

# Financial Services Authority NEWSLETTER

2nd Edition, August 2019

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



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## CEO's Message

Welcome to the Second Edition of the FSA's Newsletter for the year 2019.

As we embark on the second half of the year, I must say that the FSA is well on its way to realizing one of its key objectives that is to increase Seychelles' visibility as a desirable jurisdiction and to ensure the continued sustainability and development of the sector.

As part of our plans for the year, the Seychelles Investment Board (SIB), in collaboration with the FSA and the industry, hosted an Asia Roadshow in June, the second of its kind, under the theme "Seychelles, Our Global Partner in the Digital Era of Financial Services". The event was a great success whereby the Seychelles' delegation managed to interact with over 250 potential investors, offering them value-added solutions and investment opportunities within the Seychelles financial services sector.

In July, the FSA had the honour of hosting Mr. Maurice Loustau-Lalanne, the Minister for Finance, Trade, Investment and Economic Planning for a familiarisation visit at its premises. The management and staff of the FSA had the opportunity to interact with the Minister on their work, goals and challenges being faced.

In the face of a fast-evolving global landscape and the need to innovate our existing financial services portfolio to meet the changing needs of businesses around the world, the FSA has developed a set of regulations for a regulatory sandbox to accommodate the increasingly important financial technology (fintech) sector.

Furthermore, following recent legislative changes which allow Seychelles' International Business Companies (IBCs) to carry on business activities in Seychelles, Seychelles' IBCs can now apply for a Tax Identification Number (TIN) from the Seychelles Revenue Commission.

In light of continuing education for members of the industry, a first cohort has recently completed the ICA Advanced Certificate in Compliance which will be followed by the ICA Advanced Certificate in Anti-Money Laundering.

As can be noted, the year 2019 so far has been eventful for both the FSA and the industry which is the result of our collaborative efforts. Should this hard work and cooperation continue, much more can be achieved by the end of this year.

On a final note, I look forward to the participation of the industry in the upcoming events, mainly the Seychelles' roadshow taking place in Moscow and Prague in September.

**Dr. Steve Fanny**  
Chief Executive Officer



## The Financial Services Authority (Regulatory Sandbox Exemptions) Regulations, 2019

The rapid increase of Financial Technologies or FinTech firms operating in the financial services industry has attracted significant attention from regulators. FinTech, as defined by the International Organisation of Securities Commission (IOSCO), is a portmanteau used to describe a variety of innovative finance related business models that are based on emerging technologies that have the potential to transform and disrupt the financial services industry. Emerging technologies such as cognitive computing, artificial intelligence and distributed ledger technologies (DLT) are examples of the types of technologies that underlie FinTech. In response, regulators are being compelled to adopt a flexible stance to allow for the development of new financial services and products whilst maintaining a sound regulatory regime.

In line with the FSA's vision to position the Seychelles as a FinTech hub for financial product and service innovation, the FSA sought to provide regulatory clarity and minimize legal uncertainties by developing a framework to regulate FinTech players, namely the Financial Services Authority (Regulatory Sandbox Exemptions) Regulations, 2018. A FinTech regulatory sandbox is a legal framework put in place and managed by a financial sector regulator to allow small-scale, live testing of FinTech financial services or products by private entities in a controlled environment in circumstances when the current legal framework is inflexible. In the sandbox, these entities would operate under a special exemption and other limited, time-bound exceptions under the regulator's supervision.

By virtue of the FSA's mandate as the non-bank financial services regulator of the Seychelles, ensuring customer protection is a priority. It is noted that appropriate safeguards such as risk management measures and the imposition of conditions or restrictions are embedded in the sandbox regulations. In preparation to launch the sandbox, the FSA is working diligently to develop the necessary internal procedures and guidelines with the assistance of an international consultancy firm.

It is envisioned that the sandbox regulations will promote innovation in the non-bank financial services sector of the Seychelles and serve as a tool to gain understanding of regulatory considerations for future development of regulatory regime, thus allowing the Seychelles to retain a competitive edge in the face of an ever-fluid global environment.

## CISNA 42nd Bi-Annual Meeting

The Financial Services Commission of Mauritius hosted the 42<sup>nd</sup> bi-annual meeting of the Southern African Development Community (SADC) – Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), with the participation of over a hundred representatives of regional regulatory institutions.

Discussions over the few days at the various Committee levels emphasized the decisive roles that regulators have to play – not only in framing the enabling regulatory framework, ensuring sound conduct and oversight, accompanying our region in its growth and development phase, but most importantly, of the need to further enhance regional regulatory integration and harmonization. Several other common issues were also addressed in the meetings for instance how regulators can embrace and encourage innovation whilst ensuring financial stability, orderly administration and consumer confidence and protection considering the increasing complexity of financial products.

