



ANNUAL REPORT

2019



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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

The FSA spared no efforts in 2019, to continue on the trajectory to strengthen and enhance the regulatory framework governing the financial services industry in Seychelles. In carrying out our regulatory and supervisory functions, the FSA is obligated to balance a number of imperatives, which includes, promoting and maintaining a sound financial system, promoting and enhancing market confidence, consumer protection and maintaining the reputation and competitiveness of the jurisdiction.

Following the adoption of the Mutual Evaluation Review (MER) in 2018, steps were taken by the government authorities to start the review of the Seychelles' anti-money laundering and countering the financing of terrorism (AML/CFT) framework. Similar, the government authorities have initiated works to bring Seychelles at par with the recent standard of the EU's Code of Conduct Group, mainly the Foreign Source Exemption Regimes. The FSA has been working in very close collaboration with local and international partners to implement the recommendations.



Needless to say, we will keep intensifying our efforts, as has been done over the past several years, to adapt and adopt new and evolving standards governing cross border financial services.

Following FSA's successful application to become an Associate Member of the International Organisation of Securities Commission ("IOSCO") in 2018, the FSA submitted its 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. FSA also became a member of the Group of

International Finance Centre Supervisors (GIFCS) and the Global Financial Innovation Network (GFIN). In the spirit of International Cooperation, the Authority dealt with an increasing number of requests for assistance from overseas and local regulatory authorities.

In today's economy, knowledge is an invaluable asset and the pool of qualified professionals in the industry is one of the main assets which can be leveraged on. It is with this principle in mind that the FSA remained committed in its quest to maintain a high level of service standard and compliance within the field of financial services, through the facilitation of the International Compliance Associations (ICA) courses, in partnership with the ICA. The training program made available an array of professional courses,

focusing in international legislation and best practice, key compliance activities and process, and other key compliance areas such as anti-money laundering frameworks, risks management and the prevention of financial crimes.

Over the past two years, I have been given the opportunity to participate in decision making and provide guidance to FSA's Board. I wish to commend the board members for their support, the Chief Executive Officer, the Deputy Chief Executive Officer and the staff for their relentless dedication and commitment to fulfill the mission of the FSA. Collectively, we will continue to fulfill our responsibility to safeguard the future of the financial services in Seychelles.

Mr. Suketu Patel
Chairman
Of the
Financial Services Authority

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Seychelles is home to a thriving financial services industry bolstered on compliance and transparency. Over the past 24 years, the FSA has strived to maintain a robust and prudent financial services industry.

The year 2019 has been one of significant progress for the FSA. The Authority undertook several steps to ensure that key relationships are maintained through close consultations with local and international partners. Firstly, the Financial Stability Committee which was set up in 2016, remained engaged in 2019, in an effort to exchange information in regards to the rising risks and risks factors to mitigate the buildup of excessive risk and collectively ascertain the state of financial stability within the country. Secondly, the FSA conducted a number of consultations with the industry on proposed new policies affecting their business, throughout the year. The FSA Product and Legislation Committee, chaired by the FSA, also met to discuss product development and issues affecting their businesses. It is through these consultations that the Authority is able to manage the commitment of its stakeholders for the betterment of the sector.



The FSA is cognizant that in order to remain a financial services jurisdiction of choice, much effort needs to be placed on the competitiveness of the jurisdiction. This was done in collaboration with the Seychelles Investment Board whereby several roadshows were held in key markets to ensure that we maintain our visibility. Furthermore, the FSA, featured in various reputable international magazines, the likes of Forbes Asia, Forbes Africa, IFC Media, just to name a few.

Given the complexity of the industry, high level of expertise remains a top requirement

for the FSA, which is why there is continuous efforts to support and enable its staff to develop their capacity through professional trainings. Through the partnership with ICA, several courses, including Compliance and Anti- Money Laundering were undertaken by our staff. The efficacy in the services of the industry hinges greatly on solid knowledge and experience of our professionals. For the continuous development of the sector, it is crucial to keep abreast with the new requirements of international standards to safeguard Seychelles' credibility as a financial services jurisdiction of good repute.

A slight increase in new IBC incorporations was recorded for the year 2019, from 8,285, in 2018 to 8,457. However, there was a small decline in the FSA's total revenue, from SCR 157,820,238 in 2018 to SCR 157,065,812 in 2019.

In 2019, a comprehensive risk assessment was conducted to mitigate the risks of cybersecurity and to strengthen our

Information Technology infrastructure. Thereafter, a new Information Technology platform will be introduced which will enable its stakeholders to submit licence applications online. Overall this will improve the efficiency and efficacy of the organisation.

Other objectives include the need to maintain public awareness in the products available through consumer education. The FSA has published monthly articles to ensure that we raise awareness of the services under our purview to the Seychelles residents. Moreover, as consumer protection plays an equally important role in financial stability and the development of financial services, a Consumer Protection Act is being drafted to strengthen the current framework and reinforce the confidence of consumers.

I hereby, extend my gratitude to the staff and the Board of Directors for their support and dedication. I look forward to celebrating many more years of success, for the betterment of our beloved Seychelles.

*Dr. Steve Fanny,
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, 2017, for a term of three years.

MEMBERS OF FSA BOARD OF DIRECTORS AS AT 31st DECEMBER 2019

<i>Capacity in accordance with Section 5 of the Financial Services Authority Act, 2013</i>		<i>Member</i>
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. Irene Croisée
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	Ms. Marie-Cecile Esparon
S5(1)(f)	Chairperson of the Seychelles Bankers' Association or a representative of the Chairperson	(Mr. Norman Weber)
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. Tanya Potter
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 2019, nine 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 2019)

Ms. Irene Croisée	-	Chairperson
Ms. Jenifer Sullivan	-	Member
Ms. Tanya Potter	-	Member
Ms. Irene Croisée	-	Member

Secretary to the Committee Ms. Zenabe Daman

HUMAN RESOURCES AND REMUNARATION 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 2019)

Ms. Jenifer Sullivan	-	Chairperson
Ms. Cindy Vidot	-	Member

Secretary to the Committee Ms. Zenabe Daman

FINANCE COMMITTEE

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

Members of the Finance Committee

(As at 31st December 2019)

Ms. Irene Croisée - Member

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 2019)

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 licence, 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

Companies (Special Licences) Act, 2003

Companies Special Licenses (Amendment) Act, 2018

Foundations Act, 2009

Foundations (Amendment) Act, 2011

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

International Business Companies Act, 2016

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

International Corporate Service Providers Act, 2003

International Corporate Service Providers (Amendment) Act, 2009
International Corporate Service Providers (Amendment) Act, 2011

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 Trusts Act, 1994

International Trusts (Fees) Regulations, 1995
International Trusts (Amendment) Act, 2011

Limited Partnerships Act, 2003

Limited Partnerships (Amendment) Act, 2011

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

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

Seychelles Gambling Act, 2014

Seychelles Gambling (Fees) Regulations, 2018

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.

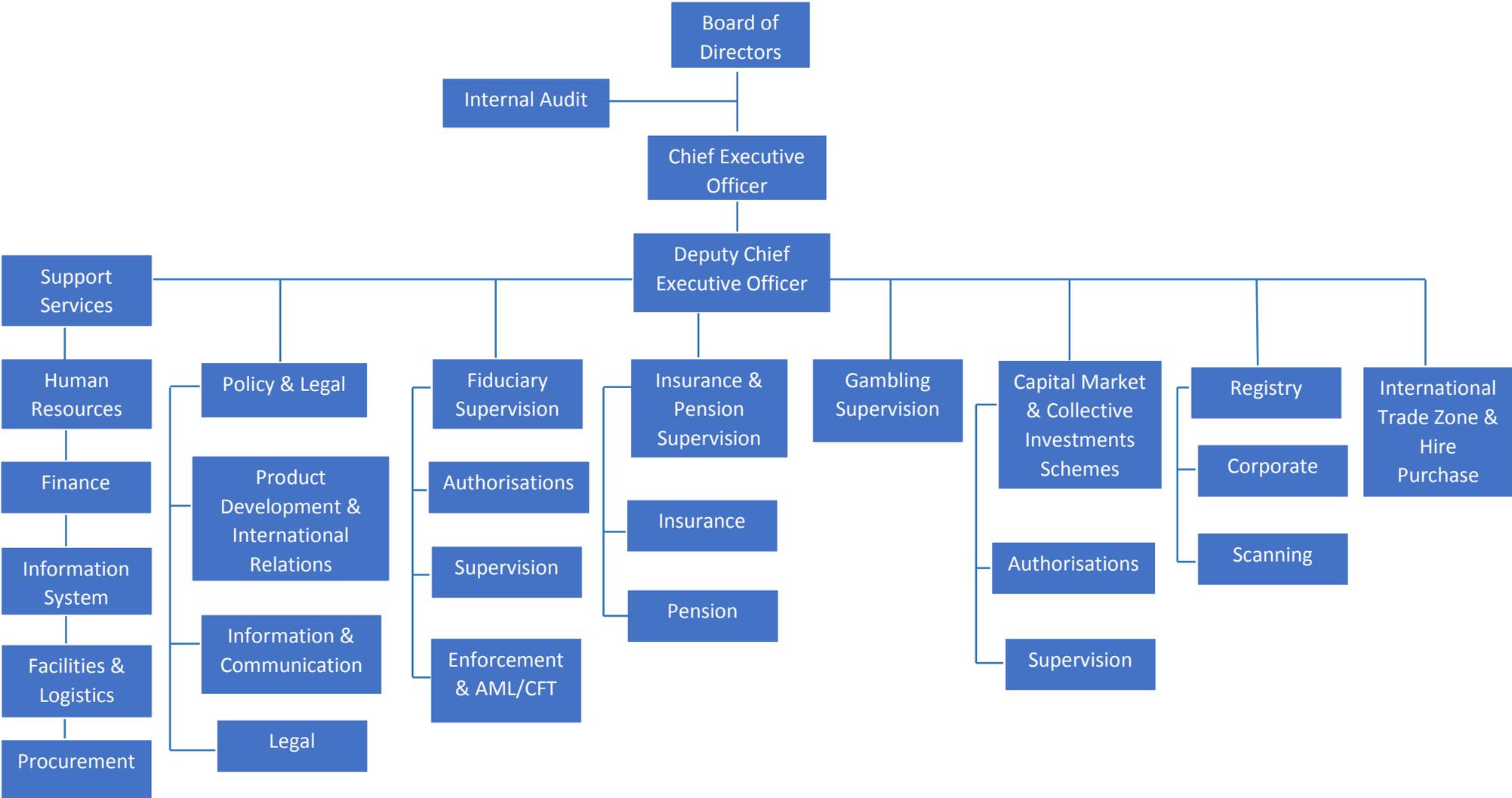
FSA EVALUATION COMMITTEE

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 January 2020, the growth rate for the year 2019 is estimated at 3.4 percent. The forecasted growth rate for the years 2020 and 2021 stand at 3.3 and 3.4 percent respectively. These figures have been revised downwards by 0.1 and 0.2 percent as opposed to previous predictions made.

