

ANNUAL

REPORT

2015





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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

It is my honour to present the Annual Report concerning the activities of the Financial Services Authority for the year 2015.

For the year 2015, FSA has collected a total of SR158 million as gross income and has remitted a total of SR99.2 million in quarterly instalments to the Government. The difference in revenue from 2014 is symptomatic of a decrease in revenue from the incorporation of International Business Companies, an increase in costs due to the regulatory costs of new products. The Board has been diligent in ensuring that the operational costs of the FSA are minimised without compromising the functions required of the Organisation.



Whilst regard must be had to its functions, the FSA is also subject to significant international pressures, whether directly or indirectly. In this regard, the costs of regulation must incorporate considerations of FATT, the OECD, the implementation of the FATCA and the CRS, membership to the World Trade Organisation, the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA); the influence of Organisations such as the World Bank, the International Monetary Fund, the United Nations and the European Union as well as from other Governments. Seychelles, as a Small Island Developing State, often finds itself balancing the exigencies of its international partners with its own interests. The cost of compliant is often not insignificant.

I take this opportunity to commend Ms Jennifer Morel for her dedication in steering the FSA, and therefore the Seychelles, towards the largely compliant rating by the Global Forum (OECD). This represents a key achievement by the FSA. I thank all those involved in this endeavour. The Annual Report of 2014 had highlighted the then non-compliant rating as a key focus of 2015. As such, it is a pleasure to be able to confirm that this is now an achievement rather than a goal.

On this note, I would like to thank the Board for their support to the FSA during this year. In particular, I would like to thank Mr James Kinyani for his service to the FSA in view of his resignation in October 2015. My sincere gratitude to the staff of the FSA for their continued dedication and service to the organisation and for ensuring that the industry operates in a sound and well regulated framework.

In accordance with Section 14 of the Financial Services Authority Act, 2013, I present this report on the operation and activities of the Authority for 2015, accompanied by the audited financial statements.

*Dr. Steve Fanny,
Chairman
of the
Financial Services Authority*

Chief Executive Officer's Statement

It is with great pleasure that I present the Annual Report of the Financial Services Authority for the year 2015.

As in 2014, the agenda of the FSA was firmly entrenched around a determination to ensure the adherence of the FSA to international best practices. In retrospect, 2015 has been a year of significant achievements for the Authority, the highlight of which is that Seychelles has received an overall rating of largely compliant as a result of the supplementary phase 2 review that was conducted by the Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD). This represents the culmination of considerable efforts expanded by the FSA and stakeholders. The Seychelles becoming party to FATCA and a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters are other positive steps that have been taken towards aligning ourselves with international best practice.



In addressing the ever evolving requirements of a dynamic international financial landscape, the FSA aspires to be proactive rather than reactive. As such, in 2015, the FSA presented our strategic plan 2015- 2019 which focused on our priority areas over the next five years on our journey to building a strong and well regulated financial services industry in Seychelles. These priority areas have been captured in four well-articulated imperatives that will guide the development of the Non-Bank Financial Services Industry. Through the implementation of the strategic plan, the FSA visualizes a fully compliant system delivering a portfolio of compliant products and services, the enhancement of the reputation of Seychelles as an International Financial Services Centre, adequate talent pipeline to serve this industry as well as growth in revenue.

To achieve these targets, the FSA acknowledges and values the expertise and input of all our stakeholders inclusive of the private sector. Indeed, the FSA continues to engage in close consultations with the industry in consideration of policy decisions and proposed legislations. Collectively, I believe that we can accentuate and fast track the development of the financial services industry of Seychelles, ensuring that it delivers a greater contribution to the national economy, whilst upholding a sterling reputation. It is imperative that both Government and the private sector takes ownership of the wellbeing of our industry and contribute positively to it.

This year, the FSA has been working to strengthen the legislative framework with the consideration of new legislations to replace the existing International Business Company Act, the Companies (Special License) Act, International Trusts Act and the International Corporate Service Providers Act. In addition, the FSA has laid the groundwork for projects that will be undertaken as of next year. This includes a review of our supervisory framework for the regulation of insurance and pensions and the

review of the Mutual Funds and Hedge Fund Act and the Securities Act. In addition, projects such as the implementation of a financial literacy program are also being undertaken jointly with the Central Bank of Seychelles. These projects form part of the Financial Sector Development Implementation Plan.

The members of the newly introduced FSA Appeals Board were appointed on 1st August, 2015, headed by the chair, Mr. Frank Ally. Any person aggrieved by a decision of the FSA will be given the opportunity to make an appeal against the decision. This endeavour is an important step towards ensuring that potentially contentious decisions taken by the FSA are handled fairly. This mechanism will enhance the transparency of our decision making process.

In conclusion, I extend my sincere appreciation to the Board for their guidance and to the Ministry of Finance, Trade and the Blue Economy, the Financial Intelligence Unit and the Central Bank of Seychelles for their support. I would like to thank the industry and all stakeholders for their continued collaboration. Finally, I would like to extend my gratitude to the Management and Staff of the FSA whose hard work and valued contributions have resulted in a fruitful year for the FSA.

*Ms. Jennifer Morel,
Chief Executive Officer
of the
Financial Services Authority*

The Board of Directors

The Board of the Financial Services Authority is established pursuant Section 5 of the Financial Services Authority Act, 2013. The Board is the governing body of the Authority and bears the responsibility for establishing the policy of the Authority and monitoring and overseeing its implementation, as well as monitoring and overseeing the management of the Authority by the Chief Executive Officer. The Board is presided over by the Chairperson, who is appointed by the President.

Board of Directors

(As at 31st December 2015)

Mr. Steve Fanny	-	Chairperson
Ms. Jennifer Morel	-	Chief Executive Officer
Mr. Rupert Simeon	-	Member
Mr. Basil Soundy	-	Member
Mr. Ronny Govinden	-	Member
Ms. Angelique Antat	-	Member
Ms. Irene Croisee	-	Member
Mrs. Georgette Capricieuse	-	Member
Ms. Jenifer Sullivan	-	Member
Mr. James Kinyany ¹	-	Member

Secretary to the Board Ms. Estelle Peron

¹ Resigned October 2015

The members of the Board of Directors are appointed for a fixed term. Members include representation from the Ministry of Finance, the Office of the Attorney General, the Seychelles Chamber of Commerce and Industry, the Seychelles Bankers Association, the Central Bank of Seychelles and the Seychelles Investment Board.

