Customer Service:** Seeks to support both internal and external customers with the initial information that would enable them to interact with other Sections of the FSA, thus contribute towards the collective responsibility of safeguarding reputation and image of the organisation.
4. **Records Management:** Provides necessary support to Sections in managing their records either in terms of movement, storage or disposal.
5. **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.

6. **Warehouse and Tenants' Relationship:**

Ensuring that the tenants of the FSA's facilities, more specifically the warehouses, offices and its surroundings, benefit from effective communications of FSA's standards and expectations, securing their adherence to guidelines that ensure the correct enjoyment of the facilities as well overall health and safety of the FSA zone.

It also seeks to enforce, through negotiations, where necessary, the consequences of non-adherence to their tenancy, including their financial obligations. Furthermore, it supports the tenants to find new possibilities within the zone that could help them grow their business and investments.

7. **Infrastructure and Ground Maintenance:**

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

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

while accessing and interacting at FSA premises.

KEY ACHIEVEMENTS FOR 2020

Faced with the threats of Covid-19 and with the need to support management decision to mobilize quickly and work collectively to protect the FSA staff while ensuring business continuity, the Section managed to coordinate timely with other sections to ensure that colleagues be supplied with such things as sanitizers, disinfectants, gloves and masks. This was also done in strict compliance to other health and safety requirements from both the FSA's Health and Safety Unit as well as the National Health Care Agency. The Section also had to coordinate access credentials for critical role employees to be able to access FSA facilities.

With the aim supporting our tenants in very challenging times, the Section embarked on consultations with the various tenants that were facing financial difficulties due to Covid-19. From those consultations, FSA managed to come up with relief measures to support those businesses to remain operational and most importantly to still be based in the FSA zone and allow FSA to generate well needed revenue, taking into consideration significant

investments in the refurbishment of its two largest warehouses in 2020.

The below table depicts occupancy and revenue for the warehouses in 2020.

Warehouse Block	No. of Tenants
A	9
B	13
C	2
J	5
K	9
Total	38

The below table depicts the trend of revenue collected in 2020.

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

OUTLOOK FOR 2020

- Completion of the election of bidders and Award of contract for the construction of the New FSA Headquarters
- Continue to support the Organization Logistically in while dealing with the challenges of the Covid-19.
- Construction of a new warehouse in the FSA Zone.
- Support our tenants and generate revenue through retaining their businesses in the FSA zone, as well as attract new tenants.

PROCUREMENT SECTION

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

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

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

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

KEY DEVELOPMENTS

The key developments of 2020 were as follows:

1. Completion of a Product Management System and Regulatory and Supervision System for Insurance, Fiduciary, Capital Markets and Registry Sections.
2. Initiated the tender process for Contractor Selection for the Design and Build of the new FSA Administration Building.
3. Initiated the tender process for Contractor Selection for the Design and Build of a new 300sqm warehouse.
4. Completion of the refurbishment on FSA’s J and K warehouses.
5. Completed the demolition and renovation work on K1 and K2 which was affected by a fire incident.

OUTLOOK 2021

The objective for the Procurement Section for 2021 is to provide support and assist the different Sections with their key projects during the year in line with the FSA’s Strategic Plan in order to achieve:

1. Financial efficiency through value for money.
2. Assist with the development of new products to increase annual revenue through procurement of consultancy services.

3. Complete the evaluation and selection of the best evaluated Contractor for the Design and Build of the new FSA Administration Building.
4. Complete the evaluation and selection of the best evaluated Contractor for the Design and Build of a new 300sqm warehouse.
5. Analysis and evaluation for a new Procurement Software for the Procurement Section to automate and increase efficiency in the procurement process from Sourcing to Contract.
6. Development of an internal system to streamline the approval of Internal Memo.

KEY PROJECTS 2021

The key projects to be undertaken in 2021 are as follows:

1. Project initiation for the construction of the new FSA Administration Building at Bois De Rose Avenue.
2. Project initiation for the construction of the new 300sqm Warehouse at the Bois De Rose Avenue.
3. Complete installation of the new upgraded CCTV Cameras and lightning for the FSA Zone.
4. Procurement of consultancy services (Project Management) for the construction of a new warehouse.
5. Procurement of consultancy services for Gambling Supervision, Insurance and Pension Supervision Sections

FINANCE SECTION

The Finance Section is divided into three units, namely the Revenue and Debtors Control Unit, the Accounts Payable and Creditors Control Unit and the Financial Reporting and Budgeting Unit. The Revenue and Debtors Control Unit is responsible for the collection and recording of revenue and fees for all the services that the FSA renders. The Accounts Payable and Creditors Control Unit is responsible for the controlling and monitoring and managing of the FSA's expenditures and spending. The Financial Reporting and Budgeting Unit is responsible for the financial reporting and the preparation and management of the annual budget of the FSA.

