



ANNUAL

REPORT

2016





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Our Mission.....

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

Our Vision....

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

Our Core Values....

- **INTEGRITY, VIGILANCE AND PROFESSIONALISM**

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

- **GREAT REPUTATION OF JURISDICTION**

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

- **COLLECTIVE CONTRIBUTION**

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

Chairman's Statement

It is my honour to present the Annual Report concerning the activities of the Financial Services Authority for the year 2016.

Over the past few years, the business environment has been fairly challenging- both domestically and internationally. Despite this, I remain confident in the future of our financial sector. The Financial Services Authority maintains its position as one of the most profitable Government entities in Seychelles - a testimony to the dedication of our staff and the progress of the non-bank financial services sector. I strongly believe that with every challenge lies opportunities to grow and to proactively adjust our strategies, with a continued focus on our goals.



The focus of 2016 in terms of financial services by the media, both local and international, was the "Panama Papers" revelations whereby more than 11 million leaked files of Mossack Fonseca, a Panama based law firm, were leaked to the German newspaper Suddeutsche Zeitung and investigated and reported by the International Consortium of Investigative Journalists amongst other media outlets. The FSA, cognisant that the leak did not necessarily equate to wrong doing nor proof of criminality, mobilized its resources in collaboration with the Financial Investigation Unit, the regulatory body for Anti-Money Laundering, to conduct an investigation with the aim of ensuring that any Seychelles company mentioned was operating within the parameters of the law. The FSA considers the veracity of all allegations before undertaking the appropriate course of action. Seychelles prides itself on being a reputable jurisdiction and hence took the necessary actions to ensure adherence to norms of best practice and companies complying with prevailing legislation. Thanks to the FATF, most countries now have the tools necessary to appropriately defend against criminals and terrorists attempting to use their jurisdictions for nefarious purposes. As a regulatory body, we strive to adhere to the highest level of integrity and adherence to international standards, so as to nurture a strong regulatory framework.

A decline in incorporations of IBCs was recorded for the year 2016, from 18,066 to 12,971, representing a drop of 28 percent. This also led to a simultaneous decline in the FSA's total revenue, from SR158 million in 2015 to SR150.1 million. The decline was however anticipated due to the change in measures and policies that were implemented, including more stringent enforcement actions by the FSA. The FSA is in the process of considering the introduction of new products, in collaboration with the industry, to satisfy other markets and alternatively be more competitive.

I take this opportunity to thank the CEO, Ms Jennifer Morel and our staff for their diligence and hard work, and for the commendable performance achieved this year. Finally, I wish to express my sincere appreciation to all my fellow Directors for their relentless assistance, support and guidance during the year. In particular, I extend my sincere appreciation to Mr. Basil Soundy, who no longer serves alongside us on the Board of Directors as of July of this year, for his service to the FSA. The FSA also

welcomes two new Board Members, Mr. S.K Shrivastava, representing the Seychelles Bankers Association and Mr Ralph Volcere, representing the Seychelles Chamber of Commerce and Industry.

In accordance with Section 14 of the Financial Services Authority Act, 2013, I present this report on the operation and activities of the FSA for 2016, accompanied by the audited financial statements.

Dr. Steve Fanny,

Chairman

of the

Financial Services Authority

Chief Executive Officer's Statement

It is with great pleasure that I present the Annual Report of the Financial Services Authority for the year 2016.

The FSA has been much involved in various projects aligned to the Financial Sector Development Implementation Plan (FSDIP) and the FSA Strategic Plan 2015 to 2019. Funding was sourced from our partners, the African Development Bank, the Investment Climate Facility and the World Bank towards Technical Assistance with respect to the individual projects under the FSDIP, a national initiative for the financial sector. These projects include a revamp of the Mutual Fund and Fund Act, 2008, a review of the authorisation and post authorisation processes and systems of the FSA in relation to capital markets and collective investment schemes, a risk based supervision framework for the regulation of pensions and insurance as well as the conduct of a base line survey in financial literacy undertaken in partnership with the Central Bank of Seychelles amongst other projects. The FSA extends its sincere appreciation to all donors and stakeholders for their assistance in making these projects a success and looks forward to continued support for ongoing projects.



2016 witnessed continued implementation of the Strategic Plan 2015 – 2019 which encapsulates the priority areas of the FSA over the next five years. The underpinning enablers and corresponding tasks derived from the plan are challenging given the global dimension of our operating environment, the increasingly sophisticated compliance regime that must be subscribed to as well as competition between international financial centres. The identified priority areas of a fully compliant system, the enhancement of Seychelles as an International Financial Services Centre, Talent Development and Revenue Growth have been embedded within the FSA structure as can be noted through the individual projects discussed within the Section specific segments of the Annual Report.

After years of hard work and consultation, the International Business Companies Act, 2016 was enacted and became operational as of 1st December 2016. This achievement is a consequence of years of endeavour and industry consultation.

In the coming year, the FSA will continue to work in close collaboration with all stakeholders, including the industry for the realisation of our goals. The FSA will continue to support the work undertaken internationally by our partners. In 2017, the FSA, in collaboration with other stakeholders, will focus specifically on the Base Erosion and Profit Shifting (BEPS) projects headed by the OECD's Centre for Tax Policy and Administration which aims to ensure that profits are taxed where economic activities generating these profits are performed and where value is created. In addition, further work towards

associate membership of the International Organisation of Securities Commissions (IOSCO) will be undertaken.

In conclusion, I extend my sincere appreciation to the Board for their guidance and to the Ministry of Finance, Trade and Economic Planning for their support. I extend my gratitude towards the industry and all our stakeholders for their continued cooperation. Finally, I thank the Management and Staff of the FSA for their valued contributions throughout 2016.

*Ms. Jennifer Morel,
Chief Executive Officer
of the
Financial Services Authority*

The FSA Board of Directors

As at 31st December 2016

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

		Member
S5(1)(a)	Chairperson	Dr. Steve Fanny
S5(1)(b)	Chief Executive Officer	Ms. Jennifer Morel
S5(1)(c)	Principal Secretary of the Ministry responsible for Finance or a representative of the Principal Secretary	Ms. Irene Croisee Deputy Comptroller General
S5(1)(d)	Attorney-General or a representative of the Attorney General	Mr. Ronny Govinden Attorney General
S5(1)(e)	Chairperson of the Seychelles Chamber of Commerce and Industry or a representative of the Chairperson*	Mr. Ralph Volcere Member of Seychelles Chamber of Commerce and Industry / The Editor, The Independent
S5(1)(f)	Chairperson of the Seychelles Bankers' Association or a representative of the Chairperson	Mr. S.K Shrivastava Chairperson of the Seychelles Bankers Association / Chief Executive Officer of Bank of Baroda
S5(1)(g)	Governor of the Central bank of Seychelles or a representative of the Governor	Ms. Jenifer Sullivan Second Deputy Governor
S5(1)(h)	Chief Executive Officer of the Seychelles Investment Board or a representative of the Chief Executive Officer	Mr. Rupert Simeon Chief Executive Officer
S5(1)(i)	Appointed by the President	Ms. Angelique Antat Deputy Chief Executive Officer Seychelles Investment Board
S5(1)(i)	Appointed by the President	Ms. Georgette Capricieuse Revenue Commissioner

Secretary to the Board - Ms. Audrey Khan

*Mr. Basil Soundy was replaced as the representative of the Seychelles Chamber of Commerce and Industry on 21st July 2016 by Mr. Ralph Volcere.

The Board of the Financial Services Authority is established pursuant to Section 5 of the Financial Services Authority Act, 2013. The Board is the governing body of the Authority and bears the responsibility for establishing the policy of the Authority and monitoring and overseeing its implementation, as well as monitoring and overseeing the management of the Authority by the Chief Executive Officer. The Board is presided over by the Chairperson, who is appointed by the President.

The members of the Board of Directors are appointed for a fixed term. Members include representation from both the public and private sector.

Board Meetings

Board meetings must be held at least once every three months. In 2016, five meetings were held.

Board Committees

The Financial Services Authority has two Board Committees, namely the Audit Committee and the Human Resources 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.

The Committee consists of four members of the Board of Directors.

Members of the Audit Committee

(As at 31st December 2016)

Mr. Rupert Simeon	-	Chairperson
Mr. SK Shrivastava	-	Member
Ms. Irene Croisee	-	Member
Ms. Jenifer Sullivan	-	Member

Secretary to the Committee Ms. Audrey Khan

Human Resources Committee

The Human Resources 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 Committee

(As at 31st December 2016)

Ms. Jenifer Sullivan	-	Chairperson
Mr. Ralph Volcere	-	Member
Ms. Angelique Antat	-	Member

Secretary to the Committee Ms. Audrey Khan

Our Organisation



Our History

With the enactment of the Financial Services Authority Act, 2013, the Seychelles International Business Authority (SIBA) was replaced by the Financial Services Authority (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.

In 2013, the Seychelles International Business Authority Act, 1994 was repealed and replaced by the Financial Services Authority Act, 2013. The FSA 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 Financial Services Authority 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 Financial Services Authority Act, 2013. The Authority is responsible for the administration of the following laws:

- Financial Services Authority Act, 2013
Financial Services Authority (Appeals board) Regulations, 2014
- Companies (Special License) Act, 2003
- Foundations Act, 2009
Foundations (Amendment) Act, 2011
- Hire Purchase and Credit Sale Act, 2013
- 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
- International Business Companies Act, 2016
- 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 Immigration (Amendment) Act, 2000
International Trade Zone (Amendment) Regulations, 2004

- 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 & Hedge Fund Act, 2008

- 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

- Seychelles Gambling Act, 2014

Our Committees

In carrying out our functions, the Management of the FSA is assisted by the following committees:

Procurement Unit

The Procurement Unit comprises of representatives of different sections of the FSA. The Unit is responsible for the management of all the procurement activities of the FSA in accordance with the Public Procurement Act and its Regulations and obtaining the required approval from the relevant Authority. The Unit reports directly to the CEO.

FSA Liaison and Technical Committee

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 organising social and recreational events for staff members. The Committee reports to the CEO.

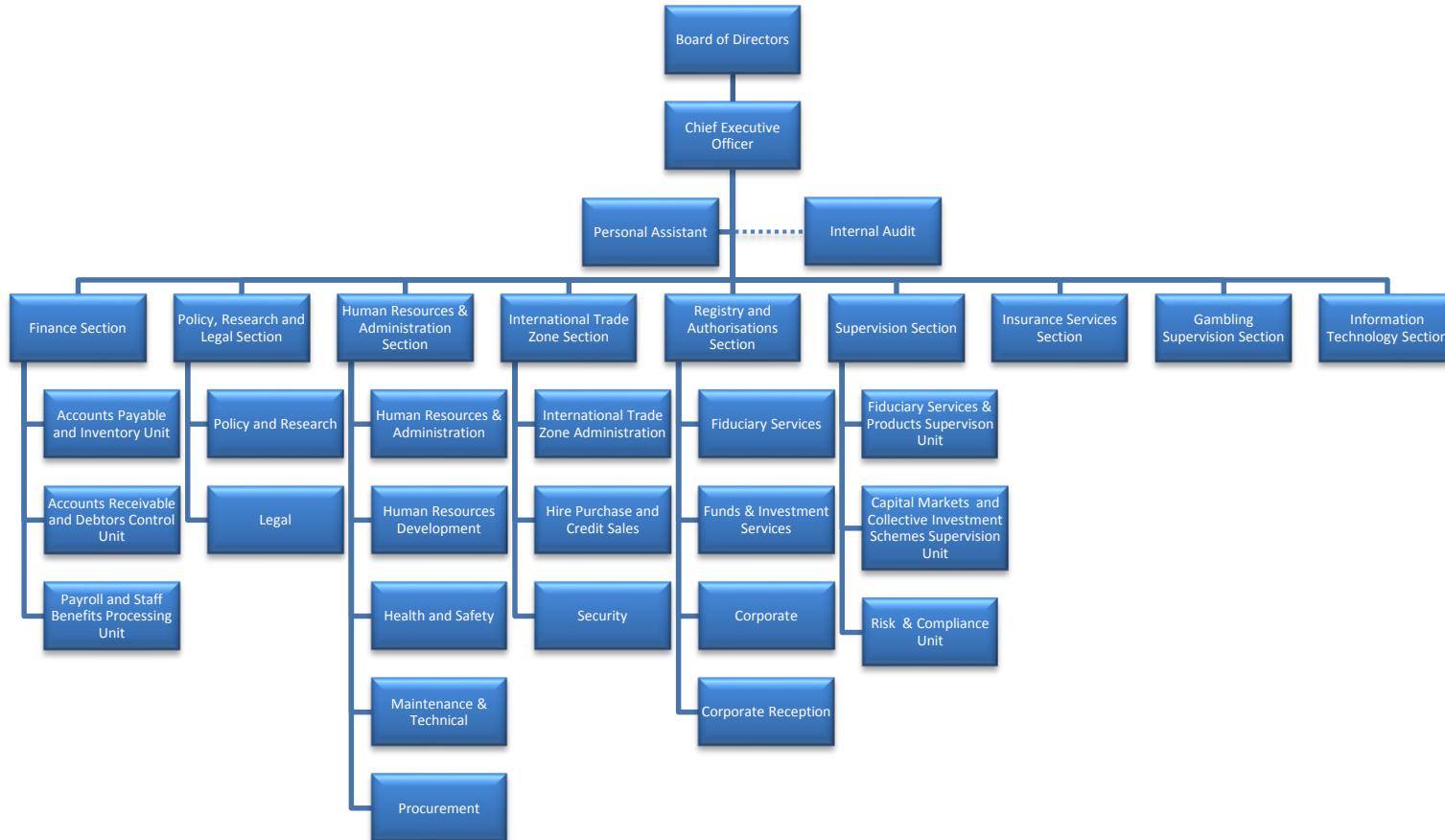
Newsletter Committee

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 Supervision Manager, the Registry and Authorisation Manager, the Insurance Services Manager and the Policy, Research and Legal Manager. The Committee meets when required to discuss enforcement actions to be undertaken and make recommendations to the CEO.

Organisational Structure



The Economic and Regulatory Setting

Economic Setting

International Economic perspective

According to the World Economic Outlook of April 2017¹, global growth in 2017 is expected to rise to 3.5 from 3.1 percent in 2016. Economic activity is estimated to pick up pace this year as well as in 2018, especially in emerging markets and developing economies (EMDEs), with projections for global growth estimated at 3.4 percent and 3.6 percent respectively. EMDEs growth is currently estimated at 4.1 percent in 2016, and is projected to reach 4.5 percent for 2017, around 0.1 percentage point weaker than the October forecast. A further pickup in growth to 4.8 percent is projected for 2018.

The global growth increase has been attributed to “buoyant” financial markets and a long awaited cyclical recovery in manufacturing and trade. It is to be noted however that binding structural impediments continue to hold back a stronger recovery, and the balance of risks remains tilted to the downside, especially over the medium term. These structural problems include low productivity growth and high income inequality and as a result, pressures for inward-looking policies are increasing in advanced economies. These may affect global economic integration and the cooperative global economic order that has served the world economy, especially emerging markets and developing economies, well. Economic policies have an important role to play in counteracting downside risks and securing the recovery.

EMDEs growth is projected upwards because conditions in commodity exporters experiencing macroeconomic strains are gradually expected to improve, supported by the partial recovery in commodity prices, while growth is projected to remain strong in China and many other commodity importers. In advanced economies, the pickup is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustment and weak investment.

