

Financial Services Authority Newsletter



Financial
Services
Authority
Seychelles

2nd Edition / August 2022

Mission: Transform and grow the Seychelles' non-bank financial services industry, through the application of a sound regulatory and supervisory framework that protects the jurisdiction's reputation and the consumers and stakeholders' investments.

Message from the Deputy CEO

Welcome to the 2nd Edition of the FSA's Newsletter for the year 2022.

On behalf of the organisation, following the resignation of our previous CEO Mr. Damien Thesée in July, I would like to take this opportunity to thank Mr. Thesée for his dedication and many contributions he made during the period of time working with the organisation. We wish him all the best in his future endeavours.

In this regard, the FSA has initiated the due process for the appointment of a new CEO and in the interim, I am also fulfilling the role of acting CEO of the FSA.

In June, the FSA had the honour of awarding its first scholarships under the FSA's Scholars Award for the Non-Bank Financial Services Industry (NBFS) to two deserving individuals. The awardees are Ms. Steffi Larue and Mr. Mike Morel who will be undertaking their studies overseas at Bachelor and Masters level respectively.

With the ease on travel restrictions earlier this year, the FSA attended the Asia Outbound Summit in Dubai in May which targeted potential investors and the International Business Community in the Financial Services Industry. The Summit was an opportunity to promote the Seychelles as a financial services jurisdiction of substance and also enabled the Authority to learn of the good practices of other jurisdictions and the issues they are facing.

After much anticipation, the FSA has received Cabinet's approval to supervise public pension and private pension schemes. The FSA will now work with relevant stakeholders to have the required legal framework in place for the supervision of pension for prudential and market conduct in Seychelles.

Following the first overall National Risk Assessment on Virtual Assets (VAs) and Virtual Asset Service Provider (VASPs), the report was presented which concluded that the overall exposure of Seychelles to Money Laundering/Terrorist Financing risks arising from VAs and VASPs is Very High. The findings of the assessment will guide the Authorities on policy decisions in line with the development of legislations that will allow Seychelles to meet its obligations in regards to Recommendation 15 (REC 15) of the Financial Action Task Force (FATF) to which the country is currently deemed as 'non-compliant'.

On a final note, I wish to thank all FSA staff, our licensees and stakeholders for their continued support while the organisation goes through the leadership transition process.

Ms. Zenabe Daman
Deputy Chief Executive Officer

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The FSA's Scholars Award for the Non-Bank Financial Services Industry

The FSA had the honour of awarding its first scholarships under its FSA's Scholars Award for the Non-Bank Financial Services (NBFS) Industry programme for the year 2022.

The awardees, Ms. Steffi Larue and Mr. Mike Morel received their award certificate in a short ceremony held at the FSA's Headquarters at Bois De Rose which was attended by Board Members, Mr. Muhammad Saley and Mr. Phillip Moustache, the former CEO of the FSA, Mr. Damien Thesée, the Deputy CEO, Ms. Zenabe Daman, the Scholarship Committee and the family members of the awardees.

Ms. Larue will be undertaking a Bachelor's Degree in Business with Financial Risk Management at the Sunway College in Malaysia, while Mr. Mike Morel will be undertaking a Master's Degree in Regulation and Compliance at the Queen Mary University of London.

The Scholarship program which was launched last year as part of the FSA's strategic plan 2021-2025, aims to address the technical skills gaps within the industry by providing specialised training in various fields of the NBFS.

Mr. Thesée stated that the FSA has a significant role to play in contributing towards the industry's capacity building and human resource development with the aim of growing and diversifying the economy.

The FSA will launch its second scholarship program for 2023 in the last quarter of this year. We would like to encourage young professionals who want to pursue a career in the NBFS to apply.



The awardees in a souvenir photograph with Board Members, Mr. Saley and Mr. Moustache, the former CEO of the FSA, Mr. Thesée and the Deputy CEO of the FSA, Ms. Daman



Ms. Larue accompanied by her father, accepting her certificate from Mr. Moustache



Mr. Morel accompanied by his partner, accepting his certificate from Mr. Saley

The FSA attends the Asia Outbound Summit in Dubai

The FSA attended the Asia Outbound Summit held in Dubai from the 17th to 18th May, 2022. The Summit was attended by the former CEO of the FSA, Mr. Damien Thesée, the respective technical staff of the Authority, industry representatives from the Fiduciary and Capital Markets Sector, as well as a representative of the Seychelles International Financial Services Association (SIFSA). The business conference targeted potential investors and the International Business Community in the Financial Services Industry.