KEY RESPONSIBILITIES

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

The Section is responsible for recording all transactions in an accurate, transparent and time-bound manner, tracking expenses and purchases, keeping financial records and

writing and compiling financial reports. Accounting issues or budgetary problems within the FSA are brought to the attention of the FSA Board through the CEO.

The Section is also responsible for the management of cash balances and for the overall financing of the operations of the FSA.

At the end of each financial year, to ensure transparency and fairness, the FSA's annual accounts are prepared and submitted to the Office of the Auditor General who conducts the audit of the FSA's accounts and subsequently certifies its financial statements.

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

- (a) the Minister of Finance
- (b) the Responsible Minister, and
- (c) 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 2020 are set out at the end of this Report.

The FSA's statement of Income and Expenditure and statement of Assets and Liabilities and the Report of the Auditors for the year 2019 are set out at the end of this Report.

KEY ACHIEVEMENTS OF 2020

Similar to previous years, the FSA has not received any subventions from the government but instead has been self-financing all its operations and capital expenditure through the revenue collected from the licensing and registration fees. The FSA has been financially contributing to the Consolidated Fund through quarterly dividend payments to the Government. For the year 2020, despite the COVID-19 crisis, the FSA has managed to collect a total of **SR207.66 million** as gross revenues and effected a transfer of surplus funds of **SR88.40 million** (42.6 percent of actual revenue collected) to the Government, as it was being anticipated in the outlook for the year 2020 outlook. The dividends paid to the Government in 2020 is 19% more than the payments made for the last two years, 2018 and 2019 added together and it is the highest annual dividend payment made during the last 5 years. It is the first time since the Authority has started operations over 25 years that it has

generated a gross revenue totalling to over SR200 million.

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

OUTLOOK FOR 2021

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

The Section will continue with the exercise that it started in 2020 for updating, revising and implementing of internal policies and procedures so that they reflect the changes,

following the implementation of the new accounting software and restructuring of the Finance Section and the FSA. The end result will be one complete, consolidated document, aligned with current best practices and international standards, which will subsequently be used as guidance and training with regards to good financial and accounting practices.

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

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

In order for the Authority to continue to contribute towards quarterly payments of dividend to the Consolidated Fund, the Finance section will continue to exercise effective and proper budgetary preparation, management, monitoring and control of the Authority's financial resources in close collaboration with all internal stakeholders so that the FSA continues and progressively increase the quarterly dividend payments to Government.

APPEALS BOARD

THE APPEALS BOARD

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

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

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

Members of the Appeals Board

(As at 31st December 2020)

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

Secretary to the Board Ms. Taryn Auguste

DIRECTORY
OF EMPLOYEES

LIST OF FSA EMPLOYEES

SECRETARIAT

Daman Zenabe	Deputy Chief Executive Officer
Charlette Flociana	Personal Assistant

INTERNAL AUDIT

Chetty Ammu	Internal Auditor
Ernesta Yannick	Internal Audit Technician
Sinon Katrina	Internal Audit Officer

PROCUREMENT

Volcy Dereck	Procurement Officer
Abubakar Aiyesha	Procurement Assistant Officer

HUMAN RESOURCES

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

FACILITIES & LOGISTICS

Marie Pascal	Director Facilities and Logistics
Nioze Louisiane	Manager Customer Services and Logistics
Sedgwick Marie-Andre	Senior Customer Services and Records Officer
Larue Steve	Customer Services and Records Officer
Pillay Valerie	Customer Services and Records Officer
Didon Juliana	Supervisor Housekeeping
Benjamin Jannis	Housekeeper
Cecile Reina	Housekeeper
Jacques Giominella	Housekeeper
Dariau Geva	Housekeeper
Rapide Marth	Housekeeper
Labrosse Marlon	Purchasing and Stores Officer
Ernesta Jeffrey	Senior Driver/Messenger
Chang-Tave Martin	Driver/Messenger

D'offay Joshua	Driver/Messenger
Balette Anasthasse	Manager Zone Operations and Facilities
Auguste Julienna	Tenant Relationship and Zone Operations Officer
Sicobo James	Maintenance Supervisor
Farabeau David	Facilities and Maintenance Officer
Jeremie Elvis	Facilities and Maintenance Officer
Auguste Angelo	Facilities and Maintenance Officer

SECURITY SERVICES

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

FINANCE

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

INFORMATION SYSTEMS

Thelermont Jean-Claude	Director Information Systems
Coujandessamy Theressa	Analyst Programmer
Cafrine Nigel	Information System Officer
Cushion Daniel	Information System Officer
Padayachy Shaji	Information System Officer