For advanced economies, projected growth has been revised upwards in the United States, reflecting the assumed fiscal policy easing and an uptick in confidence, especially after the November elections, which, if it persists, will reinforce the cyclical momentum. Since the U.S. election, expectations of looser fiscal policy in the United States have contributed to a stronger dollar and higher U.S. Treasury interest rates, pushing up yields elsewhere as well. Outlook has also improved for Europe and Japan based on a cyclical recovery in global manufacturing and trade that started in the second half of 2016.

Regional Economic Perspective

According to the Regional Economic Outlook² published in October 2016 for Sub-Saharan Africa, economic activity in Sub-Saharan Africa has weakened markedly, the most unfavourable level

¹ International Monetary Fund. 2017. World Economic Outlook: Gaining Momentum? Washington, April.

² International Monetary Fund. 2016. Regional Economic Outlook: Sub-Saharan Africa: Multispeed Growth. World Economic and Financial Surveys, Washington, October.

recorded in more than 20 years. With lower commodity prices and a generally less supportive global economic environment, average growth in the region is foreseen to decelerate to 1½ percent within the year.

Activity in sub-Saharan Africa is expected to rebound to 2.9 percent in 2017, after being 1.4 percent in 2016.

With the hope of restoring stability in 2017, there is an immediate need to address the significant macroeconomic imbalances and policy uncertainty in some of the region's largest economies.

Despite the decline in economic activity, some countries like Côte d'Ivoire, Ethiopia, Kenya and Senegal had been spared. As they are non-resource-intensive countries and thus continue to perform well, since they benefit from lower oil import prices, an improved business environment and continuous strong infrastructure investment.

As stated in the Regional Economic Outlook, the policy response in many of the hardest-hit countries has been slow, often accompanied by stopgap measures such as central bank financing and the accumulation of arrears, and leading to rapidly rising public debt.

A 2½ percent decline in the growth for oil exporters was expected, causing oil exporters which include countries such as Angola and Nigeria, to continue to face difficult economic conditions. However, not excluding non-energy-commodity exporters, such as Ghana, South Africa and Zambia. Meanwhile, Guinea, Liberia and Sierra Leone are only gradually recovering from the Ebola epidemic and several Southern and Eastern African countries including Ethiopia, Malawi and Zimbabwe are suffering from a severe drought.

Nevertheless, many other countries still maintain a steady growth. These are mainly oil importers, with growth in excess of 5 percent and even higher in countries such as Côte d'Ivoire, Kenya and Senegal. It was further observed that in most of these countries, growth is being supported by ongoing infrastructure investment efforts and strong private consumption.

The Seychelles Context

Due to being relatively small, the Seychelles economy is reliant on the external influences caused by international developments. Overall, the Central Bank of Seychelles' Annual Report 2016 reports these influences as having an overall positive effect.

The Seychelles has also experienced significant changes, the most notable of which relates to the political environment. For the first time in Seychelles, the presidential election of December 2015 went to a second round after none of the candidates received more than 50 percent of the votes cast in the first round. In the September 2016 parliamentary elections, the Opposition won a simple majority, also a first in Seychelles' politics. In October 2016, President James Alix Michel resigned and the Vice President, Mr. Danny Faure, was sworn into office, becoming the fourth President of the Seychelles.

The Central Bank of Seychelles' Annual Report 2016³ reports an estimated growth of 5.9 per cent in 2015 in real GDP. This represents the largest expansion in output since 2014. Per the report, the financial services sector is estimated to have grown by 5.0 percent in 2016.

In consideration of the stable external value of the domestic currency coupled with the generally weak international commodity prices as well as the monetary policy stance adopted by the Central Bank of Seychelles⁴, inflation was overall benign during 2016. Based on statistics for the monthly Consumer Price Index (CPI) published by the National Bureau of Statistics, the rate of inflation ended 2016 at close to zero per cent.

The average return on fixed-term local currency (the Seychelles Rupee) deposits fell from 4.08 percent to 3.55 percent in 2016 due to a reduction in the average effective interest rate paid. An increase in yield on short-term government securities was observed.

Local Capital Market Trends

In 2016, the Seychelles Securities Exchange, Trop-X (Seychelles) Limited, introduced six new listings to the Trop-X Main Board. The increase in the number of companies listed resulted in an increase in the total market capitalisation for the three equity boards by 247 percent compared to the year 2015 as the year 2016 ended with a market capitalisation of US\$105.4 million. Total trade value in 2016 increased by 298 percent compared to 2015. This was mainly attributed to retail clients' growing appetite in trading of local stocks.

Currently, Trop-X has two active broker members on the exchange, namely Constant Capital (Seychelles) and Direct Markets Africa. An increased participation from local investors was noted, primarily due to the listing of Seychelles Breweries Ltd in June 2016. The number of local trading accounts opened increased by 175 percent. The market also witnessed a marked increase in the participation of foreign investors mainly from the listing of the Wealth Migrate (WM) companies under the Wealth Migrate Multi Issuer Program for the real estate investment crowd funding platform which resulted in an increase of more than 200 foreign owned trading accounts. Among their three listed companies, WM Med 5 Limited paid a dividend of US\$0.02 per share to its shareholders in November 2016 resulting in a dividend yield of 2 percent, with WM Cypress Ridge Limited expected to pay dividends on February 24, 2017.⁵ Overall, a total of 292 trading accounts have been created in 2016, representing an increase of 135 percent in comparison to 2015. These accounts are primarily individual retail accounts.

³ Annual Report 2016, Central Bank of Seychelles

⁴ Annual Report 2016, Central Bank of Seychelles

⁵ Trop-X (Seychelles) Limited. (2016, February 27). Retrieved from www.trop-x.com/about-trop-x/publications/news/2017/02/seychelles-nation-article-seychelles-securities-exchange

In April 2016, Trop-X became the 23rd Exchange to make a commitment to the sustainability and transparency of capital markets in Seychelles by joining the UN's Sustainable Stock Exchanges (SSE) Initiative.

In 2017, Trop-X intends to scale up its activities and will be revamping its listing framework which will provide for the listing of specialist companies and specialist debt instruments.

Global Regulatory Trends

The international regulatory environment is moving towards stricter regulations in terms of transparency and increased collaboration between jurisdictions. The various regulatory developments which have impacted the non-bank financial services industry of the Seychelles in 2016 are as follows:

Baseline Erosion and Profit Shifting (BEPS)

BEPS refers to tax planning strategies that exploit gaps and mismatched in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. The OECD has established an inclusive framework on BEPS, which allows interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS related issues and reviewing and monitoring the implementation of the whole BEPS Package.

Seychelles became the 84th member of the Inclusive Framework on BEPs on the 7th July 2016 following the first meeting of the Inclusive Framework of BEPS in Kyoto, Japan.

BEPS has altogether 15 standards (Actions) of which Seychelles will have to comply with the 4 minimum standards, as stated below:

- Action 5: Counter harmful tax practices more
- Action 6: Prevent treaty abuse
- Action 13: Re-examine transfer pricing documentation
- Action 14: Make dispute resolution mechanisms more effective

Assessment of the following Seychelles' preferential regimes, amongst others, will be undertaken in 2017:

- Finance/Leasing regime (IBC and CSL)
- Intellectual Property regime (IBC and CSL)
- Headquarter regime (CSL)
- Offshore Banking and Insurance regimes
- Fund Administration and Securities Business
- Distribution/Service Centre regime (International Trade Zone)
- Miscellaneous regimes (ICSP and presumptive tax regime)

FATCA

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. Whilst the agreement has not been signed as yet, it is still considered to be in effect. 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 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.

OECD Common Reporting Standards

In February 2014, the OECD published the new global standard for the automatic exchange of information (AEOI) known as the Common Reporting Standard or CRS. In July 2014, the OECD further published the commentaries and technological modalities, which together comprise the entire Standard for Automatic Exchange of Financial Account Information in Tax Matters (herein referred to as "the Standard"). This is now the international standard for automatic exchange of financial account information.

Pursuant to the Standard, financial institutions report information to the tax administration in the jurisdiction in which they are located. The information consists of details of financial assets they hold on behalf of taxpayers from jurisdictions with which their tax administration exchanges information. The tax administrations then exchange that information. The reporting obligations are similar to those imposed by FATCA.

Seychelles is an early adopter and has committed to implementing the new standard with the first exchanges to occur by September 2017.

Regulatory Developments

Creation of the Financial Stability Committee

A Financial Stability Committee (FSC) has been created effective March 21, 2016 with the task of maintaining financial stability within the 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 liberalised economy, it is important that the financial system can withstand adverse domestic and external shocks.

Members of the FSC are the Central Bank of Seychelles, which has the Chairmanship, along with the Ministry of Finance, Trade and Economic Planning, the Financial Services Authority and the 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.

Seychelles conducts National Risk Assessment

At the beginning of 2016, the Seychelles started its National Risk Assessment (NRA). The Working Group for the NRA in Seychelles is led by the Financial Intelligence Unit (FIU) and involves the participation of both the public and private sectors.

The NRA is an advisory package developed by the Financial Market Integrity Unit of the World Bank to help countries in identifying and contending with their risks posed by money laundering and terrorism financing. It has been developed over the past five years as a result of its work with numerous countries on anti-money laundering and combating terrorist financing related issues. The NRA supports countries in conducting self-assessments through a systematic and organised process as it is designed to address their specific challenges and needs. The assessment aims to identify the primary money laundering and terrorism financing risks in the country through a comprehensive analysis. This will then help establish a strategy and mitigating actions to address the vulnerabilities. It will help in allocating resources for the fight against money laundering and terrorism financing more effectively and efficiently, while meeting international standards.

The Financial Services Authority is actively participating in the conduct of this assessment with respect to the products under its administration.

Creation of a Financial Services Marketing Committee

With the enactment of the Financial Services Act, 2013, the responsibility for the marketing of financial services was transferred from the Seychelles International Business Authority to the Seychelles Investment Board.

The Financial Services Marketing Committee (FSMC) was created with the aim of maximizing the effectiveness and efficiency of the marketing campaigns and to also serve as a platform where other issues relating to the sector can be raised and possibly addressed. The FSMC comprises of representatives of the Seychelles Investment Board (SIB), the Financial Services Authority, the Seychelles International Financial Services Association (SIFSA), the Ministry of Finance, Trade and Economic Planning, the Seychelles Banker's Association, the Central Bank of Seychelles, the Insurance Association, the Securities Exchange (Trop-X (Seychelles) Limited), the Registration Division, and the Society of Trust and Estate Practitioners (STEP) Association.

Mr. Rupert Simeon, representing the SIB, is the Chairperson and Mr. Bobby Brantley, representing Trop-X (Seychelles) Limited is the Vice Chairperson, with SIB serving the role of the Secretariat.

The FSMC will seek to improve and maintain the positive image of Seychelles as a Financial Services Centre by implementing proactive marketing campaigns.

The FSMC has been a favourable initiative. Through the China Offshore Summit held in October 2016, the committee has taken the opportunity to learn the behaviour of investors in terms of what is in demand in the Asian market. The FSMC will be directing efforts towards marketing the Seychelles as a reputable International Financial Services Centre, particularly in the Asian market.

Our Operations

Internal Audit

The Internal Audit Unit of the FSA has recently been established in accordance with Section 10 of the Financial Services Authority Act, 2013, as a key component of the FSA's governance framework.

The Internal Audit Unit is mandated by an Internal Audit Charter which was approved by the FSA's Board of Directors. The Unit is currently in the set-up phase where policies and procedures are being developed and compiled into a manual. The Internal Audit strategic and engagement plan is being drawn up and other relevant documents including audit forms and working paper files are being developed.

The Audit Committee of the FSA has been established in accordance with Section 6 of the Financial Services Authority Act, 2013 and it functions as the governance body that will be charged with oversight of the FSA's audit and control functions.

Licensing and Supervision Sections

The FSA's authorization perspective

The licensing phase is treated as the stage whereby the FSA performs its pre-supervision functions. The screening process done at the licensing stage will dictate the status going forward of the licensees and their roles as actors within the industry from a prudential and market conduct point of view.

Licensing sections within the FSA include the Authorisation and Registry Section, the Insurance Services Section, the Gambling Supervision Section and the International Trade Zone Section. These Sections perform their functions in regards to the licensing of applicants for the relevant licenses in conjunction with the Supervision Section, with the exception of the Insurance Services Section and the Gambling Supervision Section. These latter sections differ in that both licensing and supervision are undertaken by the same section.

Final approval in regards to the licensing and rejection of applications rests with the office of the CEO following the recommendation of the sections responsible for the vetting of the application.

Licensing requirements

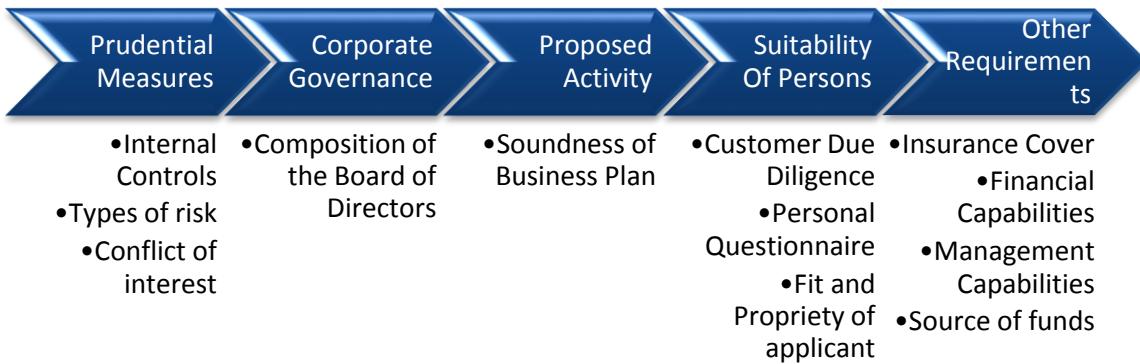
All licence applications, accompanied by a covering letter and the relevant application fee, must be submitted in its entirety to the CEO of the FSA.

An application for a licence should be submitted in accordance with the respective law and guidelines. It is important to take note that the FSA accepts the submission of application documents in original or certified true copies.

Guidelines that will assist applicants in the submission of an application can be accessed on the FSA's website.

Licensing process

As part of its authorisation process, the FSA seeks to ensure that those entering the Financial Services Sector meets the required minimum standards expected of a Seychelles regulated entity. 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:



Authorisations' staff, in close liaison with the appropriate supervisory team responsible for the relevant sector considers applications for authorisation made in writing by the applicant to the FSA. Request 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 undertaking substantial changes in their operation.

Authorisations and Registry Section

The Authorisations and Registry Section is made up of two main units namely the Authorisations and Registry Units. The Registry Unit administers the Registry legislations under which the FSA is mandated to be the Registrar, such as the Limited Partnerships Act and the Foundations Act. The Chief Executive Officer of the FSA is also the Registrar under the International Business Companies Act, 2016. The Authorisations Unit is responsible for the licensing of entities in accordance with their respective legislations, namely the International Corporate Service Providers Act, 2003 ("ICSP Act"), the Securities Act, 2007 and the Mutual and Hedge Fund Act, 2008.

AUTHORISATIONS UNIT

The Authorisations Unit's key function is to receive, review and determine applications for licenses. Being the gatekeeper for new entries within the sector, the Authorisation 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 repute of the jurisdiction, such application are referred for rejection.

1. Licenses issued in 2016

1.1 Fiduciary Services

In 2016, the FSA issued three International Corporate Services (ICS) licences and one Foundation Services (FS) licence. No new International Trustee Services (ITS) licence was issued. The chart below depicts the total number of licensees in operation as at the end of 2016.



For the year 2016, the FSA has rejected 3 applications for international corporate services licence. The main reasons for which the applications were rejected are as follows:

- lack of fitness and propriety of the proposed applicant;
- lack of economic benefits to the jurisdiction, and
- incomplete application.