Board Meetings

Board meetings are held at least once every three months. In 2015, six meetings were held.

Board Committees

The Financial Services Authority has two Board Committees, namely the Audit Committee and the Human Resources Committee.

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.

The Committee consists of four members of the Board of Directors.

Members of the Audit Committee

Mr. Rupert Simeon	-	Chairperson
Mr. Basil Soundy	-	Member
Ms. Irene Croisee	-	Member
Ms. Jenifer Sullivan	-	Member

Secretary to the Committee Ms. Estelle Peron

Human Resources Committee

The Human Resources 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 Committee

Ms. Jenifer Sullivan	-	Chairperson
Mr. Basil Soundy	-	Member
Ms. Angelique Antat	-	Member

Secretary to the Committee Ms. Estelle Peron



Our Organisation

Our History

With the enactment of the Financial Services Authority Act, 2013, the Seychelles International Business Authority (SIBA) was replaced by the Financial Services Authority (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, the formulation of appropriate policies and the provision of advice and assistance on the regulation of financial service as well as to research and advise Government. SIBA was also responsible for the promotion of the non-bank financial services under its administration.

In 2013, the Seychelles International Business Authority Act, 1994 was repealed and replaced by the Financial Services Authority Act, 2013. The FSA 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 Financial Services Authority 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 Financial Services Authority Act, 2013. 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 License) 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, 1994
International Business Companies (Amendment) Act, 1995
International Business Companies (Amendment of Schedule) Regulations, 1996
International Business Companies (Amendment) Act, 1997
International Business Companies (Amendment) Act, 2000
International Business Companies (Amendment of Schedule) Regulations, 2005
International Business Companies (Amendment of Schedule) Regulations, 2007 (S.I.28)
International Business Companies (Amendment of Schedule) Regulations, 2007 (S.I. 33)
International Business Companies (Amendment) Act, 2009
International Business Companies (Amendment) Act, 2011
International Business Companies (Amendment) Act, 2013

➤ 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 Immigration (Amendment) Act, 2000

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 & 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.

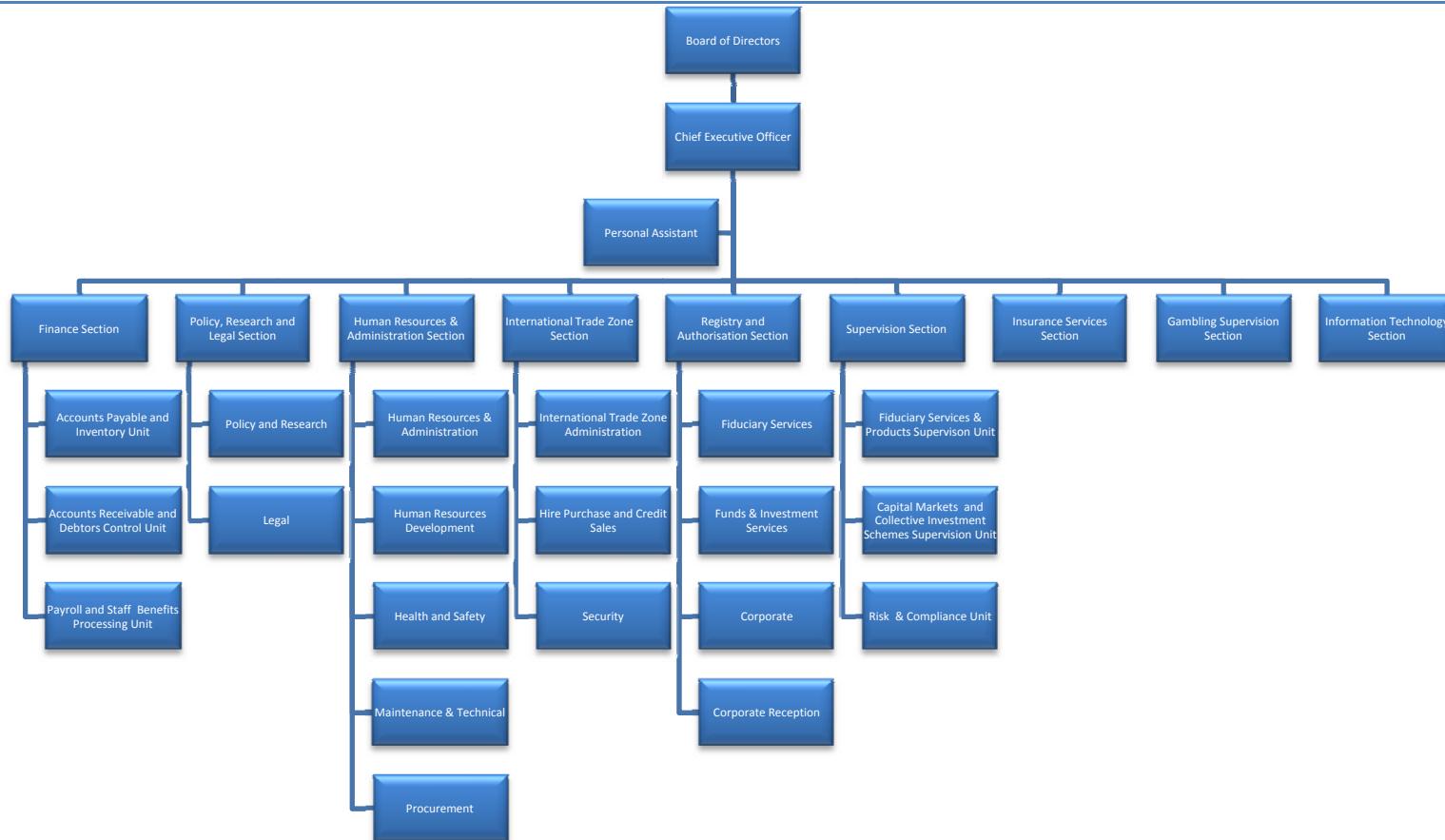
Social Committee

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.