The downward revisions for the upcoming years is mainly attributed to the unforeseen circumstances stemming from natural disasters such as hurricanes in the Caribbean, the Australian bush fires, Eastern Africa flooding's, Southern Africa droughts and social unrest in emerging market economies.

Countries such as India, Mexico and South Africa experienced a downward trend, which mostly felt during the third quarter of 2019. This trend was mostly attributed to country specific factors, which had an adverse impact on demand.

Advanced economies faced slower growth than usual subsequent to experiencing higher than anticipated upward trends. Projected growth was estimated at 1.6 percent for the year 2020 and 2021, 0.1 percent lower than estimations made. This pattern was despite the job opportunities presented which decreased the job unemployment rate in the United States and leveled the inflation rate.

The lowered demand for goods, such as metals, resulted in decreased prices which contributed to the level inflation rate. Stabilization was experienced during the fourth quarter of the year through tailored monetary and fiscal policies in jurisdictions such as China, Korea and the United States.

United States is projected to have a lower growth rate from 2.3 percent in 2019, to 2 percent in 2020. Further projections estimate a continued decline in the growth rate to 1.7 percent in the year 2021. In the European Area, the projected trend is facing upwards from 1.2 percent in 2019 to 1.3

¹ *International Monetary Fund, World Economic Outlook, January 2020: Tentative Stabilization, Sluggish Recovery, Washington DC.*

percent for the coming year, 2020. The United Kingdom is also expected to face an upward trend of 1.4 percent in 2020 to 1.5 in 2021.

The emerging markets and developing economies (EMDEs) is expected to experience an uptrend from 4.4 percent in 2020 to 4.6 in 2021. This increase is continued from 2019, which projected a 3.7 percent in global growth.

Manufacturing on a global scale was moving at a sluggish pace due to factors such as revised emission standards, delayed launch of new technological products and accumulated inventory. However, these factors reduced, causing manufacturing activities to regain momentum. Stabilization equated supportive financial markets yielding reduced central bank rates.

Movements in currency rates depicted by the US Dollar and the Japanese Yen decreasing by approximately 2 percent showcases the increased risk and lowered trade tensions. The British Pounds on the

other hand appreciated by 4 percent given the decreased risk associated with a no-deal Brexit.

REGIONAL ECONOMIC PERSPECTIVE

According to the Regional Economic Outlook² for Sub Saharan Africa, growth for the year 2019 was estimated at 3.2 percent. Future growth prospects are expected to gradually increase and reach 3.6 percent for 2020.

Countries lacking natural resources are projected to experience an accumulated growth rate of 6 percent. This will result in 24 countries within the sub Saharan region experiencing a faster pace of growth as opposed to the global economy. On the other hand, countries abundantly blessed with natural resources will experience a growth rate of approximately 2 percent; about 21 countries will experience a slower pace of growth.

The inflation rate is expected to decrease, stabilizing the debt of the region and decreasing public debt vulnerabilities in

² *International Monetary Fund, Regional Economic Outlook, Sub Saharan Africa, October 2019; Navigating Uncertainty, Washington DC.*

several countries. Inherent risks include increasing protectionism, augmented risk premiums and declining capital inflows.

Commodity prices are expected to decrease, the effects of which will be diverse on goods in the region and most notably oil prices, equating diminished growth. This pace of growth is expected to carry on for the medium term.

Challenges experienced by regional countries include droughts in Angola, Botswana, Ethiopia, Kenya, Lesotho, Namibia, Zambia and Zimbabwe. The associated effect of such a natural disaster include insecurity in terms of food, migration, inflationary pressures, electrical shortages as well as various other negative side effects.

Mozambique and different other countries in southeastern Africa suffered from cyclones causing millions in damages and affecting many lives. The aftereffect of these natural disasters have a direct negative impact on the economy impacting major ports, inflation and trade balances.

The Ebola virus has aggravated in the Republic of Congo, with 3,000 reported cases, out of which 2,000 deaths have been recorded.

The region may implement a strategy to encourage growth across regional countries that requires adjusting near term policy, constructing resilience and increasing medium term growth.

THE SEYCHELLES CONTEXT

The Seychelles, being a small island nation is reliant on the developments occurring on the international platform. The tourism industry is the main pillar of the economy followed by other services sectors of the economy, which contribute towards the global output of the economy.

According to the Central Bank of Seychelles' Annual Report³, the total expansion in growth was 3.9 percent, a decrease of 0.2 percent when compared to the previous year.

The main deterrent to business experienced involved high cost of operation, challenges in

³ Annual Report 2019; Central Bank of Seychelles

recruitment and competition brought about by substitutes imported into the country.

Consumers experienced an increased level of spending through the acquisition of rising levels of income, frequent overseas travel, increased demand for consumer goods and high demand for credit. These factors indicated an indisputable level of activity.

The tourism industry yielded a large number of tourists equating approximately 384,204 visitors in the country. These figures represent an increase of 6.2 percent as opposed to the previous year. This contributed an estimated total of US\$590 million in the economy. This estimate additionally contributed to an influx of foreign exchange representing a 2.1 percent increase in supply of foreign exchange.

The fisheries sector yielded an appreciation of 3.0 percent compared to the previous year. This increase may be attributed to innovative infrastructures yielding efficiency. New developments in the sector involve the new Broodstock Acclimation and Quarantine Facility (BAQF) designed for the aquaculture, which will be used for the grouper and red snapper species and the

three year Fisheries Comprehensive Plan detailing the measures to be taken for the coming three years to develop the fisheries sector.

Agriculture, which is another primary sector of the Seychelles, experienced a growth of approximately 2.0 percent. The sector noted an increase in the number of livestock, however, the figures for the production of eggs deferred with a 1.5 percent decrease.

The local currency for the year 2019 experienced a downtrend of 0.9 percent alongside the US dollar. However, the Seychelles Rupees gained value against the Euro and the British Pounds. This movement provided security for the coming financial year.

For 2020, there is an expected growth rate of 3.3 percent for the Seychelles economy. There is a foreseeable decrease in the number of visitors to the Seychelles given the potentially severe implication of the Corona Virus outbreak in Wuhan, early December. Tourism is expected to be negatively impacted since the measures implemented include restricting on the movement of people.

LOCAL CAPITAL MARKET TRENDS⁴

MERJ Exchange Limited, previously known as TROP-X, is the sole exchange in the Seychelles jurisdiction. The exchange began operation in the year 2014, consummating 6 years of providing its services.

For the year 2019, the exchange recorded a total of 38 listings, an increase of 26.67 percent as opposed to the previous year. Out of the 38 listings, 36 are equities and 2 debt listings. The market capitalization of the exchange expanded by 319 percent as opposed to the previous year. This expansion represents a total market capitalization of US\$1.2 billion. The listings equated a total sum of US\$14.2 million capital raised.

Alongside domestic companies such as Sacos Group 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. This initial public offering is expected to conclude in the month of February 2020.

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.

A total of 7.99 million shares were traded in the third quarter of 2019, representing a growth of 168 percent as opposed to the previous year. The total number of sponsor advisors increased by 6, totaling the number to 11 and an additional member on the exchange resulting in 3 members.

⁴ MERJ Exchange Limited, 2019 Year Review

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. The new AML/CFT law, currently a draft Bill, is expected to be published in the Gazette in the first quarter of 2020. The new law aims to be decentralize AML/CFT supervision through a sectorial approach to AML/CFT supervision will be implemented whereby the Central Bank of Seychelles (CBS) and FSA would be the designated AML/CFT supervisors of the entities under their regulatory purview. The Financial Intelligence Unit (FIU) will remain the AML/CFT supervisor for the remaining designated non-financial business and professionals.

The new law will also formalize 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, Trade, Investment and Economic Planning. 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 spearheaded the drafting of a Beneficial Ownership law which is also expected to be published in the Gazette together with the new AML/CFT Act. The new Beneficial Ownership Act will introduce a requirement for all legal entities and arrangements to identify and verify their beneficial owners. It also sets up a centralized register of beneficial owners to be maintained with the FIU.

Members of the NAC and TAC participated in the ESAAMLG Task Force meetings, which were held in Arusha, Tanzania in April 2019 and in the Kingdom of Eswatini in September 2019. Mr. Patrick Payet headed the delegation. Through its attendance of the Task Force Meetings, delegates participated in numerous working group forums involving Seychelles and other members of the ESAAMLG, whereby the delegates were appraised of the progress being made and actions required to be undertaken by member countries of the ESAAMLG in respect to their AML/CFT framework.

On its part, the Seychelles relayed the progress it had made since its last mutual evaluation report, its commitment to

strengthen its AML/CFT 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.

Hence, the Government is in the process of introducing more detailed substance rules, with tests that are in line with international best practice. 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. Such an approach would be 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.

In 2019, Seychelles received a number of requests of information concerning several Seychelles companies owned by French

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.

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 led to the Seychelles being added on the list of non-cooperative states and territories which was published on 2nd December 2019.

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 will be defending at the Global Forum's Peer Review Group meeting in February 2020.

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 FSC met four times in 2019, during which the potential risk areas were assessed and discussed. The FSC maintained that the overall domestic financial system is stable however there are pockets of concern that should be closely and continuously monitored.