POLICY & LEGAL

Robert Paul	Director Policy & Legal
Elizabeth Marcus	Policy Manager (Product Development & International Relations Unit)
Cafrine Sherifa	Policy Analyst (Product Development & International Relations Unit)
Hoareau Nigel	Policy Analyst (Product Development & International Relations Unit)
Bristol Lissa	Policy Manager (Information & Communications unit)
Vel Vesna	Policy Analyst (Information & Communications unit)
Auguste Taryn	Manager Legal
Durand-Francourt Serrah	Legal Officer
Houareau Arlette	Legal Officer
Laporte Effie	Legal Officer
Gao William	Policy Analyst (Commercial Attaché)
Julie Audrey	Policy Analyst (Product Development & International Relations Unit)
Zelime Meggie	Assistant Policy Analyst (Information & Communications unit)

FIDUCIARY SUPERVISION

Samson Randolph	Director Fiduciary Supervision
Lafortune Hazel	Manager Fiduciary Supervision
Amade Abraham	Supervision Officer (On Site)
Chow Elizabeth	Supervision Officer (On Site)
Finesse Yves	Supervision Officer (Off site)
Aglae Yves	Supervision Officer (Off site)
Tamatave Clara	Supervision Officer (Off site)
D'Souza Geetha	Authorisation Manager
Wiert Melissa	Assistant Supervision Officer
Clothilde Meryl	Financial Analyst
Rene Amanda	Business Analyst
Marie Petra	Business Analyst
Monthy Micha	Business Analyst
Pool Tony	Business Analyst
Ah-Weng Valerie	Manager Enforcement & AML/CFT
Naidu Vedhavalli Anitha	Monitoring and Surveillance Analyst
Pierre Lucia	Monitoring and Surveillance Analyst
Leon Gretel	Monitoring and Surveillance Analyst
Edmond Elna	Monitoring and Surveillance Analyst

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES

Alexander Leo	Director Capital Markets & Collective Investment Schemes Supervision
Lebon Andrew	Manager Supervision
Abbasbayli Faraj	Manager Supervision

Quatre Virginie	Manager Authorisations
Alcindor Emmy	Supervision Officer
Bouchereau Sebastien	Supervision Officer
D'Souza Geetha	Manager Fintech
Robert Korry	Supervision Officer
Rose Catherine	Supervision Officer
Soubana Calvin	Supervision Officer
Laporte Sheryl	Supervision Officer
Cecile Alexandro	Registry Clerk

FINTECH

Bradburn Ryan	Fintech Analyst
Elizabeth Alison	Fintech Analyst
Woodcock Ezra	Fintech Analyst

GAMBLING SUPERVISION

Joseph Maryline	Director of Gambling Supervision
Abbasbayli Faraj	Senior Gambling Supervision Officer
Adrienne Luigi	Gambling supervision Officer
Andre Davis	Gambling supervision Officer

INSURANCE & PENSION SUPERVISION

Jupiter Garry	Director Insurance & Pension Supervision
Didon Lynn	Manager Insurance Supervision
Cedras Farrah	Business Analyst
Serret Dedrey	Business Analyst
Auguste Karyss	Business Analyst
Marie Nathalia	Financial Analyst

INTERNATIONAL TRADE ZONE & HIGHER PURCHASE

Herminie Karl	Director International Trade Zone and Hire Purchase
Kandassamy Daniel	ITZ & HP Officer
Niole Julie	ITZ & HP Officer
Jean Aicha	Supervision Officer

REGISTRY

Lau Toy Lisa	Director Registry
Thelemont Robert	Senior Registry Officer
Adolphe Natalie	Senior Registry Officer
Houareau Lita	Registry Officer
Venthoye Nadia	Registry Officer
Boniface Berttyna	Registry Officer
Dubignon Kareen	Registry Officer
Gonthier Priscilia	Registry Officer

Kilindo Maltanio
Laporte Diane
Herminie Sebastien
Micoock Ena
Accouche Curlfa
Herminie Sebastien

Registry Officer
Registry Officer
Registry Clerk
Registry Clerk
Registry Clerk
Registry Clerk

FINANCIAL STATEMENT



Audited Financial Statements as at 31st December, 2020



FINANCIAL SERVICES AUTHORITY

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Statement of Changes in Equity	6
Statement of Cash Flows	7
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CORPORATE INFORMATION

DIRECTOR	: Mr. Patrick Payet	Chairman
	Mr. Damien Thesee	CEO - Director
	Ms. Samanta Esparon	Director
	Mr. Phillip Moustache	Director
	Mr. David Esparon	Director
	Mrs. Wendy Pierre	Director
	Mr. Richard Rampal	Director
	Mr. Robert Stravens	Director
	Ms. Seylina Verghese	Director

SECRETARY	: Ms. Zenabe Daman	Secretary
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REGISTERED OFFICE	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles
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PRINCIPAL PLACE OF BUSINESS	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles
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AUDITORS	: Auditor General P O Box 49 Block C, Third Floor Unity House Victoria, Mahé Seychelles
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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, 2020.

