

Financial Services Authority Newsletter

1st Edition / December 2020



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



Message from the CEO

Welcome to the FSA's Newsletter for the year 2020.

Celebrating 25 years of the existence of the Financial Services Authority, I am proud of the achievements and contributions the non-bank financial services sector has made thus far to the Seychelles' economy, and I take this opportunity to thank all staff of the FSA, our licensees, partners and other stakeholders who have made this possible. I am honored to have been part of this journey and I can see a very bright future for this industry.

With the start of a new decade, our vision for the future of the non-bank financial services was clear and focused. But the outbreak of the Corona virus has created unprecedented challenges, calling for unprecedented measures, which means that the FSA has had to relook at its priorities and operating procedures. Like many other organisations, we have focused our efforts in adapting to the changing environment and ensuring that our services remain accessible without interruption amidst the restrictions and uncertainties. In this line, as remote work, online communication and electronic transactions become the norm, the FSA recognizes the importance of digital technologies to ensure continuity of services.

Although the sector was not classified as an essential service during the time of restrictions on movement earlier this year, the FSA, along with the industry, persevered and managed to keep the business going at more or less 90% of activity. This hard work and commitment has resulted in the FSA making a significant contribution to the Government during the year which was paid as dividend, in foreign exchange.

Lastly, although we have decided to reopen our borders, the pandemic remains a major threat to our lives and the economy. We should take this situation as an opportunity to reconsider our ways and do what is best, not only for ourselves, but for the whole society. As always we will continue to be resilient in the face of the challenges of the current environment.

I call on all stakeholders to remain positive and solidary as we navigate through these uncertain times. Let's work together to keep moving forward!

Stay safe, stay healthy.

Merry Christmas & Happy New year 2021!

Dr. Steve Fanny

Chief Executive Officer

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Appointment of new FSA Board

Effective 18th July, 2020 the mandate of the new FSA board was effected for a continuous period of 3 years. Mr. Suketu Patel was re-appointed as Chairman of the FSA. The members of the board are as follows:



Mr. Suketu Patel
Chairman



Dr. Steve Fanny
Chief Executive Officer



Mr. David Esparon
Member



Ms. Jenifer Sullivan
Member



Mr. Philip Moustache
Member



Ms. Seylina Verghese
Member



Mrs. Veronique Herminie
Member



Ms. Cindy Vidot
Member



Mr. Mike Laval
Member



Mr. Robert Stravens
Member

Resilience marks the Seychelles Financial Services Industry

The non-bank financial services industry has had to overcome a number of imperatives throughout the years, from balancing international initiatives, the ever changing evolution of the industry to the current Covid-19 pandemic. The sector has remained impressively resilient throughout.

At a time when the country is in dire need of foreign exchange, the FSA has paid a total dividend of US\$ 3,889,159 (SCR 72,500,164) for the first 3 quarters of year 2020. The FSA is expected to pay an additional sum of SCR 28 Million for the last quarter of the year, totaling to an amount of SCR 100 million.

The sector has remitted an additional of US\$ 612,243.90 (SCR 10,204,761) in taxes to the government in the period January to September 2020, which it had collected from its licensees, on behalf of the Seychelles Revenue Commission.

The good performance is due to several factors. Firstly, a good proportion of International Business Companies (IBCs) registered in Seychelles paid their annual fee for the current year, no capital projects was planned for the year and the rise in foreign exchange rate. The robust business continuity measures put in place by the sector have been a vital role in cushioning the implications of the pandemic and ensure that business activities were not affected.

The Seychelles' non-bank financial services industry plays an important role in the economy of the country. The jurisdictions have created an environment conducive to foreign investment, job creation and the overall economic development of the country. The continued success of the jurisdiction does not rest solely upon the FSA but the services providers and other stakeholders who has worked diligently to ensure adherence with the highest standards of compliance.

