



## Financial Services Authority

# Newsletter

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

### Message from the CEO



We are pleased to present the final edition of the Financial Services Authority newsletter for the year 2016.

2016 sees the Financial Services Authority well

on its way to realizing the goals set out within our Strategic Plan. After years of hard work and consultation, the International Business Companies 2016 was enacted and became operational as of December 2016. The Act is proof of our continued commitment towards international best practice and transparency.

The Seychelles financial services sector is evolving to meet the challenges from the international financial landscape. 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. As a result of these developments, a Financial Stability Committee was created with the task of maintaining financial stability within the domestic economy. The Committee brings together representatives of the Central Bank, the Financial Services Authority, the Ministry of Finance, Trade and Economic Planning and the Financial Intelligence Unit.

On behalf of the Staff of the Financial Services Authority, I would like to thank all our stakeholders for their hard work, dedication and cooperation throughout the year.

Happy New Year!

**Ms. Jennifer Morel**  
Chief Executive Officer

### Launching of the Financial Literacy Baseline Survey in Seychelles.

A financially educated population is more equipped to deal with financial shocks and demonstrate financial resilience. This in turn will have a positive effect on the overall economy of a country.

The Central Bank of Seychelles (CBS), in collaboration with the Financial Services Authority (FSA), engaged the services of FinMark Trust, a consultancy firm from South Africa, to carry out the survey. This was the first of its kind to be conducted in the Seychelles. The results derived from the 562 interviews conducted was officially presented to relevant stakeholders and the media on the 4<sup>th</sup> November 2016, by Abel Motsomi of FinMark Trust. The objective of the survey was to measure the skills and knowledge of the Seychellois adults that allows them to make informed and effective decisions with all their financial resources. The findings will then be used to develop a national strategy for financial education in Seychelles. To facilitate this task, CBS and FSA will be working jointly with the public and private stakeholders.

It was observed that most of the Seychellois adults know about the financial product and services and have access to them, but are not knowledgeable about how to use and evaluate these services. Mr. Motsomi advised that, "The results reflect how the public is making financial decisions vis-à-vis saving, borrowing, budgeting, spending and planning of their financial future in general." From the survey it was recorded that 66% of the Seychellois rely on savings, borrowing from family and friends or rely on family to cater for their financial shortfalls. This indicates that these individuals are struggling to make ends-meet.

In addition, 40% claim to run out of money for basic necessities. Given that more than 70% of the population earn above the minimum wage (SCR 5,050) it is concerning that over 40% of the population find it a challenge to cater for basic necessities. This is a clear indication that despite receiving a regular income, Seychellois are facing challenges with managing their finances. It was suggested that acquiring budgeting skills would help prevent such situations.

Another interesting observation recorded was that about 1,728 adults are accessing credit to buy or build a dwelling and 1,564 adults are accessing credit to improve or renovate a dwelling. This is encouraging as it indicates positive financial planning by those who are accessing credit for developmental or productive purposes.

From the overall findings of the survey, it was noted that there is definitely a need to carry out financial education. With these results, specific demographic groups will be targeted. The need for early intervention is being acknowledged within economies around the globe, both developed and developing.



## **An overview of the new Minister for Finance, Trade and Economic Planning**

On October 28<sup>th</sup>, 2016 Dr. Peter Larose, was sworn into office as the new Minister for Finance, Trade and Economic Planning during a ceremony held at State House, before President Danny Faure. Dr. Peter Larose is the newest minister to join the Seychelles cabinet.

Born on January 14<sup>th</sup>, 1954, Dr. Larose is now 62, is married and a father of three sons.

Dr. Larose has made an illustrious career in finance. Dr. Larose started his professional career in accountancy. He worked as an accountant for various firms in Seychelles, including the Seychelles Fishing Authority and the Seychelles Marketing Board. Dr. Larose was also a former General Manager at the Central Bank of Seychelles. Prior to being appointed as Minister, Dr. Larose was an Executive Director at the World Bank, Dr. Larose represented 22 African countries, namely Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.



Dr. Larose holds a PhD in Commercial Banking and an MBA in International Banking and Finance from the University of Birmingham in the United Kingdom. He has also been educated at various Taiwanese institutions, such as Vanung University and Central Taiwan University of Science and Technology. Dr. Larose is a member of various US associations such as the American Economic Association, USA, and the International Banking, Economics and Finance Association, USA. He is an Associate of the Association of International Accountants (AAIA) UK, Fellow of the Chartered Institute of Bankers (FCIB) UK and Fellow of the Chartered Management Institute (FCMI) UK. Dr. Larose has been published in several publications, such as the Seychelles Review and the International Journal of Value Chain Management

Dr. Larose steps in at a time when the Indian Ocean island nation is seeking to reduce its reliance on fishing and tourism, and instead boost its status as a financial services hub. Dr. Larose who describes himself as confident, believes that he will be able to discharge his new responsibilities with the support of the President, other colleague ministers and the Seychellois nation.

The Financial Services Authority welcomes Dr. Larose as the Minister of our parent Ministry.

## **Creation of a Financial Services Marketing Committee**

Over the last decade, Seychelles has seen significant success in establishing itself as a well-known and respected financial services jurisdiction. This journey started with the establishment of the Seychelles International Business Authorities Act in 1994, now the FSA. Since then, the Seychelles has swiftly been acknowledged by the global financial community as one of the most competitive and recognized jurisdictions for International Business Company incorporations. With effective promotional activities, today, the financial services sector is said to be the most rapidly evolving sector of Seychelles' economy with a growing assortment of financial products and services.

