

Financial Services Authority NEWSLETTER

1st Edition, April 2018

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



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CEO's Message

Welcome to the First Edition of the FSA's Newsletter for the year 2018. With my recent appointment as the Chief Executive Officer of the Financial Services Authority ("FSA") early last December; I must say that I am extremely proud to have once again joined such an incredible organization supported by amazing people. What I have seen and experienced for these past few months has me excited for the future of our Sector.

As Antoine de Saint-Exupéry stated, "A goal without a plan is just a wish."

In January, the FSA held a presentation for the Industry, with the theme, "Moving forward through Innovation and Collaboration for Success." The presentation focused on the FSA's goals and way forward for the upcoming year. Moreover, the Industry had the opportunity to give their views and suggestions for a more effective and efficient working relationship.

With the need to conform to international standards and regulations, the FSA recognizes the importance of building a close relationship with the industry to ensure the growth of not only the Financial Services Sector but the Seychelles economy.

From the 18th-20th of April, 2018 the FSA proudly hosted the 40th Committee of Insurance, Securities and Non-Banking Authorities ("CISNA") Bi-Annual Meeting. The CISNA Bi-Annual Meeting was held for the very first time in the Seychelles. The Delegations from the African countries attended the three days' meeting at the Savoy Resort and Spa. In the spirit of collaboration and striving to achieve a common goal, fruitful deliberation was made within the committees and sub committees of the CISNA. The committees focused on subjects such as; harmonizing legislations to ensure adherence to international regulatory standards; facilitating the development of well-informed investors and consumers as well as promoting adherence to a sound corporate governance practices.

Finally, I would like to take this opportunity to thank each everyone involved in making the CISNA Bi-Annual Meeting a success. Also, to commemorate Labour Day, I would like to commend the hard work and most importantly the harmonizing spirit amongst the FSA staff.

Happy Labour day!

Dr. Steve Fanny

Chief Executive Officer



Financial Technology

The term Financial Technology (FinTech) can apply to any innovation in how people transact business, from the invention of digital money to double-entry bookkeeping. Fintech is a portmanteau of financial technology that describes an emerging financial services sector in the 21st century. Originally, the term applied to technology applied to the back-end of established consumer and trade financial institutions. Since the end of the first decade of the 21st century, the term has expanded to include any technological innovation in the financial sector, including innovations in financial literacy and education, retail banking, investment and even crypto-currencies like bitcoin.

Some of the most active areas of fintech innovation include or revolve around the following:

- Cryptocurrency and digital cash
- Blockchain technology, including Ethereum, a distributed ledger technology (DLT) that maintain records on a network of computers, but has no central ledger
- Insurtech, which seeks to use technology to simplify and streamline the insurance industry
- Regtech, which seeks to help financial service firms meet industry compliance rules, especially those covering Anti-Money Laundering and Know Your Customer protocols which fight fraud; and
- Robo-advisors, whereby algorithms to automate investment advice to lower its cost and increase accessibility are used.

The FSA acknowledges and understands that the continuously evolving financial environment with new areas and products are on the up rise. Therefore, on a more proactive note, the FSA is undertaking innovative regulatory ways to capture the different FinTech products that are not currently covered under the Seychelles' current legislations.

“...an emerging financial services sector in the 21st century.”

FSA undergoes Gambling Supervision Training

The FSA, in collaboration with Gaming Laboratories International (GLI) Africa, underwent a three-day theoretical and practical training. Headquartered in New Jersey, USA, GLI is a world-class provider of testing, certification and professional services to the global gaming industry.

“...GLI is a world-class provider of testing, certification and professional services to the global gaming industry.”

The training held at the FSA in March was facilitated by GLI Technical and Compliance Senior Managers and covered a wide-range of topics related to various types of gambling machines, interactive gambling, table games, on-line monitoring systems, jackpots, as well as topics related to casino inspections, jurisdictional concerns and fairness to the players. Notably, such comprehensive training allows the FSA to not only better protect players, but also the gambling businesses through the development of a more progressive regulatory regime and standards.

The aim of the training was to enhance the FSA's understanding of various aspects of the gambling industry, gambling regulations and the technical aspects of existing and emerging gaming equipment and software around the world.

As a newly appointed member of the Gaming Regulators Africa Forum (GRAF), it is now more than ever crucial for the FSA to continue enhancing its knowledge in this sector and maintaining standards in line with best international standards and practices.

40th CISNA Bi-annual Meeting hosted by the FSA

Committee of Insurance, Securities and Non-Banking Authorities ("CISNA") is part of the Trade, Industry, Finance and Investment Directorate of the Southern African Development Community ("SADC") and the committee reports to the SADC Committee of Ministers of Finance and Investment through the Committee of Senior Treasury Official. CISNA consists of the non-banking financial authorities namely, Capital Markets, Collective Investment Schemes, Insurance companies, Retirement funds and providers of intermediary services in the SADC.

