



ANNUAL REPORT

2017

Contents

Our Mission	4
Our Vision	4
Our Core Values	4
Chairman's Statement	5
Chief Executive Officers statement	7
The FSA Board of Directors	9
Our Organisation	14
Our History.....	15
Our Legislations	16
Our Committees	19
Organizational Structure	20
The Economic and Regulatory Setting	21
Economic Setting	22
Global Regulatory Trends	26
Regulatory Developments	29
Our Operations	34
Internal Audit.....	35
Licensing and Supervision	36
The FSA's Authorization Perspective.....	37
Registry Section	42
International Trade Zone Section	45
Insurance and Pension Services Section.....	50
Gambling Supervision Section	54
Fiduciary Supervision Section.....	57
Capital Markets & Collective Investment Schemes Supervision Section	63

Support Sections.....	68
Information Systems Section.....	69
Policy and Legal Section.....	70
Human Resources Section	78
Finance Section.....	82
Financial Services Authority Appeals Board.....	84
Financial Statements.....	86
List of Acronyms and Abbreviation.....	118

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

Welcome to the Annual Report of the Financial Services Authority for 2017.

Last year, I was appointed by the President as the Chairman of the FSA Board, following the appointment of a new Board of Directors in July 2017. This new responsibility is one that is close to my heart as I am keen to contribute to the growth of the sector that the FSA safeguards. Coming from the private sector, I will employ my significant experience and perspectives to ensure that non-bank financial services industry of Seychelles thrives irrespective of the challenges that it may face Internationally or domestically. In this vision, I am supported by the new Board, comprising of varied representatives of the public and private sector. This vision for a stronger, resilient non-bank financial services sector is driven by the staff of the FSA, headed by Dr. Steve Fanny, the Chief Executive Officer and Ms. Zenabe Daman, the Deputy Chief Executive Officer, both newly appointed in December 2017. Dr. Fanny and Ms. Daman both have significant work ahead of them and the full support of the Board.



Our vision for 2018 builds on the work I started in 2017. Broadly, they are as follows:

1. We will collaborate and communicate with our stakeholders.
2. We will explore ways in which to improve our existing product offerings.
3. We will introduce new products to attract prospective investors.
4. We will improve our service delivery.
5. We will work closely with the Seychelles Investment Board (SIB) to assist in the marketing of the jurisdiction.
6. We will train both ourselves and the industry.

The FSA intends to work its way towards excellence.

On behalf of the Board, I also take this opportunity to thank Ms. Jennifer Morel, the previous CEO, and staff of the FSA. Without her tireless service, the FSA would not have achieved so much over the three years that

she has headed the Organization. Most significantly, during her tenure, the Seychelles attained a largely compliant OECD rating. Having worked with Ms. Morel for the last few months of her tenure, I commend her work ethic and wish her all the best in her new position.

Mr. Suketu Patel

Chairman

Of the

Financial Services Authority

Chief Executive Officer's Statement

It is my honour to present the Annual Report concerning the activities of the Financial Services Authority for the year 2017.

This year, I have a unique perspective of the Financial Services Authority having served as the Chairman of the Board of Directors until July 2017 and having been appointed as the Chief Executive Officer of the Authority on the 1st December 2017.

Over the past years, the FSA, has ensured that the organisation complies with international best practices thereby overcoming the non-compliant rating of the OECD and propelling the Seychelles into largely compliant rating. My tenure as the Chief Executive Officer, kick-starts with a focus on the growth of financial services industry in Seychelles. As a small island developing state, our economic vulnerability must be mitigated by a vision that does not only consider tourism and fisheries but that looks towards developing ourselves as an International Financial Centre of excellence. This does not mean leaving



behind compliance, which will remain a key pillar in our development.

The financial services landscape is in the midst of transformation. Seychelles must strategically seize or create opportunities to grow our business. As the cost of compliance mounts across all International Financial Centres, we must take strategic initiatives to ensure that we remain relevant to the exigencies of the needs of the present day investor. This must of course, all be done within the parameters of the international standards that we endorse and actively implement.

In 2018, I intend to open discussions with our stakeholders, particularly the licensees we

regulate, to determine the best way forward for this key sector. The aim is to enhance the products currently being offered as well as increase our product portfolio. Through our strategic partner, the Seychelles Investment Board, new markets will be explored.

I would like to take this opportunity to thank all Directors, both previous and current, for their support to the FSA and above all the

management and staff of the FSA for their diligence and hard work, and for the commendable performance achieved this year.

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 2017, accompanied by the audited financial statement.

*Dr. Steve Fanny,
Chief Executive Officer
Of the
Financial Services Authority*

The FSA Board of Directors

The Board of the FSA is the governing body of the Authority and is empowered pursuant to Section 6 of the FSA Act to establish the policy of the Authority and monitor and oversee its implementation. The Board oversees the management of the Authority by the Chief Executive Officer in terms of ensuring that the resources of the Authority are utilized economically and efficiently, the internal management and financial controls of the Authority are adequate, that the Authority operates in accordance with the principles of good governance and fulfils its statutory obligations and properly discharges its functions. The Board is established pursuant

to Section 5 of the FSA Act. The Board is presided over by the Chairperson, who is appointed by the President.

The members of the Board are appointed for a fixed term. Members include representation from both the public and private sector. Membership is in line with Section 5 of the FSA Act and includes both ex-officio representatives as well as members appointed by the President.

President Danny Faure appointed a new Board of the FSA, effective Friday 18th July 2017, for a term of three years.

Members of FSA Board of Directors as at 31st December 2017

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

S5(1)(a) Chairperson - Mr. Suketu Patel¹

S5(1)(b) Chief Executive Officer - Dr. Steve Fanny²

S5(1)(c) Principal Secretary of the Ministry - Ms. Irene Croisee
responsible for Finance or a
representative of the Principal
Secretary

S5(1)(d) Attorney-General or a - Mr. David Espanon³
representative of the Attorney
General

S5(1)(e) Chairperson of the Seychelles - Ms. Marie-Cecile Espanon⁴
Chamber of Commerce and
Industry or a representative of the
Chairperson

¹ Replaced Dr. Steve Fanny 18.07.2017

² Replaced Ms. Jennifer Morel 01.12.2017

³ Replaced Mr. Ronny Govinden 18.07.2017

⁴ Replaced Mr. Ralph Volcere 18.07.2017

- S5(1)(f) Chairperson of the Seychelles - Ms. Annie Vidot⁵
 Bankers' Association or a representative of the Chairperson
- S5(1)(g) Governor of the Central bank of - Ms. Jenifer Sullivan
 Seychelles or a representative of the Governor
- S5(1)(h) Chief Executive Officer of the - Ms. Angelique Antat
 Seychelles Investment Board or a representative of the Chief Executive Officer
- S5(1)(i) Appointed by the President - Ms. Tanya Potter⁶
- S5(1)(i) Appointed by the President - Mr. Mike Laval

Secretary to the Board - Ms. Zenabe Daman⁷

Board Meetings

Board meetings must be held at least once every three months. In 2017, five meetings were held.

Board Committees

The FSA has four Board Committees, namely the Audit Committee, the Human Resources and Remuneration Committee, the Legal Committee and the Finance Committee.

⁵ Replaced Mr. SK Shrivastava 18.07.2017

⁶ Appointed 18.07.2017

⁷ Replaced Ms Audrey Khan 01.12.2017

Audit Committee

The Audit Committee is charged with oversight of the FSA's audit and control functions. The Audit Committee assists the Board in fulfilling its oversight responsibilities and reviews the financial reporting process, the internal control and risk management system, the internal audit process and the process for monitoring compliance with laws, regulations and governance.

Members of the Audit Committee

(As at 31st December 2017)

Ms. Irene Croisee	-	Chairperson
Ms. Jenifer Sullivan	-	Member
Ms. Tanya Potter	-	Member
Ms. Marie-Cecile Espanon	-	Member

Secretary to the Committee Ms. Zenabe Daman

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is established to support the Board in discharging its duty to oversee the establishment of appropriate human resources policies and strategies within the FSA. This is done by reviewing and monitoring human resources policies and making necessary recommendations and hearing of appeal cases on disciplinary matters, conducting necessary enquiries and making necessary recommendation on the course of action through reports.

Members of the Human Resources and Remuneration Committee

(As at 31st December 2017)

Ms. Jenifer Sullivan	-	Chairperson
Ms. Annie Vidot	-	Member
Ms. Marie-Cecile Espanon	-	Member

Secretary to the Committee Ms. Zenabe Daman

Finance Committee

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

Members of the Finance Committee

(As at 31st December 2017)

Ms. Annie Vidot	-	Chairperson
Ms. Irene Croisee	-	Member
Ms. Angelique Antat	-	Member

Secretary to the Committee Ms. Zenabe Daman

Legal Committee

The Legal Committee is established to support the Board in establishing appropriate policies and legal framework for the development and regulation of the financial services industry in Seychelles.

Members of the Legal Committee

(As at 31st December 2017)

Mr. David Espanon	-	Chairperson
Ms. Tanya Potter	-	Member
Ms. Angelique Antat	-	Member
Mr. Mike Laval	-	Member

Secretary to the Committee Ms. Zenabe Daman

Our Organisation

Our History

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

SIBA was created by the Seychelles International Business Authority Act enacted in 1994. Its objective was to make the financial services the third pillar of the Seychelles economy by creating new value-added services. The role of SIBA was to monitor, supervise and co-ordinate the conduct of the financial services from within Seychelles and to advise the Government

generally on matters relating to international business activities. A core mandate of SIBA included the promotion of the Seychelles' financial services sector.

The FSA Act became operational as of 1st March, 2014 and focuses mainly on the regulation of non-bank financial services rather than the promotion of these services.

The promotion mandate of SIBA was transferred to the Seychelles Investment Board (SIB).

Our Legislations

The FSA was established to licence, regulate and develop the financial services industry in Seychelles. Established in 2014, the FSA replaced the Seychelles International Business Authority and operates under the FSA Act. The Authority is responsible for the administration of the following laws:

- Financial Services Authority Act, 2013

Financial Services Authority (Appeals board) Regulations, 2014

- Companies (Special Licences) 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 (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 and 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.

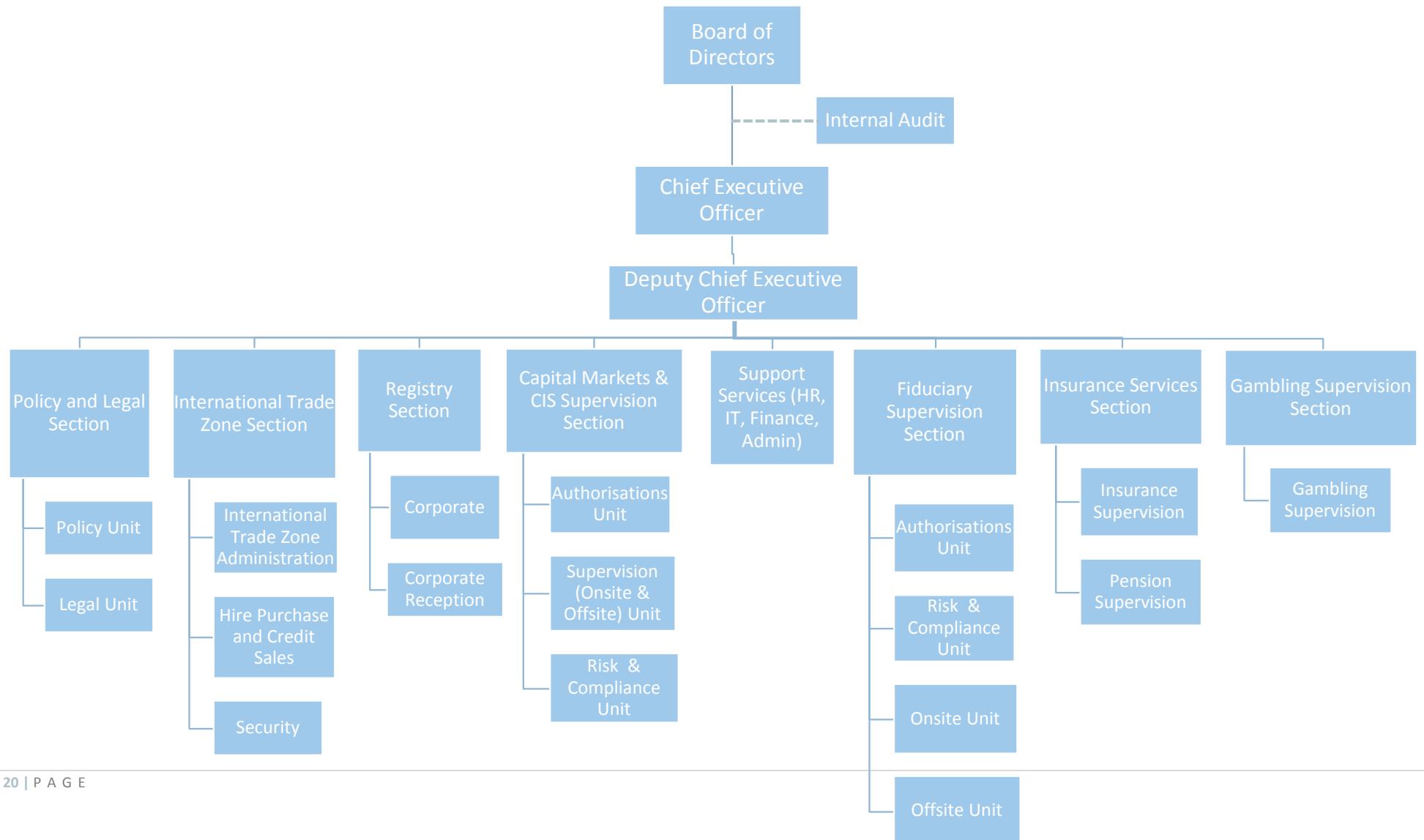
Newsletter Committee

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 Fiduciary Supervision Director, the Registry Director, the Insurance and Pension Supervision Director and the Policy and Legal Director. The Committee meets when required to discuss enforcement actions to be undertaken and make recommendations to the CEO.