One of those concerns was of cybercrime which is on the rise and is a persistent threat. Given the reliance of new technologies within the domestic financial system, the FSC stressed on the importance of awareness and the need for cybersecurity measures to address this, both at an institutional and national level. The necessary legislations relating to cybersecurity are being drafted.

Another impact on the Financial Stability that was highlighted was the financial performance of parastatals and State Owned Enterprises ("SOEs") 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 FSC, cognizant of the valuable work of Public Enterprise Monitoring Commission (PEMC) is undertaking to monitor the SOEs, agreed that there is a need for more concerted

approach to capture the risks and coordination of pre-emptive actions on the part of all stakeholders.

The FSC recognized the potential reputational risks that some foreign investments and their respective investors may pose to the country necessitate that enhanced due diligence is carried out beforehand. The Committee recommended that the authorities review the framework currently in place for vetting new investments and potential investors ensuring that they are fit and proper.

The FSC had extensive discussions on the issue of de-risking and withdrawal of correspondent banking, taking note of the negative impact that these threats could potentially have on the Seychelles economy. It was stressed that the new Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework needs to be accelerated and delivered on a timely basis as it is a key component in addressing correspondent banking and the de-risking associated threats.

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 Committee also discussed real estate valuations and how this might impact the performance of financial institutions and the financial stability of the country.

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.

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.

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.

The application for membership was submitted in September 2019 and 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.

During the year 2019, the Committee approved the appointment of a new Internal Auditor for the FSA following the resignation of the former Internal Auditor. Under the new management, the Section carried out 3 audits and continuously monitored the implementation of all the recommendations.

The Section also undertook a few consultancy work in 2019 at the request of management to add value and improve the organisation's governance, risk management and control processes in without the internal auditor assuming management responsibility.

OUTLOOK FOR 2020

For the year 2020, the focus of the Internal Audit Section will be to:

- Continuously promote and improve the risk management culture within the FSA
- Widen the scope of audit work to include more of the mission critical areas of the FSA
- Engage all internal audit staffs in relevant capacity development and on-going learning to acquire professional qualifications

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

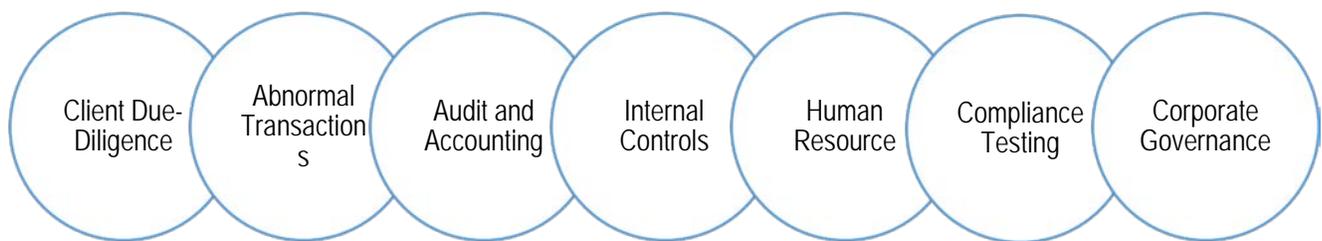
TYPES OF ON-SITE INSPECTIONS

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.

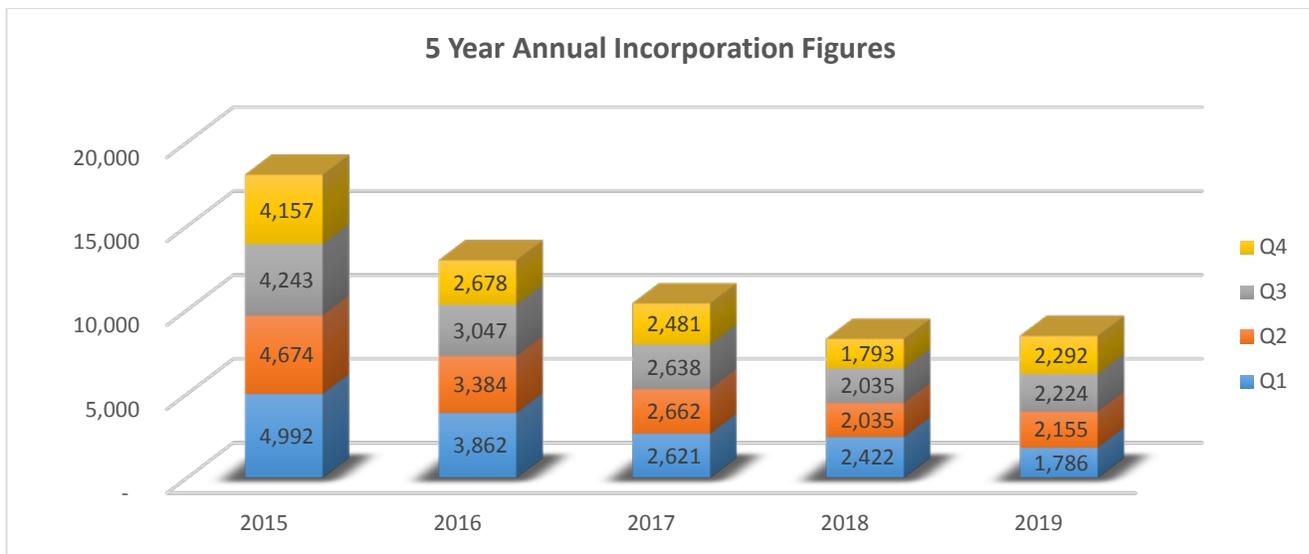
GENERAL OVERVIEW OF NEW LEGAL ENTITIES AND ARRANGEMENTS REGISTERED IN 2019

	New Registrations
IBCs	8,457
Foundations	75
International Trusts	39
Limited Partnerships	1

INTERNATIONAL BUSINESS COMPANIES (IBC)

New IBCs incorporated in 2019 amounted to 8,475 companies. This figure represents a 2% increase when compared to the total incorporations for the year 2018. The average number of IBCs incorporated on a monthly basis was 704 companies during 2019, compared to a monthly average of 609 companies in 2018.

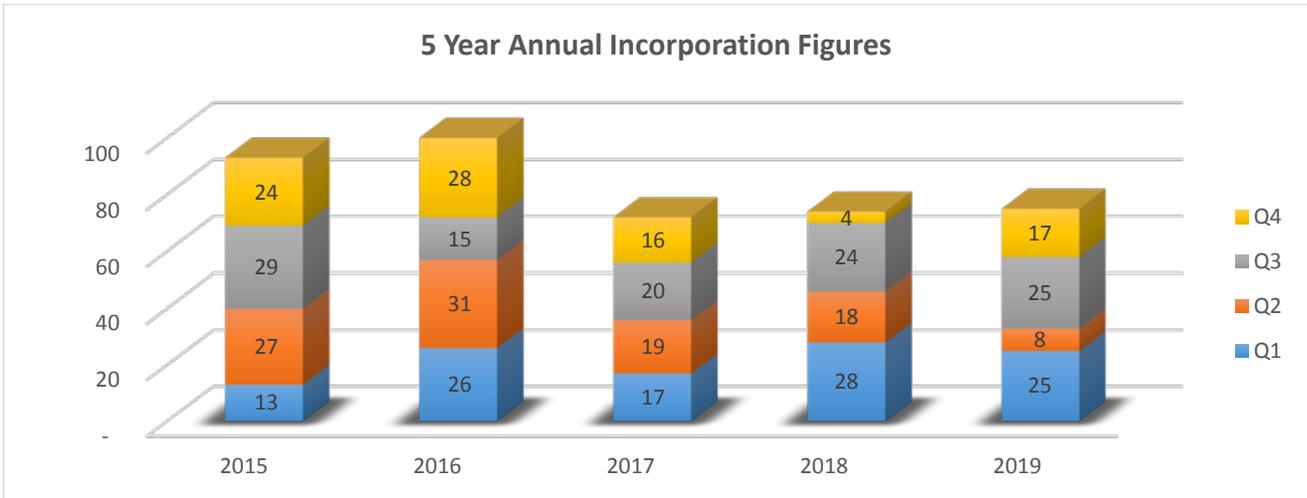
Year	New Incorporations	Cumulative Total
2015	18,066	176,558
2016	12,971	189,529
2017	10,402	199,931
2018	8,285	208,216
2019	8,457	216,673



FOUNDATIONS

New foundations incorporated in 2019 amounted to 75 foundations. This figure represents a 1% increase when compared to the total incorporations for the year 2018. The average number of foundations incorporated on a monthly basis was 6 foundations during 2019 similar to that of year 2018.

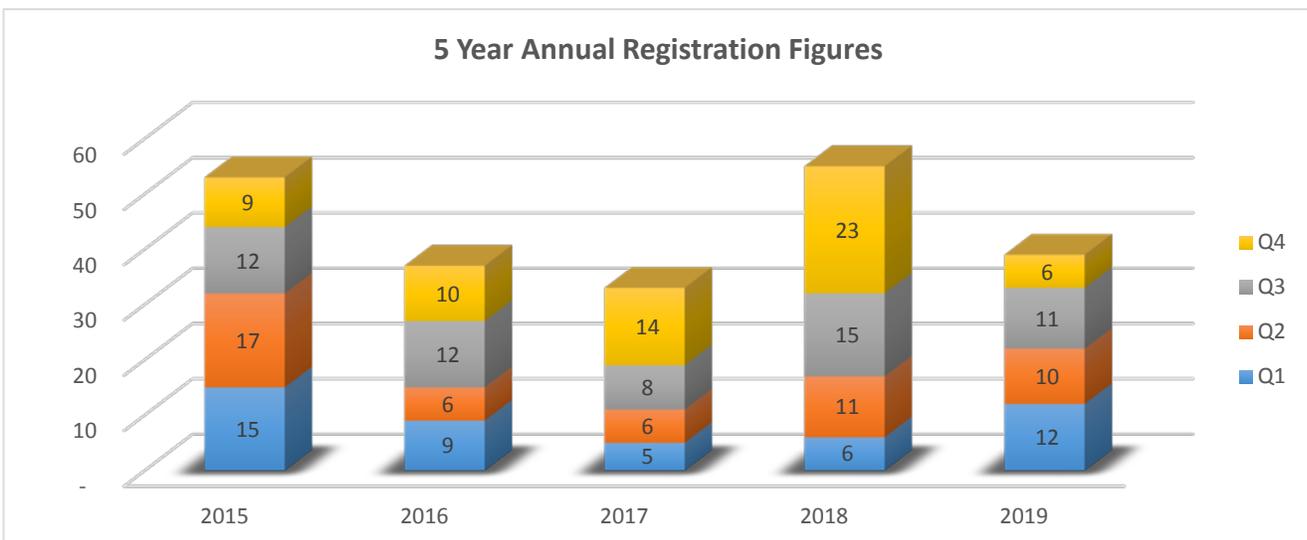
Year	New Incorporations	Cumulative Total
2015	93	514
2016	100	614
2017	72	686
2018	74	760
2019	75	835



INTERNATIONAL TRUSTS

New international trusts registered in 2019 amounted to 39. This figure represents a drop of almost 30% when compared to the total registrations for the year 2018 which amounted to 55. The average number of international trusts registered on a quarterly basis was 10 during 2019, compared to a monthly average of 14 in 2018.