While acknowledging the skepticism of the non-bank financial services industry, it is necessary to also acknowledge the risk factors present in all sectors. In hindsight, diversifying the economy is a wise strategy given the events of the last few months. The FSA remains buoyed in the fight against money laundering, terrorist financing and other identified financial crimes risks. The jurisdiction has been and remains demonstrably and effectively unwelcoming to those seeking to engage in questionable and illegal activities. All stakeholders must ensure to continuously and proactively disclose information to our international counterparts in order to remain a compliant, transparent and cooperative jurisdiction.



Press Conference held with different Media Houses

Global Forum on Tax Transparency reveals new compliance ratings for Seychelles

In April 2020, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) under the ambit of the Organization for Economic Corporation and Development (OECD) published the new peer review report assessing compliance with the international standard on transparency and exchange of information on request (EOIR) for Seychelles.

This follows the 34th Global Forum's Peer Review Group meeting, held from the 25th to 28th February 2020 in Luxembourg, where Seychelles had to defend its second round of EOIR peer review report which assessment was done in 2019 by Global Forum assessors. The report analyzed the legal and regulatory framework in force as at 3rd January 2020 and the practical implementation of the framework, including exchange of information requests received and sent during the review period of 1st July 2015 to 30th June 2018.

The overall rating for Seychelles as per the published report is a downgrade from "Largely Compliant" to "Partially Compliant" since the first round of EOIR supplementary peer review assessment in 2015. The table below showcases the comparison.

Element		First Round Supplementary Report 2015	Second Round EOIR Report 2020
A.1	Availability of ownership and identity information	LC	PC
A.2	Availability of accounting information	LC	NC
A.3	Availability of banking information	C	LC
B.1	Access to information	C	PC
B.2	Rights and Safeguards	C	C
C.1	EOIR Mechanisms	C	LC
C.2	Network of EOIR Mechanisms	C	C
C.3	Confidentiality	C	C
C.4	Rights and safeguards	C	C
C.5	Quality and timeliness of responses	LC	PC
OVERALL RATING		LC	PC

Note: C = Compliant; LC = Largely Compliant; PC = Partially Compliant; NC = Non-Compliant

With the downgrade, the Global Forum highlighted some significant deficiencies:

"The main concerns identified for the Seychelles refer to the overall effectiveness of supervision and enforcement activities to ensure the availability and access to information in practice, especially in its offshore sector. Some 88% of the requests for accounting information and 62% of the requests for beneficial ownership information could not be answered in the three years reviewed."

The report contains a number of recommendations to improve the legal framework and its practical implementation. The Seychelles' authorities had already taken note of the deficiencies and recommendations of the report which was presented through a preliminary report before approval and publication of the final report by the Global Forum.

The authorities are cognizant of the fact that not all recommendations can and would be implemented at the soonest, but certain reforms have already commenced which can be summarized below:

Recommendation in relation to Beneficial Ownership

The definition of beneficial ownership has been reviewed in line with the Financial Action Task Force (FATF) and OECD requirement following the enactment of Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 and the Beneficial Ownership Act 2020. The new Beneficial Ownership Act requires all legal persons and legal arrangements to maintain a register of beneficial owners, at the principal place of business of their resident agent. Law enforcement agencies and any competent authority will be entitled to request the beneficial ownership information from the resident agents. The Financial Intelligence Unit shall maintain the Seychelles Beneficial Ownership database by populating beneficial ownership information reported by the legal persons or legal arrangements, through their resident agent. Sanctions are applicable in the event a legal person, legal arrangement or resident agent fails to maintain a beneficial ownership register and intentionally provides false or misleading information.

Recommendation in relation to accounting information for IBCs

While the current policy for accounting information is in line with the international standards, the availability of accounting information in practice for International Business Companies (IBCs) has been ineffective. The current legislation requires IBCs to keep their accounting information, either in, or outside of Seychelles provided that the information is made available to competent authorities within the time period specified in the request. However, in practice, the availability of accounting information remains a concern as most of the requests were not responded to. This is especially for cases where accounting information of struck off IBCs are maintained outside Seychelles. The Government is proposing amendments to the current legislations to require all IBCs (and other relevant entities) to keep accounting information in Seychelles, at the office of their registered agent.