Organizational Structure



The Economic and Regulatory Setting

Economic Setting

International Economic perspective

According to the World Economic Outlook of January 2018⁸, there has been a continuous growth in global output, which is expected to continue this year. The forecast for 2017 was 3.7 percent, however the outcome was 3.9 percent, which is 0.2 percent higher than projected. The outcome of such growth prospects have been felt by both advanced economies, emerging markets and developing economies (EMDEs). This prosperity is expected to carry on to 2019.

The revision of growth prospects is mostly attributed to the advanced economies, where the forecasted growth rate is expected to be exceeded by 2 percent. Such favourable movement will yield the expectation of increased investment, increased exports and a stable rate of demand.

The advanced economy which is expected to contribute more to the growth momentum is

the USA whereby reforms have been implemented. The recent tax reforms are expected to lower the corporate income tax encouraging investment. This reform acted as a stimulus. It is forecasted to yield growth momentum. However, this is projected to carry on until 2022 after which it will come to a halt.

The downside of such rapid growth trends may be more in depth in the medium term than in the short term whereby, in advanced economies this may result in the increase in inflation and interest rates as a result of increased demand over time.

Global growth accompanied by various other factors, such as weather events in the USA, have led to an increase in the prices of crude oil. For the period of January 2018, a barrel cost more than \$60, which displays a 20 percent rise since August 2017.

⁸ International Monetary Fund. 2018. *World Economic Outlook: Brighter prospects, Optimistic markets, challenges Ahead.* Washington, April.

Regional Economic Perspective

According to World Bank⁹, Sub Saharan Africa has experienced an increase of 2.4 percent in economic growth headed namely by Nigeria, South Africa and Angola; the vast regions of the continent. This denotes a moderate increase compared to 2016 where growth was depicted at 1.3 percent.

It is estimated that for 2018, growth will increase to 3.2 percent and further 3.5 percent in 2019. This estimate will be attributed to stable commodity prices, expansion of demand and the aid of moderate inflation.

Inflows of capital for the year increased, contributing to the reduction of the deficit in the current account of the economy and stabilizing the foreign reserves. Inflation decelerated across the continent. The effect of such developments were felt by the different regions in various ways.

Countries like Gabon, Cameroon, The Central African Republic (CAR), Chad, the Republic of Congo and Equatorial Guinea, had to adapt to the lowered price of oil. This proved to be difficult as the debts of the regions were

increasing while revenues were facing a downward movement.

West African Economic and Monetary Union which encompasses Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo will experience strengthening growth due to the vigorous public investment.

In the East African Community, the aggregate developments include an increased pace of growth accompanied by infrastructure investment and the deceleration of inflation.

Overall, there are remarkable challenges ahead since the growth prospects, which are lower than desired, are expected to yield low income per capita and will not be adequate to reduce poverty and stimulate prosperity.

The Seychelles Context

The Seychelles, being a small island nation is reliant on international developments. Although there have been significant changes in the global economy, this has not impacted the Seychelles economy in any adverse manner.

⁹ The World Bank Overview, October 11, 2017

According to the Central Bank of Seychelles' Annual Report¹⁰, the economy was seen to be moving at a slower pace mainly because the budget for the year 2017 had not been approved by the National Assembly. This is as a result of the change in the political environment whereby parliament seats are occupied by a majority of the opposition.

The year 2017 yielded various benefits which entailed increases in visitors which amounted to a total of 349,861, a direct contribution to the foreign exchange of the country estimated at US\$483 million as well as an increase in the disposable income of residents.

On the downside, it was noted that the economy faced increased inflation which resulted in the increase in prices 3.5 percent higher compared to the previous year. The impact of such inflationary pressure was felt by both businesses and consumers. Consumers expressed their discontent in terms of the high cost of living and business owners felt the increase in their operating cost.

The value of the Seychelles Currency (Seychelles Rupees) fell against the US dollar as

well as the Euro mainly because of the excess demand over supply. Notably, the value of the Seychelles Rupees increased against the British Pound (GBP), a direct result of the BREXIT fallout.

Local Capital Market Trends

In 2017, a total number of fifteen new companies were listed on Trop-X, the Seychelles Securities Exchange. This records a substantial increase compared to the previous year, which had only six listings.

Amongst those listing where companies such as SA Res 1 Zero2One Limited, Cantabria Limited, Jumilla Limited, WM Water Ridge Limited, Otazu Limited, Campo de Borja Limited and Arizona Limited trading as Main Board Investment Companies.

The total number of companies listed at the end of December 2017 stood at twenty-five, inclusive of four domestic trading companies, namely Sacos Group Limited, Seychelles Breweries Limited, BODCO Limited and Sea Harvest Investment PLC. These listings recorded a market capitalization of US\$ 86.80 million, increasing the total market

¹⁰ Annual Report 2017, Central Bank of Seychelles

capitalization to US\$ 258.6 million, a 145 percent increase compared to that of 2016.

For Sacos Group Ltd, before listing, the share price of the company stood at SCR 35. In 2017, the shares of the company were traded at a lowest of SCR 100 and highest of SCR 140, a significant increase compared to its initial listing price. The shareholders were paid a dividend of SCR 7 per share.

Both BODCO Limited and Sea Harvest Investment PLC had a sustained share price

standing at SCR 24 and US\$ 1 respectively for the year.

The total volume traded on the Securities Exchange was marked at US\$ 410,910. According to the Seychelles Stock Exchange Report¹¹ for the Year 2017, the total number of trading accounts increased, creating 87 local and 602 foreign accounts representing a 15 percent expansion.

¹¹ Trop-X (Seychelles) Ltd: Seychelles Stock Exchange Report for the Year 2017

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 2017 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, was undertaken.

1. International Business Companies
2. Company Special Licences
3. Offshore Banks
4. Seychelles International Trade Zone
5. Non-Domestic Insurance

Following concerns raised with respect to regimes 1 to 7 containing potentially harmful features, the Government of Seychelles committed to ensuring that those regimes be

consistent with the standards. This will include the introduction of legislative amendments.

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 committed to implementing the new standard with the first exchanges occurring in September 2017.

Regulatory Developments

Seychelles Mutual Evaluation

The Eastern and South African Anti Money Laundering Group (“ESAAMLG”) is a Financial Action Task Force (“FATF”) style regional body founded in August 1999, with the purpose to combat money laundering and terrorism financing by implementing Recommendations. The Mutual Evaluation (“ME”) exercise is designed to assess a country’s compliance with the international AML/CFT standards. This involves assessing whether the necessary Laws, Regulations or other measures required under the essential criteria of the FATF Methodology are in force and effective. Seychelles underwent its first Mutual Evaluation in 2006 and the ESAAMLG Council of Ministers adopted its Mutual Evaluation Report in August 2008. In June 2017, the ESAAMLG initiated the second round of Mutual Evaluation Assessment of the Seychelles. The first phase was to assess the Technical Compliance following which in November 2017 a delegation of twelve assessors from ESAAMLG and two observers from the Common Market for Eastern and Southern Africa (COMESA) was onsite to assess

the effectiveness of how Seychelles was implementing the FATF Recommendations.

In line with the adopted procedures for Mutual Evaluations Assessment, the assessors met with various stakeholders (being both government and private sector) to review the AML/CFT institutional framework, the relevant AML/CFT Laws, Regulations, Guidelines and other systems in place to deter and prosecute money laundering or the financing of terrorism. Both the Technical Compliance and Effectiveness Assessment have been completed where it is now expected for Seychelles to have a first draft of the Report which would detail the findings made. The Final Report will set out the country’s level of compliance with the FATF Recommendations, the effectiveness of the measures in place and provide recommendations on the measures to be taken to address any shortcomings. It is anticipated for the Final Report to be adopted by the ESAAMLG Council of Ministers in August 2018, in Seychelles.

The last ESAAMLG meeting was held in April 2017 in Arusha and was attended by a delegation from the Seychelles. The next ESAAMLG meeting will be held in the Seychelles in August, 2018.

National Risk Assessment

As part of the Mutual Evaluation, Seychelles was required to present a copy of the National Risk Assessment (“NRA”) Report to the assessors so as to satisfy Recommendation 1 of the FATF.

Recommendation 1 calls on countries to identify, assess and understand the Money Laundering and Terrorist Financing risks they face as a jurisdiction and to designate an authority to coordinate the 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 sector. To this end, an NRA technical working group with representatives from different sectors of the economy was formed.

Some of the working groups, which included FSA representatives, focused on conducting a risk assessment of money laundering and terrorist financing of the non-bank financial services sector. The findings were consolidated into a final report by the FIU and presented to the Cabinet of Minister in December 2017, following which it will be made available to the public in 2018.

Financial Stability Committee

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

Throughout the year, the Committee discussions primarily centred on the risk assessment, analysis and developments and its possible impact upon the financial stability of the country. Amongst other matters, consideration was given to the effects of external developments such as BREXIT and its trade implications. Domestically, the performance of the tourism sector and the likely global interest rate developments was considered.

Potential risks under deliberation included cyber-crime, in particular a 2017 ransomware attack. Several domestic initiatives were deployed, and these included the formulation of Cybersecurity Legislation.

The FSC also focused on de-risking and its effects upon correspondent banking relationships globally. To address this risk,

significant efforts were being made to ensure that the banks' policies and procedures are in line with international best practices. Seychelles' banks are taking a proactive approach vis-a-vis the issue of de-risking by engaging with their correspondent banks as well as the regulators. A road show was proposed by the Central Bank of Seychelles, together with the FSA, covering the main hubs where European, American and Asian correspondent banks are based.

With respect to financial crime, the FSC discussed the changes to the Financial Intelligence Unit and the urgent need for adequate training of all law enforcement agencies involved with preventing "white collar" crimes. The committee additionally discussed the status of the National Risk Assessment of Money Laundering and Terrorist Financing, a process supported by the World Bank as well as the Mutual Evaluation process being conducted in the Seychelles by the ESAAMALG.

Other issues discussed included the development of the National Financial Education Strategy and a comprehensive Financial Consumer Protection framework.

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 FSA, 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, the Society of Trust and Estate Practitioners (STEP) Association.

The first Financial Services Industry Day organised by the FSMC, through the Seychelles Investment Board, took place on the 9th June,

2017 at the International Conference Centre of Seychelles (ICCS). The highlight of the day was a forum, which was held under the theme 'Shaping for the Future' and was attended by stakeholders from various organisations in Seychelles. Members of the public were also welcomed. The FSA also took part in the fair whereby representatives from the FSA were able to interact with members of the public, especially the students, to enlighten them about the role of the FSA and the non-bank financial services in general. In addition, members of the public could further their understanding about the FSA and the sector through educational leaflets and brochures.