Being the gatekeeper and having the oversight of the potential entrant seeking to penetrate the sector and existing licensees that apply to extend their current services, the Authorisations Unit in conjunction with the supervisory team is entrusted with the key responsibility of performing fit and proper assessment on the applicant including all its directors, shareholders, beneficial owners and members of managerial staff proposed to conduct licensable business activities. The table below depicts the total fit and proper approvals and rejections for 2016.

2016	ICS	ITS	FS
Fit and Proper Approval	26	4	3
Rejected Applicants	7	0	0

1.2 Securities Dealers and Investment Advisors

Securities Dealers (and their representatives) and Investment Advisors (and their representatives) are licensed under the Securities Act.

Particulars	Figures 2016
Number of Securities Dealers	10
Number of Securities Dealers Representatives	17
Number of Investment Advisors	3
Number of Investment Advisors Representatives	6

During the year 2016 there were 2 Securities Dealer licences issued and 1 licence revoked. 2016 also saw the approval of 3 new Securities Dealer representatives taking the number to 17 representatives.

With respect to investment advisors, 2 new licenses were issued during 2016 resulting in a total of 3 valid licensed investment advisors. There were consequently 2 new investment advisor representatives approved in 2016 taking the number of valid representatives to 6 for the year 2016.

1.3 Funds and Fund Administrators

Up until the end of 2016 the FSA had licensed 17 funds and 3 fund administrators.

Particulars	Figures (Q4 2016)
Professional Funds	7
Private Funds	8
Public Funds	2
Fund Administrators	3

There were no fund administrators licensed in 2016 resulting in the total number of administrators being 3.

In relation to funds the year 2016 witnessed the licensing of 2 professional funds and 2 private funds whereas no public funds were licensed in 2016.

2. Other Products

Protected Cell Company (PCC)		
Year	No. of applications received	No. of applications approved
2014	3	3
2015	1	1
2016	3	2

Companies Special Licence (CSL)		
2014	18	13
2015	12	10
2016	11	10

In respect to approval for application for PCCs and CSLs, the FSA has observed that the total approved application has remained constant. However, it is noticeable that in terms of growth, the two products have not significantly increased over the past three years.

3. Way Forward

With respect to the upcoming amendments to the International Corporate Service Providers Act, 2003 the FSA is in the process of reviewing and updating its guidelines for licence applicants and licensees. The objective of enhancing the guidelines is to provide guidance to licensees, aiming at enhancing the level of compliance within the sector.

In 2017, the FSA intends to combine the authorisation and supervision of fiduciary services and capital markets and collective investment schemes into separate respective sections. As such, the proposed new Capital Markets and Collective Investment Schemes Supervision Section would handle both the authorisation and supervision of capital market licensees and collective investment schemes while the Fiduciary Supervision Section would handle both the authorisation and supervision of fiduciary services. This decision is based on the recommendations provided by consultants from the IMF. It is expected that this new format will enhance the efficiency and effectiveness of the FSA.

REGISTRY UNIT

The Registry Section administers the Registry legislations under which the FSA's Chief Executive Officer or the FSA 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 International Trusts are maintained in accordance with the provisions of the relevant laws that govern them.

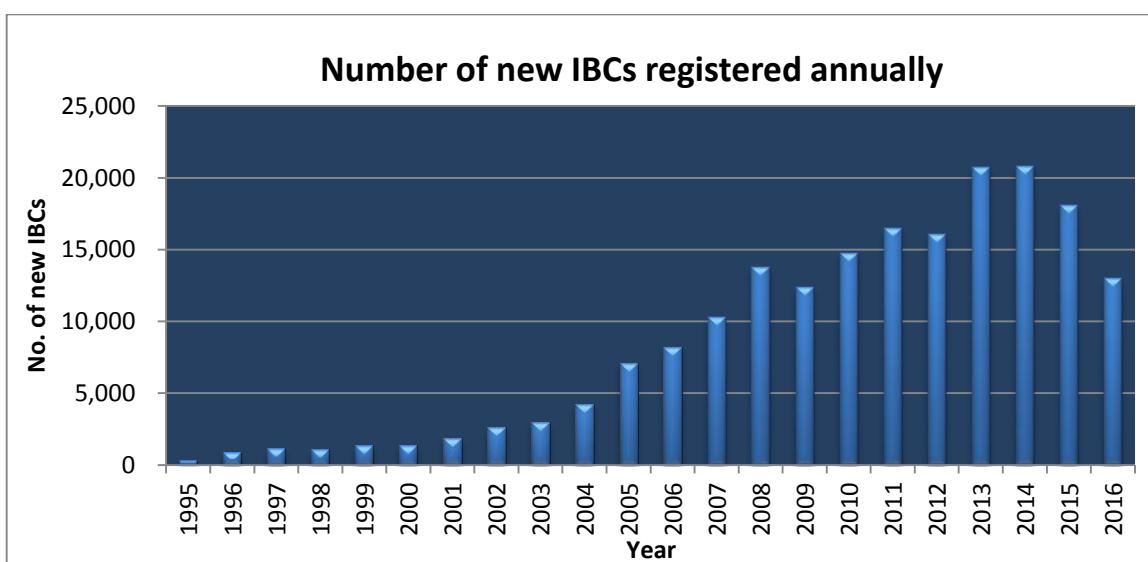
The main duties and responsibilities of the Registry Section focus on the registration of specified entities in the first instance (i.e. incorporation or registration) such as International Business Companies ("IBC") and Foundations in accordance with the relevant legislations.

Post-registration transactions constitute another large element of the Section's mandate. These transactions include the renewal of entities and amendments to their constitutional documents that are also kept by the Registrar. Requests for Certificates of Good Standing and Official Searches also make up the Section's activities whereby these are provided in accordance with the relevant provisions of the legislations upon the requests of the FSA's licensees and also upon the request of third parties.

1. IBCs

New incorporations of IBCs for the year ended 2016 amounted to 12,971 companies. This figure represents a decrease of 28 percent when compared to the total incorporations for the year ended 2015. The average number of companies incorporated on a monthly basis was 1,000 IBCs per month during 2016 compared to the monthly average of 1,500 in 2015.

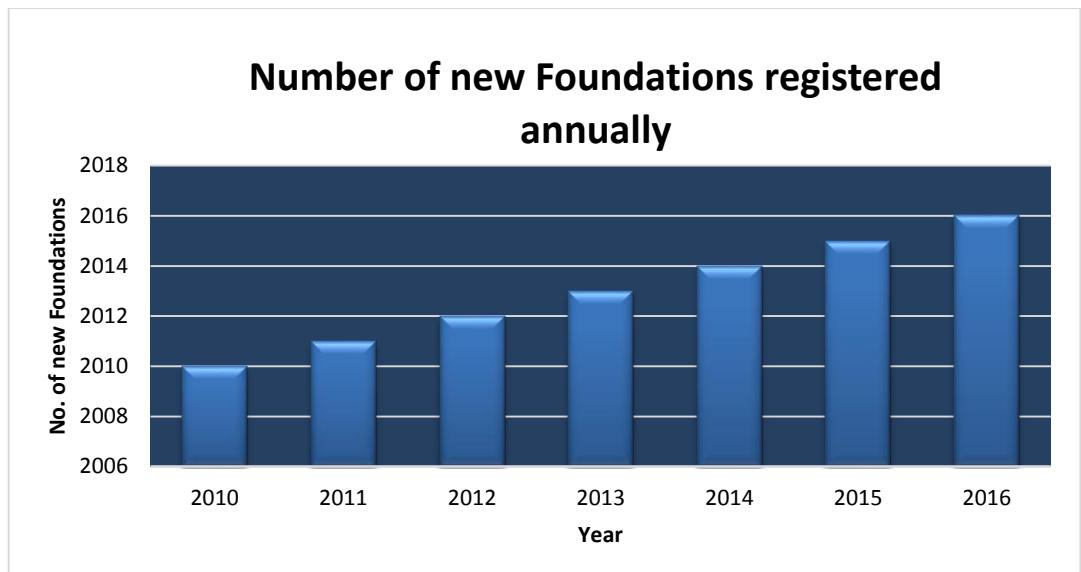
During the year 2016, there were 1,292 companies dissolved similarly to the 1,260 dissolved during the year 2015. The number of IBCs that were deemed to be in good legal standing as at the year ended 2016 stood at 68,353 out of the 189,706 cumulative total of all incorporations since 1995. This figure is a decrease of 4percent based on 2015 figures where the good standing rate stood at 71,526. The general observation is that the ratio of good standing versus not in good standing companies is reducing from 41percent in 2015 to 31percent in 2016.



2. Foundations

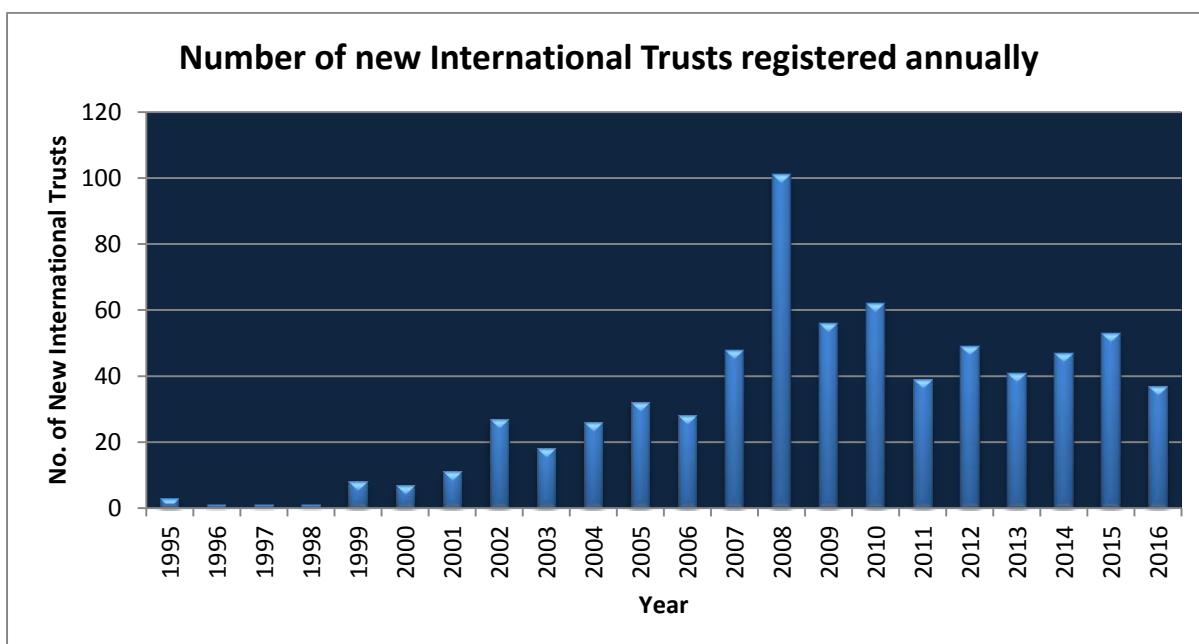
New Foundations registered during the year increased in 2016 from 93 Foundations in 2015 to 100 Foundations in 2016. That said, this figure is still below the highest annual Foundation Registration number of 135 Foundations in 2014.

Cumulatively, there were 614 Foundations as at December 31st, 2016 resulting in a growth of 8percent from 2015 figures.



3. International Trusts

New registration of International Trusts Declarations of Trust for the year 2016 was 37, a 30 percent decrease on the 2015 total which stood at 53 International Trusts Declarations Registered.



(Diagram 3. New International Trusts Annually. Source: FSA)

4. Registry Statistics

In general, the year 2016 recorded a decline of 28 percent compared to 2015 in relation to new yearly IBC incorporations. In comparison, in between 2014 and 2015 the decline in new incorporations was

13 percent. The average monthly incorporations fell from 1,506 IBCs incorporated per month to 1,081, a decline of approximately 28 percent in the monthly numbers which was reflected on the annual reduction.

The trend is reflected in the number of good standing companies during the year 2016 when compared to the year 2015. In relation to the good standing to not in good standing ratio same is decreasing year on year where in 2015, 41 percent of the cumulative total were in good standing at 71,526 companies out of 176,558. In 2016, this figure dropped to 36 percent where out of 189,529 companies, 68,353 were in good standing. There was also an increase of 25 percent in dissolution in 2016 compared to 2015.

Foundations registration showed a slight growth of 8 percent in comparing 2016 to 2015 itself a recovery from 2014 to 2015 figures where there was a contraction of 31 percent. Despite this growth based on the preceding year, there is a decrease of 25 percent when 2017 is compared to the high of 2014 where 135 foundations were incorporated. 2014 was the year where most foundations were registered since 2010, when foundations were registered for the first time with the enactment of the Foundations Act in 2009.

International Trusts also showed a decrease in the number of new trusts in 2016 compared to 2015 where the number fell from 53 new trusts in 2015 to 37 new trusts in 2016, representing a fall of 30 percent in 2016 based on 2015 numbers.

For Limited Partnerships (“LP”), the year 2016 was one where no LPs were registered, the first time since 2010. Previously on average 2 LPs were registered annually.

2016 was therefore seen to be a challenging year in relation to the registration of new products where, with the exception of foundations, there was an across the board reduction in the number of products registered.

International Business Companies (IBCs)	2015	2016	% Change
Cumulative Total	176,558	189,706	7%
Incorporations (Annual)	18,066	12,971	-28%
In Good Standing	71,526	68,353	-4%
Dissolved (cumulative)	5,089	6,381	25%

Foundations	2015	2016	% Change
Cumulative Total	514	614	19%
New Foundations	93	100	8%

International Trusts	2015	2016	% Change
Cumulative Total	659	696	6%
New International Trusts	53	37	-30%

International Trade Zone Section

The main function of the International Trade Zone (“ITZ”) Section is to issue ITZ Licence to entities and supervise these licensees under the International Trade Zone Act, 1995. The section also administers the International Trade Zone.

The Seychelles International Trade Zone 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 re-distributors, exporters and re-exporters of goods and services. All business activities conducted by companies licensed under the ITZ Act must be geared towards exportation.

International Trade Zone licenses

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

- Light Assembly
- Processing
- Redistribution
- Export Services
- Manufacturing

1. Licensing

Applications for ITZ licences must be lodged with the FSA. The ITZ Section processes new applications for ITZ licences, ensuring that the proposed activities fall within the ambit of the ITZ framework. The ITZ Section also conducts all the necessary due diligence for the directors, shareholders and beneficial owners of the applicants.

The post-licensing phase includes an effective monitoring system to ensure compliance with, amongst other things, keeping and submission of records such as statistics, import/export, audited accounts and employment. The mentioned list is not exhaustive and will depend on a case by case basis and on the type of company.

2. Monitoring of Employment matters within the ITZ

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.

3. Licence statistics



Hire Purchase and Credit Sales

The ITZ Section will in future administer Hire Purchase and Credit Sales. The Hire Purchase and Credit Sale Act became operational in March 2014. However, the FSA awaits the enactment of the Hire Purchase and Credit Sales Regulations so as to be able to start licensing and regulating these activities.

1. 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.

2. 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.

Outlook for 2017

Other than acting solely as a licensing unit, for the year 2017, the ITZ Section will also be responsible for the in-depth supervision of all the ITZ licensees. As such, it is anticipated that the goal of the Section for 2017 will be to put in place a suitable supervisory framework within the Section. Additionally, the Section aims to conduct the necessary staff training and development ensuring that staff are better qualified to fulfil their duties.