Organisational Structure





The Economic and Regulatory Setting

Economic Setting

International Economic perspective

The World Economic Outlook of January 2015² estimates the global growth in 2015 at 3.1 percent. This represents a decrease from the 3.75 percent reported in 2014 attributable to declining growth in emerging market and developing economies for the fifth consecutive year while advanced economies experienced modest recoveries. According to the report, three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.

Overall growth in China is evolving broadly as expected. However, weaker investment and manufacturing activity have resulted in a faster than expected slowdown in imports and exports. These factors, when combined with markets concerns with regards to the future performance of the Chinese economy, are having spillover effects on other economies through trade channels and weaker commodity prices, as well as through diminishing confidence and increased volatility in financial markets. Manufacturing activity and trade remain weak globally, reflecting not only the developments in China but also lower global demand and investment. This phenomenon is especially notable with regards to extractive industries. Moreover, the dramatic decline in imports in a number of emerging market and developing economies, which account for over 70 percent of global growth, has a significant impact on global trade.

Lower prices in energy and other commodities are marked especially with regards to oil and metals. Oil prices have declined significantly since September 2015, reflecting expectations of sustained increases in production by the Organisation of the Petroleum Exporting Countries (OPEC) members amid continued global oil production in excess of oil consumption.

As previously envisaged, monetary easing in the euro area and Japan is proceeding broadly. The U.S. Federal Reserve lifted the federal funds rate from the zero lower bound. Overall, financial conditions within the advanced economies remain very accommodative. Prospects of a gradual decrease in policy interest rates in the United States as well as bouts of financial volatility amid concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market economies.

²IMF, World Economic Outlook Update, January 2016

Regional Economic Perspective

Economic activity in Sub-Saharan Africa slowed to 3.4 percent in 2015 from 4.6 percent the previous year. According to the World Bank Regional Economic Outlook report for Sub-Saharan Africa³, overall economic growth in Sub-Saharan Africa decelerated to 3.4 percent in 2015 from 4.6 percent in 2014. This was due to a combination of external factors such as lower commodity prices, a slowdown in major trading partner and tightening borrowing conditions and domestic factors such as political instability and conflict, and electricity shortages. In 2016, GDP growth is projected to pick up to 4.2 percent, as commodity prices stabilize and supply constraints ease. Nonetheless, risks remain tilted to the downside. Domestic risks include political uncertainty associated with upcoming elections and the Boko Haram insurgency. In addition, power shortages might not ease as the forecast assumes. External risks include the possibilities of a further drop in commodity prices, a faster than expected slowdown in China, and a decline in capital flows as the United States normalizes monetary policy. Rising fiscal and external vulnerabilities, and domestic constraints to growth, pose challenges for policy, particularly among commodity exporters, where extreme poverty rates remain very high.

The Seychelles Context

The Central Bank Annual Report 2014⁴ reports an estimated growth of 4.2 percent in 2015 in real GDP, a decrease from 6.2 percent growth in real GDP achieved in 2014. Per the report, the financial services sector is estimated to have grown by 3.0 percent in 2015.

The Seychelles statistical Bulletin for 2015 notes that in the fourth quarter of 2015, real GDP stood at SR 2,104.4 million compared to SR 2,114.3 million in the fourth quarter of 2014. This represents a year on year percentage decrease of -0.5 percent. To summarise, in 2015, real GDP growth rate year on year for the first quarter was -2.8 percent. It then fell to -2.2 percent in the second quarter, before rising to 4.6 percent in the third quarter and falling to 0.1 percent in the fourth quarter. The growth experienced in the final quarter was driven by activities in “accommodation and food services” and “manufacture of beverages and tobacco”.

The average effective fixed-term rupee deposits⁵ rate rose from 3.30 percent in 2014 to 4.08 percent in 2015 whilst the average savings rate rose from 2.31 percent to 2.91 percent. The lending rate rose from 12.05 percent in 2014 to 12.56 percent in 2015. An increase in yield on short-term government securities was consistently observed.

³ WORLD ECONOMIC AND FINANCIAL SURVEYS
Regional Economic Outlook: Sub-Saharan Africa
Dealing with the Gathering Clouds
October 2015

⁴ Annual Report 2014, Central Bank of Seychelles
⁵ Annual Report 2014, Central Bank of Seychelles

The annual interest rate rose⁶ from 2.31 percent in 2014 to 2.91 percent in 2015, its highest level since August 2013. With respect to exchange rate movements, the Seychelles Rupee strengthened to trade at around SR13 against the US Dollar for most of the year.

Investor confidence in the Seychelles economy remained generally high in consideration that gross inflows of FDI remained strong, supported by the country's sovereign credit rating which was upgraded by Fitch ratings in July to 'BB-/Stable' from 'B+/Stable'.

Per the Population and Vital Statistics for December 2015⁷, the population of Seychelles stood at 93,144 as at 31st December 2015. The average number of employed persons for all sectors was 48,423 in 2015⁸. This represents an increase of 1.0 percent compared to 2014. Of those employed, 68.9 percent were employed in the private sector, 11.9 percent in Parastatals and 19.2 percent in Government.

For 2016, the Central Bank of Seychelles has forecasted growth in real GDP at 3.3percent.

Local Capital Market Trends

As at December 2015, the total Market Capitalisation of firms listed on the Securities Exchange, Trop-X (Seychelles) Limited stood at USD 40.7 million, 17 percent higher than at the end of year 2014. The total equity turnover at year end 2014 was USD89, 965.