Once the required legislative and administrative reforms are completed, Seychelles will request for a re-rating as early as possible, in order to ensure that, as a financial services jurisdiction, Seychelles has the better rating vis-à-vis transparency and exchange of information for tax purposes.

New AML/CFT Act and Beneficial Ownership Act

The former President of the Republic, Mr. Danny Faure, assented to the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 (AML/CFT Act) and the Beneficial Ownership Act, 2020 (BO Act), in a ceremony at State House, Victoria, on Thursday 5th March, 2020 after the National Assembly passed the two bills on Wednesday 4th March, 2020.

The signing at State House was witnessed by the former Minister for Finance, Trade, Investment and Economic Planning, Mr. Maurice Loustau-Lalanne, Secretary of State for Cabinet Affairs, Mr. Mohammed Afif, Governor of the Central Bank of Seychelles (CBS), Ms. Caroline Abel, Attorney General, Mr. Frank Ally and Chairman of the Financial Services Authority (FSA), Mr. Suketu Patel.

The two pieces of legislation, spearheaded by the National AML/CFT Committee seeks to address deficiencies identified in the country's legal framework in the 2017 National Risk Assessment (NRA) and the 2018 Mutual Evaluation Report (MER).

The new AML/CFT Act, 2020 replaces the AML Act, 2006 and brings about fundamental changes, some of which are:

- The establishment in law of the National AML/CFT Committee (NAC)
- The transition of the Financial Intelligence Unit (FIU) to an administrative model with renewed focus on receipt, analysis and dissemination of reports on suspicious transactions

- Sectoral Supervisory Approach where the CBS and the FSA will supervise institutions under their regulatory purview and the Financial Intelligence Unit (FIU) to supervise Designated Non-Financial Businesses and Professions (DNFBPS) and high-risk Non-Profit Organisations (NPOs)
- The provision for dissuasive and proportionate sanctions for non-compliance
- The provision of investigative powers to the relevant law enforcement authorities
- The establishment of an asset recovery fund to be administered by the Minister for Finance

On the other hand, the new BO law will ensure identification and verification of BO information of legal persons and legal arrangements, extending to domestic as well as international business companies registered in Seychelles. The law includes provisions for the establishment of a secured and centralised Seychelles BO database to be maintained by the FIU.

Following the enactment of the two new pieces of legislations, Seychelles has formally submitted a first request for re-rating to the Eastern and Southern Africa's Anti-Money Laundering Group (ESAAMLG) concerning its most recent Mutual Evaluation Report (MER). This evaluation relates to the Financial Action Task Force (FATF) Recommendations (AML/CFT international standards).

• **MoU between FSA, FIU and CBS**

On 2nd September 2020, a short ceremony was held at the Central Bank of Seychelles (CBS) in Victoria for the signing of a Memorandum of Understanding (MOU) between the FSA, CBS and Financial Intelligence Unit (FIU) in accordance with the newly implemented AML/CFT Act. The MOU was signed by CEO of FSA, Dr. Steve Fanny, the Governor of CBS, Ms. Caroline Abel and the Director of FIU, Mr. Richard Rampal.