The FSA expects to receive an increase in ITZ applications in 2017, as more investors are increasingly showing interest in investing in the ITZ. The ITZ Section is focused on ensuring that the ITZ legislations remains on par with international best practice, as well as with our local evolving business environment and changes in the tax arena. As such, the Section expects to conduct its preliminary review of the ITZ Act and Regulations, thereby ensuring that it encompasses all relevant aspects of the growing demands from the business environment of Seychelles in close consultation with the relevant stakeholders.

Moreover, during 2017, the ITZ Section aims to finalise the implementation of the authorisations and post-authorisations processes and systems for Hire Purchase and Credit Sales which began in 2016.

Insurance Services Section

As of the July 1st, 2013, the Central Bank of Seychelles ceased to be the regulator of the insurance sector. The insurance portfolio was then transferred to SIBA, now the FSA.

Key Responsibilities

The functions of the Insurance Services 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

Overview of Different Products Licensed

In 2016, there were 12 licensed insurance companies, compared to 11 in 2015, out of which 5 were operating domestically, whilst 7 were operating as a non-domestic insurance companies. The FSA issued 2 new non-domestic insurer licences in 2016. However, no licences for domestic insurers were issued. One non domestic insurer went into voluntary winding up.

With regards to the licensing and registration of insurance intermediaries, the total number maintains at 53. Thus, at the end of 2016, insurance intermediaries consisted of 12 brokers, 2 agents, 35 sub-agents, 3 principal insurance representatives (PIR) and 1 insurance manager.

	2009	2010	2011	2012	2013	2014	2015	2016
Domestic insurance company	3	3	4	4	4	6	5	5
Non-domestic insurance companies	3	3	3	5	5	4	6	7
Brokers	10	10	10	11	12	13	13	12
Agents	1	1	2	2	2	2	2	2
Sub-agents	19	27	33	36	38	38	36	35
PIR	1	1	1	1	1	1	2	3
Insurance Manager	0	0	0	0	0	0	0	1

Statistics of licensees from 2009 to 2016 (Insurance)

Licensing Procedures

The core function of the Insurance Services Section is to regulate and supervise insurers, reinsurers and insurance intermediaries licensed by the FSA. The Insurance Act, 2008 along with 4 Regulations form the basis of the legal framework which governs insurance business in Seychelles. In addition, the Section has ensured that in addition to the above, the international best practice is being followed, specifically the 26 Insurance Core Principles of the International Association of Insurance Supervisors (IAIS).

Membership to IAIS

The FSA became a fully-fledged member of the International Association of Insurance Supervisors (IAIS), following the approval and support of the executive committee in the AGM in November 2016.

License Statistics

1. Gross Written Premium

Type of insurance business	End of Financial Year 2013(SR.)	End of Financial Year 2014(SR.)	End of Financial Year 2015 (SR.)	End of Financial Year 2016* (SR.)
Long Term Insurance Business	63,210,833	61,854,650	61,336,622	7,436,285
General Insurance Business	270,522,397	288,731,953	316,564,178	174,580,490

Statistics for Gross Written Premium 2013 through to 2016 (Insurance)

*Figures excluding SACOS LIFE ASSURANCE CO. LTD

2. Total Assets

Type of insurance business	End of Financial Year 2013(SR.)	End of Financial Year 2014(SR.)	End of Financial Year 2015 (SR.)	End of Financial Year 2016* (SR.)
Long Term Insurance Business	437,522,442	455,958,877	486,358,159	54,573,850
General Insurance Business	341,330,464	388,142,731	415,589,237	204,487,835

Statistics of Total Assets for 2013 through to 2016 (Insurance)

*Figures excluding SACOS LIFE ASSURANCE CO. LTD

Outlook For 2017

The Section will continue to receive technical assistance in the 1st half of 2017 from the insurance consultants hired in 2016 under the African Development Bank (AfDB) funded programme. The consultants advise the FSA on matters in relation to the Insurance Section and insurance business. Furthermore, the experts work in close collaboration with the Section to:

- review the current licensing and post-licensing procedures including, onsite and offsite supervision;
- address any gaps identified;
- to put in place a comprehensive risk-based supervision framework for insurance business regulated by the FSA, and
- build capacity.

Gambling Supervision Section

The Gambling Supervision Section is responsible for the licensing, supervision and regulation of casinos, slot machines and interactive gambling business in Seychelles in accordance with the Seychelles Gambling Act, 2014 ("SGA").

Overview of the different products licensed

a. Casino

The SGA defines a casino as, premises where gambling games are played, or are available to be played, but does not include premises in which only gambling machines are available to be played or interactive gambling, but no other gambling games are played or available to be played. A casino is licensed to offer casino games such as games played with playing cards, dice, gambling machines or gambling devices, or any other devices used to bring about the result of a wager by determining win or loss for money, property, cheques, credit or anything of value, including roulette, bingo, twenty – one, blackjack, chemin de fer, baccarat but excluding any lottery.

b. Slot Machines

A gambling machine means any mechanical, electronic, video, electro-mechanical or other device, contrivance, machine or software (other than an amusement machine) that is available or is designed or intended to be played or operated upon payment of a consideration and may, as a result of playing or operating it, entitle the player or operator to a payout or deliver a payout to the player or operator.

c. Interactive gambling

Interactive gambling is an activity which involves placing a bet or other contingency on the outcome of a game or event (excluding a sporting event) by means of a computer device or telecommunications device.

Licensing procedures

The licensing procedure plays an important role in the supervisory process. The FSA ensures that entry is allowed only to applicants that will not be injurious to the country's financial system as well as to the good reputation of the Seychelles. The licensing process includes the conduct of due diligence checks on directors, shareholders and beneficial owners of the applicant and analysis of the applicant's business plan and its key employees.

Supervision

As part of the supervisory process the Section conducts offsite and onsite supervision.

Offsite supervision involves the analysis and monitoring of the gambling operators through their financial performance and position on the basis of periodic returns (such as the monthly regulatory return and annual audited financial statements) which are submitted to the FSA. This allows for problems to be identified in a timely manner and for prompt, corrective measures to be implemented accordingly.

Onsite supervision involves examination of the operators' licensed premises which allow for the assessment of internal controls, inspection of gambling devices and surveillance systems, corporate governance and management oversight of the gambling business activities. The examinations also involve verification of the accuracy of returns submitted to the FSA as part of the offsite analysis.

Key achievements of 2016

During the 9-month grace period granted to existing operators to comply with the newly enacted SGA, the FSA has conducted an assessment on each of these operators, through onsite inspections, following submission of their respective licence applications under the new SGA. Based on the findings, 2 existing casinos and 5 slot machine operators were issued with a conditional licence, in order to ensure compliance with the Act.

The FSA has taken measures to ensure that all slot machine operators are taking appropriate actions to link all slot machines to an electronic monitoring system (EMS). The EMS enables the monitoring and detecting of meters and significant events associated with each gambling machine.

In addition, the FSA has issued a casino licence to 2 new operators during the year 2016.

License statistics

The table below shows the total number of casino and gambling machine licensees in operation for the period 2011 to 2016.

In operation	2011	2012	2013	2014	2015	2016
Casino	4	4	5	4	4	4
Slot (Gambling) Machine	3	3	3	4	6	5

The table below shows the total number of casino and gambling machine licensees that have ceased operations for the period 2011 to 2016.

Ceased Operation	2011	2012	2013	2014	2015	2016
Casino	1	0	1	1	0	2
Slot (Gambling) Machine	0	0	0	0	0	1

Outlook for 2017

The application and licence fees are expected to be reviewed in 2017 with the aim of controlling entry into the gambling industry and also allowing Seychelles to be competitive in the global gambling market. The FSA will be consulting the existing gambling operators and other stakeholders before enactment of the Regulations.

Additionally, following an evaluation of the amendments being proposed to the SGA 2014, it has been decided with other government stakeholders that, given the amount of amendments being proposed, the Act will be repealed and replaced with a new Act which will allow for a more effective regulation of the industry. The new Act will provide for a regulatory framework that takes into consideration recent regulatory and technological changes in the gambling world in line with international standards and best practices.

All the relevant Regulations, guidelines and technical standards are expected to be finalised once the new law is enacted.

The new Act will provide enabling provisions, allowing junket activity and the regulations will provide the necessary legislative infrastructure for the regulation of interactive gambling, thus expanding the product portfolio, allowing for more investment into the country which will in turn create new job opportunities.

The Section plans on continuing its work towards establishing an effective and up to date regulatory framework in order to ensure that the gambling sector is free from crime and supports growth and competition. Going forward, the Section intends to ensure there is:

- rigorous monitoring and supervision of the industry;
- proper records retention and auditing by licensees;
- capacity building;
- clear and well defined regulations, technical standards, guidelines, rules, policies and procedures, and
- collaboration with existing operators to meet the current regulatory requirements.

Supervision Section

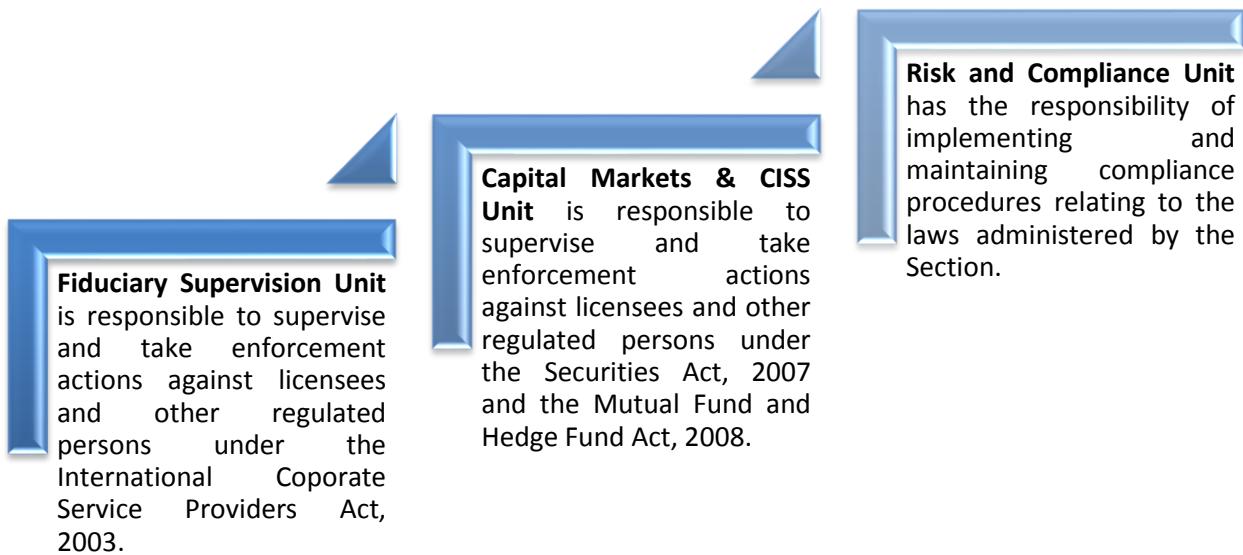
The Supervision Section is responsible for post licensing activities of the FSA in relation to licensees and other regulated persons under the International Corporate Service Providers Act, 2003, the Mutual Fund and Hedge Fund Act, 2008 and the Securities Act 2007. The core responsibilities of the Supervision Section are to –

- gain 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 they have in place to mitigate those risks;
- monitor compliance and adherence of licensees and other regulated persons to the relevant legislations, rules and best practices, and
- take necessary enforcement action against licensees and other regulated persons in cases of regulatory breaches.

The Supervision Section undertakes its responsibilities in line with the mandates of the FSA specified under the FSA Act which ultimately allows it to:

- foster public and investor confidence in the financial system and
- maintain the good repute of the Seychelles as an International Financial Services Centre.

The Supervision Section is organized into three units with two of the units directly carrying out supervision of licensees and products and the third unit responsible for risk and compliance. The function of each unit is as follows:



Approach to Supervision

As per international best practice, the FSA takes a two-pronged approach to supervision, with On-Site (inspections-based) supervision, complementing Off-Site (desk-based) surveillance.

1. Off-site (Desk-based surveillance)

Off-site (Desk-based surveillance) 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 supervision involves a broad spectrum of activities including, but not limited to:

- regulatory approval;
- 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, and
- assist on-site supervision team to follow up on the compliance by the licensees and other regulated persons with any condition or direction.

2. On-site Supervision

On-site supervision entails the carrying out of inspections of the offices of licensees and other regulated persons. On-site inspections may be seen to be complimentary to the on-going desk-based surveillance. On-site inspections represent the initial step to detect non-compliance areas. 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 risk 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, and
- review the roles performed by the board of directors and senior management.

Every year, the Supervision Section plans its programme of on-site inspections based on the following:

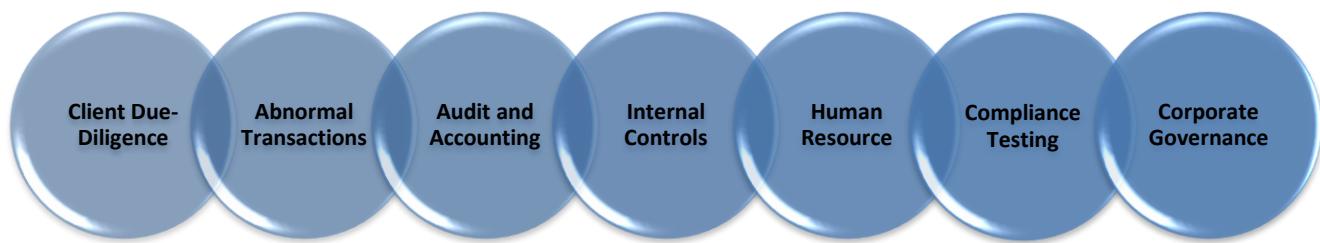
- Risk Assessment Score

- findings of off-site reviews
- adverse outcome from previous inspections conducted

During 2016, the Supervision Section undertook a series of on-site inspections of its licensees and of specified entities (IBCs, Limited Partnerships) and Foundations under the administration of the licensees.

2.1 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 delve in the following aspects of the operations of a licensee intervention.



2.1.1 Inspection - International Corporate Service Providers

In 2016, the main focus for On-site inspections conducted on ICSPs was to examine their internal control system, human resource, corporate governance and client due diligence and client risk management. Two full scope inspections were conducted whereby one was undertaken in collaboration with the Financial Intelligence Unit (FIU).

2.2 Theme based

The inspection teams also performed 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.

Any findings identified during an inspection, are presented and discussed with directors and senior management of the licensee prior to a final report being issued. The final report is to inform the directors and management of the licensee of 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.

2.2.1 Focused On-site Inspections - International Business Companies

In March 2015, new provisions were introduced in the Code for International Corporate Service Providers to require all ICSPs to monitor compliance by specified entities and foundations, with certain “record-keeping requirements” and to periodically inform the FSA of any “continued non-compliance” by the specified entity or foundation.

The introduction of such reporting obligation highlighted the need for the FSA to undertake a series of On-site inspections to verify the non-compliant specified entities and foundations reported by ICSPs. The objective of the inspections were to adequately enforce the “record-keeping requirements” specified hereunder –

- the availability of ownership information relating to IBCs (i.e. maintenance of Share Register at the Register Office of the IBC in Seychelles)
- the Accounting Record keeping requirement of IBCs
- availability of directorship information relating to IBCs (i.e. maintenance of the Directors Register at the registered Office of the IBC in Seychelles, and
- the availability of Annual Return relating to IBCs.

It is important to note that for the year 2016 no cases of non-compliance were reported in respect of Foundations and Limited Partnerships.

The table below provides a breakdown of ICSPs that reported non-compliant IBCs to the FSA for the two reporting periods in 2016.