It was also at the bi-annual meeting, that Mr. Chinamo, the Chairman of CISNA, announced that Mauritius won the bid to hosting of the Office of the Permanent Secretariat for the SADC CISNA, after submitting its candidacy. Mauritius will henceforth be providing a complete set of administrative and logistic support for the setting up and running of the CISNA Secretariat. Cognisance of the mandate of the new secretariat, CISNA will now have a new structure; a general council (to replace plenary), a Governance Council (to operate like a board of directors), Subcommittees and the Secretariat. It was agreed that the various committees provide a preliminary handover report that lists all their current projects and timeline for completion.

The next CISNA meeting is scheduled to be held from the 30<sup>th</sup> October to 1<sup>st</sup> November 2019, in Cape Town, South Africa.

## Risk Based Supervision Workshop in Seychelles

The Secretariat of the Eastern and South African Anti Money Laundering Group (ESAAMLG), in collaboration with the Central Bank of Seychelles (CBS), organized a 4-day training workshop on Anti-Money Laundering / Countering Financing of Terrorism (AML/CFT) Risk Based Supervision (RBS) targeting supervisors of the:

- Digital Financial Services sector
- Money Value Transfer Services (MVTs)/Money Remittances sector
- Bureau de Changes sector

The ESAAMLG's RBS workshop was held at Savoy Resort & Spa, in Seychelles, from May 27th to 30th, 2019. The workshop welcomed delegates from Seychelles, Uganda, Rwanda, Zambia, Mauritius and Zimbabwe. The FSA was represented in the workshop by one staff member from Fiduciary Supervision Section, Capital Markets and Collective Investment Schemes Supervision Section, Gambling Supervision Section and Insurance and Pension Supervision Section.

The objective of the workshop was to provide an overview of the AML/CFT RBS implementation in the ESAAMLG region and a general understanding of the importance of the Risk Based Approach (RBA) / RBS and what is expected from the regulators.

Over the four days, facilitators from the ESAAMLG Secretariat, South African Reserve Bank, Centre for Financial Regulation & Inclusion shared their knowledge covering the following topics:

- RBA related International developments
- Understanding of emerging AML/CFT risks
- AML/CFT policy formulation
- AML/CFT risk assessment standard
- Financial Inclusion and Financial Exclusion Risk
- RBS standards and guidance
- RBS process
- Cost and resource allocation
- Regulatory / supervisory expectations
- Regulation and supervision in a changing world



*Group photo of participants*

The workshop enabled delegates, through group activities, to understand the application of RBS measures using a remittance/MVTs specific case/scenario. Delegates were given the opportunity on the final day to identify matters that should be considered in RBS planning processes and develop individual plans to internalize learning and serve as basis for practical implementation in their respective institutions.

This workshop was of particular interest to FSA as it acknowledges adopting an RBA, throughout its regulatory remit of the non-bank financial services, in line with the Financial Action Task Force ("FATF") Recommendation 1 which requires that competent authorities adopt an RBA to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified within their regulatory domain.



## The Asia Roadshow 2019

The Seychelles Investment Board (SIB), in collaboration with the FSA and the industry, organized the second Seychelles' Financial Services Roadshow in Shanghai and Hong Kong, which took place from the 18th to 24th June, 2019. The theme 'Seychelles, your Global Partner in the Digital Era of Financial Services' brought various presentations and highly technical discussions amongst the participants which included professionals and industry experts from the Asian region.

Leading the Seychelles' delegation were the Chairman of SIB Mr. Gilbert Lebon, Chairman of FSA Mr. Suketu Patel, the CEO of SIB Ms. Cindy Vidot and the CEO of FSA Dr. Steve Fanny and as well as their respective technical teams. The delegation which also comprised of a number of private sector professionals, interacted with over 250 participants during the events offering them value-added solutions and investment opportunities within the financial services sector.

This year, the focus of the roadshow was on what makes Seychelles an attractive jurisdiction, specifically for the Seychelles' International Business Companies (IBCs), the introduction of the Sandbox regulation for Fintech and how Seychelles is one of the most competitive financial services jurisdiction in the world.

"Seychelles is at present, one of the best jurisdiction compared to our main competitors and it is vital that we promote this to our potential investors. We believe it is important to host these annual conferences to disseminate the changes in our legal framework as well as to explain the innovative steps taken to improve our current products and the new additions in our portfolio. I must say, I am very happy with the level of interaction we had this year in Asia." said Dr. Fanny.

"The delegation ... interacted with over 250 participants during the events offering them value-added solutions and investment opportunities within the financial services sector."



*Seychelles delegation*

## 5th Annual International Conference & Exhibition World Free Zone Organisation

The World Free Zones Organisation (WFZO) is a global not-for-profit organization that provides one authoritative, collective voice representing the interests of free zones around the world.

The WFZO 5<sup>th</sup> Annual International Conference & Exhibition took place in Barcelona, Spain on the 25<sup>th</sup> to 29<sup>th</sup> June, 2019. Representatives from the International Trade Zone Section of the FSA attended the conference.