The objective of the MOU is to:

- ⇒ Establish a framework to enhance cooperation and coordination between the parties in respect of the exchange of information and efficient performance of their supervisory function
- ⇒ Establish procedures, conditions and criteria for facilitating and securing the exchange of information between the parties and for coordinating joint inspections of reporting entities
- ⇒ Provide the parties with the assistance under this MOU to the full extent permitted by the laws and regulations
- ⇒ Provide for collaboration in the development of guidelines related to the imposition of administrative sanctions of non-compliance with the AML/CFT Act
- ⇒ Provide a framework to attend to information requests within a reasonable period of time
- ⇒ Provide a framework to spontaneously and upon request, share relevant information that may be related to other parties for the discharge of their functions
- ⇒ Promote collaboration and compliance of the reporting entities

• **AML/CFT Strategy**

In order to mitigate risks of money laundering/terrorist financing and to address the shortcoming in the Seychelles' AML/CFT framework, an AML/CFT Strategy was established by the National AML/CFT Committee.

Vision, Mission and Values

The vision of the strategy is to safeguard the integrity of the country's financial system, and its mission is to deter, detect and disrupt domestic and international money laundering terrorism financing and proliferation financing.

In order to achieve the mission and vision, certain core values are needed to be adhered to, and these are professionalism, justice, accountability, cooperation, mutual respect, trust, initiative, confidentiality, integrity and transparency.

Strategic Objectives

The strategy is guided by 5 core objectives which together promote a comprehensive overhaul of the Seychelles' AML/CFT framework which aims to contribute to the strengthening of Seychelles' ability to prevent, detect and deter money laundering and terrorist financing.

The 5 objectives are:

1. Enhancing Seychelles AML/CFT legal framework consistent with international standards for combating money laundering and terrorist financing (ML/TF) and proliferation financing (PF).

2. Strengthening domestic and international cooperation in the fight against ML/TF and PF.
3. Developing capacities of relevant public and private sector entities to combat ML/TF and PF.
4. Developing effective risk based supervision and enforcement of AML/CFT and Countering Proliferation Financing measures.
5. Strengthening intelligence, investigations, prosecutions and confiscations of ML/TF and PF.

The strategic plan will be subjected to periodic SWOT analysis and reviews. The outcomes of the evaluations will be used to formulate future strategic plans.



The FSA supports industry related trainings

On the 10th September 2020, the FSA signed a Memorandum of Understanding (MoU) with The Guy Morel Institute (TGMI), Seychelles Employee Transition Schemes (SETS) and the Seychelles International Financial Services Association (SIFSA).

Under this agreement, two training programmes, the Introductory Certificate in International Financial Services and the Introductory Certificate to Compliance will be offered to employees on the SETS programme.

In his opening speech, the Chief Executive Officer of the FSA, Dr. Steve Fanny, said that “COVID-19 has taught Seychelles a lesson; the urgent need to diversify the economy.” He added that “We are here to provide opportunities to people who have just graduated or anyone interested in joining the financial services industry.” The CEO pointed out that, as with any organization, there is the need for sufficient compliance professionals in the industry.

He also added that the financial services industry is the industry that will play a role in diversification moving forward and launched an appeal to interested individuals to attend those training sessions and to become practitioners in this industry.



The signing of the MoU

The FSA attends the Global Forum's EOI training

The Global Forum on Transparency and Exchange of Information for Tax Purposes is the continuation of a forum which was created in the early 2000s in the context of the Organisation for Economic Co-operation and Development's (OECD) work to address the risks to tax compliance posed by non-cooperative jurisdictions.

Through an in-depth peer review process, the Global Forum monitors that its members fully implement the standard of transparency and exchange of information they have committed to implement. It also works to establish a level playing field, even among countries that have not joined the Global Forum.

Seychelles is a member of the Global Forum and is therefore required to ensure compliance to the standards. The Seychelles recently completed the review process for the Exchange Of Information on Request (EOIR) whereby it emerged with a Partially Compliant rating.

The EOIR and Automatic Exchange Of Information (AEOI) Training/Seminar Event was held conjointly by the Global Forum and the Asian Development Bank (ADB) and was held in Tbilisi, Georgia from the 27th to 31st January, 2020 and hosted over 80 participants from various parts of the world.

The FSA, recognizing the prevailing importance of tax transparency matters globally, assembled a delegation of four staff to take part in the training. Delegates from the Ministry of Finance, Trade, Investment and Economic Planning also formed part of the Seychelles delegation.