Reporting period 2016	Nº of ICSPs that reported Non-Compliance	Nº of ICSPs that reported Fully Compliant
March	44	22
September	31	36

The table below provides a breakdown of on-site visits conducted to investigate the reported non-compliant IBCs for the year 2016.

Product Type	Month	Nº of Visits
IBCs	July	13
	August	1
	September	3
	October	15
	November	21
Total inspections		53

The table below provides a breakdown of the total non-compliant IBCs reported by ICSPs, with each of the record-keeping requirements and the total number of verifications undertaken for each area. As it can be noted the FSA has yet to verify all of the reported non-compliant entities, which is due for inspection in 2017.

Product Type	Areas of Non-Compliance	Total Nº of reported Non-compliance	Total Nº of verified Non-compliance	Total Non-Compliance yet to be verified
IBCs	Register of Members	563	331	232
	Register of Directors	531	302	229
	Accounting Records	2,368	1,292	1,076
	Annual Return	7,223	5,135	2,088

Surrendering of licences for 2016

During the 2016, two licensees surrendered their licenses.

Enforcement Actions

1. International Business Companies

The FSA is empowered to levy penalties on specified entities and foundations that fail to comply with their record keeping obligation under the relevant law. The table below illustrates the total amount of penalty fees collected from IBCs for the year 2016.

Penalties Collected for Non-compliance identified					
Year	Share Register	Register of Director & Officer	Accounting Information	Annual Return	Total penalty Imposed
2016	US\$30,750	US\$30,325	US\$785,500	US\$352875	US\$1,199,450

2. International Corporate Service Providers

During 2016, a number of enforcement actions were taken against ICSPs detailed in the table below. The penalty fees collected for 2016 amounted to SR. 235,750.

License Type	Directions	Directives	Penalty Fees	Suspension	Revocation
International Corporate Service Providers	22	1	4	-	-
International Trustee Service Providers	-	-	-	-	-
Foundation Service Providers	-	-	-	-	-

Complaints Handling

It is important that all licensees observe high standards of integrity and fair dealing, and have robust processes to ensure that complaints from customers are recorded, promptly and thoroughly investigated and appropriate remedial action is taken. The Risk and Compliance Unit within the Supervision Section handles complaints relating to fiduciary matters. All complaints must be made in writing addressed to the FSA, identifying the complainant and clearly stating the nature of grievance.

Once a complaint has been lodged, same is recorded and the FSA conducts an investigation. Once the FSA is satisfied with the findings of the investigation, the outcome of its investigation is communicated to the complainant.

However, it is important to note that the FSA will only investigate a complaint if it gives rise to material regulatory issues. Such issues might include a breach of the financial services legislation, or of a Regulatory Code or guideline, or a matter which raises doubts about the fitness and propriety of the regulated entity or its senior management.

The graph on the following page depicts the total number of complaints received and recorded by the Risk and Compliance Unit for 2016 which amounts to a total of 37 for the year.



The table below denotes the total number of complaints lodged against each category of entity regulated and/ or registered by the FSA respectively for the year 2016, and the status of matters.

Category of entity	Total Complaints received	N° of Complaints Received	
		Resolved	Unresolved
International Corporate Service Providers	10	6	4
International Business Companies	14	6	8
Securities Dealers	1	1	-
Mutual Funds and Hedge Funds	3	1	2
Unregulated Entities	3	3	-

Capital Markets and Collective Investment Schemes Supervision Unit

The Capital Markets and Collective Investment Schemes Supervision Unit (“CM&CISSU”) is responsible for the regulation and supervision of the conduct of business activities of entities in the Capital Markets, Collective Investment Schemes (“CIS”) and the prudential supervision of these entities.

The CM&CISSU Unit fulfils the FSA’s mandate under the FSA Act to inter alia:

- Supervise and regulate licensees in accordance with the FSA Act and relevant financial services legislations

- Monitor and regulate financial services business carried on in or from Seychelles
- Review and determine applications for licences and
- Monitor compliance by licensees and other persons subject to regulatory legislations

The FSA, through the CM&CISS Unit, is the Competent Authority for both the Securities Act, 2007 (“Securities Act”) and for Collective Investment Schemes under the Mutual and Hedge Fund Act, 2008 (M&H Fund Act”) which are both administered by the CM&CISS Unit.

1. Capital Markets

The Securities Act governs the various business activities within the capital markets of the Seychelles. The Securities Act provides for the licensing, regulation and supervision of the various capital markets intermediaries such as;

- Securities Exchange
- Clearing Agency
- Securities Facility
- Securities Dealers
- Investment Advisors
- Representatives

1.1 The Securities Exchange

Trop-X (Seychelles) Limited is the only Securities exchange in the Seychelles. Trop-X was licensed in 2012 becoming operational in 2013. Trop-X operates four boards – a venture cap board, a SME board, a main board and a derivatives board.

As at the end of 2016, there were nine listings on the exchange, with a total market cap of USD \$130 million. The table below provides some key statistics of Trop-X:

Particulars	Figures (Q4 2016)
Number of listings	9
Market Capitalization (USD millions)	130
Total Volume Traded (USD millions)	0.6
Liquidity (%)	0.21

Source: *Trop-X (Seychelles) Limited*

There is currently one listing on the Venture Cap board, one listing on the SME board and seven listings on the Main Board.

Trop-X currently has two licensed securities dealers as members of the exchange. It also has 3 sponsor advisor firms that facilitate listings.

1.2 Securities Facility and Clearing Agency

AfriClear (Seychelles) Limited, a subsidiary of Trop-X, is the licensed clearing agency. It was licensed in 2012 and has been operational since 2013. To note that Trop-X, through AfriClear operates a pre-validated trading model, where trades are pre-validated (funds are deposited in a trust account controlled by AfriClear) to remove trade default risks. Clearing and settlement is therefore on a t+0 basis.

AfriDep (Seychelles) Limited, also a subsidiary of Trop-X, is a licensed securities facility and provides registry services to the exchange. It was licensed in 2012 and has been operational since 2013.

2. Collective Investment Schemes Sector

2.1 The Mutual Fund and Hedge Fund Act, 2008

The Mutual Fund and Hedge Fund Act is the legislation that governs collective investment schemes business in the Seychelles.

This Act provides for the licensing, regulation and supervision of various fund structures (professional funds, private funds and public funds) as well as fund functionaries, such as fund administrators.

Outlook for 2017

1. Restructuring of the Section

In 2017, the FSA intends to combine the authorisation and supervision of fiduciary services and capital markets and collective investment schemes into separate respective sections. As such, the proposed new Capital Markets and Collective Investment Schemes Supervision Section would handle both the authorisation and supervision of capital market licensees and collective investment schemes while the Fiduciary Supervision Section would handle both the authorisation and supervision of fiduciary services. This decision is based on the recommendations provided by consultants from the IMF. It is expected that this new format will enhance the efficiency and effectiveness of the FSA.

2. Risk based supervision

The FSA has seen the need and importance to review its current regulatory framework and as such the Risk and Compliance Unit is working towards the implementation of a risk based supervision framework which would be used to regulate and supervise licensees and other regulated persons.

3. Inspections

For the year 2017, the Section plans to:

- enhance its on-site inspection policies and procedures with the aim improving the quality of monitoring and supervision;
- undertake on-site reviews on the remaining reported non-compliance IBCs reported for 2016;
- undertake focused Inspections within the office of licensees that has reported fully compliant for 2016;
- undertake inspections to review a sample of register of complaint of licensees, and
- undertake full scope inspections within the office of ICSPs deemed to be high risk and medium-high risk.

4. Lodging of complaints

The Risk and Compliance Unit aims to develop and implement an electronic platform for lodging of complaints which would allow an improved service delivery.

Support Services Sections

Information Technology Section

The responsibility of the Information Technology section is to provide technological support to the different sections within the FSA through the establishment of international Information technology standards and to safeguard the Information Technology infrastructure of the FSA by taking a proactive approach.

Key achievements of 2016

1. Development of an Information Technology Strategic Plan 2016-2021

In 2016, the IT Section developed an IT Strategic Plan for 2016-2021 in relation to the FSA strategic plan. The approved plan covers three priority areas; Compliance, Culture and Systems, I.T Infrastructure and Talent Development.

2. Virtualization project

The virtualization project is entering into its final completion stages with the anticipation of a modern and robust server infrastructure within the FSA. Upon completion of the setup, the IT staff will undertake the relevant training which will build their confidence on operating and maintaining the virtual environment.

3. Business Continuity Strategy and Change Management Policy

The Year 2016 has also seen the creation of a Business Continuity Strategy and Change Management Policy with the continual effort of building a compliance culture within the FSA. The two documents are the beginning of an effort in the adoption of international standards within the organisation. The aim is to align our operations with that of the ISO standards.

4. Online Name Submission becomes operational

The Online Name Submission service has been satisfactorily implemented. During 2017, it is expected to see some improvements on the online system with the addition of a new module.

Outlook for 2017

The goal for 2017 is to continuously keep a proactive outlook on the IT landscape and continue with the Talent Development initiative. The main aim of the IT Section for 2017 is the development of an IT Governance framework within the FSA.

Policy, Research and Legal Section

The role of Policy, Research and Legal Section 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. In addition, the Section also provides legal opinions as required by the FSA. As such, the Section is engaged in close collaboration with all Sections.

Research

A key undertaking of the Section 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.

Legal

The legal team within the Section liaises with the entire organisation, including the Office of the CEO, to provide legal assistance as required. This includes the drafting or reviewing of all contracts that the FSA undertakes as well as new laws and regulations which may have an effect on the industry. The Section is heavily involved during the drafting stage of legislations that are administered by the FSA. The Section also provides legal interpretations and where necessary, liaises with the Office of the Attorney General and with the FSA's lawyer for complex interpretations or for court cases directly or indirectly involving the FSA. The work of the legal team is diverse in view of the number of legislations being administered by the FSA.

Policy

The policy ambit of the FSA develops the policies of the FSA which is then translated into legislation, codes and guidelines. This is done through consultations with the sections responsible for the products as well as with the industry. The Policy Section works closely with all stakeholders to ensure that policy decisions are as effective as possible.

Key Achievements of 2016

1. Industry Training

Capacity building within the non-bank financial services industry is one of the FSA's objectives. This is also a key component of the FSA strategic plan. In 2016, the FSA undertook the following industry training initiatives:

1.1 Scholarship policy for persons interested in seeking a Career in the Fiduciary Services Industry

The FSA has introduced a policy to provide financial assistance to individuals willing to pursue further education relevant to the fiduciary services sector. Through this initiative, the FSA hopes 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.

Courses or trainings eligible to be partially or fully financed include the Introductory Certificate in Seychelles Financial Services as well as a multitude of professional courses such as the International Finance and Administration qualification (IFA), the Diploma in Offshore Financial Administration (DOFA), and any other professional course relevant to the industry. These courses are offered by the Guy Morel Institute of the University of Seychelles.

Individuals with a Scholarship under this policy bear no obligation to the FSA and the fiduciary services industry but are strongly encouraged to seek employment within the fiduciary services industry.

1.2 Workshop on Draft Collective Investment Schemes Bill

The FSA hosted a workshop on the draft Collective Investment Schemes Bill targeted towards all stakeholders on the 18th and the 19th April, 2016 at the Eden Blue Hotel, Eden Island. The workshop presented the draft Bill and accompanying regulations which is meant to replace the Mutual Fund and Hedge Fund Act, 2008 and provided stakeholders with a forum to understand, discuss and consult on the proposed bill.

The workshop was a culmination of the work being undertaken by Mr. Mark St Giles for the project: Review of the Mutual Fund and Hedge Fund Act, 2008 - a component of the Financial Sector Development Implementation Plan.

2. Memorandum of Understandings

2.1 Memorandum of Understanding with other regulatory bodies

In consideration of the increase of international activities, especially with regards to financial markets, the FSA enters into Memorandum of Understandings (MOU) with other regulatory Authorities. The MOU's recognize the importance of establishing a framework for mutual cooperation and consultation to ensure compliance to relevant laws and the facilitation of the performance of their respective regulatory functions.

The main areas of cooperation under the MoU's include mutual assistance and exchange of information, regular exchange of regulatory expertise and technical knowledge, cooperation on the enhancement of mutual knowledge and understanding on regulatory framework, products, market institutions and intermediaries as well as assistance in the discovery and the taking of action against unauthorized business and illegal practices.

2.1.1 Financial Services Commission of Mauritius

The FSA and the Financial Services Commission (FSC), Mauritius entered into a Memorandum of Understanding (MoU) on 3rd March, 2016 regarding Mutual Assistance and Exchange of Information. The MoU was signed by Ms. Jennifer Morel, the Chief Executive Officer of the FSA Seychelles and Mr. Dharam Dev Manraj, the Chairperson of the FSC Mauritius.

2.1.2 Isle of Man Financial Services Authority

The FSA and the Isle of Man Financial Services Authority entered into a Memorandum of Understanding (MoU) on the 27th December, 2016 regarding Mutual Assistance and Exchange of Information. The MoU was signed by Ms. Jennifer Morel, the Chief Executive Officer of the FSA Seychelles and Ms. Karen Badgerow, the CEO of the Isle of Man Financial Services Authority.

2.2 Memorandum of Understanding with the Actuarial Society of Kenya (TASK)

The FSA entered into a Memorandum of Understanding (MoU) with The Actuarial Society of Kenya (TASK) on the 24th November 2016. The MOU was signed by Ms. Jennifer Morel the CEO of the FSA and Mr. Ezekiel Macharia, the Chair of the Actuarial Academy Committee.

TASK is a non-profit organisation which brings together qualified and trainee actuaries in professional, educational and research organisations with an aim of promoting the actuarial profession in Kenya and East Africa.

The purpose of the MOU is to provide a framework of cooperation and coordination between TASK and FSA. Specifically, the MOU will primarily allow for the provision of opportunities for training and professional development to the staff of the FSA in actuarial science and analysis and assistance to the FSA in the analysis and review of actuarial reports submitted to it.

Kenya was selected in view that it is home to the largest number of credentialed actuaries in East Africa and has, in addition, formed an Actuarial Academy.

In order to effectively implement risk based supervision in the insurance industry, actuarial development is a requirement. The availability of this skillset is lacking in the Seychelles. The FSA's MoU with Kenya seeks to address this problem by both developing the profession in, and providing it to, the Seychelles.

3. Projects under the Financial Sector Development Implementation Plan (FSDIP)

The Financial Sector Development Implementation Plan (FSDIP) is a key element in the strategies planned by the Seychelles' Government to ensure that the financial sector maximises its contribution to the economic and social development of Seychelles. The FSDIP touches upon the areas and aspects of the financial sector that have been identified by the Government as priority areas for reform considering their potential high impact on individuals, businesses and government agencies and on the overall efficiency and safety of the financial sector.

The following projects are components of the FSDIP. In its implementation, the Government secured funding from the Investment Climate Facility (ICF) and the African Development Bank (AfDB) as well as assistance from the World Bank.

3.1 Review of the Mutual Fund and Hedge Fund Act, 2008

The review of the Mutual Fund and Hedge Fund Act was undertaken in the first quarter of 2016 by Mr. Mark St Giles. The objective of this consultancy was to assess the existing Mutual Fund and Hedge Fund Act, 2008 as well as the Seychelles funds industry so as to formulate a strategy, policy and legal framework that would position the Seychelles as an attractive jurisdiction both for the setting up of collective investment schemes and for the provision of ancillary services.