Year	New Registrations	Cumulative Total
2015	53	659
2016	37	696
2017	33	729
2018	55	784
2019	39	823



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
2015	1	29
2016	0	29
2017	1	30
2018	1	31
2019	1	32

KEY ACHIEVEMENTS OF 2019

The year 2019 proved to be an important year for the Registry Section particularly considering that we were able to clear off the backlog of

registers of directors and introduce the online portal for online filing of registers of directors.

OUTLOOK FOR 2020

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 2020 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. The FSA is mandated by law to regulate and control the activities that take place inside any declared ITZ in 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
- Export Services
- Manufacturing

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 2019

With the vision of the FSA in 2019 through the theme “A World of Opportunities: Moving Forward through Innovation and Collaboration for Success”, the FSA sought membership of the World Free Zone Organisation (“WFZO”) in order to make known the Seychelles ITZ to the world. This membership is seen as a great opportunity to bring the Seychelles ITZ to the next level.

Formed under the leadership of 14 founding members, the WFZO is the first organisation to bring together free zones to promote the exchange of views, best practice, experience and knowledge and ensure the sustainability and ongoing success of the free zone model.

To ensure that free zones have the greatest possible impact, there was a need for a global, unifying association to bring these free zones together. One that can represent their interests, share their achievements and support their continuous positive development.

Dedicated to its members' growth and prosperity, the WFZO is the strongest, most active free-zone organisation in the world. The organisation can assist the Seychelles ITZ to

achieve its strategic objectives, make connections that matters and put the industry's most powerful insights, resources and tools at our fingertips.

The WFZO's 5th Annual International Conference and Exhibition took place in Barcelona in July 2019. The aim of the event was for members and participants to have the opportunity to build awareness among WFZO members and prominent participants from across the globe. Attendees also benefited from a broad-based insight on critical issues affecting free zones, as well as various networking opportunities with key international decision makers who have an impact on business, trade and investment.

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. A grandfathering period applies to some existing licensees to continue to benefit from the business tax exemption until December 2022.

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 2019 per licence type are as follows:

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

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2015	2016	2017	2018	2019
Export Services	13	11	11	11	11
Redistribution	9	10	9	6	6
Light Assembly	1	1	1	1	2
Processing	8	8	8	7	7
Manufacturing	3	3	2	2	2
Hire Purchase	0	0	0	0	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
2015	\$ 218,735,329.90	\$ 165,647,161.84
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

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	2019
Export Services	3
Redistribution	2
Light Assembly	1
Processing	3
Manufacturing	1
Total inspections	10

ENFORCEMENT ACTIONS

The ITZ Section did not undertake any enforcement actions against any licensee under its administration in 2019.

COMPLAINTS

The table below depicts the total number of complaints received by the Section for 2019 against the category of licensee.

	ITZ	HP&CS
Complaints Received	3	0
Resolved Complaints	3	0
Unresolved Complaints	0	0

OUTLOOK FOR 2020

For 2020, the Section will be 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 necessary guidelines are being drafted to reflect these changes. Also, guidance is being drafted 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. In terms of Hire Purchase and Credit Sales, more emphasis will be placed on public education so as to attract more businesses to offer the service and to bring more awareness for clients using these services.

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 2019.

Licence	Approved	Rejected
Sub-Agent	8	0

OVERVIEW OF NUMBER OF LICENSES OVER THE PAST 5 YEARS

Licence	2015	2016	2017	2018	2019
Domestic Insurers	5	5	5	6	6
Non-Domestic Insurers	5	7	8	8	7
Domestic Brokers	13	14	14	17	16
Agents	2	2	3	3	3
Sub-Agents	34	34	36	40	47
Insurance Mangers	0	1	1	0	0
PIR ⁷	2	3	2	2	1

⁷ Principle Insurance Representatives

FIT AND PROPER APPROVALS

The table below depicts the total number fit and proper applications received in 2019.

Licence	Approved	Rejected
Non-Domestic Insurer	1	0
Domestic Insurer	3	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 2019.

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2019.

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Non-Domestic insurer	-	-	1	-	-
Domestic Insurer	3	-	-	-	-
Brokers	5	-	1	-	-
Agents	1	-	-	-	-
Sub - Agent	-	-	4	-	-
PIR⁸	-	-	-	-	-

COMPLAINTS

The table below depicts the total number of complaints dealt with by the Section in 2019 against the category of licensee.

Domestic Insurer	
Complaints Received	3
Resolved Complaints	3
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 2019 the POPF Committee received 2 claims and both claims are still pending.

GROSS WRITTEN PREMIUMS AND TOTAL ASSETS

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

General Insurance Business		
Year	GWP (SCR)	TA (SCR)
2015	316,564,178	369,720,203
2016	336,903,832	406,660,477
2017	357,146,503	427,220,059
2018	385,996,525	510,329,899
2019	423,184,693	647,317,990

Life Insurance Business		
Year	GWP (SCR)	TA (SCR)
2015	61,336,622	486,358,159
2016	70,642,280	476,847,036
2017	68,857,550	542,950,151
2018	77,539,443	566,376,698
2019	84,949,605	587,286,992

⁸ Principle Insurance Representatives

OUTLOOK FOR 2020

The following key projects are expected to be undertaken by the Section in 2020:

- Develop an ORSA (“Own Risk Solvency Assessment”) Framework for the licensed insurers
- Explore Captive Insurance Market as a new product
- Finalize the amendments of the Insurance Act
- Implement the new fees structure under the Insurance Act

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 2019

In collaboration with the National Bureau of Statistics, the Section initiated a survey on the prevalence of gambling in the Seychelles. The objective of the survey is 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, to be finalized in 2020, is expected to provide a valuable basis for understanding the gambling behavior of the residents. 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.

The FSA attended the 13th edition of the Global Gaming Expo Asia (“G2E Asia”) Conference 2019 hosted in Macau. G2E Asia is renowned as a key gaming and entertainment business hub across the continent. The annual event hosted nearly 200 exhibitors, including manufacturers and service providers of the gambling industry across the globe, who presented their new products, solutions and technologies.

AUTHORISATION PROCESS

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

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

NEW LICENCE APPLICATIONS

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

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

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2015	2016	2017	2018	2019
Casino	4	4	5	5	6
Slot Machine	6	5	7	7	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. Unlike other sections within the FSA, 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.

INSPECTIONS UNDERTAKEN

Licensee	N° of night spot Checks
Casino	8
Slot Machine	14

ENFORCEMENT ACTIONS

The table below depicts the total number of enforcement actions taken against the category of licensees in 2019.

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

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2019 against each category of licensee.

Slot Machine	
Complaints Received	1
Resolved Complaints	1
Unresolved Complaints	0

OUTLOOK FOR 2020

In 2020, 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.

The survey on the prevalence of gambling in the Seychelles results are expected to be published in 2020, which will allow FSA to develop a framework to tackle problem gambling or the negative effects of gambling within the society.

Following finalization of the application form for Certificates of Approval for gambling licensees, in 2020, the FSA will require all relevant employees (Key Employees and Other Employees) currently employed within the gambling industry to complete and submit the application form to the FSA so that a Certificate of Approval may be issued to them as per the requirements of the law.

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 conduct 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 is 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 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 from the investigations conducted.

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 sections of the FSA into a coherent AML/CFT structure for the organisation.

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 2019.

Fully Fledge Licence Applications			
	Approved	Rejected	Withdrawn
ICS	1	1	0
ITS	1	1	0
FS	2	1	0

Managed Service Provider Licence Applications			
	Approved	Rejected	Withdrawn
ICS	0	1	1
FS	0	0	0

The table below depicts the number of applications received under the CSL Act and the PCC Act for 2019.

	CSL	PCC
Approved	5	0
Rejected	0	0
Withdrawn	0	0

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2015	2016	2017	2018	2019
ICS	67	68	67	69	68
ITS	20	20	19	22	23
FS	13	14	16	18	20
CSL	299	310	323	328	336
PCC	14	16	18	18	18

FIT AND PROPER APPROVALS

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

Fitness tests usually seek to assess the competence of persons holding significant functions within the office of licensees and their capacity to fulfil the responsibilities of their positions while propriety tests seek to assess their integrity and suitability to fulfil certain roles within the licensee. To determine

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

The table below depicts the total number of fit and proper determinations made in 2019.

	ICS	ITS	FS
Approved	30	6	12
Rejected	3	0	0

The applications were rejected as the applicants failed to meet the fit and proper criteria as set out per the ICSP Act and the Code for International Corporate Service Providers.

ON-SITE INSPECTIONS

Theme base Onsite Examination

For the year 2019, the On-Site Cluster undertook focused inspections at the premises of licensees in order to inspect the records of a sample of IBCs and international trusts under

the administration of the licensees. The focus was in the following areas:

IBCs

- the keeping of Register of Directors by IBCs
- the keeping of Register of Members by IBCs
- the keeping of information relating to the accounting records
- the keeping of register of beneficial owners
- customer due diligence on directors, shareholders and beneficial owners.