The Summit focused on the structures available in the Seychelles as possible investment vehicles. In her presentation, Ms. Virginie Quatre, the Director for Capital Markets, touched on the legislative framework governing the FSA and explained the Capital Markets structures, while Mr. Willem Du Preez, the Executive Director of Intercontinental Trust Limited, focused on the structures within the Fiduciary Sector.

The event allowed Seychelles to maintain its visibility internationally, as well as to showcase the advantages of setting up such businesses and investing in Seychelles.

The FSA Seychelles has a clear strategic vision to bring about the necessary compliance through continuous amendments in our laws and regulations to be at par with international standards and best practices, within which it aims to attract reputable investors to the country.

While the Summit was an opportunity to promote the Seychelles as a financial services jurisdiction of substance, it also enabled the Authority to learn of the good practices of other jurisdictions and the issues they are facing. The industry representatives present also had the opportunity to promote their services and to network with other practitioners from the participating jurisdictions.





The Seychelles delegation

Fact finding mission at the Isle of Man Gambling Commission



The FSA, represented by the Deputy CEO, Ms. Zenabe Daman, the Director for Insurance, Gambling and Pension Supervision, Ms. Dedrey Serret and the Director for Legal, Ms. Taryn Auguste undertook a two-week fact finding mission to the Isle of Man Gambling Commission (GSC). The FSA has an excellent rapport with the GSC, with which it signed an Memorandum of Understanding (MoU) in 2016.

During the visit, the GSC, one of the most reputable gambling regulators in the industry, shared with the FSA delegates their regulatory framework and processes more specifically relating to online gambling. Whilst the Seychelles Gambling Act, 2014 allows for the licensing of interactive gambling, the exchange provided the FSA, who is the regulator of the gambling sector in Seychelles, a detailed insight into the functions of the GSC as well as the legislative and regulatory framework necessary to effectively regulate this product, which is often considered as high risk. Various aspects of online gambling were shared with the FSA by the staff of the GSC which included licensing, risk management, supervision, player protection, responsible gambling and enforcement.

The FSA delegates also had the opportunity to meet with the Board of Commissioners of the GSC as well as attend the GSC's Bi-annual AML/CFT forum, which provided much insight into prevailing AML/CFT issues within the online gambling business.

The FSA is confident that the exchange has equipped the Authority with the necessary understanding and knowledge to move forward with a robust framework for online gambling.



The FSA representatives with staff members of the GSC

The FSA attends the 3rd Annual Africa Pensions and Retirement Summit 2022

The 3rd Annual Africa Pensions and Retirement Summit 2022 held its forum in Mauritius from the 10th to 13th March, 2022. The forum brought together pension supervisors, regulators and market participants from different African countries to deliver a harmonized approach for interventions and reforms in the progression of the pension sectors across the continent.

The first ever hybrid summit, took a deep dive under the waves of the current regulatory changes to address all those connected with pension schemes, sponsors, trustees and administrators. The conference allowed concerned parties and individuals to join online or in person to enjoy the session from the experts on relevant topics.

In such a fast-paced world with ever-increasing regulatory requirements, the conference reflected on some of the bigger issues affecting the pension schemes. The conference covered a range of topical subject which included reforms, coverage, investments, employee benefits, governance, trustees' developments and technological innovations.

The theme of the conference was "Exploring Critical Policy Reforms and Innovative Strategies for Improved and long-term, and sustainable member outcomes". Hence, a special focus was on the policy and regulatory reforms which remain critical for any substantial improvements in the performance, management and growth of the industry in Africa. Furthermore, the event guaranteed the participation of the audience concerning the aspects of portability policy for workers with pensions moving from one East African Community ("EAC") country to another. These policies will facilitate the accrual and receipt of retirement benefits for workers moving across borders.

The summit had a panel discussion which allowed pensions professionals to share their views towards pertinent subjects such as "Investing In Private Market Assets- An Opportunity for African Pension Funds". The dialogue was centered towards the private equity, venture capital, real estate and infrastructure are well aligned with pension funds long term investment horizons. Interestingly, on the final day all participants were able to participate in an open session "Trustee of the Future". The debate revolved around the trustee's professional role, fiduciary duties, training and qualifications, tenure, duties and obligations.