In 2017, Seychelles has taken part in the China Offshore Shanghai Summit for the third time, with a delegation consisting of representatives from the FSA, Seychelles Investment Board (SIB), Trop-X, Seychelles International Financial Services Association (SIFSA) and the Department of Investment. The delegation was led by the Minister of Industry, Entrepreneurship Development and Business Innovation, Mr. Wallace Cosgrow. Its third participation was facilitated by the SIB in partnership with other stakeholders in the industry, through the FSMC. The Summit took

place from the 31st October to 2nd November in Shanghai and hosted Chinese investors and financial services providers.

Over the three days of the summit, members of the delegation gave various presentations about the Seychelles. The areas of focus were immigration by investment, wealth management and corporate structuring. Potential investors were welcomed.

Seychelles intends to take part in other international financial services forums in the coming year in order to facilitate investment into the jurisdiction.

Implementation Plan on De-risking

As part of the Implementation Plan to address de-risking, endorsed by Cabinet in January 2017, a team from the Central Bank of

Seychelles and the FSA undertook visits to financial centres in Europe and the United States to meet with regulators and correspondent banks during 28th September to 17th October, 2017. The main focus of the visits was to enhance understanding of the de-risking issue and also inform the international community about efforts being undertaken to strengthen the Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) in the jurisdiction. Moreover, it provided for an opportunity to understand the concerns that correspondent banks and regulators may have regarding the jurisdiction. The team visited London, Frankfurt, Zurich, Madrid, Paris, Washington and New York.

A second round of the visit has been scheduled for February 2018, where the delegation would visit China and Hong Kong.

Our Operation

Internal Audit

The Internal Audit Unit of the FSA was established in the year 2015, in accordance with Section 10 of the FSA Act, 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.

The mission of the Internal Audit Unit is to assist the Board and management to protect the assets, reputation and sustainability of the FSA, and to add value and improve its operations by assisting the Board in discharging of its oversight, management and operating responsibilities. The Head of Internal Audit functionally report to the Audit Committee of the FSA, which is a sub-committee of the Board.

Since establishment, the Internal Audit Unit has been performing the following tasks, which makes up the first stage in organizing, managing and controlling a newly implemented internal audit mechanism within the organisation. The organizing component addresses the tasks of:

- Researching the legal basis of internal audit within the government jurisdiction

- Formalizing an internal audit charter
- Placing the internal audit function at the appropriate level within the organization
- Selecting appropriate audit standards to follow
- Defining the audit universe/horizon
- Formulating a strategic plan
- Hiring staff, identifying required competencies and creating job descriptions

A number auditable activities was prioritized for the year 2017 audit review based on past FSA's Audit Report. The FSA intends to introduce a risk base approach internal audit in the foreseeable future. As from the year 2018, Internal Audit will perform annual risk assessments on the FSA's operations to identify and prioritize risks that affect the organization, which will form the backbone of Internal Audit plans as per the standard 2010-Planning of the IPPF standards of the Institute of Internal Auditors. Internal Audit is aiming to promote and encourage a risk management culture within the FSA as it enters into the second stage of implementation, which is the managing stage.

Licensing and Supervision

The FSA's Authorization Perspective

The FSA seeks to ensure that those entering the non-bank financial services sector under its purview meet and adhere to the standards established. The licensing phase is the stage whereby the FSA performs its pre-supervision function thereby protecting, from the onset, the reputation of Seychelles as an International Financial Services Centre.

Licensing process

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

Chief Executive Officer of the FSA. An application for a licence should be submitted in accordance with the respective law and guidelines. Guidelines that will assist applicants in the submission of an application can be accessed on the FSA's website.

The licensing framework provides clear sets of licensing criteria and requirements for the processing of applications for a licence, authorisation or approval in line with internationally accepted norms of best practice. This is summarized hereunder:

The FSA's Authorization Perspective

Internal Controls	Corporate Governance	Proposed Activity	Suitability of Persons	Prudential Requirements	Other Requirements
<ul style="list-style-type: none"> •Risk Management •Internal Audit •Compliance function 	<ul style="list-style-type: none"> •Composition and function of the Board of Directors 	<ul style="list-style-type: none"> •In line with legislative framework •Soundness of Business Plan 	<ul style="list-style-type: none"> •Customer Due Diligence •Personal Questionnaire •Fit and Propriety of applicant 	<ul style="list-style-type: none"> •Paid up capital •Solvency margins •Technical reserves 	<ul style="list-style-type: none"> •Insurance cover •Financial Capabilities •Management Capabilities •Source of funds

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 undertake substantial changes in their operation.

The application process includes the submission of the following documentation as well as any other information deemed

necessary by the Authority in making its determination.

Application Documents

- Application Form
- Detailed ownership structure of the applicant
- Certified true copies of the constitutional documents of applicant, including for each shareholder that is a legal person
- Certified true copies of audited accounts for the past two years (if any) of each for each shareholder that is a legal person
- Personal Questionnaire Form for each shareholder that is a natural person
- Personal Questionnaire forms completed by each director, key officers, individual shareholder and beneficial owner of the applicant
- A detailed business plan
- Compliance and Procedures Manuals with regards to regulatory activity
- Compliance and Procedures Manual with regards to the Anti-Money Laundering Act

Authorization's staff also handle applications for fitness and propriety assessments from license holders in respect of Directors, Internal Auditors, Compliance Officers and other

certain senior staff and officers. In addition, key persons vetted by the Authority are Shareholders and Ultimate Beneficial Owners.

Customer Due Diligence (CDD) Documents

As per current practice, CDD information are collected by the FSA through the Personal Questionnaire Form, which include:

- Proof of identity (passport, national identity card, driving license, etc.)
- Proof of Address (utility bills, etc.)
- Proof of financial integrity and soundness (Bank reference)
- Employment references
- Police clearance certificate
- Face to face interview (as required)

Final decision in regards to the licensing of applications rests with the FSA Board following the recommendation of the CEO.

Through its post authorisation regulation, the Authority gains a thorough understanding of the operations of the relevant licensees and other regulated persons, including the risks associated with their businesses and the mitigating structures and procedures they have in place to mitigate those risks. The Authority monitors compliance and adherence of licensees and other regulated persons to the relevant legislations, rules and best practices, and is able to take the necessary enforcement action against licensees and other regulated persons in cases of regulatory breaches. Supervision of its licensees on an ongoing basis is a critical aspect of the FSA's operations. Ultimately, this allows the Authority to foster public and investor confidence in the financial system and maintain the good repute of the Seychelles as an International Financial Services Centre.

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

Off-site (Desk-based surveillance) supervision is a critical tool used to supervise licensees and other regulated persons in order to identify the need for regulatory interventions. It remains an effective tool to deal with the potential risks posed by licensees and other regulated persons. Off-site inspections represent the initial step to detect non-compliance areas.

On-site supervision entails the carrying out of inspections of the offices of licensees and other regulated persons. On-site inspections may be seen to be complimentary to the on-going desk-based surveillance. A programme of on-site inspections may be planned based on the Risk Assessment Score, the findings of off-site reviews or adverse outcome from previous inspections conducted.

Overview of On-site and off-site supervision

Off-site (Desk-based surveillance)

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

On-site Supervision

The principal objectives of on-site supervision, in addition to those derived from off-site surveillance are to:

- monitor licensee's and other regulated person's adherence to the relevant laws
- ensure licensees and other regulated persons adhere to good corporate governance
- gain an understanding of licensee's and other regulated person's operations to identify the 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
- review the roles performed by the board of directors and senior management

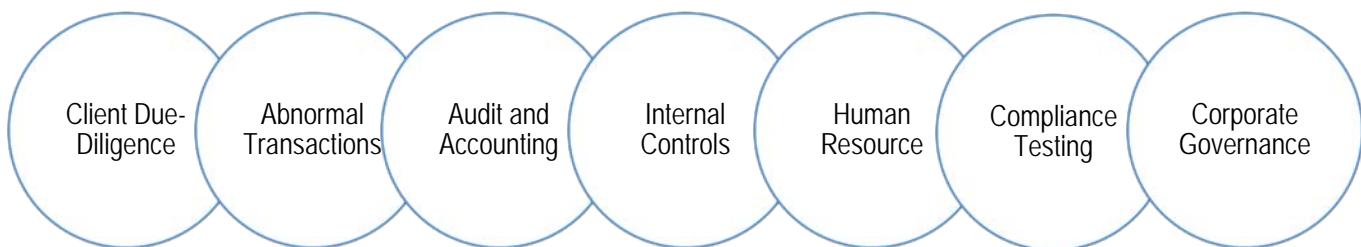
Types of On-site inspections

On-site inspections may be general or theme based.

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. These may be done in collaboration with the Financial Intelligence Unit (FIU).



2.2 Theme based

The inspection teams also perform narrow focused review of a particular aspect of the operations of a licensee. Theme based reviews are based either on a complaint, perceived risks or issues raised from off-site supervision, a recorded shortcoming, or following issues identified during a previous inspection.

Any findings identified during an inspection (either general or theme based) are presented

and discussed with directors and senior management of the licensee prior to a final report being issued. The final report 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.

Registry Section

Functions and Key Responsibilities

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.

Overview of the different products registered

IBCs

New incorporations of IBCs for the year ended 2017 amounted to 10,402 companies. This figure represents a decrease of 20% when compared to the total incorporations for the year ended 2016. The average number of companies incorporated on a monthly basis was 900 IBCs per month during 2016 compared to the monthly average of 1,000 in 2016.

During the year 2017 there were 1,327 companies dissolved similarly to the 1,292

dissolved during the year 2016. In terms of good standing, (i.e. IBCs that are deemed to be in good legal standing) as at the year ended 2017 the number of companies in good standing stood at 64,043 out of the 199,931 cumulative total of all incorporations since 1995. This figure is a decrease of 6% based on 2016 figures where the good standing rate stood at 68,001.

Overview of number of IBCs registered over the past 5 years

Cumulative Total	IBCs
2013	137,665
2014	158,492
2015	176,558
2016	189,706
2017	199,931

Foundations

New Foundations registered during the year decreased by 28% in 2017 from 100 Foundations in 2016 to 72 Foundations in 2017. Cumulatively there were 686 Foundations as at December 31st, 2017 resulting in a growth of 12% from 2016 overall figures.

Overview of number of Foundations registered over the past 5 years

Cumulative Total	Foundations
2013	286
2014	421
2015	514
2016	614
2017	686

International Trusts

New registration of International Trusts Declarations of Trust for the year 2017 was 33, an 11% decrease on the 2016 total which stood at 37 International Trusts Declarations Registered.

Overview of number of International Trusts registered over the past 5 years

Cumulative Total	International Trusts
2013	559
2014	606
2015	659
2016	696
2017	729

Key Achievements of 2017

The year 2017 proved itself to be a challenging year for the Registry Section considering the coming into effect of the International Business

Companies Act, 2016 (“IBC Act”) as of December 2016.

Whilst many provisions of the IBC Act, 1994 remained applicable in the new legislation, there were also a number of amendments that introduced new concepts such as the Protected Cell Company (“PCC”) structure for IBCs and the requirement for IBCs to file their Register of Directors. These changes necessitated that the Registry Section adapt its processes and information systems to ensure that the provisions of the Act are duly complied with.

The fact that Registry was able to, by and large, seamlessly apply the requisite transitional changes to its registration processes whilst continuing to serve its clients without any disruptions in service is considered a significant achievement for the Section.

On an ongoing basis the Registry Section has, during the year 2017, worked to amend a number of its physical or information system processes so as to ensure that these meet the requirements of the IBC Act as well as the FSA Service Standards.

Outlook for 2018

Going forward the Registry Section is committed to ensuring that it is able to efficiently carry out its functions mandated by the various relevant laws. There is, increasingly a focus on the embracing of new technologies and processes to ensure that Section’s responsibilities are achieved in the most efficient manner possible. Considering this focus on new technologies Registry is cognizant that with the embracing of technologies comes with the negative aspects related to technology such as security and integrity of information.

International Trade Zone Section

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

The Seychelles International Trade Zone (ITZ) is a free trade zone created by the ITZ Act, 1995 to allow for international trading in and through the Seychelles. The FSA is mandated by law to regulate and control the activities that take place inside any declared ITZ in Seychelles. These zones, designated by the Minister, are considered as ex-territorial and as such, some specific laws do not apply. These laws are specified in the ITZ Act and Regulations.