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

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

A new FSA board was appointed in July, 2020, with the Chairman and 5 other board directors being appointees from the previous board and the remaining 4 being new appointments. Subsequently, a new board was appointed on the 21st of January, 2021. The 2020 audited accounts have been signed by the new FSA board appointed in January, 2021

RESULTS

	<u>2020</u>
	SR'000
Profit for the year	239,302
Retained earnings brought forward	178,464
Profit available for distribution	<u>417,766</u>
Transfer to Government of Seychelles (GOS)	(85,269)
Retained earnings carried forward	<u>332,497</u>

DIRECTORS AND DIRECTORS' INTEREST

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

DIRECTORS' REPORT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

The Authority is audited by the Auditor General.

BOARD OF DIRECTORS APPROVAL



Patrick Payet
Chairman



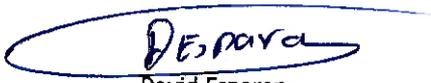
Damien Thesee
Director & CEO



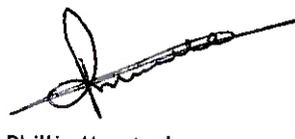
Samantha Esparon
Director



Richard Rampal
Director



David Esparon
Director



Phillip Moustache
Director



Wendy Pierre
Director



Seylina Verghese
Director



Robert Stravens
Director

Dated:

Mahé, Republic of Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2020

	Notes	December 31, 2020 SR	December 31, 2019 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	54,871,375	27,497,990
Investment property	6	240,314,059	140,548,290
Intangible asset	7	-	3,450
Long term receivables	8(f)	10,241,148	11,386,138
		<u>305,426,582</u>	<u>179,435,868</u>
Current assets			
Trade and other receivables	8	16,283,599	11,604,033
Cash and cash equivalents	9	126,172,388	62,362,506
		<u>142,455,987</u>	<u>73,966,539</u>
Total assets		<u><u>447,882,569</u></u>	<u><u>253,402,407</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	2,562,190	3,416,253
Revaluation Reserve	5 (c)	21,690,601	-
Retained earnings		332,496,725	178,464,181
		<u>365,465,216</u>	<u>190,596,134</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	-	6,629,320
Accrued interest on Borrowings		-	104,693
Retirement benefit obligations	13	11,909,719	10,447,626
		<u>11,909,719</u>	<u>17,181,639</u>
Current liabilities			
Borrowings	12	10,612,046	23,212,997
Other payables	14	59,895,588	22,411,637
		<u>70,507,634</u>	<u>45,624,634</u>
Total liabilities		<u><u>82,417,353</u></u>	<u><u>62,806,273</u></u>
Total equity and liabilities		<u><u>447,882,569</u></u>	<u><u>253,402,407</u></u>

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



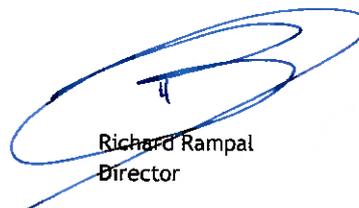
Patrick Rayet
Chairman



Damien Thesee
Director & CEO



Samantha Esparon
Director



Richard Rampal
Director



David Esparon
Director



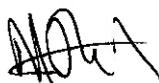
Phillip Moustache
Director



Wendy Pierre
Director



Seylina Verghese
Director



Robert Stravens
Director

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

FINANCIAL SERVICES AUTHORITY

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2020

	Notes	2020	2019
		SR	SR
Revenue	2(l)/15	<u>199,381,537</u>	<u>157,065,812</u>
Staff costs	16	(50,522,796)	(45,908,252)
Administrative expenses	17	(27,309,502)	(27,417,125)
Educational dissemination	18	(3,319,627)	(4,434,262)
Other operating costs	19	(1,238,602)	(7,438,572)
Finance income - Interest on staff loans		794,871	713,428
Finance costs - borrowing costs		(57,044)	(185,494)
Marketing Grant to SIB		(198,404)	(4,452,989)
Other income	20	6,308	103,277
Foreign exchange (losses)/gains		24,949,692	666,592
Other comprehensive income - Surplus on Revaluation of Investment property	6(a)	96,815,103	
Profit and total comprehensive income for the year		<u><u>239,301,535</u></u>	<u><u>68,712,415</u></u>