⁶ Annual Report 2014, Central Bank of Seychelles

⁷ Population and Vital Statistics December 2015, Statistical Bulletin, Catalogue Number: 2016/1, Seychelles National Bureau of Statistics, 31st March 2016

⁸ Formal Employment and Earnings 2015, Statistical Bulletin, Catalogue Number: EMP 2015/Q4, Seychelles National Bureau of Statistics, 31st March 2016

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 2015 are as follows:

FATCA

The United States Foreign Account Taxpayer Compliance Act (FATCA) aims to ensure that United States persons with financial assets outside the United States are paying the correct amount of tax in the United States. 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 offshore accounts. 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 US clients and is still open to any financial institutions who have not applied as yet.

The IGA requires financial institutions in the Seychelles (FFIs) to report information on financial accounts to the authorities in the Seychelles and also to register with the IRS. The Seychelles then provides this information to the IRS on an automatic basis. No data protection waivers are required and no 30percent withholding tax on all U.S sourced payments will be applied by the U.S. Under Model 1, local law applies.

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 will be similar to those imposed by FATCA.

Seychelles is an early adopter and has committed to implementing the new standard with the first exchanges to occur by September 2017.

Regulatory Developments

Seychelles receives a new OECD rating

In late 2013, the Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD) conducted a phase 2 review on Seychelles in which an overall non-compliant rating was given. The rating was based on two main areas of concern relating to the availability of ownership and accounting information.

Further to the Global Forum recommendations, the FSA has introduced appropriate mechanisms to ensure that ownership and accounting information is available in Seychelles. These measures are reflected through amendments in the relevant legislation as well as increased supervision of entities under the regulation of the FSA.

In 2015, a supplementary review was conducted which revised the Seychelles' rating for each of the 10 essential elements as well as the overall rating. The Seychelles is now considered to be Largely Compliant.

To achieve the largely compliant status, the FSA has reviewed its procedures and processes to ensure that the following scopes and objectives were achieved:

- i. there are effective enforcement provisions to ensure that up-to-date ownership information in relation to IBCs is available;
- ii. reliable accounting records for all relevant entities are available at all times;
- iii. there are in place effective sanctions that ensure records for IBCs are available and that same is exercised;
- iv. there are in place an effective system of monitoring to ensure compliance record keeping requirements; and
- v. the regulated activities carried out by the licensees do not damage the good repute of Seychelles

Multilateral Convention on Mutual Administrative Assistance in Tax Matters

On the 24th of February 2015, Seychelles became the 85th signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This represents Seychelles' continued commitment in its efforts to improve its legal framework and practices in the field of exchange of information for tax purposes.

The Convention was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 to respond to a call by the G20 to align it to the international standard on exchange of information and to open it to all countries. The new changes meant that developing countries could benefit from the new more transparent environment.

The Convention provides for all forms of administrative assistance in tax matters: exchange of information on request, spontaneous exchange, automatic exchange of information, tax examinations abroad, simultaneous tax examinations and assistance in tax collection, while simultaneously protecting taxpayers' rights.

Seychelles joins the WTO

Seychelles joined the World Trade Organisation "WTO" as its 161st WTO member on the 26th March 2015, following 20 years of negotiation of its accession terms with the WTO.

In 1995, the Republic of Seychelles started the initial bid to accede to the WTO. The budgetary and capacity constraints that the country faced after the deposit of the country's application in 1998 were an impediment for the Negotiating Team of the Government. Following the world crisis of 2008, President James Michel initiated a far-reaching domestic economic and regulatory reform to address the challenge of achieving a faster growth and buffering the country from external shocks; such as the global financial and economic crises. Seychelles re-launched the WTO accession process and re-submitted its Memorandum of Foreign Trade Regime.

In December 2014, the Seychelles concluded its accession negotiation with a formal approval by the WTO General Council.

With the WTO membership, Seychelles now has access to the markets of all 160 WTO Members. The WTO Membership also gives Seychelles the right to invoke the powerful Dispute Settlement Understanding (DSU) to resolve arbitrary or discriminatory barriers to trade.



Our Operations

Internal Audit

The Internal Audit Unit of the Financial Services Authority (FSA) has recently been established in accordance with Section 10 of the Financial Services Authority Act, 2013, 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 of Directors. The Unit is currently in the set-up phase where policies and procedures are being developed and compiled into a manual. , The Internal Audit strategic and engagement plan is being drawn up and other relevant documents including audit forms and working paper files are being developed.

The Audit Committee of the FSA has been established in accordance with Section 6 of the Financial Services Authority Act, 2013 and it will function as the governance body that will be charged with oversight of the FSA's audit and control functions.



Licensing Sections

The FSA's licensing perspective

The licensing phase is treated as the stage whereby the FSA performs its pre-supervision functions. The screening process done at the licensing stage will dictate the status going forward of the licensees and their roles as actors within the industry from a prudential and market conduct point of view.

Licensing sections within the FSA include the Authorisation and Registry Section, the Insurance Services Section, the Gambling Supervision Section and the International Trade Zone Section. These Sections perform their function in regards to the licensing of applicants for the relevant licenses in conjunction with the Supervision Section, with the exception of the Insurance Services Section and the Gambling Supervision Section. These sections differ in that both licensing and supervision is undertaken by the same section.

Final approval in regards to the licensing and rejection of applications rests with the office of the CEO following the recommendation of the sections responsible for the vetting of the application.

Licensing procedures

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

An application for a licence should be submitted in accordance with the respective law. It is important to take note that the FSA accepts the submission of application documents in original or certified true copies.

Guidelines that will assist applicants in the submission of an application can be accessed on the FSA's website.

Authorisations and Registry Section

The Authorisations and Registry Section is made up of two main units namely the Authorisations and Registry Units. The Registry Unit administers the Registry legislations under which the FSA is mandated to be the Registrar such as the International Business Companies Act, 1994 (as amended). The Authorisations Unit is responsible for the licensing of entities in accordance with their respective legislations, namely the International Corporate Service Providers Act, 2003 (as amended) (“ICSP Act”), the Securities Act, 2007 and the Mutual and Hedge Fund Act, 2008.

Authorisations

The Authorisations Unit is comprised of two main sub units. They are Authorisations-Fiduciary and Authorisations-CIS and Capital Markets.