The 2022 summit, was a step forward towards regulating pension sector in Seychelles through the participation of the Seychelles Financial Services Authority (FSA). It was a vital platform for the study of best practices, understanding the current market, favorable policies and lessons to be learnt through case-studies. Such opportunity ensured the FSA's commitment to its mandate for better accountability in safeguarding the interest of pension investors when the law is enacted for regulating the pension sector in Seychelles. The engagement and collaboration with other small island states will facilitate prospects and solutions that reflects Africa's unique pension's landscape.

The summit was attended by Ms. Dedrey Serret, Director for Insurance, Gambling and Pension Supervision and Mr. Marcus Elizabeth, Manager for Product Development and Research.

The FSA attends the 8th World Free Zone Organization

Annual International Conference and Exhibition



The FSA attended the 8th Annual International Conference (“AICE”) 2022 of the World Free Zones Organization (“WFZO”) which was held in Montego Bay, St James from the 12th to 17th June. The event was organized by the WFZO in partnership with the Jamaican Special Economic Zones being the regulator of free zones in Jamaica, with the theme of the conference being “Zones, your partner for Resilience, Sustainability and Prosperity, aims to facilitate and deepen the conversation about the future of industry” and was attended by the Director of International Trade Zone & Hire Purchase, Mr. Karl Herminie and Policy Analyst Mr. Eric D’souza.

The WFZO is a global non-profit organization registered in Geneva, Switzerland and headquartered in Dubai, UAE since 2014. Its aim is to unite its members under one Authority providing regulation at the interest of free zones around the world and its principal goal is to enhance free zones global contribution to economic prosperity and social developments by fostering best practices, sharing industry knowledge and supporting clean trade policies through standardized regulation globally. It has recognized certification programs and solid compliance models among its more than 1,000 members in over 140 countries.

The conference and exhibition which was held over a period of five days included world class speakers, senior policy makers, academics, multilateral organization and global business leaders whom converged to share best practices and foster public awareness on the role and contribution of free zones to economic growth and development. Furthermore, the discussion entailed a broad range of legal issues concerning developments in global and regional trade and new technology of emerging trends. The Exhibition showcased other key stakeholders within the Jamaican Free Zone where the FSA further promoted products under its purview and potential investment into the Seychelles.

To conclude the event, the respective representatives and attendees was hosted with a tour of Jamaica’s investment opportunities and attractions.



Mr. Karl Herminie at the FSA exhibition booth



The Seychelles delegation

Gambling Supervision Technical Training in Johannesburg, South Africa

Following the restructuring of the Financial Services Authority (“FSA”) in August 2021, the Gambling Supervision Section merged with the Insurance and Pension Supervision Section to create a new section called Insurance, Gambling and Pension Supervision Section (“IG&PSS”).

With the new responsibility for the section, it was a given that proper training was needed in order to prudentially supervise the sector in line with international best practices. Trainings for the section are targeted in areas of understanding the technology and mechanics of slot machines on how it operates and information stored that can be helpful in its supervisory duties. Three (3) staff of the IG&PSS was selected to participate in a 5-day training in Johannesburg, South Africa on 11th July 2022 – 15th July 2022.

The first part of the training took place at the International Gaming Technology (“IGT”) South Africa Head Office. IGT South Africa is a leading manufacturer of gaming machines and they currently supply most of the gambling establishments in Seychelles with their licensed Slot Machines. IGT South Africa took this opportunity to show the FSA team what constitute the machine, how every component of the machine works, how different types of slot machines operate and what information the regulator can extract from the software of the slot machine for their regulatory supervision.

The team also visited the DR Gaming Technology which is a company that supplies integrated, scalable casino management and jackpot system solutions. They develop advanced systems using the latest technology, giving operators the unique ability to operate without a server. This significantly simplifies system installation and implementation and provides gaming operators with total control over their entire estate. The presentation made gave the team a good overview of the management system gaming establishment uses and how to understanding the system and make use of the information on the system itself.

Johannesburg is the home of a few well known casinos and they are regulated by the Gauteng Gaming Board. The gaming industry in the province of Gauteng is heavily regulated with stringent license and reporting requirements.

The team got the opportunity to visit two of the top casinos in Johannesburg which were the Montecasino and Emperors Palace Casino. During the visit of both sites, the team was met with the Floor Managers which gave a tour of the establishment and provided with an overview of the services they provide and an account of how their relationship with the gaming regulator is and how they view the regulation of the industry as a whole.