	Note	Stated capital	Capital grant	Revaluation reserve	Retained earnings	Total
		SR	SR	SR	SR	SR
At January 1, 2020		8,715,700	3,416,253	-	178,464,181	190,596,134
Total comprehensive income for the year		-	-	-	239,301,535	239,301,535
Amortisation of grant	19	-	(854,063)	-	-	(854,063)
Transfer to the GOS		-	-	-	(85,268,991)	(85,268,991)
Revaluation of property	5(c)	-	-	21,690,601	-	21,690,601
At December 31, 2020		8,715,700	2,562,190	21,690,601	332,496,725	365,465,217
		Stated capital	Capital Grants	Revaluation reserve	Retained earnings	Total
		SR	SR	SR	SR	SR
At January 1, 2019		8,715,700	4,270,316	-	138,754,203	151,740,219
Total comprehensive income for the year		-	-	-	68,712,415	68,712,415
Amortisation of grant	19	-	(854,063)	-	-	(854,063)
Transfer to the GOS		-	-	-	(29,002,437)	(29,002,438)
At December 31, 2019		8,715,700	3,416,253	-	178,464,181	190,596,134

The notes on pages 8 to 27 form an integral part of these financial statements. Auditors' report on page 3.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR	2019 SR
Cash generated from operations			
Profit for the year		239,301,535	68,712,415
<i>Adjustments for</i>			
Depreciation on plant and equipment	5	2,089,215	2,213,731
Depreciation of investment property	6		6,074,304
Reversal of demolition costs		688,929	173,224
Amortisation of intangible asset	7	3,450	4,600
Amortisation of capital grant	19	(854,063)	(854,063)
Profit on disposal of asset	20	-	(80,000)
Gain on revaluation of Investment Property		(96,815,103)	-
Retirement benefit obligations charge	13	5,125,411	4,259,475
Impairment of trade receivables		(120,027)	102,318
Interest payable		57,044	-
Interest receivable		(794,871)	(713,428)
		<u>148,681,520</u>	<u>79,892,576</u>
<i>Changes in working capital</i>			
Increase in trade and other receivables		(3,414,550)	(4,528,801)
- (Decrease)/Increase in trade and other payables		<u>26,012,597</u>	<u>(1,766,711)</u>
Cash generated from operations		171,279,567	73,597,064
Retirement obligations paid	13	(3,663,318)	(2,473,981)
Interest received		794,871	713,428
Net cash inflow from operating activities		<u>168,411,120</u>	<u>71,836,511</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(7,772,000)	(12,877,875)
Payment - Investment Properties		(3,639,595)	(19,433,507)
Proceeds from sale of asset			80,000
Net cash outflow from investing activities		<u>(11,411,595)</u>	<u>(32,231,382)</u>
Cash flows from financing activities			
Loan Repayment		(19,230,270)	(20,795,058)
Interest paid		(1,359,258)	(3,179,840)
Amount transferred to the Government of Seychelles		(72,600,115)	(35,402,700)
Net cash outflow from financing activities		<u>(93,189,643)</u>	<u>(59,377,597)</u>
Net increase in cash and cash equivalents		<u>63,809,882</u>	<u>(19,772,468)</u>
Movement in cash and cash equivalents			
At January 1,		62,362,506	82,134,974
Increase		63,809,882	(19,772,468)
At December 31,	9	<u>126,172,388</u>	<u>62,362,506</u>

The notes on pages 8 to 27 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 adopted International Financial Reporting Standards for the first time for the year ended December 31, 2016 while previously the financial statements were prepared under Generally Accepted Accounting Practice (GAAP).

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

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

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

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

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

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

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

Annual Improvements to IFRSs 2014-2016 cycle

IFRS 1 is amended to delete the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose. *The amendment has no impact on the Authority's financial statements.*

IFRS 12 is amended to clarify that the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. *The amendment has no impact on the Authority's financial statements.*

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

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

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

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

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

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

IFRS 16 Leases

IFRS 17 Insurance Contracts

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

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

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

(b) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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

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

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

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

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

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

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

(c) Investment property

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

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

Investment property is depreciated on a straight-line at 4% p.a. over the economic useful life of 25 years.

(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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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

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

(i) Retirement benefit obligations

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

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

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

(j) Provisions

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

(k) Foreign currencies*Functional and presentation currency*

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

Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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

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

(i) Services revenue

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

(ii) Rental income

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

(iii) Interest income

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

(m) Business tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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, 2020, 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 SR2.63m (2019: SR1.01m) 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:

	2020	2019
	SR	SR
Bank balances	114,570,415	61,784,798
Trade & other receivables	5,657,099	7,929,330
Borrowings	(10,612,046)	(29,842,316)
Other payables	(57,032,161)	(19,757,686)
	<u>52,583,307</u>	<u>20,114,126</u>

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

(ii) Cash flow and fair value interest rate risk

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

At December 31, 2020, if interest rates on floating rate borrowings had been $\pm 1\%$ higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by SR245.55k (2019: SR249.82k) due to impact on interest expense on borrowings.