International Trusts

- the keeping of Register of Settlers
- the keeping of Register of Trustees
- the keeping of Register of Beneficiaries
- the keeping of Accounting Records
- customer due diligence of involved parties

APPROVALS

The ICSP Act 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 2019.

Changes in directorship of licensees	4
Approvals for change in the shareholding and ultimate beneficial ownership of licensees	7
Surrender of ICS licence	2

WEBSITE REVIEW

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 2019, no compliance or regulatory issues were identified with respect to online promotional advertisements by licensees licensed under the ICSP Act.

COMPLAINTS

Complaints handling ranges from 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.

Complaints	2019
Complaints Received	23
Complaints Resolved	12
Complaints Unresolved	11

During the year 2019 the FS Section recorded 25 complaints ranging from alleged fraudulent transactions from specified entities or disputes relating to the payment of fees for services rendered by licensees.

KEY DEVELOPMENTS 2019

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.

It was a recommendation that the Seychelles adopt a system of sectoral supervision where the specialist prudential supervisors such as the Central Bank of Seychelles and the FSA would be responsible for AML/CFT supervision

for reporting entities within their regulated sectors. This would be a departure from the previous framework where the Financial Intelligence Unit was responsible for the administration of the AML Act in its entirety including the supervision of reporting entities for AML/CFT purposes.

In anticipation of the change and new powers that would be transferred to it via a new AML/CFT Act and amendments to the FSA Act, the FSA set up a specialist AML/CFT Unit within the Section to drive the AML/CFT agenda within the FSA for all its regulated non-bank financial services sectors. The work of the AML/CFT Unit itself is to be guided and driven by an AML/CFT Committee which reports directly to the FSA Deputy CEO.

As part of its preliminary work, the Unit has been heavily 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 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 2019 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.

ESAAMLG ASSESSOR'S TRAINING

The FSA attended the 2019 ESAAMLG Assessor's training in Arusha Tanzania. The training is aimed at equipping individuals with the necessary skills to become experts in FATF Mutual Evaluation assessments, using the FATF's recommendations and the methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT systems.

OUTLOOK FOR 2020

AUTOMATION OF PROCESSES AND CONSOLIDATION OF DATA

The FSA will, during the year 2020, be rolling out a revamped software that will enable it to automate certain processes that are presently

being conducted manually. This will assist the Section in reducing the amount of lead time taken to complete certain processes, from initiation to completion, which may currently be the cause for certain service delays.

The software will also enable the FSA to consolidate the efficiency of its data capture, analysis and maintenance capabilities across its supervisory sectors. This will allow the Section, amongst other Supervisory Sections, to better monitor and supervise its licensees and their key persons across the FSA's regulatory spectrum. The capture, analysis and maintenance of statistics will be effected in a more efficient manner.

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 2020, that there will be the need to 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.

Considering the importance of the need to ensure the availability of and access to accounting information, the section will consolidate its close 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.

These inspections will also during the year 2020 and beyond concentrate on the qualitative aspect of key information kept by legal entities and arrangements through their reporting

entities. Same will be of added importance considering the ongoing commitment of the Seychelles vis-à-vis international bodies such as the OECD through the Global Forum initiative, the FATF, the European Union and others.

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 2019.

	Approved	Rejected
Professional Fund	1	0
Investment Advisor	1	0
Investment Advisor's Representative	1	0

Securities Dealer	15	16
Securities Dealer's Representative	16	17

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

	2015	2016	2017	2018	2019
Fund Administrators	3	3	4	4	4
Restricted Fund Administrators	0	0	0	0	0
Approved Foreign Administrators	6	5	3	2	2
Private Funds	6	6	5	3	3
Professional Funds	3	5	7	8	8
Public Funds	2	2	1	2	2
Exempt Foreign Funds	0	0	0	0	0

	2015	2016	2017	2018	2019
Securities Exchanges	1	1	1	1	1
Listed Companies	4	9	24	30	38
Securities Facilities	1	1	1	1	1
Clearing Agency	1	1	1	1	1
Securities Dealers	8	11	13	18	33
Securities Dealer's Representatives	10	11	13	20	35
Investment Advisors	1	3	4	4	5
Investment Advisor's Representatives	0	2	2	3	3

ENFORCEMENT ACTIONS

The table hereunder depicts the enforcement actions taken by the Section for 2019.

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	3	-	-	-	-
Public Fund	2	-	-	-	-
Fund Administrator	2	-	-	-	-
Investment Advisor	7	-	-	-	-
Securities Dealer	31	-	4	1	-
Securities Exchange	1	-	-	-	-
Clearing Agency	1	-	-	-	-

COMPLAINTS

The table hereunder depicts the total number of complaints received by the Section for 2019 against each category of entity.

	Securities Dealer	Securities Exchange
Complaints Received	14	1
Resolved Complaints	10	1
fi	4	-

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 2019

The FSA continued work to setup and operationalize the Regulatory Sandbox for Capital Markets. The Sandbox Regulations, gazetted in June 2019 is a framework set up by the Authority in order to allow for the offer and testing of innovative eligible financial services within a regulated environment with defined conditions and restrictions, but exempted from licensing, disclosure and reporting requirements under the Securities Act. Under this framework, the FSA will consider two broad categories of projects – one, being digital market places (that would encompass projects such as crypto-exchanges and digital

custodians) and secondly securities token offerings. During the course of 2019, the FSA has worked closely with PwC Hong Kong to put in place the necessary procedures, workflows and guidelines to operationalise the Regulatory Sandbox. It is expected that the FSA would be accepting a first cohort of applicants during the first quarter of 2020.

The FSA submitted its application for Ordinary Membership to IOSCO in February 2019. The FSA is subsequently working to make the necessary legislative and regulatory changes to ensure compliance with all requirements of the IOSCO MMoU.

OUTLOOK FOR 2020

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 2020

The goal for 2020 is to collaborate with management and harness the capabilities of Information Technology to further enhance the service delivery. For the year 2020, 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 2019

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 2019, the FSA undertook the following industry training initiatives:

ICA TRAINING PROGRAM

The International Compliance Association (ICA) in collaboration with the FSA, conducted the Advanced Certificate in Compliance and the Advance Certificate in Anti-Money Laundering (AML).

The courses were attended by 48 participants from the industry and staffs from the FSA. The participants gained an in-depth knowledge and better understanding of the regulatory environment and the AML matters surrounding the world of financial services. The courses focused on different aspects of international legislations and best practices, key compliance activities and processes, and other key compliance 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, 10 participants received a scholarship from the FSA to undertake the Introductory Certificate in Seychelles Financial Services which was conducted in April 2019 while one participant received a scholarship for the Certificate in International Finance and Administration Level. Another participant received a scholarship for the Advanced Certificate in AML.

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.

REVIEW OF GUIDELINES

The Section initiated a review of the all guidelines and licence application forms issued by the FSA in order to bring them in line with the current business environment and standard.

OUTLOOK FOR 2020

Groundwork for different projects has been undertaken in the previous years. These will be pursued further in 2020. Those not specifically addressed in preceding sections are summarized below.

REVIEW OF LEGISLATIONS IN LINE WITH EU STANDARD

Having amended the International Trade Zone Act in 2019 in line with the EU's BEPS requirements, the Section will be working in close collaboration with other stakeholders on

the proposed amendments to the Business Tax Act in order to comply with the CoCG's guidelines on foreign income exemption regimes.

AMENDMENTS TO THE FSA ACT

Taking into consideration the rapid development in regulatory and prudential supervision, a number of amendments will be proposed to the FSA Act to ensure effective supervision and compliance by its licensees. Secondly, in view that the Seychelles is applying to become an ordinary member of the IOSCO, a number of amendments will be proposed in order to close the gaps identified during the technical assistance received from the Africa Regional Technical Assistance Center of the International Monetary Fund ("IMF").

REVIEW OF SEYCHELLES' AML/CFT

FRAMEWORK

Following the ESAAMLG's second round Mutual Evaluation Assessment of the Seychelles' AML/CFT framework, the FSA has been working in close collaboration with other stakeholders to improve the legal landscape and effectiveness of AML/CFT supervision within the jurisdiction. A new AML/CFT Act and a new Beneficial Ownership Act, including their respective Regulations, are expected to be

enacted in 2020. The legislative review will also include consequential amendments to a number of legislations under the administration of the FSA. In collaboration with other AML/CFT supervisory authorities, the FSA will be working on the relevant guidelines to reflect the new enactments.

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.

AMENDMENTS TO THE COMPANIES (SPECIAL LICENCES) ACT

Following the amendments made in 2018 to comply with the OECD's BEPS requirements,

further amendments are being proposed to the Companies (Special Licences) Act to streamline the application process and administration of such companies.

REVIEW OF GUIDELINES

The Section will continue its review of the outdated guidelines and licence application forms. This will bring all FSA's guidelines and application forms in line with the current business environment and standard.

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 2019

JOB EVALUATION

During the course of 2019, the Section undertook a job evaluation exercise throughout the organisation which enabled the FSA to assess the know-how, accountability and problem solving of each post. This will allow the realignment and streamlining of responsibilities of each position.

RESTRUCTURING

From the job evaluation exercise the Section restructured the organisation, to ensure efficiency across the organisation

MENTORSHIP PROGRAMME

The FSA managed to develop a mentorship programme which provided a group of employees with advice on how to bridge the gaps between their existing ability and potentials. In order to run the programme and prepare the mentors, a training programme was run to support the implementation of the programme.

SUCCESSION PLAN

In order to ensure the continuity of suitably trained staff in key posts for the future of the organisation, the FSA developed a succession plan for the key posts within the organisation.

REVISION OF HR POLICIES

During the course of 2019, the FSA revised a number of policies to ensure that the organisation keeps abreast with the current development within the human resource practices and to ensure that the organisation is responsive to changes within our environment and labor market. Policies which were revisited are the training policy and the employment contract policy.

EMPLOYEE HANDBOOK

The 2nd version of the FSA Employee Handbook was released. The purpose of the handbook is to properly inform new and current employees of the policies and procedures of the FSA, the Employment Laws and to establish the expectations of the FSA.