Stakeholder consultations were conducted in the Seychelles from the 1st to the 5th February 2016 by Mr. St Giles who met with representatives of numerous organisations, both private and public, to ensure that the ideas generated and implemented within the proposed legislation were balanced and representative of the views of key stakeholders. The views derived from these consultations have been incorporated within the legislation.

A policy paper, draft bill, regulations, codes and guidelines have been prepared.

3.2 Review of the Authorizations and Post Authorizations Processes and Systems for Capital Markets and Collective Investment Schemes

The overall objective of this consultancy was to review the current authorisation and post authorisation processes and systems of the FSA in relation to Collective Investment Schemes (CIS) and Capital Markets businesses and to establish new or revised processes and systems, as part of a risk-based supervision framework and in line with international supervisory and regulatory norms. Specifically, the consultancy aimed to conduct a comprehensive assessment of the existing processes and systems of the FSA in order to identify gaps and deficiencies and to establish a risk-based supervision framework, which would include new processes and systems for authorisation, supervision and regulation of the sector, all in line with international supervisory and regulatory norms. The consultancy also involved the compilation of procedures manuals and the training of staff.

The representatives of ISC (i.e. the firm allocated the consultancy work), Mr. Rohan Fernando and Mr. Richard Pratt, visited the Seychelles on three separate occasions, in order to conduct their review. During the visits, the consultants met with stakeholders. Training was provided to the FSA staff on the supervision and regulation of the sector. Mr. Rohan Fernando also assisted the FSA in conducting onsite inspections of the licensees operating in the sector. The onsite inspections allowed the FSA team to acquire a more in depth view of the daily operations of the businesses and a firsthand experience of the licensees' internal procedures.

3.3 Developing a risk based supervision framework for Insurance

The FSA was allocated a grant by the African Development Bank towards the development of a risk based insurance supervisory framework. The objective of the consultancy is to strengthen regulation and supervision of insurance businesses in an effort to promote efficient, fair, safe and stable insurance markets for the benefit and protection of the policyholders. The consultancy is being undertaken by Ms. Holly Bakke and Mr. Edward Sai. The consultancy started in June 2016 and will come to an end in August 2017.

The consultancy will assist the FSA in prudential and market conduct supervision of the insurance sector. This will be accomplished through a review and assessment of insurance supervision legal mandates, policies and processes in relation to the international best practices. Thereafter, the consultant will prepare recommendations for the FSA so as to achieve compliance with international best practices, including statutory amendments and proposed regulations, codes and guidelines, as appropriate. A review of licensing practices, with recommendations as to statutory amendments and proposed regulations, concluding with the development of an FSA Licensing Manual will be undertaken. The preparation of a revised risk based supervision process and manual will be undertaken as well as an assessment of IT needs.

In 2016, an assessment of the existing system and staff skills assessment was completed. An Insurance Core Principle Assessment was undertaken and a gap analysis and recommendations were submitted to the FSA amongst other tasks, including ongoing training of FSA staff.

In addition, overseas missions were undertaken by FSA staff to Mauritius and the Isle of Man to consider the regulation of the Insurance Sector.

3.4 Developing a risk based supervision framework for Pensions

The FSDIP noted that the Seychelles Pension Fund, although subject to various controls, is essentially self-supervised. The report advised that the Central Bank of Seychelles or the FSA should be assigned the responsibility for supervising the financial aspects of the fund. This responsibility was allocated to the FSA. The necessary legislative amendments are underway to effect this decision.

In this regard, the FSA was allocated a grant by the African Development Bank towards the development of a risk based pension supervisory framework. The consultancy is being undertaken by Ms. Martha Kelly and Mr. Matthias Zeeb. It will assist in extending the supervision of the FSA through prudential and market conduct regulations to the Seychelles Pension Fund. The consultants conducted a review and assessment of the Pension Fund's current organization, mandate, policies and processes with focus on areas of strength and areas which would benefit from further strengthening. Thereafter, the consultants prepared recommendations for amendments to the Pension Fund Act as appropriate to implement the proposed supervisory framework. The aim of this consultancy is to focus recommendations on improving the protection of Pension Fund contributors, pensioners and survivors. The project will be finalized in 2017.

In addition, fact finding missions were conducted in 2016 to Mauritius and the Isle of Man for the regulation of pensions.

3.5 Financial Literacy

The Government identified in the FSDIP, the importance of ensuring that financial services be used effectively and in a responsible and sustainable manner. The Central Bank of Seychelles has been designated as the focal point and coordinator for financial literacy in Seychelles. This is being done in conjunction with the FSA.

The Seychelles engaged the services of FinMark Trust, a consultancy firm from South Africa, to carry out a Baseline Survey on financial literacy. The objective of the survey was to measure the skills and knowledge of the Seychellois adults that allows them to make informed and effective decisions with all their financial resources. This was the first of its kind to be conducted in the Seychelles. The results derived from the 562 interviews conducted was officially presented to relevant stakeholders and the media on the 4th November 2016, by Abel Motsomi of FinMark Trust.

The findings will then be used to develop a national strategy for financial education in Seychelles. This will be done in 2017. Following the national strategy, a clear way forward on the implementation of a sustainable plan of action will be established.

To assist the Central Bank and FSA in discharging this new function, fact finding missions were undertaken to South Africa and Malaysia in 2015 and 2016.

3.6 Feasibility Study on Central Securities Depository (CSD)

The feasibility study was undertaken by the Central Bank in conjunction with the FSA. The objective of the feasibility study was to assess the feasibility of establishing a CSD by conducting a thorough analysis of the market, including but not limited to, a cost benefit analysis of establishing such a system. A CSD is a system that provides a facility to hold securities in electronic accounts and eliminate the risks currently faced in transferring physical paper certificates. The study found that establishing a CSD in Seychelles would be highly desirable and as such, a comprehensive CSD package for public securities will be introduced.

3.7 Policy and Strategy on Islamic Banking and Finance

Islamic Finance is an alternative means of financing based on Shariah Principles. In order to ascertain the viability of introducing such a framework in Seychelles, a feasibility study was commissioned. Following the positive outlook for such a venture under the feasibility study, the assistance of a consultancy firm, namely Islamic Finance Advisory and Assurance Services (IFAAS) was sought to develop a national strategy for the implementation of Islamic Finance in Seychelles.

The Strategy Paper was presented to the FSA, the Central Bank and the Ministry of Finance, Trade and Economic Planning.

3.8 Securities Act

The assistance of the World Bank was sought towards the review of the Securities Act, 2007. This is in line with the FSDIP which identified capital market development as a key priority area. It is expected that the Securities Act will be completed once policy decisions with respect to Islamic Finance and investment banking have been finalized.

3.9 Financial Consumer Protection Act

The FSDIP identified consumer protection as key. To this end, the Central Bank in collaboration with the FSA is working towards a Financial Consumer Protection Act specifically for the financial services

sector. The Act is being drafted with the assistance of the World Bank. It is aimed at protecting the interests of financial consumers, and to fairly, reasonably, and effectively handle disputes, thereby reinforcing the confidence in financial markets and promoting their sound development. The Act will be finalized by 2017. The Central Bank and the FSA will be responsible for the administration of the Act with respect to the products under their respective administrations.

4. Additional Projects

4.1 Establishment of the Authorizations and Post Authorizations Processes and Systems for Hire Purchase and Credit Sales

This project was an additional proposal put to the Investment Climate Facility (ICF) when it was noted that surplus funds had been identified from the budget allocated to other projects. The aim of the consultancy was to establish the appropriate mechanisms to effectively regulate and supervise the hire purchase and credit sales sector. The consultant was expected to review the current authorisation and post-authorisation processes and systems of the FSA in relation to Hire Purchase and Credit Sales and establish new or revised processes and systems, as part of a risk-based supervision framework and in line with international supervisory and regulatory norms. The consultancy work included the compilation of procedures manuals, guidelines, application forms and related documents and the training of FSA staff. Mr. Oswald Mutaitina undertook this consultancy.

5. International Business Companies Act, 2016

The International Business Companies Act 2016 (IBC Act 2016) repeals and replaces the International Business Companies Act, 1994. The product of consultancies between key stakeholders including the industry, the IBC Act 2016 provides for a robust regulatory framework which adheres to international standards, specifically the FATF recommendations as well as the standards put forward by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The IBC Act 2016 commenced operation on 1st December, 2016.

Outlook for 2017

Groundwork for different projects has been undertaken in 2016. These will be pursued further in 2017. Those not specifically addressed in preceding sections are summarized below:

1. New legislations

1.1 Global Corporations Act

The Global Corporations Act will repeal and replace the Companies (Special Licenses) Act, 2003. The draft Act has been prepared and consultation was conducted throughout 2016. Following new

commitments with respect to the BEPS framework of the OCED, further work is required to ensure that this Act complies with these requirements.

1.2 International Corporate, Trustee and Foundation Service Providers Act

This Act will repeal and replace the International Corporate Service Providers Act, 2003. Drafting of the Act is underway and is expected to be finalised in 2017.

1.3 International 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 new International Corporate, Trustee and Foundation Service Providers Act.

2. Industry Survey

In 2017, the FSA will be undertaking an industry survey of its licensees. The last survey conducted by the FSA was undertaken in 2014, with the results published in 2016. Such survey informs policy decisions taken by the FSA and the government.

3. IOSCO

The International Organisation of Securities Commission (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. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda. The FSA is working towards membership of IOSCO.

4. Base Erosion and Profit Shifting (BEPS)

The focus of the section in 2017 will be on BEPS. This initiative by the OECD refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. All preferential tax regimes under the administration of the FSA will be reviewed so as to ensure that the relevant changes are undertaken to make them compliant with this new standard.

The Human Resources and Administration Section

The Human Resources and Administration Section is responsible for the human aspects of the organisation. Employee performance is vital to the organisation. The key functions of the Section are summarised as follows:

- **Human resources and administration:** Handles recruitment, resignation, termination, administration of staff benefits, salary administration, undertakes disciplinary measures, records management, counseling, transport management, insurance of FSA assets, preparation of the HR and Administration budget and provides an oversight of cleaning services.
- **Human Resources Development:** Focuses on improving the knowledge, ability, and skills of the staff of the FSA through the organization of training and is responsible for the administration of overseas travel.
- **Health and safety:** Responsible for identifying workplace hazards, investigating complaints, records accidents, undertakes inspection of all FSA premises and makes recommendations to management on where improvement is required and organises activities that will help increase awareness about health and safety in the workplace.
- **Procurement:** Responsible for procurement of goods, and services for all end users within the FSA and ensuring the procurement processes followed is in line with the Procurement Act.
- **Technical and maintenance:** Responsible for performing general repair and maintenance duties within the FSA premises.

Key achievements for 2016

1. Health and Safety Programs for staff

In 2016, the following Health and Safety programs were undertaken:

- ABC safer sex talk.
- Dental check-up for all employees.
- World physical activities day.
- Ergonomics and personnel protective equipment.

- Fire alarm control.
- Fire-fighting training.
- First aid.
- Provision of Body Mass Index.

2. Learning and Development Strategy and Plan

Given its mandate and the technical and regulatory nature of its role and functions, building and developing internal capability is critical to the success of the FSA. It is therefore the expressed intent of the FSA to create a pool of competent talent capable of leading the organisation towards the achievement of its vision and statutory objectives.

In view of enhancing the quality of its human capital and transforming itself into a High Performance Organisation, the FSA decided to proceed in a systematic manner with the development of a Learning and Development Strategy and an accompanying Plan by embarking on a Competency Mapping and Training Plan Implementation and Evaluation exercise. The main objectives of this assignment were to conduct a comprehensive Competency Needs Assessment, to undertake an assessment of the existing and desired organisational, departmental and individual competencies, both technical and behavioural, to determine the Gap Analysis taking into consideration the statutory objectives and strategic plan of the FSA, to formulate a Development Strategy and Plan and its implementation and evaluation process.

The exercise which took place in April 2016, resulted in the formulation of a Learning and Development Strategy and accompanying Learning and Development Plan to be implemented over the next three years.

3. Implementation of the Performance Management and Development project (PMDS)

A systematic and structured PMDS Framework has been implemented with a view to creating a performance based culture at the FSA while transforming the FSA into a High Performance Organisation (HPO). The development of the framework was assisted by consultants from Edge Consulting in Mauritius and consisted of 5 phases which were carried out within a timeframe of 6 months. The phases included training sessions for all FSA staff and setting up of a Project Steering Committee to work alongside the consultants.

4. New Training Policy

The FSA's new Training Policy was approved by the Board of Directors in 2016. The policy establishes a framework from which the FSA will provide adequate training to its employees to ensure that the non-bank financial services industry is supervised and regulated by a skilled, well trained and professional workforce. The policy takes into consideration the national policy on overseas training as approved by the Cabinet of Ministers and which is being implemented by the Agency for National Human Resources Development.

Recruitment during 2016

A total of 11 new staff members joined the FSA in 2016 for various posts bringing the total workforce to 110.

Outlook for 2017

1. Implementation of the PMDS system

During the course of 2017, the HR section will ensure the complete and smooth implementation of the PMDS system by guiding and supporting all sections of the organisation and continuously monitoring its implementation to ensure that all sectional and individual plans are submitted in a timely manner and that all supervisors are meeting with their staff with a view to providing continuous feedback.

2. New Scheme of Service for Staff

A Scheme of Service is expected to be introduced within the FSA in 2017. The scheme will take into context the various skills required by each section and will provide for a well-defined career structure.

The FSA is currently experiencing significant difficulties in recruiting suitably qualified persons, particularly in the more technical positions within the organisation. As the FSA is also competing with the private sector, the scheme of service are designed to attract, motivate and facilitate retention of suitably qualified and skilled personnel within the FSA. The schemes of service will establish standards for recruitment, awarding benefits upon completion of training and advancement within the career structure on the basis of qualifications and knowledge of the job.

The scheme will provide for salary bands allocated to each position within the organisation as well as the recognized qualifications and requirements for the position. Marketable skills allowances and inducement allowances will be provided based on clear criterion.

Finance Section

The Finance Section is divided into three units, namely the Revenue and Debtors Control Unit (RDC), the Accounts Payable and Inventory Unit (API) and the Payroll and Staff Benefits Processing Unit (PSBP). The RDC unit is responsible for the collection and recording of revenue and fees for all the services that the FSA renders, the API unit is responsible for the controlling and monitoring of the FSA's expenditures, stores and inventory management and the PSBP unit deals solely with all staff and payroll related matters.

Key responsibilities

The Finance 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 of Directors.

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 Finance 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 2016 are set out from page 78 of this document.

Key achievements of 2016

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. In terms of its expenditure, the FSA has once again managed to control costs in relation to the 2016 budget allocation. For the year 2016, the FSA has collected a total of **SR150.1 million** as gross income and effected a transfer of surplus funds of **SR75.2 million** (50.1 percent of actual revenue collected) to the Government.

For the year 2016, the FSA's statement of accounts was for the first time prepared in accordance with International Financial Reporting Standards (IFRS) standards, in line with the requirements of the PEMC Act. Preparation for this transition started in 2015. The relevant training was given during the year to all senior members of the Finance Section by the consultant who was contracted to assist with the transition.

Outlook for 2017

In 2017 and in subsequent years, ongoing IFRS training will be provided to the Section's staff so that they become more knowledgeable and skilful in the keeping of records and preparing of accounts in accordance with IFRS standards.

In 2017, the Finance Section will review its Accounts Procedures Manual, which provides guidance and training with regards to good financial and accounting practices, to align it with current practices and standards. This assignment was initially targeted for implementation in 2016. However, it was postponed for 2017 given that priority was given for the implementation of the IFRS standards in 2016.

Financial Services Authority Appeals Board

The FSA 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 Board consists of five members appointed by the Minister responsible for Finance with effect from the 1st August, 2015. Members will serve on the appeals board for a period of three years.