(b) Credit risk

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

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

	2020	2019
	%	%
5 major counterparties	59	36
Others (diversified risks)	41	64
	<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, 2020

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, 2020					
Bank Borrowings	10,612	-	-	-	10,612
Other payables	59,896	-	-	-	59,896
At December 31, 2019					
Bank Borrowings	23,213	6,629	-	-	29,842
Other payables	22,411	105	-	-	22,516

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 2020, the Authority's strategy, which was unchanged from 2019, 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:

	2020 SR'000	2019 SR'000
Total debt	10,612	29,842
Less: Cash and cash equivalents	(126,172)	(62,362)
Net debt	(115,560)	(32,520)
Total capital	365,465	190,596
Net debt	(115,560)	(32,520)
Total capital plus debt	249,905	158,076
Gearing ratio	(46.24)	(20.57)

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, 2020

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2020

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

(b)

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

(c)

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

5. PROPERTY, PLANT AND EQUIPMENT

(d) JANUARY 31, 2019

	Land & Buildings	Gates & fences	Motor vehicles	Plant & equipment	Furniture & fixtures	Other assets	Work-in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
COST								
At January 1, 2019	18,608,182	637,788	3,212,475	9,970,313	5,151,602	2,146,673	1,202,290	40,929,322
Additions	-	-	289,993	1,624,502	496,485	272,289	29,628,114	32,311,382
Disposal	-	-	(247,000)	-	-	-	-	(247,000)
Write offs	-	-	-	-	-	-	(173,224)	(173,224)
Transfers/Adjustments	-	-	-	-	-	-	(20,462,573)	(20,462,573)
At DECEMBER 31, 2019	18,608,182	637,788	3,255,468	11,594,815	5,648,087	2,418,961	10,194,607	52,357,908
ACCUMULATED DEPRECIATION								
At January 1, 2019	6,560,038	637,788	2,139,330	7,348,534	4,557,765	1,649,731	-	22,893,187
Charge for the year	394,825	-	311,168	1,051,605	259,293	196,840	-	2,213,731
Disposal	-	-	(247,000)	-	-	-	-	(247,000)
Write offs	-	-	-	-	-	-	-	-
At DECEMBER 31, 2019	6,954,864	637,788	2,203,498	8,400,139	4,817,058	1,846,571	-	24,859,918
NET BOOK VALUE								
At DECEMBER 31, 2019	11,653,318	-	1,051,969	3,194,676	831,029	572,390	10,194,607	27,497,990

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

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

(f) Work in-progress comprised of the following:

	2020	2019
	SR	SR
Consultancy/ structural engineer fees for construction of New FSA Building	1,052,647	
IT Work In Progress	13,006,455	10,194,607
Improvement to infrastructure	1,198,734	-
	<u>15,257,836</u>	<u>10,194,607</u>

6. INVESTMENT PROPERTY

	2020	2019
	SR	SR
Cost		
At January 1,	175,690,697	155,228,124
Adjustment from previous year	(688,929)	-
Additions	3,639,595	20,462,573
Revaluation reserve	61,672,696	-
At December 31,	<u>240,314,059</u>	<u>175,690,697</u>
Accumulated depreciation		
At January 1,	35,142,407	29,068,103
Charge for the year	-	6,074,304
Revaluation reserve	(35,142,407)	-
At December 31,	<u>-</u>	<u>35,142,407</u>
*Fair value/Net book value	<u>240,314,059</u>	<u>140,548,290</u>

*The revalued amount/fair value of Investment property for the previous year (i.e 2019) was not restated.

(a)

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

	Revaluation Value as at 31.12.2020	Value in current state as at 31.12.2019
	SR	SR
Ware house A on Parcel Number V17888	2,612,300	1,642,300
Ware house B on Parcel Number V17889	45,441,965	32,588,380
Ware house C on Parcel Number V17890	45,441,965	32,588,380
Ware house K on Parcel Number V17885	36,185,964	25,888,380
Ware house J on Parcel Number V17893	61,831,398	45,144,300
Utility Block on Parcel Number V17893	61,831,398	45,144,300
	<u>253,344,990</u>	<u>182,996,040</u>

(b)

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

7. INTANGIBLE ASSETS

Computer Software

	2020	2019
	SR	SR
Cost		
At January 1,	587,468	587,468
Additions	-	-
At December 31,	<u>587,468</u>	<u>587,468</u>
Amortisation		
At January 1,	584,018	579,418
Charge for the year	3,450	4,600
At December 31,	<u>587,468</u>	<u>584,018</u>
Net Book Value	<u>-</u>	<u>3,450</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

8. TRADE AND OTHER RECEIVABLES	2020	2019
	SR	SR
Trade receivables	7,466,687	6,756,887
Prepayments	1,334,390	1,649,738
Loans and receivables (note (f))	13,372,250	14,803,246
Other receivables	4,660,003	208,910
	<u>26,833,330</u>	<u>23,418,781</u>
Provision for credit impairment (note (c) and (d))	(308,583)	(428,610)
	<u><u>26,524,747</u></u>	<u><u>22,990,171</u></u>