Authorisations – Fiduciary deals with all the licensing matters that concerns the ICSP Act particularly the licensing of International Corporate, International Trustee and Foundation Service providers. Authorisations – Fiduciary is also responsible for the processing of applications of specific products such as the Companies (Special Licenses) (“CSL”) and the Protected Cell Companies (“PCC”).

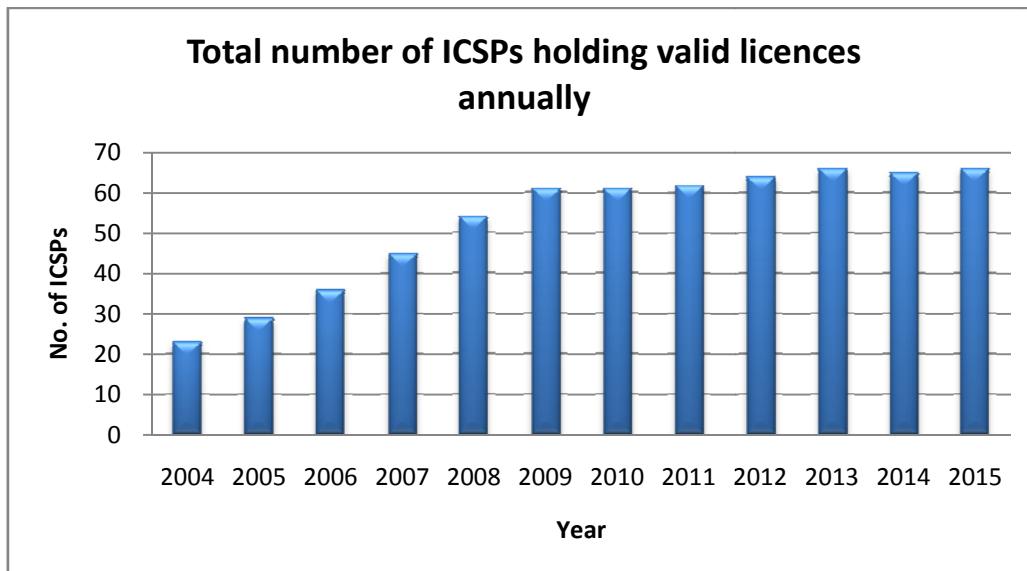
Authorisations - CIS and Capital Markets deals with the licensing of the investment products and the licensing of persons under the Mutual Fund and Hedge Fund Act, 2008 and the Securities Act, 2007.

1. Authorisations – Fiduciary

1.1 International Corporate Services

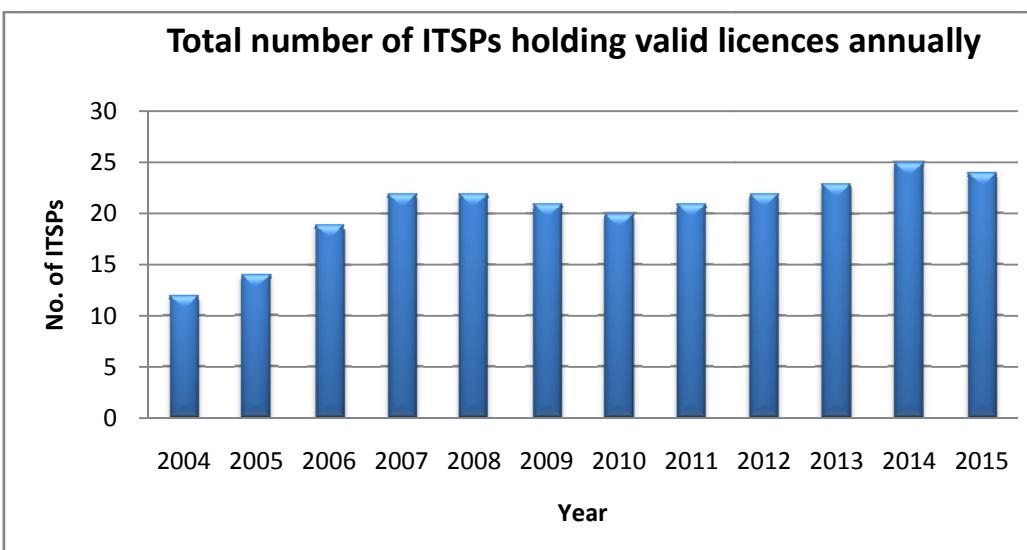
The FSA issues three license types in accordance with the International Corporate Service Providers Act, 2003 (as amended) namely International Corporate Services (“ICS”), International Trustee Services (“ITSP”) and Foundation Services (“FS”) licences.

For the year 2015, the FSA issued 4 new ICS licenses resulting in the number of valid licenses as at December 31st 2015 to be 66 licensees.



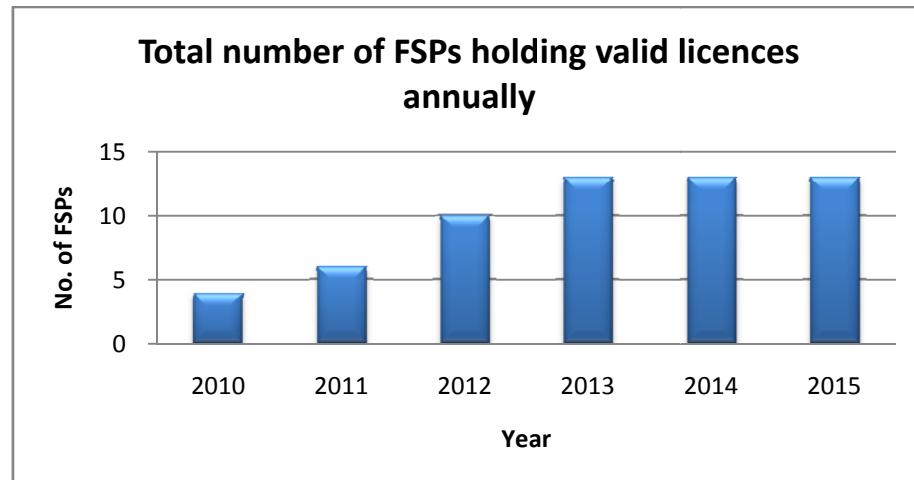
1.2 International Trustee Service Providers

1 new ITS licence was issued in 2015 compared to 2 during 2014. The number of valid ITS licenses as at December 31st 2015 totaled 24 licences.