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

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

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

Key Responsibilities

The ITZ Section is responsible for the licensing and supervision of activities undertaken by ITZ licensees in order to ensure compliance of such licensees with the ITZ legislations and the FSA Act.

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. Therefore, one additional mandate of the ITZ Section is to ensure compliance by ITZ licensees to these Regulations.

The ITZ Section also oversees the activities within the FSA Zone to ensure the safety and security of the tenants/operators within the Zone.

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.

Structure

The ITZ Section comprises of two units, the ITZ Administration Unit and the ITZ Licensing Unit.

The ITZ Administration Unit is responsible for the leasing of the warehouses within the FSA Zone and the upkeep of the FSA Zone to ensure zone operators' safety. The ITZ Administration Unit also assists the ITZ Licensing Unit with the processing of ITZ work permit for all ITZ licensees.

The ITZ Licensing Unit is responsible for the licensing and supervision of all ITZ licensees so as to ensure that licensees comply with the ITZ legislations as well as any other relevant legislations in Seychelles. In relation to employment matters under the ITZ, the Unit conducts regular employment visits at the premises of the ITZ licensees. The Unit handles complaints or enquiries from ITZ employees and

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

Key developments of 2017

During the course of 2017, the ITZ Section:

- Attended the forum on Investment, Tax and Trade issues affecting Foreign Direct Investment and Special Economic Zones in UK, which provided the staff with the relevant knowledge on issues that may arise from Special Economic Zones such as Base Erosion and Profit Shifting (BEPS) and transfer pricing, and their implication on foreign investments.
- Developed an FSA Zone Guidelines used by zone operators depicting the processes and procedures laid out by the FSA so as to ensure that operators are

aware of the FSA's expectations when operating within the Zone.

Authorizations Process

The ITZ Section follows the same application process as that of the other licensing section of the FSA in terms of the documentations required. However, unlike other licensing sections within the FSA, the ITZ Section does not place particular emphasis on "Fit & Proper" of individuals within ITZ licensees.

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

The number of new licences issued in 2017 per licence type are as follows:

Licence	2017
Export Services	-
Redistribution	-
Light Assembly	-
Processing	-
Manufacturing	-
Telecommunication	-

Applications rejected in 2017 and overview of reasons for rejection

The ITZ Section has not rejected any application for 2017.

Overview of number of licences over the past 5 years

Licence	2013	2014	2015	2016	2017
Export Services	13	14	13	11	11
Redistribution	9	9	9	10	9
Light Assembly	1	1	1	1	1
Processing	7	7	8	8	8
Manufacturing	2	2	3	3	2
Telecom.	1	1	0	0	0

Supervision Process

During the onsite supervision visit, the ITZ Section assesses the premises of the ITZ licensees, ensuring that the premises are not easily accessible by the public and ensuring that the business activities being conducted within the premises are within the activities specified in the licence of the licensee. The relevant records of the licensee are inspected so as to ensure that, as per the revenues recorded on its financial records, all goods are being exported rather than being sold to the local market (unless the licensee has been allowed to sell a particular portion of its goods or services to the local market). The importation records of a

licensee are inspected to ensure that there is no abuse in tax concessions granted under the ITZ licence.

The Section assesses the placement of material goods and finished products by the licensee, ensuring that there are no hazardous materials within the premises. Additionally, the working environment of employees is inspected, ensuring that the health and safety aspect of the business premise meets the required standard. Interviews may also be conducted with the employees, which helps to deduce whether employees are aware of their rights and obligations as per the ITZ Regulations.

Inspections undertaken

Licensor	2017
Export Services	5
Redistribution	-
Light Assembly	-
Processing	2
Manufacturing	1
Total inspections	8

Enforcement Actions

The ITZ Section did not undertake any enforcement actions.

Complaints

For 2017, no complaints were received from licensees, but rather enquiries in regards to the applicability of the 13th month pay directives on ITZ licensees, and also what effects the proposed amendments to the ITZ Act will have on ITZ licensees.

Outlook for 2018

For 2018, the ITZ Section aims to finalize the amendments to the ITZ Act.

The Section aims to formulate clear and updated Guidelines for the ITZ, and introducing innovative ways to attract investors to set up business under the ITZ regime.

The Hire Purchase and Credit Sales Regulations are expected to be finalised and gazetted in 2018.

Consultation regarding the propose amendment have been completed and the proposal has been sent to the AGs office for drafting.

Insurance and Pension Services Section

The Insurance Act, 2008 assigns the responsibility for the regulation of insurance business to the FSA. The FSA took over the insurance portfolio from the Central Bank of Seychelles in July 2013.

The types of licences issued under the Insurance Act are as follows:

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

Key Responsibilities

The Insurance and Pension Supervision (IPS) Section currently (pending the transfer of supervision of the Seychelles Pension Fund to the FSA) licences and regulates insurance businesses and intermediaries in order to ensure compliance of such licensees with the

Insurance Act and the FSA Act. The mandates of the IPS Section are as follows:

- Regulating and co-coordinating activities of insurers and insurance intermediaries
- Supervision and monitoring of insurers and insurance intermediaries
- Co-coordinating and implementing policies on insurance matters
- Specifying the code of conduct for members of the insurance industry
- Formulating standards in the conduct of the insurance business
- Protecting the interests of policyholders

As per the Financial Sector Development Implementation Plan (“FSDIP”), there is a need to extend the FSA’s prudential and market conduct regulations to the Seychelles Pension Fund to ensure the continued national pension payments and the Seychelles’ market stability and financial soundness.

The FSA is designed to supervise financial institutions and licences with structures similar

to those of the Pension Fund. For instance, life insurance companies that sell life insurance policies have parallel investment functions to the Pension Fund. Therefore, the IPS Section will administer the regulation of the Seychelles Pension Fund upon transfer to the FSA in the near future.

Structure

The IPS Section currently does not comprise of any separate units. The section operates as one unit, handling both the function of authorisations and supervision of licensees. The authorisation function entails the processing of application, conducting fit and proper assessments on principal officers, attending to queries and handling of complaints. Whereas, the supervision function entails both on-site and off-site supervision duties which includes analysis of audited financial reports, actuarial reports, business plans, returns forms and daily functions of the licensees.

Key developments of 2017

During the course of 2017:

1. Representatives of the IPS Section attended:
 - the Core Curriculum Certificate Course at the Toronto Centre in Canada, which

provided participants a broader perspective on risk-based supervision and solvency.

- an IMF Training with respect to the Financial Sector Policy on macro-prudential regulation; held in Mauritius.
 - an FSB familiarisation Training in South Africa which provided participants with extensive knowledge on the daily regulatory work of the FSB.
 - the International Claims Conventions in Malaysia which provided participants with knowledge on managing claims and fraud detection which enable the Section to better implement its fraud awareness programme and claims guidelines.
2. The IPS Section developed draft guidelines for the industry such as Risk Management, Actuary, Claims, Reinsurance and Intermediaries Code of Conduct. These guidelines have been drafted to encourage good market conduct within the industry.
 3. In terms of legislative changes, the IPS Section, with the assistance of external consultants, have drafted amendments to

the current Insurance Act, which will be sent to industry for consultation purposes prior to enactment.

Authorization Process

The IPS Section follows the FSA authorization process, as set forth earlier in the report.

New licence applications

The table below depicts the number of applications received for 2017.

Agents	2	2	2	2	3
Sub-Agents	38	38	36	35	37
Insurance Mangers	0	0	0	1	1
PIR ¹⁴	1	1	2	3	2

Fit and Proper Approvals

For the year 2017, the FSA has not rejected any Fit and Proper applications. The Section has carried out 19 Fit and Proper assessments in 2017.

	Approved	Rejected
Non-Domestic Insurer	1	0
Broker	1	0
Agent	1	0
Sub-Agent	3	0

Overview of number of licences over the past 5 years

Licence	2013	2014	2015	2016	2017
Domestic Insurance	4	6	5	5	5
Non-Dom. Insurance ¹²	5	4	6	7	8
Brokers	12	13	13	12	14
Non-Dom. Brokers ¹³	0	1	1	1	1

Supervision Process

In terms of supervision of licensees, the IPS Section requires submission of:

- Actuarial Reports
- Updated Business Plans
- Reinsurance Treaties
- Quarterly Returns Forms

Inspections undertaken

Nº of Visits	
Domestic Insurer	10
Pension Fund	10
Broker	1

¹² Non-Domestic Insurance

¹³ Non-Domestic Brokers

¹⁴ Principle Insurance Representatives

Enforcement Actions

	Directions	Penalty Fees	Susensions	Revocations
Non-Domestic insurer	6	-	1	1
Domestic Insurer	3	1	-	-
Broker	7	3	-	-
Agent	1	-	-	-
Sub - Agent	-	2	-	-
Insurance Manager	-	1	-	-

Complaints

The table below depicts the total number of complaints received by the IPS Section for 2017 against the category of licensee.

	Complaints Received	Resolved Complaints	Unresolved Complaints
Domestic Insurer	2	2	-
Non-Dom. Insurer ¹⁵	1	1	-

The complaints were primarily in relation to the settlement of claims payment.

Outlook for 2018

General overview of the targets of the Section for 2018

- Development and implementation of guidelines to the industry on claim management, intermediaries' market conduct, engagement of actuaries and actuarial function, risk management and internal control.
- Full implementation of the risk based supervision framework.

Key Projects to be undertaken or finalized in 2018

- Amendment to the Insurance Act.
- Development and implementation of a new solvency framework.

¹⁵ Non-Domestic Insurer

Gambling Supervision Section

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

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

Key Responsibilities

The GS Section licences, supervises and regulates casinos, slot machines and interactive gaming in order to ensure compliance of such licensees with the Seychelles Gambling Act and the FSA Act.

Structure

The GS Section currently comprise of one unit whereby both the authorisation and

supervision functions are undertaken. The authorisation function entails the processing of applications, vetting of key persons in the gambling industry, approving gambling premises, attending to queries and handling of complaints. The supervision function entails both on-site and off-site supervision duties.

Key developments of 2017

1. Representatives of the GS Section attended the IAGR Conference in South Africa where participants acquired a better understanding of the technological development and changes in the gambling industry, as well as the various challenges being faced by regulators.
2. Representatives of the GS Section attended a training in South Africa on pre-licensing background investigative techniques which was facilitated by the University of Nevada in April 2017. The training equipped the participants' deeper knowledge and skills in this respect.
3. The Service Standards for the GS Section were finalised.

Authorisations Process

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

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

New licence applications

The table below depicts the number of applications received for 2017.

	Casino	Slot Machine	Interactive Gaming
Approved	2	2	0
Rejected	0	0	0

Overview of number of licences over the past 5 years

Licence	2013	2014	2015	2016	2017
Casino	5	4	4	4	5
Slot Machine	3	4	6	5	7

Supervision Process

During the onsite supervision visit, the Section inspects the gambling devices, electronic monitoring, security and surveillance systems and accounting records. Unlike other sections within the FSA, it is important to note that the Section also undertakes night spot checks where they inspect entrance notices, rules and licence certificate on display, presence of security officers, the atmosphere on the gaming floor and the security and surveillance systems, if possible.

Inspections Undertaken

Licence	Nº of night spot Checks
Casino	3
Slot Machine	3

Enforcement Action Undertaken

The GS Section did not undertake any enforcement actions.

Complaints

The table hereunder depicts the total number of complaints received by the GS Section for 2017 against each category of entity.

	Complaints Received	Resolved Complaints	Unresolved Complaints
Casino	2	2	-
Slot Machine	2	2	-

The complaints were primarily from players in relation to licensee's internal control procedures with respect to their house rules.

Outlook for 2018

General overview of the targets of the Section for 2018

For the year 2018 the GS Section will be focusing capacity building, training and developments.

A complete review is to be undertaken on the Seychelles Gambling Act, Regulations and Internal Control Systems Guidelines.

The GS Section is set in collaborating with the Seychelles Bureau of Standards to put in place a set of gambling technical standards.

Key Projects to be finalized in 2018

- Issue guidelines for licensing and application for certificate of approval

Fiduciary Supervision Section

The Fiduciary Supervision Section (FS Section) licenses and regulates licensees licensed and other regulated persons under the International Corporate Service Providers Act (ICSP Act). The types of licenses issued under ICSP Act are as follows:

- International Corporate Services (ICS)
- International Trustee Services (ITS)
- Foundation Services (FS)

The FS Section also assess applications made under the Companies (Special Licences) (CSL) Act and the Protected Cell Companies Act (PCC).