Disclosed as follows:

	2020	2019
	SR	SR
Within one year	16,283,599	11,604,033
After more than one year (note (f))	10,241,148	11,386,138
	<u><u>26,524,747</u></u>	<u><u>22,990,171</u></u>

- (a) The carrying amount of trade and other receivables approximate their fair values.
- (b) As at December 31, 2020, trade receivables that were past due but not impaired amounted to SR5,027,420. (2019: SR2,445,955). These relate to a number of independent customers for whom there is no recent history of default. These receivables were aged above 90 days.
- (c) As at December 31, 2020, trade receivables amounting to SR 308,583 were impaired (2019: SR 428,610). 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:

	2020	2019
	SR	SR
At January 1,	428,610	326,292
(Reversal)/ Charge to the statement of profit or loss (note 17)	(120,027)	102,318
At December 31,	<u><u>308,583</u></u>	<u><u>428,610</u></u>

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

	2020	2019
	SR	SR
US Dollar	5,657,099	7,162,008
Seychelles rupee	20,867,649	15,828,163
	<u><u>26,524,748</u></u>	<u><u>22,990,171</u></u>

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

	2020	2019
	SR	SR
Within one year	4,058,651	3,417,108
After more than one year	9,313,599	11,386,138
	<u><u>-</u></u>	<u><u>14,803,246</u></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, 2020

9. CASH AND CASH EQUIVALENTS	2020	2019
	SR	SR
Cash in hand	-	177,970
Cash at banks	126,172,388	62,422,679
Overdrawn balance SR Current Account	-	(238,143)
	<u>126,172,388</u>	<u>62,362,506</u>

10. STATED CAPITAL

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

- (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. BORROWINGS

	2020	2019
	SR	SR
Bank borrowing		
Non-current	-	6,629,320
Current	10,612,046	23,212,997
	<u>10,612,046</u>	<u>29,842,317</u>

The movement is as follows:

	2020	2019
	SR	SR
At January 1,	29,842,316	50,637,374
Paid during the year	(19,230,270)	(20,795,058)
At December 31,	<u>10,612,046</u>	<u>29,842,316</u>

- (a) Bank borrowing is from Nouvobanq and amounted to USD 7.5 million to finance the construction of new warehouses of the Authority. The first disbursement was effected in March 2014 and repayment commenced in March 2016 by monthly instalments of USD 142,740 and is to be completed by March, 2021. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears a variable interest rate starting as from 6.88% in January 2020 and decreasing to 5.23% as of October, 2020.
- (c) Borrowing is denominated in US Dollar and its maturity profile is detailed under note 3 (c) and the carrying amount of borrowing approximates its amortised cost. .

13. RETIREMENT BENEFIT OBLIGATIONS

	2020	2019
	SR	SR
At January 1,	10,447,626	8,662,132
Charge for the year (note 16)	5,125,411	4,259,475
Payments during the year	(3,663,318)	(2,473,981)
At December 31,	<u>11,909,719</u>	<u>10,447,626</u>

- (a) Retirement benefit obligations have not been computed in compliance with the requirements of IAS 19 since the Directors have estimated the provisions as above, which have been based on the Ministry of Administration & Manpower, 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, 2020

14. OTHER PAYABLES	2020	2019
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)	12,668,876	
Advance payments -fees	19,780,863	8,453,514
Deposits-rent	10,995,066	5,732,029
Corporate Tax	1,236,437	763,669
Accrued Interest on Overdraft	339,031	1,641,245
Accrued Expenses	1,640,527	150,000
Other payables	13,234,788	5,775,872
	<u>59,895,588</u>	<u>22,516,330</u>
Disclosed as follows:		
	2020	2019
	SR	SR
Within one year	59,895,588	22,411,637
After more than one year (accrued interest)	-	104,693
	<u>59,895,588</u>	<u>22,516,330</u>
(a) am		
(b) The carrying amount of other payables are denominated in the following currencies:		
	2020	2019
	SR	SR
US Dollar	57,032,161	19,757,686
Seychelles rupee	2,863,427	2,758,645
	<u>59,895,588</u>	<u>22,516,330</u>
15. REVENUE	2020	2019
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	16,185,784	11,890,951
IBC annual licence fees	97,358,369	72,745,609
Other licence fees	7,758,614	6,687,919
Funds and securities fees	8,079,999	2,431,598
Insurance fees	2,302,577	1,125,703
Gambling Fees	9,187,083	7,115,000
Other services	28,687,757	22,304,573
	<u>169,560,183</u>	<u>124,301,354</u>
(b) Rental income		
Investment property	29,694,011	32,348,575
Outdoor space	127,343	415,883
	<u>29,821,354</u>	<u>32,764,458</u>
	<u>199,381,537</u>	<u>157,065,812</u>
16. STAFF COST	2020	2019
	SR	SR
Salaries & wages	38,675,225	35,602,591
Employee benefits and related expenses	4,656,319	4,005,974
Directors' emoluments (note 23)	403,893	684,691
SITZ Employment Council/FSA Appeals Board	520,156	341,606
Gratuity and compensation paid (note 13)	5,125,411	4,259,475
Retirement benefit obligations	1,141,792	1,013,916
	<u>50,522,796</u>	<u>45,908,252</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