1.3 Foundation Service Providers

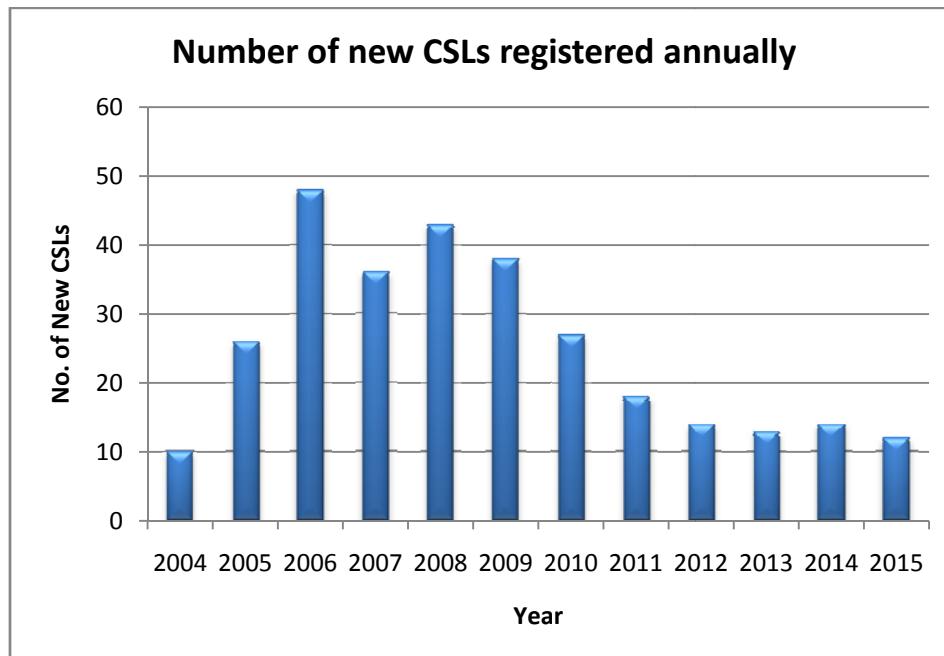
In relation to the FS licenses issued during 2015, 1 licence was issued making 13 the total number of FS Providers as at the end of the year 2015.



Overall during the period under review, 6 out of 9 applicants met the licensing requirements of the FSA under the ICSP Act and were granted the relevant licence to conduct the licensable activities under these licences whilst 3 were rejected.

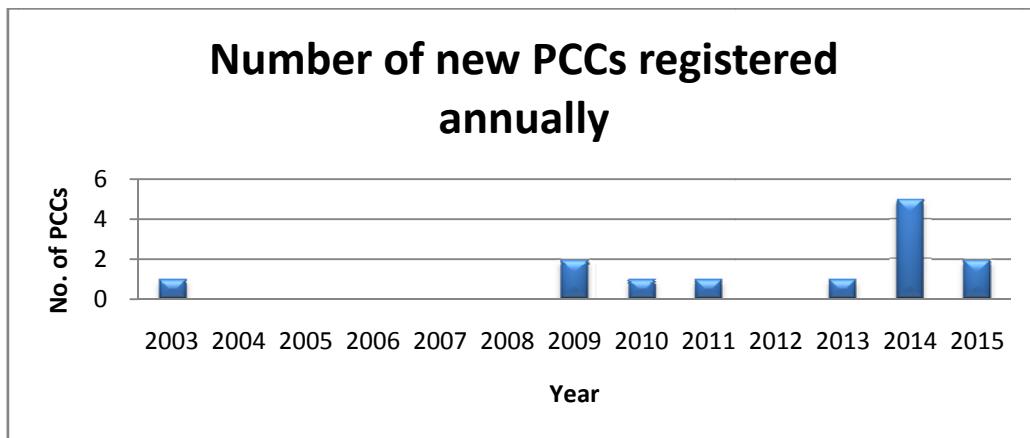
1.4 Companies (Special Licences)

During the year 2015, the number of new Companies (Special Licences) incorporated declined by 14% based on 2014 figures. Overall the incorporation of CSLs has steadily declined over the years from a peak of 48 new incorporations in 2006. The number of new CSLs in 2015 displays a decrease of 75% in the number of newly incorporated CLS based on that same peak. In 2015, the number of cumulative CSLs incorporated was 299 CSLs.



1.5 Protected Cell Companies (“PCC”)

In 2015, 2 new PCCs were incorporated, a 60% decrease on 2014 figures. Whilst the product itself has, through its existence since 2003, not resulted in high incorporation numbers, it has been noted that the applications being submitted tend to be used as the base structure for other FSA-authorised structures such as CIS and insurance.



2. Authorisations – Collective Investment Schemes (“CIS”) and Capital Markets

2.1 Capital Markets

As the Securities Authority under the Securities Act, 2007 the FSA is mandated with the authorization of Securities Exchanges and market participants that fall under the ambit of the Securities Act. The different categories of licenses that can be issued under the Securities Act are;

- Securities Exchange
- Clearing Agency
- Securities Facility
- Securities Dealers
- Investment Advisors
- Representatives

2.1.1 The Securities Exchange

The Seychelles licensed its first securities exchange, Trop-X (Seychelles) Limited in 2012. This followed with the licensing of a clearing agency and a securities facility whose main function involves the clearing and settlement of securities that are traded on the securities exchange.