Key Responsibilities

The mandate of the FS Section is to promote a robust regulatory framework so as to ensure high level of compliance with regulatory requirements, policies, practices and procedures adopted to safeguard public interest, foster investors' confidence.

Structure

In order to achieve its mandate, the FS Section is segregated into four clusters, namely the Authorisation Cluster, Off-Site Cluster, On-Site Cluster and the Risk and Compliance Cluster (which comprise of two sub-units being the Compliance Unit and the Financial Analysis Unit), each having direct responsibility for the supervision of specific regulated activities.

The Authorisation Cluster's key functions are to receive, review and determine applications for licences under the ICSP Act.

The Off-Site Cluster mainly undertakes desk based supervision of the conduct of licensees. These include, but not limited to, the monitoring of business conduct and activities of licensees to ensure that it is in line with the relevant laws, codes, guidelines, licensing conditions and any directions or directives issued by the FSA. The cluster also handles appointment of officers, changes in legal and beneficial ownership of the licensees, acquisitions and mergers and advertising materials of licensees.

The On-Site Cluster is tasked to obtain first-hand insight into the internal control, risk management structure and compliance of licensees. It entails monitoring licensees' adherence with all applicable laws, regulations and codes. This is undertaken through themed based or full scope on-site examination.

The Risk and Compliance Cluster is segregated into two units being the Compliance Unit and Financial Analysis Unit. The Compliance Unit provides support to all Clusters within the FS Section and undertakes cluster audits to evaluate the compliance of each clusters' practices with the approved procedures. One main responsibility of the unit is to undertake risk assessment of licensees and provide support to other clusters in respect to the application of risk based supervision of licensees and maintaining and updating the risk profiling system. The unit also handles complaints from both licensees and other third parties. The Financial Analysis Unit's ("FAU") key function is to receive, review and analyse the Audited Financial Statements for all licenses licensed under the ICSP Act and companies under the Companies (Special Licences) Act, 2003.

Authorisations process

In addition to the FSA's authorization process, as set forth earlier in the report, the FS Section has special regards to the following when processing applications:

- the fitness and propriety of each director, member of the managerial staff and any other employees having significant powers or responsibilities
- each person having an ownership interest in the applicant is of satisfactory repute and financial standing.

New licence applications

The table below depicts the number of applications received under the International Corporate Services Providers Act for 2017.

	2017	ICS	ITS	FS
Fully Fledge Licence Applications				
Approved	1	2	3	
Rejected	0	1	0	
Withdrawn	0	0	0	
Managed Service Provider Licence Applications				
Approved	1	N/A	0	
Rejected	0	N/A	0	
Withdrawn	1	N/A	0	

The table below depicts the number of applications received under the Companies (Special License) and the Protected Cell Companies Act for 2017.

2017	CSL	PCC
Approved	12	2
Rejected	0	0
Withdrawn	0	0

Fit and Proper Approvals

The FSA is vested with the responsibility of preventing individuals who may pose certain risk to the sector from entering. As such any members of managerial staff including managers and other employees having significant powers or responsibilities with respect to the business activities of the licensee must undergo the Fit and Proper test.

Fitness tests usually seek to assess the competence of persons holding significant function within the office of licensees and their capacity to fulfil the responsibilities of their positions while propriety tests seek to assess their integrity and suitability. To determine competence, formal qualifications, previous experience and track record are some of the elements considered. To assess integrity and

suitability, elements considered include criminal records, financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

The table below depicts the total number of fit and proper determinations made in 2017.

2017	ICS	ITS	FS
Approved	35	11	11
Rejected	7	0	0

On-site Inspections

Theme base Onsite Examination

For the year 2017, the On-Site Cluster undertook focused inspections at the premises of 10 licensees in order to inspect records of a sample of IBCs under the administration of the licensees in question. In total, 5,477 IBCs records were inspected where the focus was in the following areas:

- the keeping of Register of Directors by IBCs

- the keeping of Register of Members by IBCs
- the keeping of information relating to the accounting records

Independent Verification Inspections

The Code for International Corporate Service Providers requires licensees to monitor compliance by specified entities (including IBCs) and foundation, with certain record-keeping requirements and to periodically

inform the FSA of any continued non-compliance by the specified entity or foundation. It should be noted that in most cases, the reported non-compliance was rectified prior to the conduct of independent verification by the FSA, except for certain IBCs under the administration of one licensee.

The table below illustrates the enforcement actions undertaken for both Focus Compliance Inspection and Independent Verification Inspection.

Enforcement Actions						
Focus Compliance Inspection						
	Inspections	Sample Size	Share Register	Director Register	Accounting Records	Annual Return
Initial Non-compliance	10	5,477	49	46	257	*
Complied before initiation of striking-off	-	-	49	46	124	*
Non-compliance as at date (not struck off)	-	-	0	0	61	*
Struck off as at date	-	-	0	0	63	*
Independent Verification Inspection						
Initial non-compliance	1	131	0	0	2	2
Complied before initiation of Striking-off	-	-	0	0	0	0
Non-compliance as at date (not struck off)	-	-	0	0	0	0
Struck-off as at date	-	-	0	0	2	2

*Note that in light of the amendments in the IBC Act, the Annual Returns were not inspected for the year 2017

Full Scope Inspections

The On-Site Cluster conducted one full scope onsite inspection in 2017 at the office of one licensee. The inspection focused on the following areas:

- Compliance Testing
- Internal Control
- Corporate Governance
- Client Due Diligence and Client Risk Profiling
- Transaction Monitoring
- Audit and Account

Approvals for request for certain changes

The ICSP Act requires a licensee to notify the FSA and in some cases, seek the approval of the Authority prior to effecting certain changes to the licensee's business or structure.

The following table illustrates the various changes recorded and approved by the Authority under the ICSP Act for the year 2017.

Change in name of licensees	6
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Change in principal place of business	5
Change in managing service provider	3
Approvals for change in the ownership structure of licensees	9
Amalgamation	1
Surrender of licence	5

Enforcement Actions

Directives issued pursuant to section 26(1) of the FSA Act	1
Directions issued pursuant to section 32(1) of the FSA Act	11

Website Review

As part of the Authority's annual program, the FS Section reviewed the website of all licensees under its regulatory purview to monitor and ascertain that the information being advertised in the public domain is accurate and not detrimental to the good repute of the Seychelles jurisdiction. In cases where adverse materials were identified, directions were issued to the licensee for rectification.

Complaints

The table hereunder depicts the total number of complaints received by the FS Section for 2017 against each category of entity.

	Total Complaints Received
IBCs	17
International Trusts	1

Key Developments of 2017

For the year 2017, the FS Section underwent an internal restructuring, with the aim of creating specialised Clusters, to improve the efficiency of the Section where the Section was segregated into four specialised clusters with specific functions. The Section also embarked on a review of all its processes and procedures, in order to streamline and improve the service standards of the Section, which is expected to be finalised in 2018.

With the segregation of the FS Section into specialised Clusters, the Section has adopted a risk based approach, whereby it has initiated risk based supervision of licensees.

Additionally, the FS Section has also initiated a review of the ICSP Act.

Outlook for 2018

With the aim of providing better guidance and clarity in respect to what is expected by the Authority in relation to certain specific requirements, the FS Section will be emerging with revised Codes and Guidelines for licensees. The Section shall also be designing an industry return, with the aim of collecting more information to enhance the FSA's knowledge of the industry including the conduct of business and associated risks.

The FS Section also anticipates to be more actively engaged with the industry vis-à-vis training, whereby it aims to facilitate trainings for industry personnel and shall also review its complaints handling procedure to ensure that all grievances relayed to it are addressed in accordance with the relevant legislation in a transparent and timely manner.

Streamlining and review of the internal systems of the FS Section remains ongoing for the year 2018.

Capital Markets & Collective Investment Schemes Supervision

Section

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

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

The Securities Act, 2007 governs the securities business in or from the Seychelles. This Act provides for the licensing, regulation and supervision of the Seychelles Securities Exchange, its clearing agency, securities facility

and market intermediaries such as securities dealers and investment advisors. It also sets requirements for the public issue of securities and those issuers' ongoing obligations.

Key Responsibilities

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

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

The need for regulation and supervision stems from the duty of the FSA to protect the interests of the investors. If capital market intermediaries and collective investment schemes are left unregulated and unsupervised such persons may act in a manner which subordinates the interests of the investors to

that of their own. This is detrimental to the public interest. The collapse of a capital market institution or a collective investment scheme or an act of irregularity in such an institution may deter public confidence in the capital market and in collective investment schemes. Thus the need for regulation and supervision. Regulation without supervision serves no useful purpose. Even in the most regulated and best supervised markets there are institutions collapsing due to insolvency and scams. These cannot be totally prevented but the incidence of such occurrences may be reduced if proper regulation and supervision is in place.

The benefits of regulation and supervision are as follows:

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

The objectives of regulation and supervision are as follows:

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

Structure

The CM&CISS Section is comprised of 3 units:

- Authorisations Unit
- Supervision (Onsite & Offsite) Unit
- Risk and Compliance Unit

The Authorisations Unit's key function is to receive, review and determine applications for licenses. The Authorisations Unit has the direct responsibility of ensuring that high regulatory standards are applied at the outset to ensure that where applications may cause harm to the good repute of the jurisdiction, such application are referred for rejection. The Supervision Unit is responsible to supervise and take enforcement actions against licensees and other regulated persons under the Securities Act and the Mutual Fund and Hedge Fund Act.

The Risk and Compliance Unit has the responsibility of implementing and maintaining compliance procedures relating to the laws administered by the Section.

Key developments of 2017

In response to a request from the FSA, a technical assistance mission from IMF's Regional Technical Assistance Centre for Southern Africa (AFRITAC South) visited Seychelles from November 28 to December 2, 2016 and from February 27 to March 3, 2017, to assist the FSA in completing a self-assessment against the International Organizations of Securities Commission (IOSCO) Objectives and Principles of Securities Regulation, identify the gaps and prepare an action plan to address the issues identified. The mission also provided guidance to staff through a series of short workshops on topical supervisory issues.

Number of new licenses issued in 2017 per product type

Licence	2017
Professional Fund	3
Private Fund	1
Public Fund	0
Exempt Foreign Fund	0

Fund Administrator	1
Approved Foreign Administrator	0
Restricted Fund Administrator	0
Investment Advisor	1
Investment Advisor's Representative	0
Securities Dealer	3
Securities Dealer's Representative	7
Securities Exchange	0
Clearing Agency	0
Securities Facility	0

Authorization Process

The CM&CISS Section follows the FSA authorization process, as detailed earlier in the report.

Enforcement Actions

The table hereunder depicts the enforcement actions taken by the CM&CISS Section for 2017:

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	2	-	1	1	1
Private Fund	5	-	2	-	-
Fund Administrator	1	-	-	-	-
Investment Advisor	1	-	-	-	1
Securities Dealer	10	2	3	1	-
Securities Exchange	1	-	-	-	-

Complaints

The table hereunder depicts the total number of complaints received by the CM&CISS Section for 2017 against each category of entity.

	Complaints Received	Resolved Complaints	Unresolved Complaints
Securities Dealer	3	3	-

The complaints were primarily in relation to market conduct.

Outlook for 2018

As part of the FSA's continued efforts to improve the quality of services delivered, the CM&CISS Section will be reviewing and revamping its internal operational processes to ultimately achieve greater efficiency in its internal processes and service delivery. In large, this will be achieved by modernising the relevant application forms and establishing clear guidelines which will ease the application process and create a more efficient system whereby the time taken to process an application is greatly reduced.

The CM&CISS Section intends on reviewing and enhancing its on-site and off-site supervision policies and procedures and have the

respective supervision framework fully implemented in 2018. A risk based supervision approach will be used to regulate and supervise licensees and other regulated persons. This aims to achieve greater efficiency and improve the quality of monitoring and supervision carried out.

In 2018 the FSA will be looking into developing new products which will include the following for the capital markets and collective investment schemes sector:

- Investment Banking
- Wealth Management
- Fintech (financial technology) Businesses via a regulatory sandbox approach
- Islamic Funds

The CM&CISS Section is currently working on putting in place a Fintech regulatory sandbox framework which would cater for FinTech businesses and capture cryptocurrency/blockchain based businesses. This framework would offer firms a regulatory regime that is friendlier and more flexible and would also aid to minimise any legal uncertainty and allow the firm to operate

under a controlled environment under the regulator's supervision and to later graduate to mainstream regulations. The respective regulations have been forwarded to the Cabinet of Ministers for approval and the FSA expects to emerge with this framework within the first half of 2018.