17. ADMINISTRATIVE EXPENSES

	2020	2019
	SR	SR
Administration costs	4,931,241	4,896,943
Rental Costs	6,423,197	5,831,820
Communication costs	2,614,619	2,238,824
Transport and travelling costs	503,954	1,228,529
Maintenance and repairs	2,497,236	2,511,729
Training	1,645,103	2,239,256
Legal fees	333,206	312,000
Audit and Accountancy fees	100,000	100,000
Professional fees	4,819,989	3,850,074
Bank charges	69,753	64,048
(Reversal)/ charge for provision for credit impairment (note 8(d))	(120,027)	102,318
General expenses	3,491,231	4,041,582
	<u>27,309,502</u>	<u>27,417,125</u>

18. EDUCATIONAL DISSEMINATION

	2020	2019
	SR	SR
Information dissemination	3,266,512	3,880,572
Advertisement	53,115	553,690
	<u>3,319,627</u>	<u>4,434,262</u>

19. OTHER OPERATING COSTS

	2020	2019
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	2,089,215	2,213,731
- Investment Property (note 6)	-	6,074,304
Amortisation (note 7)	3,450	4,600
Amortisation of capital grant	(854,063)	(854,063)
	<u>1,238,602</u>	<u>7,438,572</u>

20. OTHER INCOME

	2020	2019
	SR	SR
Profit on sale of asset	-	80,000
Sundry income	6,308	23,277
	<u>6,308</u>	<u>103,277</u>

21. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2020 amounted to **SR3,039,553** (2019: 5,885,793).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2020

21. 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:

	2020	2019
	SR	SR
Not later than one year	404,681	211,089
Later that one year and not later than five years	1,618,725	844,356
	<u>2,023,406</u>	<u>1,055,445</u>

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

	2020	2019
	SR	SR
Not later than one year	59,980,593	29,776,928
Later that one year and not later than five years	140,997,973	78,569,790
	<u>200,978,565</u>	<u>108,346,718</u>

The contracts with most of the tenants for the cancellable operating leases are renewable every two years.

22. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2020 (2019: Nil).

23. RELATED PARTY TRANSACTIONS

	2020	2019
	SR	SR
Directors		
- Remuneration (including Fees for the HR & Audit Committees) (note 16)	403,893	684,691
Holding Entity		
- Surplus payable (note 14)	<u>85,268,991</u>	<u>29,002,437</u>

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

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2020, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2019: 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

	2020	2019
	SR	SR
Salaries and other benefits	14,878,596	11,721,057
Accrued Benefits	446,366	351,649
Employer Pension costs	2,231,789	1,758,159
	<u>17,556,752</u>	<u>13,830,865</u>

LIST OF ACRONYMS AND ABBREVIATION

AEOI	- Automatic Exchange Of Information
AFDB	- African Development Bank
AML	- Anti-Money Laundering
BEPS	- Base Erosion and Profit Shifting
CBS	- Central Bank of Seychelles
CFT	- Counter Financing of Terrorism
CIS	- Collective Investment Scheme
CSL	- Companies Special Licence
COMESA	- Common Market for Eastern and Southern Africa
ESAAMLG	- Eastern and Southern Africa Anti Money laundering Group
FATF	- Financial Action Task Force
FATCA	- Foreign Account Taxpayer Compliance Act
FIU	- Financial Intelligence Unit
FSA	- Financial Services Authority
FSDIP	- Financial Sector Development Implementation Plan
FSC	- Financial Stability Committee
FSMC	- Financial Services Marketing Committee
GOP	- Gainful Occupation Permit
HIRE	- Hiring Incentives to Restore Employment
IBC	- International Business Company
ICF	- Investment Climate Facility
ICSP	- International Corporate Service Provider
IGA	- Intergovernmental Agreement
IMF	- International Monetary Fund
IOSCO	- International Organisation of Securities Commission
ITZ	- International Trade Zone
ME	- Mutual Evaluation

MMoU	-	Multilateral Memorandum of Understanding
NRA	-	National Risk Assessment
OECD	-	Organisation for Economic Co-operation and Development
PCC	-	Protected Cell Companies
PMDS	-	Performance Management and Development project
SIB	-	Seychelles Investment Board
SIBA	-	Seychelles International Business Authority
SIFSA	-	Seychelles International Financial Services Association
STEP	-	Society of Trust and Estate Practitioners