The FSA staff who attended the training

The FSA to supervise Public and Private Pension Schemes

A study undertaken in 2016 by the African Development Bank and International Finance Corporation informed that the pension sector in Seychelles is not regulated for prudential and market conduct from a risk-based perspective. This was viewed as a major deficiency given that pension is a major and crucial component of Seychelles financial market and as a non-banking financial product, it requires supervision of a regulatory Authority.

Prudential supervision focuses on three main pillars –

1. Capital and solvency of Pension Funds.

Solvency is the ability of a pension scheme service provider to meet and payout its financial and beneficiary obligations. Solvency can be an important measure of financial health of the fund, since its one way of demonstrating a company's ability to manage its operations, investment if needs be and pay out benefits into the foreseeable future.

2. Financial Stability and adequate governance system.

Financial stability of pension funds is a condition in which the funds can facilitate real economic activities smoothly, notably by creating and permitting investment opportunities and generating higher returns, accumulating compounded interest returns through-which the fund is capable of unravelling financial imbalances arising from shocks.

The stability is achieved should there be adequate corporate governance systems of rules, practices and processes by which the pension service provider is guided to manage the pension fund.

3. Risk to soundness of Pension Funds and their investment.

Risk of losses due to adverse movements in interest rates and other market prices. The risk may also arise due to investment in unregulated/ unlisted products.

Another risk arising from inappropriate actuarial valuation methods and assumptions (e.g. mortality, longevity, disability, inflation, liquidity etc.)

Market conduct supervision focuses on two main pillars –

1. Customer oriented and affordable.

Customers can easily find pension schemes that meet their needs, are affordable and suit their financial capability. They have choice and can easily change products and switch providers. Customers are at all times properly informed about the pension schemes so as to make effective and informed decisions by not being misled. They are able to compare the nature, value and cost of products and make informed choices.

2. Fair treatment for customer and consumer protection.

Any individual should be able to join a pension scheme whereby they are treated equally, honestly and fairly with respect to all rights associated with the schemes, both before a contract is entered into with a pension scheme provider and through to the point at which all obligations under a contract have been satisfied. Pension schemes plan should aim at avoiding exclusions based on age, income, gender, period of contribution, terms of employment or civil status.

In terms of protection for pension scheme consumers, it is linked with the idea of consumer rights, to guarantee pay-out of benefits and return of investment of pension funds. Moreover, the consumer protection initiative should permit the handling of consumer complaints vis-à-vis the pension scheme service provider.

Following discussions with stakeholders such as Ministry responsible for Finance, Seychelles Pension Fund (SPF), Attorney General's Office, the Cabinet of Ministers has recently been given the greenlight to FSA to supervise the Pension Sector in Seychelles. The legislative framework proposed to Cabinet as a result of the discussions for private pension are to register businesses in Seychelles that offer pension schemes to their staff, legislate businesses that offer pension services (operating domestically and from overseas) in Seychelles to businesses and individuals and intermediaries that act as agents on behalf of businesses and individuals. In relation to public pension under the ambit of SPF, there would be reporting obligation to FSA in order to capture for prudential and market conduct.

The FSA would be engaging with Attorney General's Office to propose the necessary laws which shall be discussed with the population in the immediate future.

International Monetary Fund Technical Assistance on Secondary Market Development

The International Monetary Fund Technical Assistance (“IMFTA”) on Secondary Market Development came at the request of the Ministry of Finance, National Planning and Trade (“MoFNPT”). The purpose for the technical assistance from the International Monetary Fund (“IMF”) was to assist the MoFNPT as well as the Central Bank of Seychelles (“CBS”) and the Financial Services Authority (“FSA”) with the aim of developing the secondary market within the Seychelles.

In simple terms, the primary market refers to the market where securities are created and first issued, while the secondary market is one in which existing securities are later traded among investors.

The first technical assistance from the IMF in respect to the development of the secondary market was in 2019, whereby the initial works commenced and the committee drafted a report and initiated the research on a framework that would suit the Seychelles.

To follow up on the previous work commenced in 2019, a new committee, consisting of representatives from the MoFNPT, CBS, FSA and consultants from the IMF, was created to resume the project previously started. The committee met from July 11th, 2022 to July 22nd, 2022 to discuss and explore the framework for secondary market transactions while understanding the current landscape.

During the meetings, the committee discussed various aspects such as the scope of technical assistance and the expected roles and responsibilities of each organization involved. The committee also communicated with numerous representatives from the private sector such as MERJ Exchange Limited, PKF Capital Markets (Seychelles) Limited and other relevant parties such as the Seychelles Pension Fund, in order to gain more information and different insight on the project.