RECRUITMENT

A total of 12 employees were recruited during the course of 2019.

SAFETY AUDITS

The FSA conducted 35 health and safety inspections of the offices and warehouses of the FSA, in order to ensure compliance by the staff and operators with the relevant laws.

TRAININGS CONDUCTED

The following courses were run during the course of 2019:

- Mentoring, coaching and counselling: The purpose of this training was to provide our management team with the platform to explore the core skills and attitudes needed to improve their team members' performance through coaching, counselling and mentoring. It focused on empowering the result-oriented managers by deepening their understanding and building the basic skills they require to becoming more efficient.
- Time management: The course provided the attendees with strategies and techniques needed to manage their time efficiently which will, in return, enable them to achieve better results through effective planning.
- Burnout Prevention: Participants learnt how to deal with stress and stressors in order to prevent a burnout by equipping them with tools and exercises that would help them relax and distress.
- 12 FSA staff were given training in Basic First Aid and are now all certified as competent first aiders. The first aid training helps employees to assist and react in the right way in the event where first aid is required.
- 17 security officers received Security Awareness Training. The aim of the training was to provide our security officers with additional skills on how to better perform their duties.
- The security officers were also trained in Basic Fire Safety which was conducted by the Seychelles Fire and Rescue Service Agency.
- 2 drivers attended Defensive Driving training. The training was aimed at improving their awareness of safety measures whilst conducting their duties.

- 14 security officers and 4 maintenance technicians received End User Fire Panel Training which was conducted by Techno Guard.
- Safety Officer attended National Examination Board Occupational Safety and Health (NEBOSH) training.

OUTLOOK FOR 2020

The Section will be producing additional policies which would serve as better guidelines to the management and staff of the organisation. The Section will be working on the Human Resource Information System which is aimed at improving the speed of processing internal tasks and provide employees with easier and quicker access to their personal information.

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 logistical planning and management, and that its facilities provides the right environment for its employees to deliver in order for the organisation to generate the due return on its infrastructural investments.

It operates on the principles of exceptional customer relationship management and excellent custodianship in the maintenance 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

behaviors expected of them while accessing and interacting at FSA premises.

KEY ACHIEVEMENTS FOR 2019

The Section managed the refurbishment (complete replacement of roof and vertical cladding) of warehouses J and K, which was necessary after 25 years in order to maintain the quality of a key asset of the FSA and providing the expected standard of infrastructure to our tenants.

The below table depicts occupancy and revenue for the warehouses in 2019.

Warehouse Block	No. of Tenants
A	11
B	11
C	2
J	6
K	7
Total	37

The below table depicts the trend of revenue collected in 2019.

	Warehouse Rent (SCR)	Outdoor Space (SCR)
2017	21,993,064	291,461
2018	28,933,365	306,484
2019	32,348,575	415,883

OUTLOOK FOR 2020

- Consolidate on the groundwork consultations that has started with key stakeholders to start the tendering process for the construction of the New FSA Headquarters
- Develop the capacity of senior staff in the section to better manager negotiations and communications with service providers, contractors and tenants
- Review of Zone guidelines and sectional manuals to maximize efficiency, manage risks and reduce cost.

PROCUREMENT SECTION

The Procurement Section regulates all procurement activities in line with the FSA's Internal Procurement Policy and Guidelines 2018 ("PPG"), Public Procurement Act, 2008 ("PPA") and Public Procurement Regulations, 2014 ("PPR"). The Section ensures that all relevant sections of the FSA engaged in procurement of goods and services, civil works and consultancy services, carry out their tasks in line with the standards set out in the PPG, PPP and PPR.

The PPG governs all procurement activities of the FSA through the following principles:

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

Furthermore, the 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 2019 were as follows:

1. Procurement of a new Financial System for the Finance Section
2. Development of a Product Management and Regulatory System and Supervision System
3. Upgrade of Servers and Hardware's to supplement the new Product Management and Regulatory System and Supervision System
4. Procurement of Consultancy Services to review and draft a new Seychelles Gambling Legislation for Casino's/Slot Machines and Interactive Gambling
5. Procurement of Consultancy Services for Job Revaluation, Restructuring and assessment of Pay Structure
6. Procurement of Consultancy Services for Operationalizing FinTech Sandbox
7. Procurement of Consultancy Services (Project management) of the new FSA Headquarter
8. Refurbishment of FSA's J and K warehouses
9. Demolition and make good of the burnt warehouse for rent
10. New Container bay with refer points

OUTLOOK 2020

The objective for the section for 2020 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
2. Assist with the Development of New Products
3. New Headquarter for more efficient Operation Management
4. Assist the HR Section with training for learning and development
5. Further develop the FSA Internal PPG to continually learn and adopt current best practices

KEY PROJECTS 2020

The key projects to be undertaken in 2020 are as follows:

1. Procurement and Installation of new
2. Modern Security Cameras and Lightning's for the FSA Zone
3. Procurement of Consultancy Services (Project Management) for the Construction of a new Warehouse
4. Procurement of Consultancy Services for Captive Insurance and Actuarial Services
5. Construction of a New Warehouse
6. Construction of the new FSA Headquarter

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.

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 2019

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 2019, the FSA has collected a total of **SR157.07 million** as gross incomes and effected a transfer of surplus funds of **SR29.0 million** (18.5 percent of actual revenue collected) to the Government.

In 2019, a new accounting software was acquired to increase efficiency within the Section through a more modern and up-to-date accounting package.

OUTLOOK FOR 2020

In 2020, the Section will continue to concentrate on capacity building and upgrading the skills and knowledge of its existing staff so that they are at par with latest financial practices and standards.

The Section will perform a thorough exercise to review its internal policies and its Accounts Procedures Manual in order to have one complete 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 take the opportunity 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. The new accounting software will be integrated with the new database software being developed by the FSA for all its licencing and revenue generated sections. Information technology will be used in the processing of funds received from clients and making payments via online banking and other internet platforms.

With all major capital projects being completed in 2019 and with the expected revision of a number of licensing and registration fees it is expected that the FSA will be in position to remit more dividends to the government in 2020.

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 2019)

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

Fanny Steve	Chief Executive Officer
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 Marie Merissa	Payroll Services and Solutions officer
Confait Christopher	Health and Safety Officer

FACILITIES & LOGISTICS

Marie Pascal	Director Facilities and Logistics
Matombe Louisiane	Manager Customer Services and Logistics
Sedgwick Marie-Andre	Senior Customer Services and Records Officer
Larue Steve	Customer Services and Records Officer
Pillay Christel Valerie	Customer Services and Records Officer
Didon Juliana	Supervisor Housekeeping
Benjamin Jannis	Office Helper
Cecile Reina	Office Helper
Jacques Giominella	Office Helper
Rapide Marth	Office Helper
Ernesta Jeffrey	Senior Driver/Messenger
Labrosse Marlon	Driver/Messenger
Chang-Tave Martin	Driver/Messenger
D'offay Joshua	Driver/Messenger

Balette Anasthasse	Senior Zone Administration Officer
Auguste Julienna	Administration Officer
Sicobo James	Maintenance Supervisor
Farabeau David	Maintenance Assistant
Jeremie Elvis	Maintenance Assistant
Auguste Angelo	Maintenance Assistant

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

The尔蒙特 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)
Elsia Madeleine	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)

FIDUCIARY SUPERVISION

Samson Randolph	Director Fiduciary Supervision
Lafortune Hazel	Manager Fiduciary Supervision
Amade Abraham	Supervision Officer
Chow Elizabeth	Supervision Officer
Finesse Yves	Supervision Officer
Aglae Yves	Supervision Officer
Tamatave Clara	Supervision Officer
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

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES

Alain Chang-Sam	Director of CMCISS
Lebon Andrew	Manager Supervision
Monica Irimani	Manager Authorisations
Quatre Virginie	Supervision Officer
Alcindor Emmy	Supervision Officer
Ebrahim Munirah	Supervision Officer
Elizabeth Alison	Supervision Officer
Gerry Joana	Supervision Officer

Herminie Natalie	Supervision Officer
Bradburn Ryan	Supervision Officer
Elizabeth Alison	Supervision Officer
Woodcock Ezra	Supervision Officer
Bouchereau Sebastien	Supervision Officer

GAMBLING SUPERVISION

Joseph Maryline	Director of Gambling Supervision
Abbasbayli Faraj	Senior 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

Alexander Leo	Director International Trade Zone & Hire Purchase
Herminie Karl	Business Analyst
Leon Gretel	Supervision Officer
Kandassamy Daniel	ITZ Officer
Niole Julie	ITZ Officer

REGISTRY

Lau Toy Lisa	Director Registry
Thelemont Robert	Senior Registry Officer
Adolphe Natalie	Senior Registry Officer
Houareau Lita	Registry Officer Grade 1
Venthoye Nadia	Registry Officer Grade 1
Boniface Berttyna	Registry Officer Grade 2
Dubignon Kareen	Registry Officer Grade 2
Gonthier Priscilia	Registry Officer Grade 2
Kilindo Maltanio	Registry Officer Grade 2
Laporte Diane	Registry Officer Grade 2
Edmond Elna	Registry Officer Grade 2
Herminie Sebastien	Registry Clerk
Micoock Ena	Registry Clerk
Accouche Curlfa	Registry Clerk

FINANCIAL STATEMENT



Audited Financial Statements as at 31st December, 2019

FINANCIAL SERVICES AUTHORITY

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CORPORATE INFORMATION

DIRECTOR : Mr. Suketu Patel Chairman
Dr. Steve Fanny CEO - Director
Ms. Jenifer Sullivan Director
Mr. Phillip Moustache Director
Mr. David Esparon Director
Mrs. Veronique Herminie Director
Mr. Mike Laval Director
Ms. Cindy Vidot Director
Mr. Robert Stravens Director
Ms. Seylina Verghese Director

SECRETARY : Ms. Zenabe Daman Secretary

REGISTERED OFFICE : Bois de Rose Avenue
Roche Caiman
Victoria, Mahé
Seychelles

PRINCIPAL PLACE OF : Bois de Rose Avenue
Roche Caiman
Victoria, Mahé
Seychelles

AUDITORS : Auditor General
P O Box 49, Unity House
Victoria, Mahé
Seychelles

DIRECTORS' REPORT

The Directors are pleased to submit their report together with the audited financial statements of the Authority for the year ended December 31, 2019.