Subject to IOSCO approval of the FSA's application to be an Associate Member of IOSCO, the FSA will work closely with IOSCO to receive technical assistance through the IMF to carry out the following:

- conduct a thorough self-assessment to ensure compliance with all requirements to become a signatory to the IOSCO MoU
- address any legislative (and other regulatory or administrative) gaps to be in compliance with all requirements of the IOSCO MoU and the IOSCO Objectives and Principles of Securities Regulation, and
- ascend to Ordinary Membership to become a full IOSCO member

Support Services

Information Systems Section

As of April 2017, the Information Technology Section changed its name to Information Systems Section (IS Section). The responsibility of the Section remains more or less the same, where its mandate would be technological support to the different sections within the FSA through the establishment of international standards and to safeguard the Information Technology infrastructure of the FSA by taking a proactive approach. In addition, it was felt that it is necessary that other elements are

brought into the section such as auditing and information security.

Outlook for 2018

The goal for 2018 is to take a leading role within the organization in terms of innovations, whilst continuing to sustain the Talent Development initiative, and develop a professional relationship with our stakeholders to bring Value Added Services.

Policy and Legal Section

The role of Policy and Legal Section (PL 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 PL Section is engaged in close collaboration with all other Sections of the FSA.

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, Memorandum of Understandings between the FSA and third parties, as well as new laws and regulations which may have an effect on the industry. The team is heavily involved during the drafting stage of legislations that are administered by the FSA. The legal 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.

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 team is also heavily involved during the drafting stage of legislations together with the legal team. The policy team works closely with all stakeholders to ensure that policy decisions are as effective as possible.

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.

Key Achievements of 2017

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 2017, the FSA undertook the following industry training initiatives:

1.1 Scholarship Policy

The FSA introduced a policy in 2016 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.

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.

In 2017, the FSA advertised this initiative to the general public and sponsored eleven individuals.

1.2 Training program for insurance intermediaries

The FSA, in collaboration with the University of Seychelles, has initiated a training program for insurance intermediaries, namely insurance sub-agents, insurance brokers and insurance agents. The aim of the program is three-fold: to expand the intermediaries' knowledge; improve insurance services for consumers; and to have experienced agents and brokers assist with the development of training for new intermediaries.

This initiative constitutes a component of the development of a risk based supervision framework for insurance, a key project of the Financial Sector Implementation Development Plan, being undertaken by the FSA. It further reinforces the FSA's commitment to fostering continuing education for practitioners in the financial sector.

The UniSey hosted the two-day training program in August 2017 at the University of Seychelles, Anse Royale Campus. The agenda focused on the services agents and brokers provide to consumers.

2. Memorandum of Understandings (MOU)

2.1 MOU 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 (MOUs) with other regulatory Authorities. The MOUs 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 MoUs 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 MOU with Insurance

Regulatory Authority of Kenya

On Tuesday 5th September 2017, the FSA and the Insurance Regulatory Authority of Kenya (IRAK) signed an MOU. The document was signed by the preceding Chief Executive Officer of the FSA, Ms. Jennifer Morel and the Acting Chief Executive Officer of IRAK, Mr. Godfrey K. Kiptum. The signing was witnessed by the Chairman of the FSA, Mr. Suketu Patel and Hon. Abdirahin H. Abdi, the Chairman of IRA.

The IRAK is the regulator for insurance business in Kenya. Consequently, the MOU recognizes the importance of international cooperation for the development and maintenance of open, fair, orderly and sound domestic insurance industries in Seychelles and Kenya as well as the benefits of mutual cooperation. Primarily, the MOU will facilitate the sharing of information, including requests for assistance for regulatory or supervisory purposes.

Following the signing, the Kenyan delegation are in discussion with the FSA to finalize the 2018 Technical Assistance Plan which would include the IRA providing assistance with an electronic regulatory system to enable online licensing and reporting by the industry to the FSA.

2.1.2 MOU with Alderney Gambling Control Commission

As the regulator of casinos, slot machines and interactive gambling businesses in Seychelles under the Seychelles Gambling Act, the FSA continuously seeks opportunities to enhance its expertise in the gambling industry by engaging in capacity building and benchmarking missions, as well as by establishing cooperative relationships with various gambling Authorities from jurisdictions around the world.

In September 2017, the FSA embarked on an overseas' benchmarking mission to the Alderney Gambling Control Commission (AGCC) in Alderney. The AGCC, being the regulator of gambling activities in Alderney and possessing vast experience in the regulation of interactive gambling, has a robust legal framework and application process and is one of the most reputable interactive licence jurisdictions. With its robust legal framework and application process, the FSA and the AGCC have entered into an MOU with the purposes of mutual assistance and exchange of information. The MOU was signed by Ms. Jennifer Morel, the Chief Executive Officer of the FSA at the time, and Mr. Jorn Starck, the Executive Director of the AGCC.

3. Projects under the Financial Sector

Development Implementation Plan

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 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 was undertaken by Ms. Holly Bakke and Mr. Edward Sai. The consultancy started in June 2016 and was finalized in August 2017.

The consultancy assisted the FSA in prudential and market conduct supervision of the insurance sector by reviewing and assessing the insurance supervision legal mandates, policies and processes in relation to the international best practices. Thereafter, the consultant presented 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 was undertaken and the preparation of a revised risk based supervision process and manual was undertaken as well as an assessment of IT needs. In 2017, onsite reviews were undertaken.

As part of the implementation process, the FSA organized a training for the Domestic Insurance Companies and the Seychelles Pension Fund (SPF). The training allowed the insurers and the SPF to understand the concept of risk based supervision, obliging both regulators and the companies to “focus on what matters” by assessing the degree of risk in the company's business operations and determining how to reduce the risk as required. Much emphasis was placed on the fact that with risk based supervision, the entities will be monitored, and both for compliance with the rules and for how they approach risk management.

3.2 Developing a risk based supervision framework for Pension

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 assisted in extending the supervision of the FSA through prudential and market conduct regulations to the Seychelles Pension Fund.

In 2017, the consultancy was finalized and a proposal was presented to the FSA. As part of the implementation process, an onsite inspection of the Seychelles Pension Fund was undertaken and training programs were held with both FSA staff and the Seychelles Pension Fund.

3.3 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.

Through funding from the African Development Bank, the Government of Seychelles engaged the services of Mrs. Gerda Piprek and Ms. Chloe Jaquim to formulate the National Strategy on Financial Education. The purpose of the Strategy is to provide a

framework for the implementation of a well-coordinated, efficient and effective targeted approach that will optimize resources in the implementation of financial education aimed at improved levels of financial capability of Seychellois. The Vision of Strategy is that Seychellois will display improved levels of financial capability, enabling people to take responsibility for their own financial well-being by better managing their personal finances and thereby reducing financial vulnerability, increasing asset-building and long-term financial security, improving risk management and displaying responsible financial practices in a competitive client-centric financial sector.

The National Strategy is based on findings of the baseline survey on financial literacy conducted in 2016 across Seychelles.

The Central Bank and the FSA officially launched the National Financial Education Strategy on 13th December, 2017.

3.4 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.

In 2017, policy decisions with respect to the Act were presented to stakeholders and consultations were undertaken accordingly.

Outlook for 2018

Groundwork for different projects has been undertaken since 2016. These will be pursued further in 2018. Those not specifically addressed in preceding sections are summarized below.

1. New legislations

1.1 Review of legislations in line with Base Erosion and Profit Shifting (BEPS) standard

Following the assessments of the Seychelles preferential tax regimes in 2017 vis-à-vis the BEPS standard, a number of legislations under the administration of the FSA will be amended in 2018 in line with the standard. These include the International Business Companies Act, the Companies (Special Licences) Act, the Securities Act, the Mutual Fund and Hedge Fund Act, the Insurance Act and the International Trade Zone Act.

In addition to amendments being proposed to the Companies (Special Licences) Act and the International Business Companies Act in relation to BEPS, further amendments are expected to be made to these laws on other matters which have been discussed with the industry during the consultation process.

1.2 Private Trust Companies

The International Corporate Service Providers Act and the International Business Companies Act will be amended to make provision for Private Trust Companies (“PTC”). The proposed new Trust Bill will also be amended to contain relevant provisions to cater for PTCs.

1.3 New Trusts Act

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

2. Seychelles Mutual Evaluation Assessment by ESAAMLG

In June 2017, the ESAAMLG initiated the second round of Mutual Evaluation Assessment of the Seychelles. The review is expected to

continue in 2018 and the Final Report, which will set out the country's level of compliance with the FATF Recommendations, the effectiveness of the measures in place and provide recommendations on the measures to be taken to address any shortcomings, is anticipated to be adopted in August 2018. Hence, in conjunction with other relevant sections, the PL Section will be working on the recommendations made in the report in order to ensure Seychelles compliance with the FATF Recommendations.

3. IOSCO Membership Application

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 will submit its application for Associate membership to the IOSCO in 2018.

Human Resources Section

The Human Resources Section (HR 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:

- (a) **Recruitment and Selection:** Ensuring that the most skillful and competent individuals are selected for the job. The recruitment process generates a pool of capable individuals to apply for employment at the FSA.
- (b) **Capability Development and Learning and Development Strategy:** Placing importance on people and their capacity to perform at high levels in rapidly changing working environments and contexts. It ensures that the organisation has in place the right strategy to support learning and development of employees.
- (c) **Performance Management and Development System:** Focuses on operating the system designed to assist with performance management.
- (d) **Career Development and Succession Planning:** Looking at the availability of

career development and planning for such. It ensures that FSA is attracting new talent and expanding the capabilities of existing employees to fill in business-critical positions.

- (e) **Reward Management:** The formulation and implementation of strategies and policies that aim to reward employees fairly, equitably and consistently.
- (f) **Health, Safety and Wellbeing:** Identifying workplace hazards, investigating complaints, recording accidents, undertaking inspection of all FSA premises and making recommendations to the management on where improvement is required and organising activities that will help increase awareness about health and safety in the workplace.
- (g) **Operational Human Resource:** Provides services to business operations and technical sections. It includes the implementation of employee benefits, employee relationship management, management of day-to-day issues, counseling and handling of databases.

Key achievements for 2017

1. Health and Safety Programs for employees

In 2017, the following Health and Safety programs were conducted:

- Basic Safety training for the Security team.
- Light intensity measurement assessment was carried out in all FSA offices to see if there is adequate lighting in those areas.
- 3 risk assessments were conducted at the Sunshine Commercial Building.
- 3 safety audits were carried out at the FSA Zone at Bois De Rose Avenue.
- 98 employees participated in a medical screening.
- Refresher First Aid Training was given to first aiders.
- Fire safety training was conducted for employees across the organisation.

2. Introduction of a Scheme of Service for employees

A Scheme of Service was introduced for the first time in the FSA in March 2017. The scheme took into context the various skills required by each section of the organisation and was designed to provide for a well-defined career structure to attract, motivate and facilitate retention of suitably qualified and skilled

personnel within the FSA. It was also designed to 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.

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

The PMDS, implemented in January 2017, establishes a culture in which employees take responsibility for the continuous improvement of business processes, their own skills, behaviour and contributions. It ensures that employees get the continual direction, feedback and development they need to improve and succeed. The system ensures that Directors and supervisors regularly engage in informal conversations with their employees about duties, expectations and performance and also ensures that coaching and support is adequately provided.

4. Implementation of the 360 Degree Feedback Project

The 360 Degree Feedback Mechanism, which is complementary to the PMDS initiative, was implemented in November 2017 on a pilot basis whereby the target group were all

employees within the managerial cadre. The project has been implemented with a view of gearing towards having a better understanding of the collective strengths and areas of improvement of FSA employees. Such awareness allows the organisation to focus on the developmental needs of its employees which facilitates the process of building high performing teams.

The implementation of the project was facilitated by consultants from Edge Consulting in Mauritius and consisted of training sessions for the FSA staff.

Recruitment during 2017

A total of 25 new employees joined the FSA in 2017 in various posts bringing the total workforce to 125 as at December 2017.

Outlook for 2018

A wellness programme is expected to take place in 2018 which will consist of developing a programme where the FSA partners with the Seychelles Tourism Academy (STA) to offer employees the opportunity to receive spa treatment given by STA students who are currently studying for the Wellness and Spa course.