2.2 Capital Markets Statistics

Valid Licenses by year	2014	2015
Securities Exchange	1	1
Securities Facility	1	1
Clearing Agency	1	1
Securities Dealers	9	8
Securities Dealer Representatives	10	10
Investment Advisors	2	1
Investment Advisor's Representatives	4	0
Listed Companies	4	4

Table 1: Statistics of licensees and listings for 2014 and 2015 (Capital Markets)

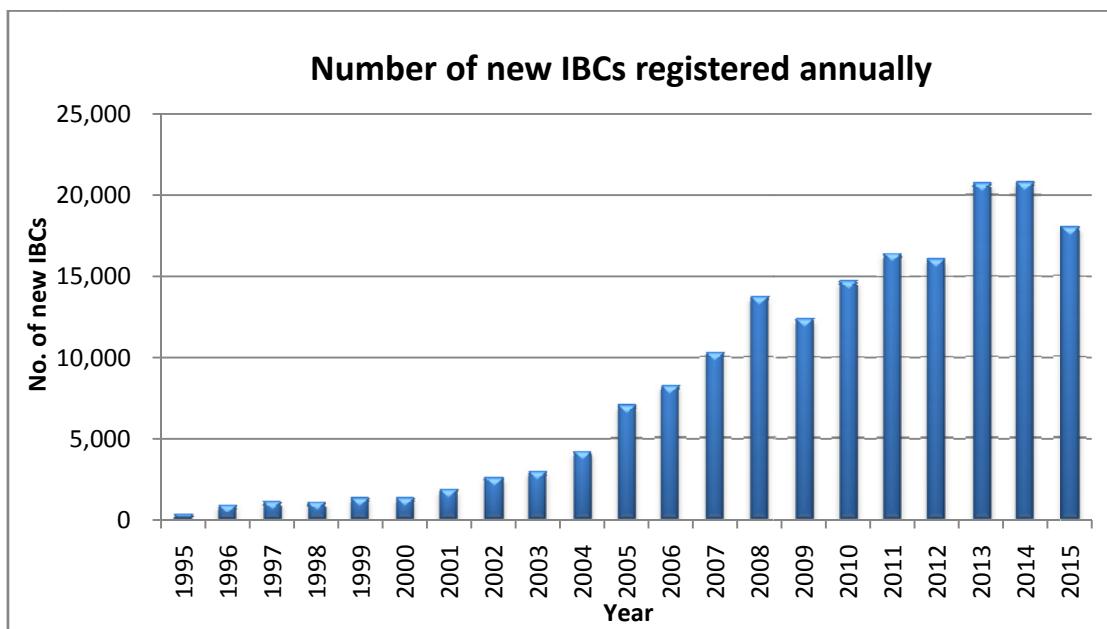
3. Registry Unit

The Registry Unit of the Authorisations and Registry Section administers the International Business Companies Act, 1994 (as amended), the Foundations Act, 2009 (as amended), the International Trusts Act, 1994 (as amended) the Limited Partnerships Act, 2003 (as amended). The Unit is responsible for ensuring that the Registers for the different entities are well maintained in accordance with the relevant laws.

The main duties and responsibilities of the Unit relates to the registration of entities in the first instance such as International Business Companies and Foundations. Post-registration transactions also constitute a large part of the Unit's responsibilities. These include renewals of entities and amendment to their statutory documents kept at the Registrar. The requests for Certificates of Good Standing and Official Searches are a large part of the Unit's activities whereby these are provided upon request not just from licensees but also third parties from all over the world.

3.1 IBCs

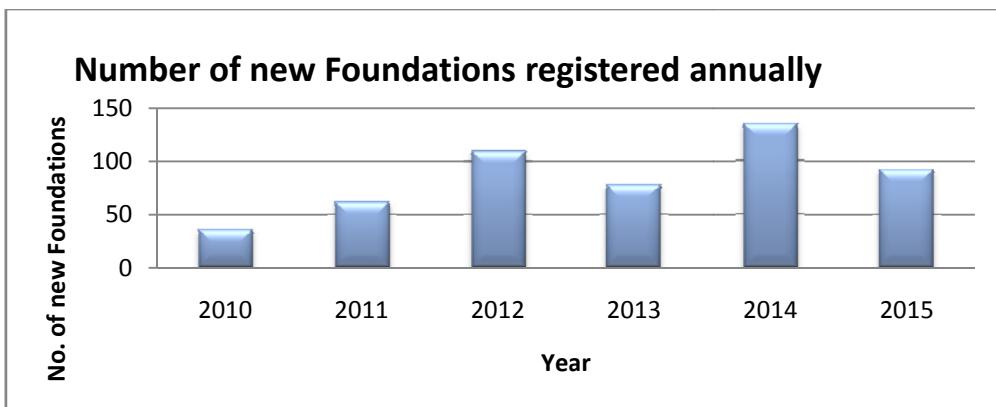
New incorporations of IBCs totaled 18,066 companies for 2015 decreasing by 13% when compared to the total number of incorporations for the year 2014. On average a number of 1500 IBCs were registered per month during 2015.



Renewal of IBCs for the year 2015 showed that 57,389 companies were renewed that year.