Since its inception in 1998, CISNA has worked to implement a harmonised, risk-based regulatory framework that encourages investment in capital markets while mitigating risk and protecting consumers. It strives to achieve this objective through cooperation and information sharing, concentrated on the following:

- Harmonising legislation to ensure consistency and adherence to international regulatory standards and best practices
- Fostering liaison and cooperation with regulatory bodies to develop regional capability and to counter money laundering and the financing of terrorism
- Facilitating the development of capable, professional regulatory employees
- Facilitating the development of well-informed investors and consumers and
- Promoting adherence to sound corporate governance practices based upon international best practices

The CISNA committees meet twice yearly and the 40th Bi-Annual meeting which is the first meeting for this year was held from 18th-20th April, 2018 in the Seychelles. The different committees met during the week to discuss each country's achievements and the way-forward as a committee.

On the last day, all the committees met for the Plenary, where each Chair of the different committees reported to the CISNA Secretariat on the work being done by their respective committees.

The next CISNA meeting is set for October 2018 and will be held in Angola.

Apart from the meetings, the delegates had the opportunity to experience the Seychelles culture through activities organised by the FSA. The highlights of the social activities were mainly the gala dinner and a boat excursion. The delegates were able to experience and appreciate the creole food, music, dance as well as the marine park of the Seychelles.

The 40th CISNA Bi-annual meeting was surely a success.



CISNA delegates at the Welcoming Cocktail

"...CISNA has worked to implement a harmonized, risk-based regulatory framework that encourages investment ..."



CISNA delegates at the Gala Dinner



CISNA delegates at the Plenary



The CEO of the FSA welcoming the delegates

The Financial Stability Committee Meeting

For its first meeting for the year 2018, which was held on February 8th, 2018, the Financial Stability Committee focused on matters that are at the forefront of discussions in the financial services field.

The committee's discussions revolved around the need to reform the international financial services sector to address the negative perception that is held in respect to this sector. Furthermore, it was agreed that it is instrumental to review the Anti-Money Laundering Act, 2006 ("AML Act") and the institutional framework for AML supervision, especially in view of the preliminary findings of the Mutual Evaluation which was undertaken by the Eastern Southern African Anti-Money Laundering Group ("ESAAMLG") (the first draft report of which was received in late February 2018) which is necessary to address the risk associated with correspondent banking.

The committee discussed amendments to relevant legislative framework which arose as a result of the implementation of Base Erosion Profit Shifting ("BEPS"). Members agreed that such amendments would reinforce the national commitment and would also contribute towards improving the perception and rating of the jurisdiction.

The National Risk Assessment of Money Laundering and Terrorist Financing is a process that was initiated by the World Bank, serves to allow countries to ultimately identify, assess, and understand Money Laundering and Terrorist Financing risks within their jurisdiction and subsequently take action and apply resources to mitigate such risks, on a risk-based approach.

During the meeting, the committee discussed the status of the National Risk Assessment Report that is due to be presented to the Cabinet during the first quarter of 2018 for their necessary endorsement. It was agreed that Report would have significant impact on the country and all members agreed to collaborate to promptly rectify the weaknesses identified. It was noted that the International Monetary Fund will be providing Technical assistance in the matter.

The members discussed various national and political matters that may have certain implications on the national budget and also the current macroeconomic pressures arising largely from an increase in disposable income which has resulted in an increase in the demand for foreign currency. Therefore, the members discussed the anticipated review of the monetary policy stance which would help curb the expected inflationary pressures.

Members agreed that it is of vital importance for the development and implementation of a strategy which would assist in the growth and development of the Seychelles financial sector. This would also allow for a more efficient development process including the strategic dedication of resources and consistency of initiatives.

Cyber-security risks and the initiatives being undertaken to minimize such risks at a national level was also brought forward. This included discussion pertaining to the drafting of a Cybersecurity Bill and opportunities arising through the development of Financial Technology ("FinTech"). The matter of digital currencies and national implication of same was also discussed.

"... discussed the anticipated review of the monetary policy stance which would help curb the expected inflationary pressures."

Hire Purchase and Credit Sales

The Hire Purchase and Credit Sales Agreement are licensed and regulated by the FSA; enacted by the Hire Purchase and Credit Sales Act, 2013 on the 1st March 2014.