Members of the Appeals Board

(As at 31st December 2016)

Mr. Frank Ally	-	Chairperson
Mr. Anthony Derjacques	-	Member
Ms. Aurore Arcambal	-	Member
Mr. Francis Lebon	-	Member
Ms. Jean Preira	-	Member

Secretary to the Board Ms. Audrey Khan

Financial Statements

FINANCIAL SERVICES AUTHORITY



Audited Financial Statements as at 31st December, 2016

FINANCIAL SERVICES AUTHORITY

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

DIRECTOR	: Mr. Steve Fanny Ms. Jennifer Morel Mr. Basil Soundy - (replaced in July 2016) Ms. Jenifer Sullivan Ms. Angelique Antat Ms. Irene Croisee Mr. Rupert Simeon Mr. Ronny Govinden Mrs. Georgette Capricieuse Mr. Ralph Volcere (appointed in July 2016) Mr. S.K. Shrivastava (appointed in July 2016)	Chairman CEO - Director Director Director Director Director Director Director Director Director Director
SECRETARY	: Ms. Audrey Khan	Secretary as from January 2016
REGISTERED OFFICE	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles	
PRINCIPAL PLACE OF BL	: 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, 2016.

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

CURRENT YEAR EVENT

The Authority has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the date of transition is January 1, 2015 and as the requirements of IFRS 1, 'First-time adoption of International Financial Reporting Standards', comparatives include three statements of financial position, two statements of profit or loss and other comprehensive income, two statements of cash flows and two statements of changes in equity and related notes including comparative information for all statements presented.

The FSA Act was enacted in December 2013 and at the same time the Seychelles International Business Authority (SIBA) Act, 1994 was repealed but however, for the purpose of continuity and presentation under IFRS, the statement of financial position as at December 31, 2013 has been presented as comparative. The two months to February 2014, as previously reported under the SIBA Act has also been merged with the remaining period of 2014 reported under the FSA and presented as a full year comparatives to the figures of 2015.

RESULTS

	2016
	SR'000
Profit for the year	99,692
Retained earnings brought forward	54,482
Profit available for distribution	154,174
Transfer to Government of Seychelles (GOS)	(75,217)
Capitalisation of Cumulative Borrowing Costs	5,614
Retained earnings carried forward	84,571

DIRECTORS AND DIRECTORS' INTEREST

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

DIRECTORS' REPORT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

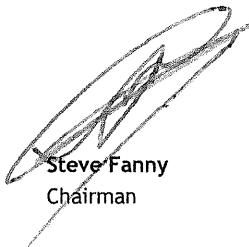
The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with Financial Service Authority Act, 2013. This responsibility includes: designing, implementing and maintaining 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.

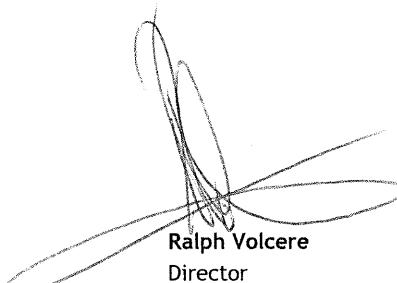
BOARD OF DIRECTORS APPROVAL



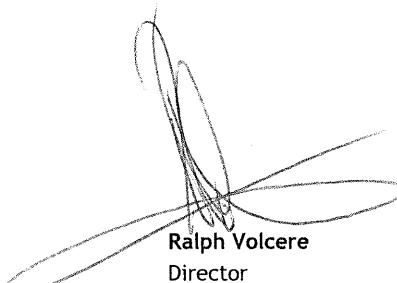
Steve Fanny
Chairman



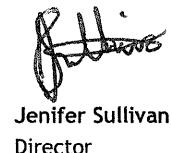
Jennifer Morel
Director & CEO



Rupert Simeon
Director



Ralph Volcere
Director



Jenifer Sullivan
Director



Angelique Antat
Director



Ronny Govinden
Director



Irene Croisee
Director



Georgette Capricieuse
Director



S.K. Shrivastava
Director

Dated:

Mahé, Republic of Seychelles



OFFICE OF THE AUDITOR GENERAL

P.O. Box 49 - Victoria,
Mahe, Republic of Seychelles
Telephone: (248) 4672500 Fax: (248) 4610365
E-mail: auditgen@oag.sc Website: www.oag.sc

Please address all correspondence to the Auditor General

REPORT OF THE AUDITOR GENERAL FINANCIAL SERVICES AUTHORITY

I have audited the financial statements of the Financial Services Authority for the period ended 31 December 2016. The financial statements of the Authority as set out on pages 4 to 27 comprise the Statement of Financial Position at 31 December 2016, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Responsibility of the Board of Directors

The Board of Directors of the Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Financial Services Authority Act and the Public Enterprise Monitoring Commission Act and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor General

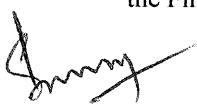
My responsibility is to express an opinion on these financial statements based on the audit and report it to the Board. The audit was conducted in accordance with International Standards of Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Audit Opinion

In my opinion:

- (a) proper accounting records have been kept by the Authority as far as appears from my examination of those records; and
- (b) the financial statements set out on pages 4 to 27 give a true and fair view of the financial position of the Authority as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Financial Services Authority Act, 2013 and Public Enterprise Monitoring Commission Act, 2013.



Gamini Herath
Auditor General

31 July 2017
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2016

	Notes	December 31, 2016 SR	Re-stated			
			December 31, 2015 SR	December 31, 2014 SR		
ASSETS						
Non-current assets						
Property, plant and equipment	5	18,878,134	103,151,838	79,905,966		
Investment property	6	120,941,819	14,756,145	15,590,758		
Intangible asset	7	33,422	29,109	42,047		
Long term receivables	8(f)	4,922,583	4,690,056	2,359,497		
		<u>144,775,958</u>	<u>122,627,148</u>	<u>97,898,268</u>		
Current assets						
Trade and other receivables	8	6,745,581	4,340,212	5,378,257		
Cash and cash equivalents	9	67,422,700	66,666,862	66,644,698		
		<u>74,168,281</u>	<u>71,007,074</u>	<u>72,022,955</u>		
Total assets		218,944,239	193,634,222	169,921,223		
EQUITY AND LIABILITIES						
Capital and reserves						
Stated capital	10	8,715,700	8,715,700	8,715,700		
Capital grant	11	5,978,442	6,832,505	7,686,568		
Retained earnings		<u>84,570,964</u>	<u>54,481,857</u>	<u>53,054,330</u>		
		<u>99,265,106</u>	<u>70,030,062</u>	<u>69,456,598</u>		
LIABILITIES						
Non-current liabilities						
Borrowings	12	63,412,924	69,540,371	60,333,712		
Retirement benefit obligations	13	5,587,269	4,134,331	3,477,866		
		<u>69,000,193</u>	<u>73,674,702</u>	<u>63,811,578</u>		
Current liabilities						
Borrowings	12	19,326,247	14,638,114	-		
Other payables	14	31,352,693	35,291,344	36,653,047		
		<u>50,678,940</u>	<u>49,929,458</u>	<u>36,653,047</u>		
Total liabilities		119,679,133	123,604,160	100,464,625		
Total equity and liabilities		218,944,239	193,634,222	169,921,223		

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

Steve Fanny
Director

Jennifer Morel
Director

Rupert Simeon
Director

Ralph Volcere
Director

Jennifer Sullivan
Director

Angelique Antat
Director

Ronny Govinden
Director

Irene Croisee
Director

S.K. Shrivastava
Director

Georgette Capricieuse
Director

The notes on pages 8 to 27 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, 2016

	Notes	2016 SR	Re-stated 2015 SR
Revenue	2(l)/15	150,525,147	151,450,116
Staff costs	16	(29,541,570)	(26,431,102)
Administrative expenses	17	(21,884,136)	(15,861,403)
Educational dissemination	18	(1,075,295)	(1,775,410)
Other operating costs	19	(1,901,963)	(2,646,547)
Finance income - Interest on staff loans		337,370	203,563
Finance costs - borrowing costs		-	(3,887,184)
Marketing Grant to SIB		(255,144)	-
Other income	20	5,268,492	6,382,438
Foreign exchange (losses)/gains		(1,781,296)	(6,759,337)
Profit and total comprehensive income for the year		<u>99,691,605</u>	<u>100,675,134</u>

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

FINANCIAL SERVICES AUTHORITY

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STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2016

	Note	Stated capital SR	Capital grant SR	Retained earnings SR	Total SR
At January 1, 2016		8,715,700	6,832,505	54,481,858	70,030,063
Total comprehensive income for the year		-	-	99,691,605	99,691,605
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(75,217,002)	(75,217,002)
Capitalisation of Cumulative Borrowing Costs				5,614,503	5,614,503
At December 31, 2016		<u>8,715,700</u>	<u>5,978,442</u>	<u>84,570,964</u>	<u>99,265,106</u>

		Stated capital SR	Capital Grants SR	Retained earnings SR	Total SR
At January 1, 2015		8,715,700	7,686,568	53,054,330	69,456,598
Total comprehensive income for the year		-	-	100,675,135	100,675,135
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(99,247,607)	(99,247,607)
At December 31, 2015		<u>8,715,700</u>	<u>6,832,505</u>	<u>54,481,858</u>	<u>70,030,063</u>

The notes on pages 8 to 27 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2016

	Notes	2016 SR	Re-stated 2015 SR
Cash generated from operations			
Profit for the year		99,691,605	100,675,134
<i>Adjustments for</i>			
Depreciation on property, plant and equipment	5	1,498,414	2,401,120
Depreciation of investment property	6	1,224,382	834,613
Amortisation of intangible asset	7	14,088	12,938
Assets written off	5	(60,923)	251,939
Profit on disposal of asset	20	19,142	-
Amortisation of capital grant	19	(854,063)	(854,063)
Retirement benefit obligations charge	13	2,769,271	1,985,845
Interest payable		-	3,887,184
Interest receivable		(337,370)	(203,563)
		103,964,546	108,991,147
<i>Changes in working capital</i>			
- Increase in trade and other receivables		(2,637,896)	(1,292,512)
- (Decrease)/Increase in trade and other payables		7,374,835	(430,693)
Cash generated from operations		108,701,485	107,267,942
Retirement obligations paid	13	(1,316,333)	(1,329,380)
Interest received		337,370	203,563
Net cash inflow from operating activities		<u>107,722,522</u>	<u>106,142,125</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(15,268,230)	(25,898,931)
Purchase of intangible assets		(18,400)	-
Proceeds from sale of asset		150,000	-
Net cash outflow from investing activities		<u>(15,136,630)</u>	<u>(25,898,931)</u>
Cash flows from financing activities			
Borrowing received		13,368,624	23,844,775
Loan Repayment	12	(14,807,938)	
Interest paid		(4,866,148)	(3,887,184)
Amount transferred to the Government of Seychelles		(85,524,592)	(100,178,621)
Net cash outflow from financing activities		<u>(91,830,054)</u>	<u>(80,221,030)</u>
Net increase in cash and cash equivalents		<u>755,838</u>	<u>22,164</u>
Movement in cash and cash equivalents			
At January 1,		66,666,862	66,644,698
Increase		755,838	22,164
At December 31,	9	<u>67,422,700</u>	<u>66,666,862</u>

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

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

These financial statements will be submitted for consideration and approval at the forthcoming Annual General 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.

IFRS 1, "First-time adoption of IFRS" has been applied in the preparation of these financial statements. 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). Where necessary, comparative figures have been amended to conform with change in presentation in current year. The Authority's transition date is January 1, 2015.

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

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. *The standard is not expected to have any impact on the Authority's financial statements.*

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. *The amendment has no impact on the Authority's financial statements.*

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. *The amendment has no impact on the Authority's financial statements.*

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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)

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. *The amendment has no impact on the Authority's financial statements.*

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 2012-2014 cycle

IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. *The amendment has no impact on the Authority's financial statements.*

IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. *The amendment has no impact on the Authority's financial statements.*

IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. *The amendment has no impact on the Authority's financial statements.*

IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. *The amendment has no impact on the Authority's financial statements.*

IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. *The amendment has no impact on the Authority's financial statements.*

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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)**

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.

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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

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 2014-2016 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, 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (Cont'd)

Depreciation is calculated on the straight line method to write off the cost of the assets, to their residual values over their estimated useful life as follows:

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

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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

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

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

(ii) Cash and cash equivalents

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

(iii) Other payables

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

(iv) Share capital

Ordinary shares are classified as equity.

(f) Impairment of assets

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

(g) Offsetting

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

(h) Capital Grants

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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

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

(i) Retirement benefit obligations

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

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

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

(j) Provisions

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

(k) Foreign currencies*Functional and presentation currency*

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

Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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

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

(i) Services revenue

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

(ii) Rental income

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

(iii) Interest income

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

(m) Business tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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, 2016, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, the impact on results for the year would have been SR2.04m (2015: SR 1.45m) 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:

	2016	2015
	SR	SR
Bank balances	58,703,367	61,273,106
Trade & other receivables	2,924,743	2,814,724
Borrowings	(82,739,171)	(84,178,485)
Other payables	(16,639,738)	(8,927,980)
	<u>(37,750,799)</u>	<u>(29,018,635)</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, 2016, if interest rates on floating rate borrowings had been ±1% higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by SR 885k (2015: SR 727k) 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.