The training aimed to prepare future assessed jurisdictions for their 2nd round of EOIR peer reviews (with a special focus on Beneficial Ownership standard), and to train and raise participants' awareness about the requirements and challenges related to the implementation of the AEOI Standard. The training combined group activities, case studies and theoretical presentations on these topics.



Seychelles Delegation

“Seychelles is a member of the Global Forum and is therefore required to ensure compliance to the standards.”



Joint EOIR Training and AEOI Seminar
Tbilisi, Georgia
27-31 January 2020

The intense sessions were complemented by networking opportunities between participating countries through a cocktail and a gala dinner, which allowed participants to also taste the famous Georgian wine and cuisine.

The Global Forum saw this event as part of a broader effort of the Global Forum to support its member jurisdictions in effectively implementing the international standards on transparency and exchange of information, and ensuring that exchanges between members' tax authorities are efficient and of high quality.

The FSA attends the IOSCO 44th Africa / Middle-East Regional Committee Meeting (“AMERC”)

On the 29th and 30th of January 2020, the Qatar Financial Markets Authority (“QFMA”) organised and hosted the 44th AMERC meeting in coordination with the International Organization of Securities Commissions (IOSCO).



It is worthy to note that the AMERC is one of the four regional committees instituted by IOSCO established in 1983 and constituted to focus on regional issues relating to securities regulation in the African / Middle-East region.

The 44th Annual Meeting was conducted in the continued effort to ensure the importance of the enhancement of cooperation among securities regulators, particularly in the African and Middle-Eastern Region. The CEO of the QFMA, Mr. Nasser Ahmed Al-Shaibi, in opening the two-day meeting, emphasised the important phase that capital markets worldwide have reached and their advanced status in relation to the development of the financial sector.

During the AMERC meeting, members discussed a number of issues and topics related to the capital markets sector in the AMERC member states, including possible means that would contribute to strengthening efforts and mutual cooperation whilst ensuring the continued development and keep pace with all the global developments in the financial sector.

Taking the stage, Mr. Paul Andrews, IOSCO Secretary General touched base on the risks and trends identified by the IOSCO Board in its 2019 risk outlook with the focus on certain priority areas, namely crypto-assets, artificial intelligence, machine learning, sustainable finance and market fragmentation.

In addition, on the basis of its 2020 Risk Outlook, the IOSCO Board further identified the rising levels of corporate debt and the potential risks in capital markets as a priority issue for the year 2020.

Most notably, during the course of the two days, the QFMA presented a comprehensive overview on the QFMA's AML/CFT Digital Learning Module it has on offer, via its website. Presentations were also made by the Capital Market Authority (“CMA”) of Saudi Arabia on parallel equity market and financial technology (FinTech) regulatory sandbox framework.

Finally, each member country had the opportunity to address their countries' updates on the top 5 risks and top 5 initiatives and the delegates had an avant-goût of the next AMERC meeting, that will be hosted by Algeria in 2021.



Group photo of the participants

FSA and CISI signs MoU



The FSA and the Chartered Institute for Securities & Investment (CISI) have entered into a Memorandum of Understanding (MoU) committing to work together to enhance and promote professionalism and professional standards in the capital market sector of The Republic of Seychelles.

The CISI's International Introduction to Securities & Investment qualification will become a core requirement for securities market practitioners as the FSA set an international benchmark for their licensed professionals. Candidates studying for CISI certification will automatically be eligible for student membership of the CISI, and those who achieve the full stipulated qualifications will be eligible for CISI Associate level membership.

CISI membership incorporates access to the full range of CISI member benefits. These include over 500 videos on the CISI TV channel, over 190 e-learning modules or "Professional Refreshers" to update sector knowledge, 1,300 articles in the exclusive member magazine The Review and opportunities to attend virtual CPD events.