A Business Continuity Plan will be put in place in 2018 which will outline a leadership

development and succession plan for the FSA. This plan will reflect the FSA's commitment to sustain a healthy functioning organisation. The purpose of this plan is to ensure that the FSA has adequate information and a strategy to ensure that suitably qualified people are available to fill positions which will arise within any specific section over forthcoming years. It will also ensure that the functions of these positions are well understood and even shared among senior employees and volunteer leaders to safeguard the organisation against unplanned and unexpected changes. This kind of risk management is equally helpful in facilitating a smooth leadership transition when it is predictable and planned.

A Contractor Management document will be put in place in 2018 which will contain regulations and guidelines to ensure that Contractors and Sub-contractors operating within the FSA Zone are aware of the safety requirements on site. The FSA recognizes the importance and ensures the safety of its employees, visitors and those on site providing goods or services. Therefore, under the terms of their Contract, Contractors and Sub-contractors will have to ensure that their employees observe all of the Authority's safety rules, as well as statutory regulations and other legal requirements.

In an effort to reduce the Section's costs, improve efficiencies and streamline administrative operations with a view to boost overall employee satisfaction and experience, the HR Section will be implementing a Human

Resource Software System within the organisation. The system will improve the security of HR information, provide instant organisation and employee data, and manage time and attendance amongst others.

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.

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 2017 are set out within the Financial Statement at the end of this Report.

Key achievements of 2017

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 2017 budget allocation. For the year 2017, the FSA has collected a total of **SR159.7 million** as gross income and effected a transfer of surplus funds of **SR73.4 million** (46 percent of actual revenue collected) to the Government.

Outlook for 2018

Given that as from 2016, the FSA has started presenting its financial statements in line with IFRS standards, 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. The Section

will concentrate on capacity building and upgrading the skills and knowledge of its existing staff as well as any new recruits.

In 2018, the Finance Section will ensure that the revision of its internal policies and its Accounts Procedures Manual is completed and compiled into one document which will subsequently be used as guidance and training with regards to good financial and accounting practices, so as to align it with current practices and standards.

In 2018, the Section will be undertaking a review of all its software and accounting package and based on the result of the review, the current software will be updated or a new software will be purchased to increase the effectiveness and efficiency of the Section.

Financial Services Authority Appeals Board

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

Members of the Appeals Board

(As at 31st December 2017)

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 Statement



Financial Statements as at 31st December, 2017

FINANCIAL SERVICES AUTHORITY

TABLE OF CONTENTS - DECEMBER 31, 2017

	Page
Corporate Information	1
Directors' Report	2 - 2(a)
Auditors' Report	3 - 3(a)
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 26

CORPORATE INFORMATION

DIRECTOR	: Mr. Suketu Patel (appointed effective 18 th , July 2017)	Chairman
	Dr. Steve Fanny (replaced as Chairman effective 18 th , July 2017. Appointed as CEO effective 01 st December, 2017)	Chairman/CEO - Director
	Ms. Jennifer Morel (replaced effective 01 st December, 2017)	CEO - Director
	Ms. Jenifer Sullivan (appointed effective 18 th July, 2017)	Director
	Ms. Angelique Antat (appointed effective 18 th July, 2017)	Director
	Ms. Irene Croisee (appointed effective 18 th July, 2017)	Director
	Mr. David Espanon (appointed effective 18 th July, 2017)	Director
	Ms. Marie Cecile Espanon (appointed effective 18 th July, 2017)	Director
	Ms. Annie Vidot (appointed effective 18 th July, 2017)	Director
	Ms. Tania Potter (appointed effective 18 th July, 2017)	Director
	Mr. Mike Laval (appointed effective 18 th July, 2017)	Director
	Mr. Rupert Simeon (replaced effective 18 th , July 2017)	Director
	Mr. Ronny Govinden (replaced effective 01 st April, 2017)	Director
	Mrs. Georgette Capricieuse (replaced on 18 th , July 2017)	Director
	Mr. Ralph Volcere (replaced effective 01 st April, 2017)	Director
	Mr. Sujeet Kumar Shrivastava (replaced effective 23 rd March, 2017)	Director
	Ms. Angelique Antat (replaced effective February, 2018)	Director
SECRETARY	: Ms. Zenabe Daman (appointed effective 01 st December, 2017)	Secretary
	Ms. Audrey Khan (Resigned effective 01 st December, 2017)	Secretary

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

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

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

DIRECTORS' REPORT

The Directors are pleased to submit their report together with the audited financial statements of the Authority for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

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

VISION

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

MISSION

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

CURRENT YEAR EVENT

The Authority has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the year 2017 is the second financial year that the Financial Services Authority is presenting its financial statements under International Financial Reporting Standards (IFRS).

The new FSA board was appointed effective 18th July, 2017 and subsequently a new CEO, Dr. Steve Fanny and a new Deputy CEO, Ms. Zenabe Daman, were appointed on the FSA's senior management team effective 01st December, 2017.

RESULTS

	2017
	SR'000
Profit for the year	99,006
Retained earnings brought forward	84,571
Profit available for distribution	183,577
Transfer to Government of Seychelles (GOS)	(73,387)
 Retained earnings carried forward	 110,190

DIRECTORS AND DIRECTORS' INTEREST

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

DIRECTORS' REPORT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

The Authority is audited by the Auditor General.

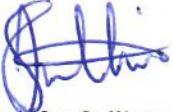
BOARD OF DIRECTORS APPROVAL



Suketu Patel
Chairman



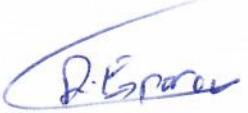
Steve Fanny
Director & CEO



Jenifer Sullivan
Director



Irene Croisee
Director



David Espanon
Director



Mike Laval
Director



Annie Vidot
Director



Tania Potter
Director



Marie Cecile Espanon
Director



Cindy Vidot
Director

Dated: 16/04/2018

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

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF FINANCIAL SERVICES AUTHORITY

Opinion

The accompanying financial statements of the Financial Services Authority, set out on pages 4 to 26, which comprise of the statement of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and notes to accounts, have been audited as required by Section 13(4) of the Financial Services Authority Act, 2013. I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Authority as far as it appeared from examination of those records; and
- (b) the financial statements on pages 4 to 26 present fairly, in all material aspects, the financial position of the Authority as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Authority in accordance with INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board for the Financial Statements of the Authority

The Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Financial Services Authority Act, 2013 and for such internal control as the Board determine, is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Authority or cease operations, or has no realistic alternative to do so.

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Financial Services Authority Act, 2013. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit 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 Board internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;
- concludes on the appropriateness of the Board use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the



3 (b)

- auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my report. However, future unforeseeable events or conditions may cause the Authority to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates with the Board among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.



Gamini Herath
Auditor General

19 April 2018
Victoria, Seychelles



STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2017

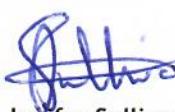
	Notes	December 31, 2017 SR	December 31, 2016 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,761,952	18,878,134
Investment property	6	127,591,119	120,941,819
Intangible asset	7	19,334	33,422
Long term receivables	8(f)	8,049,945	4,922,583
		<u>154,422,350</u>	<u>144,775,958</u>
Current assets			
Trade and other receivables	8	7,979,963	6,745,581
Cash and cash equivalents	9	71,436,865	67,422,700
		<u>79,416,828</u>	<u>74,168,281</u>
Total assets		<u>233,839,179</u>	<u>218,944,239</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	5,124,379	5,978,442
Retained earnings		<u>110,190,092</u>	<u>84,570,964</u>
		<u>124,030,171</u>	<u>99,265,106</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	47,747,147	63,412,924
Accrued Interest on Borrowings		<u>2,963,769</u>	
Retirement benefit obligations	13	5,553,646	5,587,269
		<u>56,264,562</u>	<u>69,000,193</u>
Current liabilities			
Borrowings	12	20,496,260	19,326,247
Other payables	14	33,048,186	31,352,693
		<u>53,544,446</u>	<u>50,678,940</u>
Total liabilities		<u>109,809,008</u>	<u>119,679,133</u>
Total equity and liabilities		<u>233,839,179</u>	<u>218,944,239</u>

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



Suketu Patel
Chairman

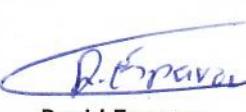
Steve Fanny
Director & CEO



Jenifer Sullivan
Director



Irene Croisee
Director



David Espanon
Director



Tania Potter
Director



Mike Laval
Director



Annie Vidot
Director



Cindy Vidot
Director



Marie Cecile Espanon
Director

The notes on pages 8 to 26 form an integral part of these financial statements.

Auditors' report on page 3.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
Revenue	2(l)/15	<u>159,665,452</u>	<u>150,525,147</u>
Staff costs	16	(33,112,459)	(29,541,570)
Administrative expenses	17	(19,301,970)	(21,884,136)
Educational dissemination	18	(2,407,846)	(1,075,295)
Other operating costs	19	(6,442,853)	(1,901,963)
Finance income - Interest on staff loans		416,072	337,370
Marketing Grant to SIB		(421,708)	(255,144)
Other income	20	2,267,461	5,268,492
Foreign exchange (losses)/gains		(1,655,742)	(1,781,296)
Profit and total comprehensive income for the year		<u>99,006,407</u>	<u>99,691,605</u>

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

	Note	Stated capital SR	Capital grant SR	Retained earnings SR	Total SR
At January 1, 2017		8,715,700	5,978,442	84,570,964	99,265,106
Total comprehensive income for the year			-	99,006,407	99,006,407
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(73,387,279)	(73,387,279)
At December 31, 2017		8,715,700	5,124,379	110,190,092	124,030,171

		Stated capital SR	Capital Grants	Retained earnings	Total
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		8,715,700	5,978,442	84,570,964	99,265,106

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

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
Cash generated from operations		99,006,407	99,691,605
Profit for the year			
<i>Adjustments for</i>			
Depreciation on property, plant and equipment	5	1,521,250	1,498,414
Depreciation of investment property	6	5,761,578	1,224,382
Amortisation of intangible asset	7	14,088	14,088
Assets written off	5	-	(60,923)
Profit on disposal of asset	20	-	19,142
Amortisation of capital grant	19	(854,063)	(854,063)
Retirement benefit obligations charge	13	2,148,817	2,769,271
Interest receivable		(416,072)	(337,370)
		107,182,005	103,964,546
<i>Changes in working capital</i>			
- Increase in trade and other receivables		(4,361,744)	(2,637,896)
- (Decrease)/Increase in trade and other payables		(139,498)	7,374,835
Cash generated from operations		102,680,763	108,701,485
Retirement obligations paid	13	(2,182,440)	(1,316,333)
Interest received		416,072	337,370
Net cash inflow from operating activities		100,914,395	107,722,522
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(4,983,803)	(15,268,230)
Purchase of intangible assets		-	(18,400)
Proceeds from sale of asset		-	150,000
Net cash outflow from investing activities		(4,983,803)	(15,136,630)
<i>Cash flows from financing activities</i>			
Borrowing received	12	2,278,186	13,368,624
Loan Repayment		(16,773,950)	(14,807,938)
Interest paid		(4,658,031)	(4,866,148)
Amount transferred to the Government of Seychelles		(72,762,631)	(85,524,592)
Net cash outflow from financing activities		(91,916,427)	(91,830,054)
Net increase in cash and cash equivalents		4,014,165	755,838
<i>Movement in cash and cash equivalents</i>			
At January 1,		67,422,700	66,666,862
Increase		4,014,165	755,838
At December 31,	9	71,436,865	67,422,700

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

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, Mahé, Republic of Seychelles.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

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

Annual Improvements to IFRSs 2014-2016 cycle

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

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

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

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

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

IFRS 16 Leases

IFRS 17 Insurance Contracts

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

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

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

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, 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 SR1.60m (2016: SR 1.89m) 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:

	2017	2016
	SR	SR
Bank balances	53,669,561	58,703,367
Trade & other receivables	4,812,971	2,924,743
Borrowings	(68,243,407)	(82,739,171)
Other payables	(22,157,528)	(16,639,738)
	<u>(31,918,402)</u>	<u>(37,750,799)</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, 2017, 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 727k (2016: SR 885k) 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.