The aim of the event was for members and participants to have an opportunity to build awareness among WFZO members and prominent participants from across the globe. Attendees also benefited from a broad-based insight on critical issues affecting free zones as well as various network opportunities with key international decision makers who have an impact on business, trade and investment.

*“Attendees benefited from a broad-based insight on critical issues affecting free zones...”*

The event included a seminar under the theme “Leaders of the Future” followed by an exhibition and concluded with a two-day plenary with Free Zone Experts. Also in attendance were the Minister of Finance and Trade of Barcelona and representatives of the OECD.

## Seychelles and US sign Foreign Account Tax Compliance Act

The United States (U.S) and the Seychelles have signed the Foreign Account Tax Compliance Act (FATCA), a U.S law enacted in 2010 by the American Congress to fight against tax evasion. The FATCA is an information reporting regime aimed to ensure that U.S persons with financial assets outside the U.S are paying the correct amount of tax in the U.S. It requires foreign financial institutions (FFIs) to report to the U.S Internal Revenue Service (IRS) about financial accounts held by U.S taxpayers or foreign entities in which U.S taxpayers hold a substantial ownership interest.

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 regardless of whether they had existing U.S clients.

The signing of the agreement is one of the steps being taken by Seychelles in its efforts to improve its international standing with regard to anti-money laundering, terrorism financing and tax evasion.



*Ambassador Reimer and Minister Loustau-Lalanne signing the documents*

## GRAF Conference - Fourth Industrial Revolution and its Impact on Gaming in Africa

The Gaming Regulator Africa Forum (GRAf) conference was held from 18th August to 22nd August, 2019 at the Sun Boardwalk Hotel, Port Elizabeth in South Africa. The theme of the conference was the “Fourth Industrial Revolution and its Impact on Gaming in Africa” and was hosted by the Eastern Cape Gaming Board.

Being a member of GRAf, Seychelles was invited to attend the conference along with other regulators, gambling operators and stakeholders within the gambling industry in Africa. The main discussion of the conference was the 4th industrial revolution (4IR), how it affects the gambling industry, and its implications for the future.

“...the 4th industrial revolution (4IR), how it affects the gambling industry and its implications for the future.”

The 4IR refers to the current development in the global environment where technologies such as the “internet of things” (IoT), robotics, artificial intelligence (AI) and virtual reality (VR) are affecting our daily lives, the way business is conducted and the way we work. For regulators such as the FSA, the revolution will introduce new opportunities, but will also bring challenges, as regulators will have to maintain an open mind and be prepared to adapt to the changes 4IR will bring.

The Deputy Chief Executive Officer of the FSA, being part of the Seychelles’ delegation in the forum, received an opportunity to direct the program on the 3rd day of the conference where she hosted a panel discussion with gambling operators who gave their views of the industry.

Overall, the conference was eventful and educative. The FSA is new to gambling regulation and its second GRAf conference was a great way to meet with more experienced players of the industry.



*The Deputy CEO as Program Director*



## 44th IOSCO Annual Meeting

The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. The IOSCO's Annual Meeting is a major event in the international regulatory calendar, which provides an important opportunity to share ideas and enhance co-operation between regulators from around the world.

This year, the organisation's 44th Annual Meeting was held in Sydney, Australia from the 13th to 17th May whereby members met to discuss priority issues facing securities market regulators and supervisors today.

Seychelles is at present an associate member of the IOSCO and was represented at the event by a delegation from the FSA which consisted of its Deputy Chief Executive Officer, Ms. Zenabe Daman, the Director for Capital Markets and Collective Investment Schemes, Mr. Alain Chang-Sam and Legal Officer, Ms. Serrah Durand-Francourt.

The Annual Meeting included meetings of the IOSCO Board, IOSCO's Growth and Emerging Markets (GEM) Committee, its four Regional Committees and the Affiliate Members Consultative Committee (AMCC).

During the first two days, several meetings were organised for the members and associate members whereby they had the opportunity to discuss different aspects of IOSCO's priority work, including cryptoassets, Fintech, sustainability, data privacy, market fragmentation, asset management and retail distribution and digitalization. They also discussed technical assistance and capacity building.

On the following days were the public forums which were attended by both members and non-members and the event concluded with the annual general meeting of all IOSCO members in the President's Committee.

The next meeting will be held from the 8th to 10th June, 2020 in Dubai, United Arab Emirates.

## Upcoming Events

- 23rd—24th September: Intax Expo Russia / Seychelles Roadshow in Moscow

<https://intax-group.com/en/conferences/intax-expo-russia-2019.html>

- 26th September: Seychelles Roadshow in Prague

<https://pragueroadshow.com/>

- 12th—14th November: China Offshore Summit

<http://shanghai.chinaoffshoresummit.com.hk/en/>

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