PRINCIPAL ACTIVITY

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

VISION

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

MISSION

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

CURRENT YEAR EVENT

The Authority has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the year 2019 is the fourth financial year that the Financial Services Authority is presenting its financial statements under International Financial Reporting Standards (IFRS).

The new FSA board was appointed effective July, 2017. During the year 2019, two members resigned, Mr. Norman Weber and Ms. Marie Cecile Esparon. They are yet to be replaced with new members. There has been no change in the business of the FSA during the financial year ended 31st December, 2019.

RESULTS

	2019
Profit for the year	SR'000
Retained earnings brought forward	68,712
Profit available for distribution	138,754
Transfer to Government of Seychelles (GOS)	207,466
	(29,002)
Retained earnings carried forward	178,464

DIRECTORS AND DIRECTORS' INTEREST

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

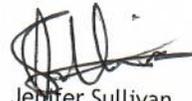
The Authority is audited by the Auditor General.

BOARD OF DIRECTORS APPROVAL

Suketu Patel
Chairman



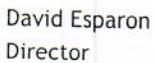
Steve Fanny
Director & CEO



Jennifer Sullivan
Director



Mike Laval
Director



David Esparon
Director



Phillip Moustache
Director



Veronique Herminie
Director



Cindy Vidot
Director



Robert Stravens
Director



Seylina Verghese
Director

Dated:

Mahé, Republic of Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2019

	Notes	December 31,	December 31,
		2019	2018
		SR	SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	27,497,990	18,036,136
Investment property	6	140,548,290	126,160,021
Intangible asset	7	3,450	8,049
Long term receivables	8(f)	11,386,138	9,239,107
		<u>179,435,868</u>	<u>153,443,313</u>
Current assets			
Trade and other receivables	8	11,604,033	9,324,581
Cash and cash equivalents	9	62,362,506	82,134,974
		<u>73,966,539</u>	<u>91,459,555</u>
Total assets		<u><u>253,402,407</u></u>	<u><u>244,902,868</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	3,416,253	4,270,316
Retained earnings		178,464,181	138,754,203
		<u>190,596,134</u>	<u>151,740,219</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	6,629,320	28,741,266
Accrued Interest on Borrowings		104,693	1,633,023
Retirement benefit obligations	13	10,447,626	8,662,133
		<u>17,181,639</u>	<u>39,036,422</u>
Current liabilities			
Borrowings	12	23,212,997	21,896,108
Other payables	14	22,411,637	32,230,119
		<u>45,624,634</u>	<u>54,126,227</u>
Total liabilities		<u>62,806,273</u>	<u>93,162,650</u>
Total equity and liabilities		<u><u>253,402,407</u></u>	<u><u>244,902,868</u></u>

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


Suketu Patel
Chairman


Steve Fanny
Director & CEO


Jenifer Sullivan
Director


Mike Laval
Director

David Esparon
Director


Phillip Moustache
Director


Veronique Herminie
Director


Cindy Vidot
Director


Robert Stravens
Director


Seylina Verghese
Director

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2019

	Notes	2019 SR	2018 SR
Revenue	2(l)/15	157,065,812	157,820,238
Staff costs	16	(45,908,252)	(43,503,291)
Administrative expenses	17	(27,417,125)	(30,153,761)
Educational dissemination	18	(4,434,262)	(1,714,798)
Other operating costs	19	(7,438,572)	(7,670,943)
Finance income - Interest on staff loans		713,428	606,425
Finance costs - borrowing costs		(185,494)	
Marketing Grant to SIB		(4,452,989)	(1,722,970)
CISNA Seminar			(1,582,199)
Other income	20	103,277	25,857
Foreign exchange (losses)/gains		666,592	1,651,722
Profit and total comprehensive income for the year		68,712,415	73,756,280

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

FINANCIAL SERVICES AUTHORITY

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019

	Note	Stated capital	Capital grant	Retained earnings	Total
		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)	(29,002,437)
At December 31, 2019		8,715,700	3,416,253	178,464,181	190,596,134
		Stated capital	Capital Grants	Retained earnings	Total
		SR	SR	SR	SR
At January 1, 2018		8,715,700	5,124,379	110,190,092	124,030,171
Total comprehensive income for the year		-	-	73,756,280	73,756,280
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(45,192,169)	(45,192,169)
At December 31, 2018		8,715,700	4,270,316	138,754,203	151,740,219

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

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
Cash generated from operations			
Profit for the year		68,712,415	73,756,280
<i>Adjustments for</i>			
Depreciation on property, plant and equipment	5	2,213,731	2,099,385
Depreciation of investment property	6	6,074,304	6,414,336
Amortisation of intangible asset	7	4,600	11,284
Work in Progress Written off	5	173,224	165,000
Profit on disposal of asset	20	(80,000)	
Amortisation of capital grant	19	(854,063)	(854,063)
Retirement benefit obligations charge	13	4,259,475	5,533,869
Bad Debts written off			393,190
Interest receivable		(713,428)	(606,425)
		<u>79,790,258</u>	<u>86,962,856</u>
<i>Changes in working capital</i>			
- Increase in trade and other receivables		(4,426,483)	(2,926,970)
- (Decrease)/Increase in trade and other payables		(1,766,711)	2,879,257
		<u>73,597,064</u>	<u>86,915,143</u>
Cash generated from operations		73,597,064	86,915,143
Retirement obligations paid	13	(2,473,981)	(2,475,383)
Interest received		713,428	606,425
Net cash inflow from operating activities		<u>71,836,511</u>	<u>85,046,185</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(12,877,875)	(1,538,569)
Payment - Investment Properties		(19,433,507)	(1,512,703)
Proceeds from sale of asset		80,000	
Net cash outflow from investing activities		<u>(32,231,382)</u>	<u>(3,151,272)</u>
Cash flows from financing activities			
Borrowing received	12		1,197,327
Loan Repayment		(20,795,058)	(18,803,358)
Interest paid		(3,179,840)	(4,255,414)
Amount transferred to the Government of Seychelles		(35,402,700)	(49,335,360)
Net cash outflow from financing activities		<u>(59,377,598)</u>	<u>(71,196,805)</u>
Net increase in cash and cash equivalents		<u>(19,772,469)</u>	<u>10,698,108</u>
Movement in cash and cash equivalents			
At January 1,		82,134,974	71,436,866
Increase		(19,772,469)	10,698,108
At December 31,	9	<u>62,362,506</u>	<u>82,134,974</u>

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

1. GENERAL INFORMATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

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 2017-2019 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

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.

Properties in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

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 initially at cost, including transaction costs.

Investment property is measured in accordance with requirements set out for that model in IAS 16. Transfers to or from investment property can be made only when there has been a change in the use of the property.

An entity that elects the cost model, should measure all its investment property at cost less accumulated depreciation and any accumulated impairment losses.

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.

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

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

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

(ii) Cash and cash equivalents

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

(iii) Other payables

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

(iv) Share capital

Ordinary shares are classified as equity.

(f) Impairment of assets

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

(g) Offsetting

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

(h) Capital Grants

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

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

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

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

(i) Retirement benefit obligations

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

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

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

(j) Provisions

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

(k) Foreign currencies*Functional and presentation currency*

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

Transactions and balances

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Revenue recognition

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

(i) Services revenue

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

(ii) Rental income

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

(iii) Interest income

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

(m) Business tax

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

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

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

(a) Market risk

(i) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

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, 2019, 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 SR.961m (2018: SR 0.410m) 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:

	2019	2018
	SR	SR
Bank balances	61,784,798	76,282,970
Trade & other receivables	7,929,330	5,351,001
Borrowings	(29,842,316)	(50,637,374)
Other payables	(19,757,686)	(22,801,908)
	<u>20,114,126</u>	<u>8,194,689</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, 2019, if interest rates on floating rate borrowings had been $\pm 1\%$ higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by SR 24.982k (2018: SR 506k) 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.

	2019	2018
	%	%
5 major counterparties	36	46
Others (diversified risks)	64	54
	<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, 2019

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, 2019					
Bank Borrowings	23,213	6,629	-	-	29,842
Other payables	22,411	105	-	-	22,516
At December 31, 2018					
Bank Borrowings	21,896	23,097	5,645	-	50,638
Other payables	32,230	1,633	-	-	33,863

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 2019, the Authority's strategy, which was unchanged from 2018, 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:

	2019 SR'000	2018 SR'000
Total debt	29,842	50,638
Less: Cash and cash equivalents	(62,362)	(82,135)
Net debt	(32,520)	(31,497)
Total capital	190,596	151,740
Net debt	(32,520)	(31,497)
Total capital plus debt	158,076	120,243
Gearing ratio	(20.57)	(26.19)

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

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, 2019

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

(a) DECEMBER 31, 2018

	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, 2018	18,608,182	637,788	2,887,475	7,635,985	4,936,917	1,784,403	3,065,004	39,555,754
Additions	-	-	325,000	517,114	214,685	362,270	119,500	1,538,569
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	(165,000)	(165,000)
Transfers/Adjustments	-	-	-	1,817,214	-	-	(1,817,214)	0
At DECEMBER 31, 2018	18,608,182	637,788	3,212,475	9,970,313	5,151,602	2,146,673	1,202,290	40,929,323
ACCUMULATED DEPRECIATION								
At January 1, 2018	6,165,213	637,788	1,808,915	6,395,063	4,322,876	1,463,946	-	20,793,801
Charge for the year	394,825	-	330,415	953,471	234,889	185,785	-	2,099,385
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At DECEMBER 31, 2018	6,560,038	637,788	2,139,330	7,348,534	4,557,765	1,649,731	-	22,893,186
NET BOOK VALUE								
At DECEMBER 31, 2018	12,048,144	-	1,073,145	2,621,780	593,837	496,942	1,202,290	18,036,137