Candidates will soon be able to sit the CISI exams using Computer Based Testing (CBT) at the FSA, Seychelles, or using remote invigilation.

Kevin Moore, Chartered FCSI, CISI Global Business Development Director said: "We are delighted to be working with the FSA and the CISI now has recognition in 63 jurisdictions globally – this make our qualifications truly portable for professionals and a recognised benchmark. This partnership will support the growth of financial services in the Seychelles and enable market participants to become qualified and to succeed in the fast paced, ever evolving world of global financial services."

Dr. Steve Fanny, Chief Executive Officer of the FSA, stated that "The FSA, as a regulatory authority remains committed in its quest to maintain a high level of service standard and compliance within the field of financial services in the industry, hence why much effort has been contributed towards setting the foundation needed and support to ensure that the professionals within the industry have ready access to an array of development trainings and professional qualifications. The efficacy in the services of our industry hinges greatly on knowledge and experiences of our local professionals which will in turn translate in consistent adherence to requirements of International Standards and Regulations."

For further information on the Chartered Institute for Securities & Investment contact Lora Benson +44 20 7645 0662/ +44 7801 521034 or lora.benson@cisi.org.

About the Chartered Institute for Securities & Investment

The CISI's mission is to help members attain, maintain and develop their knowledge and skills and to promote the highest standards of ethics and integrity in the securities and investment profession.

Based in the City of London, with origins in the London Stock Exchange, the CISI is a global organisation with representative offices in financial centres such as Barcelona, Colombo, Dubai, Dublin, Edinburgh, London, Manila, Mumbai and Nairobi. We work in close cooperation with regulators, firms and other professional bodies worldwide and over 40,000 examinations were sat in 81 countries in the last twelve months. With circa 44,000 members in over 100 countries the CISI is the professional body which sets examinations and offers qualifications for those working in or looking to establish a career in the financial planning, wealth management and capital markets profession.

The FSA attends Familiarisation and Training Programme in Pretoria

On the 3rd to the 6th March 2020, staffs from the FSA attended a Familiarisation and Training Programme organised by the Financial Services Conduct Authority's ("FSCA") in Pretoria, South Africa.



FSA delegation

The training, which was designed for regulatory officials and staff, offered delegates an opportunity to share and learn from each other's best practices and challenges in regulating and supervising the financial services industry within the Southern African Development Community (SADC) region. The delegates were generously provided with various presentations done by the departments and units within the FSCA and covered a variety of market development and oversight strategies, including focused sessions, providing in-depth discussions on regulatory and supervisory matters within sectors such as Insurance, Retirement Funds, Collective Investment Schemes, Financial Markets, Credit Ratings, Financial Advisors and Intermediaries. Other topics relating to inclusion, consumer education, FinTech and data, business model and product analysis, were also discussed at length.

During the course of the training, the FSCA stressed on the importance of Financial Education and Consumer Protection, topics which have been integrated as the core mandates of the FSCA. The FSCA has placed considerable effort to enforce the promotion of fair customer treatment by the financial institutions, as well as to provide financial education and promote financial literacy. Therefore, as part of its financial inclusion initiative, the FSCA is tasked to ensure that the consumers of South Africa have an ease of access to affordable financial products as well as to have at their disposal the relevant information to make sound financial decisions and investments, irrespective of their localities, township and linguistic barriers.

FSCA also stressed on how they have changed their overall structure and rebranded from the previous organisation to where they are today. Their aim is to ensure that the different units and division of the organisation are "well positioned to execute on the mandates" - as stated by Mr. Abel Sithol, the Commissioner of the FSCA, during his closing speech to the delegates at the training.

The delegates had the opportunity to give an overview of their home countries' regulatory authority and how it relates or varies from the FSCA. The participants also had the chance to experience the rich South African history by visiting the Cradle of Human Kind, an UNESCO Heritage Site dedicated to the evolution of human beings.



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