As a result of these developments, it has been seen fit that the role of marketing of the financial services sector be elevated and as such a Financial Services Marketing Committee (FSMC) has been proposed. The aim of the Committee is to maximize the effectiveness and efficiency of the marketing campaigns and also serve as a platform where other issues relating to the sector can be raised and possibly addressed.

The Committee comprises of representatives of the Seychelles Investment Board (SIB), Financial Services Authority (FSA), the Seychelles International Financial Services Association, 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, Society of Trust and Estate Practitioners (STEP) Association. Mr. Rupert Simeon, representing the SIB, is the Chairperson and Mr. Bobby Brantley, representing Trop-X (Seychelles) Limited is the Vice Chairperson with SIB serving the role of the Secretariat.

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

The FSMC has been a favorable initiative. Through the China Offshore Summit held in October this year, the committee has taken the opportunity to learn the behavior of investors in terms of what is in demand in the Asian market. The Committee will be directing efforts towards making the Seychelles known as an International Financial Centre, particularly in Chinese market.

## **The Financial Services Authority signs an MoU with the Isle of Man Financial Services Authority**

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

In consideration of the increase of international activities; especially with regards to financial markets, the two financial regulators recognize the importance of establishing a framework for mutual cooperation and consultation to ensure compliance to relevant laws and the facilitation of the performance of their respective regulatory functions.





The main areas of cooperation under the MoU 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.

The signing of the MOU with the Isle of Man Financial Services Authority represents a continuance of the relationship between the two institutions. The Isle of Man Financial Services Authority has in the past hosted the FSA on several capacity building missions. The FSA welcomes the signing of the MoU with the Isle of Man as it marks an important step towards the strengthening of its regulatory functions and the enhancement of its relations with other reputable jurisdictions.

### **Closing of the ICF Funded Projects**

In December 2016, the Investment Climate Facility (ICF) will conclude its activities. On 31st August 2016, the Investment Climate Facility held its completion event in Dar es Salaam, Tanzania, to mark the end of its activities and celebrate its achievements.

Since 2007, ICF's sole mandate was to boost Africa's economic growth by working to eliminate barriers to doing business on the continent. ICF worked with local businesses and governments to identify and improve priority areas that drive the investment climate in African countries. ICF has implemented over 73 projects in 21 African countries and across three regional blocks over its 9 years of existence.

To commemorate the end of its activities, the ICF Completion Report which details the work that the organisation has been doing in the past nine years to improve the business environment in Africa was launched. Speaking at the launch of the report, ICF Board Co-Chair and Former President of the republic of Tanzania, H.E. Benjamin Mkapa said:

*"ICF was set up to prove that investment climate reforms can be done quickly, using little resources while creating great impact for the private sector, governments and countries in general. We have done this. We have shown that it is possible. Now it is up to African countries to follow the example set by ICF and to pursue greater investment climate reforms that will spur Africa's development and unleash the entrepreneurial spirit of its people."*

In Seychelles, the ICF most recently funded the Seychelles Financial and Regulatory Capacity Support project as identified through the Financial Sector Development Implementation Plan. The objective of the Seychelles Government was to create an enabling environment for private sector investment through deepening and diversification of this sector, development of financial services infrastructure, capital markets, financial inclusion and capacity building for the implementation of the requisite regulations. ICF assistance supported law reviews, research studies, policy papers, and capacity building missions.

The ICF assisted the FSA with the review of the Mutual Fund and Hedge Fund Act 2008 and the creation of risk based supervisory frameworks for collective investment schemes, capital markets and hire purchase. Together with the Central Bank, a baseline survey on financial literacy was undertaken. The results of the survey will inform the National Strategy on financial education. In addition, a policy paper on Islamic Banking and Finance has been drafted. The ICF has assisted the Central Bank to assess the remittances market and to conduct a diagnostic study on Government payments. Assistance was also given to revise the Companies Ordinance 1972. The proposed amendments are meant to meet international best practice and to simplify company creation especially with respect to small and medium enterprises.

The Financial Services Authority would like to take the opportunity to thank the ICF for their assistance.

### **FSA signs MoU with The Actuarial Society of Kenya (TASK)**

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

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

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

This is essential given that the FSA, as per the Insurance Act 2008 as well as the Financial Services Authority Act 2013, is responsible for the supervision and regulation of the insurance industry. Kenya was selected in view that it is home to the largest number of credentialed actuaries in East Africa and has, in addition, formed an Actuarial Academy.

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

## Discussion on the Role of Actuaries

Actuaries are professionals who use mathematical skills to help measure the probability and risk of future events and play a vital role in assessing risks, calculating premiums, reserve funds etc. The actuarial profession has long been recognized as critical to the development of healthy insurance market. This is significant as insurance in more advanced economies plays a critical role in providing a steady supply of long-term capital to promote economic growth and development.

Actuaries in insurance companies help design and price insurance policies for their companies so they remain competitive and maintain profits. They extensively use analytics, economics and mathematics skills and tools to evaluate risks. Very broadly, when dealing with the pricing of insurance, actuaries look at experience and trends on a fairly global basis. They develop an overall set of rates, and break them down by classification, making sure that premium in each class should sum up to the total premium needed.

In developed markets, the financial services industry relies on finely honed actuarial skills to manage risk, determine the statistical adequacy of premiums and establish actuarial requirements for both life and non-life insurance products. In markets such as Mongolia where there is a severe shortage of qualified actuaries, insurers compensate for their inability to quantify risks either by avoiding risks altogether or by charging higher prices for financial products and services. These reactions stifle the flow of investment to the private sector.

Contributed by Ms. Holly Bakke, Esq.

# THE FINANCIAL SERVICES AUTHORITY

WISHES EVERYONE A VERY  
PROSPEROUS

NEW YEAR

2017