	2017	2016
	%	%
5 major counterparties	34	44
Others (diversified risks)	66	56
	<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, 2017

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, 2017					
Bank Borrowings	20,496	21,620	26,127	-	68,243
Other payables	33,048	2,061	903	-	36,012
At December 31, 2016					
Bank Borrowings	19,326	20,461	42,952	-	82,739
Other payables	31,353	-	-	-	31,353

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 2017, the Authority's strategy, which was unchanged from 2016, 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:

	2017 SR'000	2016 SR'000
Total debt	68,243	82,739
Less: Cash and cash equivalents	(71,437)	(67,423)
Net equity	(3,194)	15,316
 Total capital	124,030	99,265
Net debt	(3,194)	15,316
Total capital plus debt	120,836	114,581
 Gearing ratio	(2.64)	13.37

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

5. PROPERTY, PLANT AND EQUIPMENT

(a) December 31, 2017

	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, 2017	18,608,182	637,788	2,392,475	7,217,142	4,632,807	1,697,312	2,964,980	38,150,686
Additions	-	-	495,000	418,843	304,110	87,091	100,024	1,405,068
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Transfers/Adjustments								
At December 31, 2017	18,608,182	637,788	2,887,475	7,635,985	4,936,917	1,784,403	3,065,004	39,555,754
ACCUMULATED DEPRECIATION								
At January 1, 2017	5,770,388	637,788	1,500,417	5,993,632	4,109,848	1,260,479	-	19,272,552
Charge for the year	394,825	-	308,498	401,431	213,028	203,467	-	1,521,250
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At December 31, 2017	6,165,213	637,788	1,808,915	6,395,063	4,322,876	1,463,946	-	20,793,802
NET BOOK VALUE								
At December 31, 2017	12,442,969	-	1,078,560	1,240,923	614,041	320,457	3,065,004	18,761,952

- (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 at a transfer price of SCR1. The sub division of the land commenced in 2016 and was finalised on 24.02.2017. No adjustment was effected for the reduction in cost in the accounts.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

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

(b) 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)	-	-	(569,067)	-	-	-	(30,423,952)
- Effect of adopting IAS 38 (note 7)	-	-	-	-	-	-	-	(569,067)
As re-stated	<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>
Additions	-	-	663,342	669,664	123,155	255,864	13,556,205	15,268,230
Disposals	-	-	(763,517)	-	-	-	-	(763,517)
Write offs	-	-	-	(5,551)	(196,456)	(4,795)	-	(206,802)
Transfer/Adjustments	<u>415,856</u>						<u>(98,351,157)</u>	<u>(97,935,301)</u>
At December 31, 2016	<u>18,608,182</u>	<u>637,788</u>	<u>2,392,475</u>	<u>7,217,142</u>	<u>4,632,807</u>	<u>1,697,312</u>	<u>2,964,980</u>	<u>38,150,686</u>
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	<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>
Charge for the year	<u>370,766</u>	<u>3,877</u>	<u>305,676</u>	<u>395,452</u>	<u>184,546</u>	<u>238,097</u>	-	<u>1,498,414</u>
Disposals	-	-	(674,440)	-	-	-	-	(674,440)
Write offs	-	-	-	(5,551)	(177,314)	(4,795)	-	(187,660)
At December 31, 2016	<u>5,770,388</u>	<u>637,788</u>	<u>1,500,417</u>	<u>5,993,632</u>	<u>4,109,848</u>	<u>1,260,479</u>	-	<u>19,272,552</u>
NET BOOK VALUE								
At December 31, 2016	<u>12,837,794</u>	<u>-</u>	<u>892,058</u>	<u>1,223,510</u>	<u>522,959</u>	<u>436,833</u>	<u>2,964,980</u>	<u>18,878,134</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, 2017

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

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

	2017	2016
	SR	SR
Consultancy/ structural engineer fees	270,700	188,200
Planning and other fees	17,524	-
IT Work In Progress	1,817,214	1,817,214
Improvement to infrastructure	959,566	959,566
	<u>3,065,004</u>	<u>2,964,980</u>

6. INVESTMENT PROPERTY

	2017	2016
	SR	SR
Cost		
At January 1,	137,834,008	30,423,952
Additions	12,410,878	107,410,056
At December 31,	<u>150,244,886</u>	<u>137,834,008</u>
Accumulated depreciation		
At January 1,	16,892,189	15,667,807
Charge for the year	5,761,578	1,224,382
At December 31,	<u>22,653,767</u>	<u>16,892,189</u>
Net Book Value	<u>127,591,119</u>	<u>120,941,819</u>

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

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

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

7. INTANGIBLE ASSETS

Computer Software

	2017	2016
	SR	SR
Cost		
At January 1,	587,468	569,067
Additions		18,401
At December 31,	<u>587,468</u>	<u>587,468</u>
Amortisation		
At January 1,	554,046	539,958
Charge for the year	14,088	14,088
At December 31,	<u>568,134</u>	<u>554,046</u>
Net Book Value	<u>19,334</u>	<u>33,423</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Trade receivables	4,799,030	3,643,074
Prepayments	1,238,169	1,205,351
Loans and receivables (note (f))	10,088,840	6,368,832
Other receivables	376,010	906,238
	16,502,049	12,123,495
Provision for credit impairment (note (c) and (d))	(472,141)	(455,331)
	16,029,908	11,668,164

Disclosed as follows:

	2017	2016
	SR	SR
Within one year	7,979,963	6,745,581
After more than one year (note (f))	8,049,945	4,922,583
	16,029,908	11,668,164

- (a) The carrying amount of trade and other receivables approximate their fair values.
- (b) As at December 31, 2017, trade receivables that were past due but not impaired amounted to SR1,739,960 (2016: SR 2,195,574). Except for one customer, these relate to a number of independent customers for whom there is no recent history of default. These receivables were aged above 90 days.
- (c) As at December 31, 2017, trade receivables amounting to SR 472,141 were impaired (2016: SR 455,331). 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:

	2017	2016
	SR	SR
At January 1,	455,331	153,868
(Reversal)/ Charge to the statement of profit or loss (note 17)	16,810	301,463
At December 31,	472,141	455,331

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

	2017	2016
	SR	SR
US Dollar	4,812,971	2,924,743
Seychelles rupee	11,216,937	8,743,422
	16,029,908	11,668,164

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

	2017	2016
	SR	SR
Within one year	2,038,895	1,446,249
After more than one year	8,049,945	4,922,583
	10,088,840	6,368,832

- (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, 2017

9. CASH AND CASH EQUIVALENTS

	2017	2016
	SR	SR
Cash in hand	78,582	433,013
Cash at banks	<u>71,358,283</u>	<u>66,989,687</u>
	<u>71,436,865</u>	<u>67,422,700</u>

10. STATED CAPITAL

	2017 & 2016
	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

	2017	2016
	SR	SR
Bank borrowing		
Non-current	47,747,147	63,412,924
Current	<u>20,496,260</u>	<u>19,326,247</u>
	<u>68,243,407</u>	<u>82,739,171</u>

The movement is as follows:

	2017	2016
	SR	SR
At January 1,	82,739,171	84,178,485
Received during the year	2,278,186	13,368,624
Paid during the year	<u>(16,773,950)</u>	<u>(14,807,938)</u>
At December 31,	<u>68,243,407</u>	<u>82,739,171</u>

- (a) Bank borrowing is from Nouvobanq and amounted to USD 7.5 million to finance the construction of new warehouses of the Authority. The first disbursement was effected in March 2014 and repayment commenced in March 2016 by monthly instalments of USD 142,740 and is to be completed by February 2021. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears 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. .
- (d) The interest accrued on borrowings has been capitalised to Investment Property.

13. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	SR	SR
At January 1,	5,587,269	4,134,331
Charge for the year (note 16)	2,148,817	2,769,271
Payments during the year	<u>(2,182,440)</u>	<u>(1,316,333)</u>
At December 31,	<u>5,553,646</u>	<u>5,587,269</u>

(a)

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

14. OTHER PAYABLES

	2017	2016
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)	10,543,454	9,918,806
Advance payments -fees	8,470,716	13,063,966
Deposits-rent	4,298,777	1,839,931
Corporate Tax	791,704	682,869
Accrued Interest on Overdraft	6,149,107	
Accrued Expenses	136,269	1,724,929
Retention money	-	1,974,996
Other payables	5,621,928	2,147,196
	<u>36,011,955</u>	<u>31,352,693</u>

Disclosed as follows:

	2017	2016
	SR	SR
Within one year	33,048,186	31,352,693
After more than one year (accrued interest)	2,963,769	-
	<u>36,011,955</u>	<u>31,352,693</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:

	2017	2016
	SR	SR
US Dollar	22,157,528	16,639,738
Seychelles rupee	13,854,428	14,712,955
	<u>36,011,955</u>	<u>31,352,693</u>

15. REVENUE

	2017	2016
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	14,150,176	17,441,042
IBC annual licence fees	81,734,947	79,461,415
Other licence fees	7,208,862	6,162,899
Funds and securities fees	1,447,455	1,071,427
Insurance fees	1,214,392	1,032,071
Gambling Fees	4,642,814	3,891,179
Other services	25,962,658	27,668,222
	<u>136,361,304</u>	<u>136,728,255</u>
(b) Rental income		
Investment property	23,011,067	13,264,161
Outdoor space	293,081	532,731
	<u>23,304,148</u>	<u>13,796,892</u>
	<u>159,665,452</u>	<u>150,525,147</u>

16. STAFF COST

	2017	2016
	SR	SR
Salaries & wages	25,817,686	22,117,755
Employee benefits and related expenses	3,834,869	3,387,073
Directors' emoluments (note 23)	392,857	532,164
SITZ Employment Council/FSA Appeals Board	393,284	289,519
Gratuity and compensation paid (note 13)	2,148,817	2,769,271
Retirement benefit obligations	524,946	445,788
	<u>33,112,459</u>	<u>29,541,570</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

17. ADMINISTRATIVE EXPENSES

	2017	2016
	SR	SR
Administration costs	3,490,709	3,573,151
Rental Costs	5,357,344	4,266,210
Communication costs	2,121,737	1,996,683
Transport and travelling costs	726,595	577,046
Maintenance and repairs	1,198,638	1,486,266
Training	1,175,301	604,592
Legal fees	292,000	312,000
Audit and Accountancy fees	88,000	139,750
Professional fees	2,729,880	7,031,200
Bank charges	51,853	46,504
(Reversal)/ charge for provision for credit impairment (note 8(d))	16,810	301,463
General expenses	2,053,103	1,549,271
	<u>19,301,970</u>	<u>21,884,135</u>

18. EDUCATIONAL DISSEMINATION

	2017	2016
	SR	SR
Information dissemination	2,008,313	1,055,567
Advertisement	399,533	19,728
	<u>2,407,846</u>	<u>1,075,295</u>

19. OTHER OPERATING COSTS

	2017	2016
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	1,521,250	1,498,414
- Investment Property (note 6)	5,761,578	1,224,382
Amortisation (note 7)	14,088	14,088
Assets written off (note 5(a))	-	19,142
Amortisation of capital grant	<u>(854,063)</u>	<u>(854,063)</u>
	<u>6,442,853</u>	<u>1,901,963</u>

20. OTHER INCOME

	2017	2016
	SR	SR
Grants Received from International Institution	2,118,564	5,166,387
Profit on sale of asset	-	60,923
Sundry income	<u>148,897</u>	<u>41,181</u>
	<u>2,267,461</u>	<u>5,268,492</u>

Grant received from International Institution is in relation to the development of the risk based supervision framework for the regulation of pension. The corresponding expenditure is recorded under professional fees.

21. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2017 amounted to SR NIL (2016: 2.76 millions).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

21. COMMITMENTS (CONT'D)

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

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

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

	2017	2016
	SR	SR
Not later than one year	29,467,064	22,636,462
Later than one year and not later than five years	77,468,647	80,978,908
	<u>106,935,711</u>	<u>103,615,370</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, 2017 (2016: Nil).

23. RELATED PARTY TRANSACTIONS

	2017	2016
	SR	SR
Directors		
- Remuneration (including Fees for the HR & Audit Committees) (note 16)	392,857	532,164
Holding Entity		
- Surplus payable (note 14)	<u>73,387,279</u>	<u>75,217,002</u>

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

(b) There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2017, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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

	2017	2016
	SR	SR
Salaries and other benefits	6,250,735	4,641,271
Accrued Benefits	927,470	677,561
Employer Pension costs	124,949	92,825
	<u>7,303,154</u>	<u>5,411,657</u>

List of Acronyms and Abbreviation

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

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