(a) In early 2017, Parcel Number: V1/891 was cancelled and sub-divided into two parcels (V19847 and V19848) where parcel V19847 (with a total area of 2557 m²) was transferred to the Government for onward leasing to PUC at at transfer price of SCR1. The sub division of the land commenced in 2016 and was finalised on 24.02.2017. No adjustment was effected for the reduction in cost in the accounts.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

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

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

	2019	2018
	SR	SR
Consultancy/ structural engineer fees		105,700
Planning and other fees		67,524
IT Work In Progress	10,194,607	
Improvement to infrastructure		1,029,066
	<u>10,194,607</u>	<u>1,202,290</u>

6. INVESTMENT PROPERTY

	2019	2018
	SR	SR
Cost		
At January 1,	155,228,124	150,244,886
Additions	20,462,573	4,983,238
At December 31,	<u>175,690,697</u>	<u>155,228,124</u>
Accumulated depreciation		
At January 1,	29,068,103	22,653,767
Charge for the year	6,074,304	6,414,336
At December 31,	<u>35,142,407</u>	<u>29,068,103</u>
Net Book Value	<u>140,548,290</u>	<u>126,160,021</u>

(a) A revaluation of the FSA infrastructure was undertaken in January 2017 by a professional independent assessor. Investment properties have been revalued as follows:

	Value in Current State (SR)
Ware house A on Parcel Number V17888	32,588,380
Ware house B on Parcel Number V17889	32,588,380
Ware house C on Parcel Number V17890	25,888,380
Ware house K on Parcel Number V17885	45,144,300
Ware house J on Parcel Number V17893	45,144,300
	<u>181,353,740</u>

(b) The Financial Services Authority is currently occupying units A1 and A2 for a total area of 480m2 within the Warehouse A

7. INTANGIBLE ASSETS

Computer Software

	2019	2018
	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,	579,418	568,134
Charge for the year	4,600	11,284
At December 31,	<u>584,018</u>	<u>579,418</u>
Net Book Value	<u>3,450</u>	<u>8,050</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

8. TRADE AND OTHER RECEIVABLES

	2019	2018
	SR	SR
Trade receivables	6,756,887	5,408,972
Prepayments	1,649,738	1,281,362
Loans and receivables (note (f))	14,803,246	11,727,706
Other receivables	208,910	471,940
	<u>23,418,781</u>	<u>18,889,980</u>
Provision for credit impairment (note (c) and (d))	(428,610)	(326,292)
	<u>22,990,171</u>	<u>18,563,688</u>

Disclosed as follows:

	2019	2018
	SR	SR
Within one year	11,604,033	9,324,581
After more than one year (note (f))	11,386,138	9,239,107
	<u>22,990,171</u>	<u>18,563,688</u>

- (a) The carrying amount of trade and other receivables approximate their fair values.
- (b) As at December 31, 2019, trade receivables that were past due but not impaired amounted to SR2,445,955 (2018: SR887,619). Except for one customer, 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, 2019, trade receivables amounting to SR 428,610 were impaired (2018: SR 326,292). 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:

	2019	2018
	SR	SR
At January 1,	326,292	472,141
(Reversal)/ Charge to the statement of profit or loss (note 17)	102,318	(145,849)
At December 31,	<u>428,610</u>	<u>326,292</u>

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

	2019	2018
	SR	SR
US Dollar	7,162,008	5,351,001
Seychelles rupee	15,828,163	13,212,687
	<u>22,990,171</u>	<u>18,563,688</u>

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

	2019	2018
	SR	SR
Within one year	3,417,108	2,488,599
After more than one year	11,386,138	9,239,107
	<u>14,803,246</u>	<u>11,727,706</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, 2019

9. CASH AND CASH EQUIVALENTS	2019	2018
	SR	SR
Cash in hand	177,970	503,153
Cash at banks	<u>62,422,679</u>	<u>81,631,821</u>
	62,600,649	82,134,974
Overdrawn balance SR Current Account	<u>(238,143)</u>	<u>-</u>
	<u><u>62,362,506</u></u>	<u><u>82,134,974</u></u>

10. STATED CAPITAL

	2019 & 2018
	SR
Government contributed assets (notes (a) & 5(d))	<u><u>8,715,700</u></u>

(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

	2019	2018
	SR	SR
Bank borrowing		
Non-current	6,629,320	28,741,266
Current	<u>23,212,997</u>	<u>21,895,108</u>
	<u><u>29,842,317</u></u>	<u><u>50,637,374</u></u>

The movement is as follows:

	2019	2018
	SR	SR
At January 1,	50,637,374	68,243,407
Received during the year		1,197,327
Paid during the year	<u>(20,795,058)</u>	<u>(18,803,360)</u>
At December 31,	<u><u>29,842,316</u></u>	<u><u>50,637,374</u></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 February 2021. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears a variable interest rate of 7.77% in January and decreasing to 7.01% as of October, 2019.

(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

	2019	2018
	SR	SR
At January 1,	8,662,132	5,553,646
Charge for the year (note 16)	4,259,475	5,583,869
Payments during the year	<u>(2,473,981)</u>	<u>(2,475,383)</u>
At December 31,	<u><u>10,447,626</u></u>	<u><u>8,662,132</u></u>

(a) Retirement benefit obligations have not been computed in compliance with the requirements of IAS 19 since the Directors have estimated that the provisions as above, which have been based on the Ministry of Administrative & Power, Circular 9A of 1993 and 15% of gross salary in the case of PSC and internal contract of employees, are reasonable and would not materially differ had these been computed on an actuarial basis as mandated by IAS 19.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

14. OTHER PAYABLES	2019	2018
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)		6,400,262
Advance payments -fees	8,453,514	12,596,905
Deposits-rent	5,732,029	4,880,925
Corporate Tax	763,669	653,228
Accrued Interest on Overdraft	1,641,245	4,821,084
Accrued Expenses	150,000	241,248
Other payables	5,775,872	4,269,490
	<u>22,516,330</u>	<u>33,863,142</u>
Disclosed as follows:		
	2019	2018
	SR	SR
Within one year	22,411,637	32,230,119
After more than one year (accrued interest)	104,693	1,633,023
	<u>22,516,330</u>	<u>33,863,142</u>
(a) The amount payable to the GOS represents the surplus for the year which is transferred on a quarterly basis as per section 12(3) of the Financial Services Authority Act 2013.		
(b) The carrying amount of other payables are denominated in the following currencies:		
	2019	2018
	SR	SR
US Dollar	19,757,686	22,801,908
Seychelles rupee	2,758,645	11,061,234
	<u>22,516,330</u>	<u>33,863,142</u>
15. REVENUE		
	2019	2018
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	11,890,951	11,478,382
IBC annual licence fees	72,745,609	77,169,717
Other licence fees	6,687,919	6,588,181
Funds and securities fees	2,431,598	1,794,940
Insurance fees	1,125,703	1,187,949
Gambling Fees	7,115,000	7,243,535
Other services	22,304,573	23,117,685
	<u>124,301,354</u>	<u>128,580,389</u>
(b) Rental income		
Investment property	32,348,575	28,933,365
Outdoor space	415,883	306,484
	<u>32,764,458</u>	<u>29,239,849</u>
	<u>157,065,812</u>	<u>157,820,238</u>
16. STAFF COST		
	2019	2018
	SR	SR
Salaries & wages	35,602,591	32,502,559
Employee benefits and related expenses	4,005,974	3,954,720
Directors' emoluments (note 23)	684,691	362,868
SITZ Employment Council/FSA Appeals Board	341,606	323,936
Gratuity and compensation paid (note 13)	4,259,475	5,583,869
Retirement benefit obligations	1,013,916	775,339
	<u>45,908,252</u>	<u>43,503,291</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

17. ADMINISTRATIVE EXPENSES

	2019	2018
	SR	SR
Administration costs	4,896,943	4,445,126
Rental Costs	5,831,820	5,656,991
Communication costs	2,238,824	2,206,816
Transport and travelling costs	1,228,529	2,280,691
Maintenance and repairs	2,511,729	992,925
Training	2,239,256	3,325,530
Legal fees	312,000	312,000
Audit and Accountancy fees	100,000	88,000
Professional fees	3,850,074	7,550,762
Bank charges	64,048	64,500
(Reversal)/ charge for provision for credit impairment (note 8(d))	102,318	(145,849)
Bad Debts Written Off		539,039
General expenses	4,041,582	2,837,230
	<u>27,417,125</u>	<u>30,153,761</u>

18. EDUCATIONAL DISSEMINATION

	2019	2018
	SR	SR
Information dissemination	3,880,572	1,353,587
Advertisement	553,690	361,211
	<u>4,434,262</u>	<u>1,714,798</u>

19. OTHER OPERATING COSTS

	2019	2018
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	2,213,731	2,099,386
- Investment Property (note 6)	6,074,304	6,414,336
Amortisation (note 7)	4,600	11,284
Amortisation of capital grant	(854,063)	(854,063)
	<u>7,438,572</u>	<u>7,670,943</u>

20. OTHER INCOME

	2019	2018
	SR	SR
Profit on sale of asset	80,000	
Sundry income	23,277	25,857
	<u>103,277</u>	<u>25,857</u>

21. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2019 amounted to SR 5,885,793 (2018: 19,542,974).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

21. COMMITMENTS (CONT'D)

(b) Operating lease commitments - where the Authority is the lessor

The Authority leases land and buildings under non-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:

	2019	2018
	SR	SR
Not later than one year	29,988,017	29,839,324
Later than one year and not later than five years	79,414,146	78,453,397
	<u>109,402,163</u>	<u>108,292,721</u>

The contracts with most of the tenants are renewable on a yearly basis.

22. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2019 (2018: Nil).

23. RELATED PARTY TRANSACTIONS

	2019	2018
	SR	SR
Directors		
- Remuneration (note 16)	684,691	362,868
Holding Entity		
- Surplus payable (note 14)	<u>29,002,437</u>	<u>45,192,169</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, 2019, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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

	2019	2018
	SR	SR
Salaries and other benefits	11,721,057	8,861,096
Accrued Benefits	351,649	1,329,164
Employer Pension costs	1,758,159	221,527
	<u>13,830,865</u>	<u>10,411,787</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