Under a Hire Purchase agreement, goods are bought, without having to pay the full cash price at the time of purchase. Instead, the hirer will have to pay a down payment of not less than 10 percent of the cash price of that good, with the remaining price of the good known as the chargeable price, together with the charges incurred, being paid for over time via monthly installments. The maximum repayment period for a good bought under a Hire Purchase Agreement is 48 months. It should be noted, however, that the ownership of the goods passes to customer only upon the full payment of the price of the goods and not at the initial signing of the Hire Purchase Agreement.

Under a Credit Sales Agreement, goods are bought, without having to pay the full cash price at the time of purchase. The buyer will have to pay a down payment of not less than 50 percent of the cash price of that good, with the remaining price of the good known as the chargeable price, together with the charges incurred, being paid over time via monthly installments. The repayment period for the good will be agreed by both parties at the time of signing of the Credit Sales Agreement. Unlike the hire Purchase Agreement, the ownership of the goods bought passes to the buyer at the time the credit sale agreement is entered into or upon delivery of goods.

For every Hire Purchase and Credit Sales Agreement entered, there shall be an Annual Percentage Rate (APR) applicable. The regulation provides that the APR shall be not more than 22.50 % of the chargeable price.

“... APR shall be not more than 22.50 % of the chargeable price.”

The Hire Purchase and Credit Sales Agreement Regulations has been gazette in March, 2018. The FSA may now start issuing the licence to interested applicants. The fees for such a licence is SCR. 25, 000 and will have a validity period of one year, which can be renewed upon payment of a renewal fee of SCR. 15, 000.

FSA presents way forward for Seychelles' Financial Services Industry

In January, the FSA held a presentation for stakeholders within the Fiduciary Services Industry to pave the way forward for a more collaborative relationship. Under the theme; *Moving Forward Through Innovation and Collaboration For Success*.

The meeting was held at the STC conference room.

The CEO, Dr. Steve Fanny led the presentation in the presence of the Chairman, Mr. Suketu Patel, other members of the FSA Board, staff of the FSA, as well as representatives of the Fiduciary Services Sector which includes International Corporate Service Providers, International Trustee Service Providers and Foundation Service Providers.

The presentation highlighted the following matters;

- Internal processes of the FSA
- FSA'S service delivery
- Amendments to legislative Framework
- Setting up of Committees
- SIFSA protocols
- Focused training program for the industry
- Development of new products
- Marketing/Development of the industry
- Relationship with key stakeholders



The CEO of the FSA leading the presentation

Following the presentation, the members of the industry were able to discuss in groups on specific subjects outlined in the presentation, so as to provide their inputs and suggestions to the FSA.

Mr. Patel stated in his speech that he believes that with all the challenges being imposed by Base Erosion and Profit Shifting (BEPS) and the ever changing international standards which result in additional pressure on the sector, if the business is to prosper, the private and public sector have to work much closer together to see what can be done to safeguard and promote the industry.

“This is the very purpose of us coming together -- to chart a way forward and thereafter work together as a singular body to realize goals which we set for our offshore industry,” - Mr. Suketu Patel

FSA becomes an Associate Member of the IOSCO



The International Organization 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; 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.

It is to be noted that IOSCO has three categories of 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 three membership are as follows:

1. Ordinary membership which a national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of IOSCO provided it is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU).
2. Associate membership can be awarded to supranational governmental regulators; subnational governmental regulators where there is a national governmental regulator; intergovernmental international organizations and other international standard-setting bodies; other governmental bodies with an appropriate interest in securities regulation; and national governmental regulators who are not MMoU signatories and who are not ordinary members. An associate member can gain an ordinary membership status provided that they meet the requirements to be an Ordinary member.
3. Affiliated membership which can be obtained by self-regulatory organizations (SROs); securities exchanges; financial market infrastructures (including clearing and settlement agencies); international bodies other than governmental organizations with an appropriate interest in securities regulation; investor protection funds and compensation funds; and any other body with an appropriate interest in securities regulation that the IOSCO Board may decide for the purpose of furthering the objectives of IOSCO.

The Seychelles Financial Services Authority (FSA) recently became an **Associate Member** of IOSCO on **March 8th, 2018** and is currently working on the necessary legislative and regulatory changes in order to apply to become an ordinary member and a signatory of the MMoU. These necessary changes would allow the FSA to cooperate and exchange information with its foreign counterparts. As a small island state, being an Associate 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.

"... would allow the FSA to cooperate and exchange information with its foreign counterparts."

The two committees of relevance to Seychelles are the **Growth and Emerging Markets Committee**, which seeks to promote the development and greater efficiency of emerging securities and futures markets; and the **Africa/Middle-East Regional Committee**, which is one of four regional committees constituted by IOSCO to focus on regional issues relating to securities regulation in the African /Middle-East region.

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