Upon the conclusion of the committee meetings, several factors were explored and discussed including new policy measures and infrastructure to develop both the primary and secondary market. The IMFTA on Secondary Market Development provided the key stakeholders with the opportunity to reinforce collaborations, with the joint effort to establish a framework that would develop the securities sector within the Seychelles amongst other benefits.

In order to proceed efficiently and effectively, more research shall be conducted and different perspectives shall be collectively combined into a report.

Seychelles concludes National Risk Assessment on Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs)

Source: The Ministry of Finance, National Planning and Trade

Following the conclusion of the National Risk Assessment (NRA) on Virtual Assets (VA) and Virtual Assets Service Providers (VASPs), conducted by Mr. Danny Sanhye of BDS Forensics, the findings were presented to private sector stakeholders, which included representatives from the Banking sector, Corporate Service Providers, the Insurance sector, the Securities sector, Lawyers and Accountants/Auditors, among others, on Friday 15th July, 2022.

The consultant conducted the assessment with the assistance of a Working Group (“WG”) comprised of technicians from a number of the National AML/CFT Committee (“NAC”) institutions and others.

The VA/VASP NRA was conducted with the primary objective of aiding the Financial Services Authority (FSA) and other relevant competent authorities within the NAC to assess the Money Laundering (“ML”) and Terrorist Financing (“TF”) risks associated with having a VA/VASP regime in Seychelles.

In addition to the risk assessment conducted, the NRA report also included an action plan which when considered with the risk assessment would allow the Seychelles to amongst other things, assess the feasibility and drawbacks of having a VA/VASP regime in the Seychelles.

The VA/VASP NRA concluded that the overall exposure of Seychelles to ML and TF risks arising from VAs and VASPs is “Very High”, owing largely to certain unregulated activities occurring predominantly through the use of Seychelles incorporated legal persons. This conclusion and others from the VA/VASP NRA will be used in turn to feed into the wider country NRA scheduled for the latter part of 2022.

The VA/VASP NRA report is intended to be shared between end of July 2022 to early August 2022.

The outcome of the VA/VASP NRA is expected to guide and inform the establishment of a national policy position on the subject matter, including but not limited to a national strategy pertaining to VA/VASPs.

This will be the first step in the development of legislations in line with the established policy position that will allow Seychelles to meet its obligations in regards to Recommendation 15 (REC 15) of the Financial Action Task Force (FATF) Standards, to which the country is currently deemed as being ‘non-compliant’, as per the Mutual Evaluation Report published in 2018 and its subsequent follow up reports as reported to the Eastern and Southern Africa Anti-Money Laundering Group, the FATF-style regional body of which Seychelles is a member.

Whilst the NAC is cognizant that the Seychelles has completed an important step in relation to having an appropriate legal and regulatory cadre for VA/VASPs in Seychelles with the completion of the NRA, it recognizes that there remain several other key milestones that need to be reached and that the ongoing engagement of all key stakeholders, both public and private, is an important element going forward.

To note, the overall commitment of the Seychelles government towards this project was evidenced also by the attendance and participation of a number of high level officials from several stakeholder institutions, such as the National Assembly, the Ministry of Finance, National Planning and Trade (“Ministry of Finance”), the Central Bank of Seychelles (“CBS”), the Financial Intelligence Unit (“FIU”), the Department of Information Communication Technology (DICT), the Seychelles Revenue Commission (SRC), the Registrar General, the Board of the Financial Services Authority (“FSA”) and members of the Working Group that provided technical input on the project.

The NAC would like to thank the FSA which funded and led the NRA project, the Ministry of Finance, the CBS, the FIU, other Government agencies and the private sector stakeholders who were part of the VA/VASP NRA exercise for their engagement and participation that contributed to the overall success of the VA/VASP NRA.

The FSA welcomes new employees

The FSA is pleased to announce the appointment of the following members to its team:

Insurance, Gambling and Pension Supervision Section

- Mrs. Liza Barratt, Supervision Officer
- Ms. Julia Pool, Business Analyst

Capital Markets and Collective Investment Schemes Supervision Section

- Ms. Vanessa Petrouse, Supervision Officer

Policy, Research and Statistics Section

- Mr. Marvin Dina, Policy Analyst

The management and staff of the FSA wish them all the best in their new responsibilities.



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