	2016	2015
	%	%
5 major counterparties	44	58
Others (diversified risks)	56	42
	<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, 2016

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, 2016					
Bank Borrowings	19,326	20,461	42,952	-	82,739
Other payables	31,353	-	-	-	31,353
At December 31, 2015					
Bank Borrowings	14,638	19,326	50,214	-	84,178
Other payables	35,291	-	-	-	35,291

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 2016, the Authority's strategy, which was unchanged from 2015, 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:

	2016 SR'000	2015 SR'000
Total debt	82,739	84,178
Less: Cash and cash equivalents	(67,423)	(66,667)
Net debt	15,316	17,512
 Total capital	 99,265	 70,030
Net debt	15,316	17,512
Total capital plus debt	114,581	87,542
 Gearing ratio	 13.37	 20.00

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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, 2016

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, 2016

5. PROPERTY, PLANT AND EQUIPMENT

(a) December 31, 2016

	Land & Buildings SR	Gates & fences SR	Motor vehicles SR	Plant & equipment SR	Furniture & fixtures SR	Other assets SR	Work-in progress SR	Total SR
COST								
At January 1, 2016								
- As previously stated	48,616,278	637,788	2,492,650	7,122,096	4,706,108	1,446,243	87,759,932	152,781,095
- Effect of adopting IAS 40 (note 6)	(30,423,952)	-	-	-	-	-	-	(30,423,952)
- Effect of adopting IAS 38 (note 7)	-	-	-	(569,067)	-	-	-	(569,067)
As re-stated	18,192,326	637,788	2,492,650	6,553,029	4,706,108	1,446,243	87,759,932	121,788,076
Additions	-	-	663,342	669,664	123,155	255,864	13,556,205	15,268,230
Disposal	-	-	(763,517)	-	-	-	-	(763,517)
Write offs	-	-	-	(5,551)	(196,456)	(4,795)	-	(206,802)
Transfers/Adjustments	415,856	-	-	-	-	-	-	-
At December 31, 2016	18,608,182	637,788	2,392,475	7,217,142	4,632,807	1,697,312	2,964,980	38,150,686
ACCUMULATED DEPRECIATION								
At January 1, 2016								
- As previously stated	21,067,429	633,911	1,869,181	6,143,689	4,102,616	1,027,177	-	34,844,003
- Effect of adopting IAS 40 (note 6)	(15,667,807)	-	-	-	-	-	-	(15,667,807)
- Effect of adopting IAS 38 (note 7)	-	-	-	(539,958)	-	-	-	(539,958)
As re-stated	5,399,622	633,911	1,869,181	5,603,731	4,102,616	1,027,177	-	18,636,238
Charge for the year	370,766	3,877	305,676	395,452	184,546	238,097	-	1,498,414
Disposal	-	-	(674,440)	-	-	-	-	(674,440)
Write offs	-	-	-	(5,551)	(177,314)	(4,795)	-	(187,660)
At December 31, 2016	5,770,388	637,788	1,500,417	5,993,632	4,109,848	1,260,479	-	19,272,552
NET BOOK VALUE								
At December 31, 2016	12,837,794	-	892,058	1,223,510	522,959	436,833	2,964,980	18,878,134

- (a) In early 2017, Parcel Number: V17891 was cancelled and sub-divided into two parcels (V19847 and V19848) where parcel V19847 (with a total area of 2557 m²) was transferred to the Government for onward leasing to PUC. The sub division of the land commenced in 2016 and was finalised in 2017.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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

(b) December 31, 2015

	Land & Buildings SR	Gates & fences SR	Motor vehicles SR	Plant & equipment SR	Furniture & fixtures SR	Other assets SR	Work-in progress SR	Total SR
COST								
At January 1, 2015								
- As previously stated	48,616,278	637,788	2,492,650	7,257,963	4,764,046	1,320,427	62,935,838	128,024,990
- Effect of adopting IAS 40 (note 6)	(30,423,952)	-	-	-	-	-	-	(30,423,952)
- Effect of adopting IAS 38 (note 7)	-	-	-	(569,067)	-	-	-	(569,067)
As re-stated	<u>18,192,326</u>	<u>637,788</u>	<u>2,492,650</u>	<u>6,688,896</u>	<u>4,764,046</u>	<u>1,320,427</u>	<u>62,935,838</u>	<u>97,031,971</u>
Additions	-	-	-	637,521	311,500	125,816	24,824,094	25,898,931
Write off	-	-	-	(773,388)	(369,438)	-	-	(1,142,826)
At December 31, 2015	<u>18,192,326</u>	<u>637,788</u>	<u>2,492,650</u>	<u>6,553,029</u>	<u>4,706,108</u>	<u>1,446,243</u>	<u>87,759,932</u>	<u>121,788,076</u>
ACCUMULATED DEPRECIATION								
At January 1, 2015								
- As previously stated	19,472,280	627,261	1,499,481	6,267,944	3,740,228	879,025	-	32,486,219
- Effect of adopting IAS 40 (note 6)	(14,833,194)	-	-	-	-	-	-	(14,833,194)
- Effect of adopting IAS 38 (note 7)	-	-	-	(527,020)	-	-	-	(527,020)
As re-stated	<u>4,639,086</u>	<u>627,261</u>	<u>1,499,481</u>	<u>5,740,924</u>	<u>3,740,228</u>	<u>879,025</u>	-	<u>17,126,005</u>
Charge for the year	760,536	6,650	369,700	536,906	579,176	148,152	-	2,401,120
Write offs	-	-	-	(674,099)	(216,788)	-	-	(890,887)
At December 31, 2015	<u>5,399,622</u>	<u>633,911</u>	<u>1,869,181</u>	<u>5,603,731</u>	<u>4,102,616</u>	<u>1,027,177</u>	-	<u>18,636,238</u>
NET BOOK VALUE								
At December 31, 2015	<u>12,792,704</u>	<u>3,877</u>	<u>623,469</u>	<u>949,298</u>	<u>603,492</u>	<u>419,066</u>	<u>87,759,932</u>	<u>103,151,838</u>

(c) Depreciation for the year has been fully charged to other operating costs.

(d) Included in land and buildings is land amounting to SR 8,715,700 a contribution from Government of Seychelles as Stated Capital. (Refer to note 10).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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

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

	2016	2015
	SR	SR
Disbursement to contractor	-	80,945,832
Consultancy/ structural engineer fees	188,200	2,499,303
Planning and other fees	-	466,820
IT Work In Progress	1,817,214	-
Improvement to infrastructure	959,566	867,086
Retention fee	-	2,980,891
	<u>2,964,980</u>	<u>87,759,932</u>

Note: The total loan approved was for a sum of USD7.5m. The contract for construction of new warehouses is for a total sum of USD 7.23m. USD 7.24 m inclusive of variations has already been disbursed at December 31, 2016.

6. INVESTMENT PROPERTY

	2016	2015
	SR	SR
Cost		
At January 1,		
- As previously stated	-	-
- Effect of adopting IAS 40 (note 5)	30,423,952	30,423,952
As re-stated		
Additions	107,410,056	
At December 31,	<u>137,834,008</u>	<u>30,423,952</u>
Accumulated depreciation		
At January 1,		
- As previously stated		
- Effect of adopting IAS 40 (note 5)	15,667,807	14,833,194
As re-stated	15,667,807	14,833,194
Charge for the year	1,224,382	834,613
At December 31,	<u>16,892,189</u>	<u>15,667,807</u>
Net Book Value	<u>120,941,819</u>	<u>14,756,145</u>

7. INTANGIBLE ASSETS

Computer Software

	2016	2015
	SR	SR
Cost		
At January 1,		
- As previously stated	-	-
- Effect of adopting IAS 38 (note 5)	569,067	569,067
As re-stated	569,067	569,067
Additions	18,401	-
At December 31,	<u>587,468</u>	<u>569,067</u>
Amortisation		
At January 1,		
- As previously stated		
- Effect of adopting IAS 38 (note 5)	539,958	527,020
As re-stated	539,958	527,020
Charge for the year	14,088	12,938
At December 31,	<u>554,046</u>	<u>539,958</u>
Net Book Value	<u>33,423</u>	<u>29,109</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

8. TRADE AND OTHER RECEIVABLES

	2016	2015
	SR	SR
Trade receivables	3,643,074	2,986,362
Prepayments	1,205,351	847,233
Loans and receivables (note (f))	6,368,832	4,803,755
Other receivables	906,238	546,786
Provision for credit impairment (note (c) and (d))	12,123,495	9,184,136
	<u>(455,331)</u>	<u>(153,868)</u>
	<u>11,668,164</u>	<u>9,030,268</u>

Disclosed as follows:

	2016	2015
	SR	SR
Within one year	6,745,581	4,340,212
After more than one year (note (f))	4,922,583	4,690,056
	<u>11,668,164</u>	<u>9,030,268</u>

- (a) The carrying amount of trade and other receivables approximate their fair values.
- (b) As at December 31, 2016, trade receivables that were past due but not impaired amounted to SR 73,378 (2015: SR 284,526). 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, 2016, trade receivables amounting to SR 455,331 were impaired (2015: SR 153,868). 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:

	2016	2015
	SR	SR
At January 1,	153,868	398,985
(Reversal)/ Charge to the statement of profit or loss (note 17)	301,463	(245,117)
At December 31,	<u>455,331</u>	<u>153,868</u>

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

	2016	2015
	SR	SR
US Dollar	2,924,743	2,814,724
Seychelles rupee	8,743,422	6,215,544
	<u>11,668,164</u>	<u>9,030,268</u>

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

	2016	2015
	SR	SR
Within one year	1,446,249	113,699
After more than one year	4,922,583	4,690,056
	<u>6,368,832</u>	<u>4,803,755</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, 2016

9. CASH AND CASH EQUIVALENTS

	2016	2015
	SR	SR
Cash in hand	433,013	528,970
Cash at banks	<u>66,989,687</u>	<u>66,137,892</u>
	<u>67,422,700</u>	<u>66,666,862</u>

10. STATED CAPITAL

	2016 & 2015
	SR
Government contributed assets (notes (a) & 5(d))	<u>8,715,700</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

	2016	2015
	SR	SR
Bank borrowing		
Non-current	63,412,924	69,540,371
Current	<u>19,326,247</u>	<u>14,638,114</u>
	<u>82,739,171</u>	<u>84,178,485</u>

The movement is as follows:

	2016	2015
	SR	SR
At January 1,	84,178,485	60,333,712
Received during the year	13,368,624	23,844,773
Paid during the year	(14,807,938)	-
At December 31,	<u>82,739,171</u>	<u>84,178,485</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 August 2020. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears interest at 5.35% per annum.
- (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

	2016	2015
	SR	SR
At January 1,	4,134,331	3,477,866
Charge for the year (note 16)	2,769,271	1,985,845
Payments during the year	(1,316,333)	(1,329,380)
At December 31,	<u>5,587,269</u>	<u>4,134,331</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.

14. OTHER PAYABLES

	2016	2015
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)	9,918,806	20,226,396
Advance payments -fees	13,063,966	5,562,794
Deposits-rent	1,839,931	1,623,272
Corporate Tax	682,869	951,778
Accrued salaries & Expenses	1,724,929	686,354
Retention money	1,974,996	2,980,891
Other payables	2,147,196	3,259,859
	<u>31,352,693</u>	<u>35,291,344</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:

	2016	2015
	SR	SR
US Dollar	16,639,738	8,927,980
Seychelles rupee	14,712,955	26,363,364
	<u>31,352,693</u>	<u>35,291,344</u>

(c) The carrying amount of other payables approximate their amortised costs.

15. REVENUE

	2016	2015
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	17,441,042	24,069,491
IBC annual licence fees	79,461,415	79,478,932
Other licence fees	6,162,899	6,887,565
Funds and securities fees	1,071,427	1,227,852
Insurance fees	1,032,071	942,098
Gambling Fees	3,891,179	
Other services	27,668,222	27,561,643
	<u>136,728,255</u>	<u>140,167,581</u>
(b) Rental income		
Investment property	13,264,161	10,537,805
Outdoor space	532,731	744,730
	<u>13,796,892</u>	<u>11,282,535</u>
	<u>150,525,147</u>	<u>151,450,116</u>

16. STAFF COST

	2016	2015
	SR	SR
Salaries & wages	22,117,755	20,072,272
Employee benefits and related expenses	3,387,073	3,252,018
Directors' emoluments (note 23)	532,164	487,020
SITZ Employment Council	289,519	221,158
Gratuity and compensation paid (note 13)	2,769,271	1,985,845
Retirement benefit obligations	445,788	412,789
	<u>29,541,570</u>	<u>26,431,102</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

17. ADMINISTRATIVE EXPENSES

	2016	2015
	SR	SR
Administration costs	7,839,361	6,905,811
Communication costs	1,996,683	1,760,950
Transport and travelling costs	577,046	541,751
Maintenance and repairs	1,486,266	1,791,451
Training	604,592	2,031,614
Legal fees	312,000	229,500
Audit and Accountancy fees	139,750	88,000
Professional fees	7,031,200	1,114,830
Bank charges	46,504	45,592
(Reversal)/ charge for provision for credit impairment (note 8(d))	301,463	(245,117)
General expenses	1,549,271	1,597,021
	<u>21,884,136</u>	<u>15,861,403</u>

18. EDUCATIONAL DISSEMINATION

	2016	2015
	SR	SR
Information dissemination	1,055,567	1,729,762
Advertisement	19,728	45,648
	<u>1,075,295</u>	<u>1,775,410</u>

19. OTHER OPERATING COSTS

	2016	2015
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	1,498,414	2,401,120
- Investment Property (note 6)	1,224,382	834,613
Amortisation (note 7)	14,088	12,938
Assets written off (note 5(a))	19,142	251,939
Amortisation of capital grant	(854,063)	(854,063)
	<u>1,901,963</u>	<u>2,646,547</u>

20. OTHER INCOME

	2016	2015
	SR	SR
Grants Received from International Institutions		
	5,166,387	
Insurance compensation (note (a))	-	6,347,620
Profit on sale of asset	60,923	-
Sundry income	41,181	34,818
	<u>5,268,492</u>	<u>6,382,438</u>

(a) The amount of insurance compensation received is shown as follows:

	2016	2015
	SR	SR
Buildings	-	5,265,288
Furniture and equipment	-	1,082,332
	<u>-</u>	<u>6,347,620</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

21. COMMITMENTS**(a) Capital commitments**

Capital commitments as at December 31, 2016 amounted to SR 2.76 millions (2015: 10.2 millions).

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

The Authority leases land and buildings under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2016	2015
	SR	SR
Not later than one year	22,636,462	12,248,329
Later than one year and not later than five years	80,978,908	37,405,352
	<u>103,615,370</u>	<u>49,653,681</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, 2016 (2015: Nil).

23. RELATED PARTY TRANSACTIONS

	2016	2015
	SR	SR
Directors		
- Remuneration (including Fees for the HR & Audit Committees) (note 16)	532,164	487,020
Holding Entity		
- Surplus payable (note 14)	<u>75,217,002</u>	<u>99,247,607</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, 2016, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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

	2016	2015
	SR	SR
Salaries and other benefits	4,641,271	4,605,896
Accrued Benefits	677,561	617,553
Employer pension costs	92,825	92,118
	<u>5,411,657</u>	<u>5,315,567</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

24. RECONCILIATION OF TRANSITION FROM SEYCHELLES GAAP TO IFRS

(a) Reconciliation of Statement of Financial Position and Statement of Profit or Loss from Seychelles GAAP to IFRS

The following table reconciles the relevant items of the statement of financial position and the statement of profit or loss reported under Seychelles GAAP to the amounts reported under IFRS as at the Transition Date of January 1, 2016 and December 31, 2016. Adjustments did not impact total equity and total comprehensive income but resulted in reclassifications.

	Notes	December 31, 2015			December 31, 2014		
		Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS	Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS
		SR	SR	SR	SR	SR	SR
<u>Statement of financial position</u>							
Property, plant and equipment	24(b)	117,937,088	(14,785,254)	103,151,834	95,538,771	(15,632,805)	79,905,966
Investment property	24(b)	-	14,756,145	14,756,145	-	15,590,758	15,590,758
Intangible asset	24(b)	-	29,109	29,109	-	42,047	42,047

(b) Analysis of adjustments arising on transition from Seychelles GAAP to IFRS

(i) *Property, plant and equipment*

	December 31,		January 1, 2015
	2015	SR	
Balance as reported under Seychelles GAAP	117,937,088		95,538,771

Adjustment under IFRS

- Reclassification to investment property	(14,756,145)	(15,590,758)
- Reclassification to intangible assets	(29,109)	(42,047)
	(14,785,254)	(15,632,805)
Balance as reported under IFRS	103,151,834	79,905,966

List of Acronyms and Abbreviations

AEOI	- Automatic Exchange Of Information
AfDB	- African Development Bank
AML	- Anti-Money Laundering
BEPS	- Base Erosion and Profit Shifting
CBS	- Central Bank of Seychelles
CIS	- Collective Investment Scheme
CISNA	- Committee of Insurance, Securities and Non-Banking Financial Authorities
FATF	- Financial Action Task Force
FATCA	- Foreign Account Taxpayer Compliance Act
FSA	- Financial Services Authority
FSDIP	- Financial Sector Development Implementation Plan
FSC	- Financial Stability Committee
GDP	- Gross Domestic Product
IBC	- International Business Company
ICF	- Investment Climate Facility
ICSP	- International Corporate Service Provider
IFAAS	- Islamic Finance Advisory and Assurance Services
IFSP	- International Foundation Service Provider
IMF	- International Monetary Fund
IOSCO	- International Organisation of Securities Commission
ITSP	- International Trust Service Provider
ITZ	- International Trade Zone
OECD	- Organisation for Economic Co-operation and Development
PMDS	- Performance Management and Development project
SIBA	- Seychelles International Business Authority



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