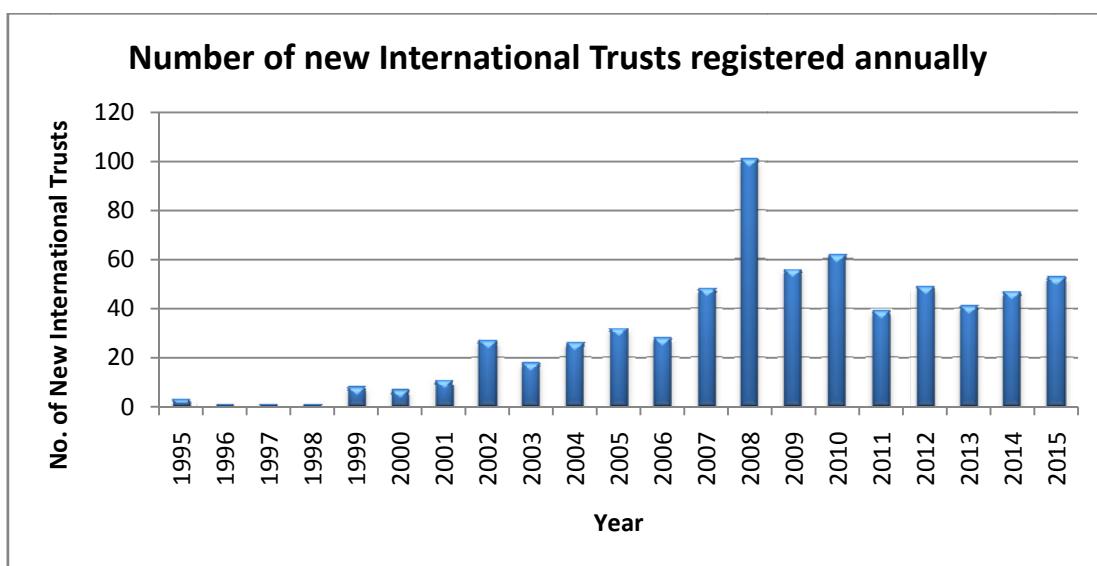
3.2 Foundations

New Foundation registrations for 2015 decreased from 135 in 2014 to 93 in 2015 showing a percentage decrease of 31 percent. The total number of Foundations registered as at December 31st 2015 stood at 514 Foundations compared to 421 at the same time in 2014.



3.3 International Trusts

New registration of Trust Declarations for the year 2014 totaled 53 registrations as opposed to 47 for the year 2013 representing an increase of only 13 per cent. As at December 31st 2015, the cumulative number of International Trusts whose declarations of trusts have been registered in the Seychelles was 659 compared to 606 for 2014.



3.4 Statistics Registry

The table below provides a general overview of the statistics recorded for products under the administration of the Registry Unit during 2015 and the 2014 year.

The statistics show that the number of new IBC incorporations has fallen in 2015. The cumulative growth in total IBC numbers has increased only by 11 percent down on the 15 percent experienced in the preceding period.

In relation to the outlook for the IBC, prudence would suggest that the number of new IBCs for the year 2016 will not be at the level recorded for 2014.

In regards to the other products, International Trusts have shown an increase of 13 percent in terms of new trusts from 2014 to 2015.

The number of new Foundations has decreased by a rate of 45 percent to 93 new registrations based on a high of 135 new registrations recorded in 2014.

While new Limited Partnerships have grown in 2015 from 2014 the growth is still limited whereby same was restricted to a 4 percent increase from the previous review period.

In general it can be seen that 2015 was a difficult year in terms of the results of several of the products registered with the FSA.

	2014	2015	% Change
IBCs(Cumulative Figure)	158,492	176,558	11%
IBCs(New Incorporations)	20,822	18,066	-13.2%
IBC renewed and Renewal rate(Renewals)	54,830 (40%)	57,389 (36%)	-
International Trusts (Cumulative)	606	659	9%
International Trusts (New)	47	53	13%
Foundations	421	514	22%
Foundations(New Registrations)	135	93	-45%
Limited Partnerships (Cumulative)	28	29	4%

Table 2: Statistics of licensees for 2014 and 2015 (Fiduciary)

International Trade Zone Section

The International Trade Zone (“ITZ”) Section is a licensing section within the organisation. Its main function is to administer the licensing of entities under the International Trade Zone Act, 1995.

The Seychelles International Trade Zone (SITZ) is a free trade zone created by the International Trade Zone Act, 1995 to allow for the international trading in and through Seychelles. The SITZ is managed by the FSA. The FSA is mandated by law to regulate and control the activities that take place inside any declared International Trade Zone in Seychelles.

All such 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 laws that govern the operations and financial freedom of SITZ operators are designed to give an international competitive edge to the ITZ operator. The SITZ itself is designed to cater for the needs of re-distributors, exporters and re-exporters of goods and services.

International Trade Zone licenses

The types of licenses issued under the SITZ Act are as follows:

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

Other technology-oriented businesses are also permitted. All business activities conducted by companies licensed under the ITZ Act must be geared towards exportation.

Applications for ITZ licences can be lodged directly to the FSA without the involvement of a Service Provider. Also important are the requirements of the Anti-Money Laundering (AML) Act. Due diligence is conducted on SITZ applications with the support of the Supervision Section within the FSA.

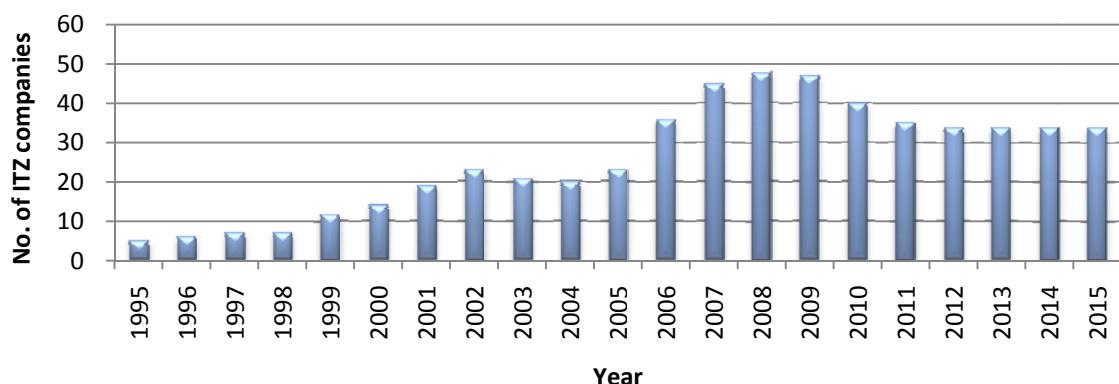
The post-licensing phase includes an effective monitoring system to ensure compliance with keeping of and submission of records (statistics, import/export, audited accounts, employment).

Monitoring of Employment matters within the ITZ

Employment matters within the ITZ are governed by the International Trade Zone (Employment) Regulations, 1997 and the International Trade Zone (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.

Licence statistics

Total number of ITZ companies holding valid licences annually



Hire Purchase and Credit Sales

Other than the ITZ licenses, the ITZ section will in future administer the Hire Purchase and Credit Sale legislation. The Hire Purchase Agreement and Credit Sale Act became operational in March 2014. The ITZ Section awaits the enactment of the Hire Purchase and Credit Sales Regulations so as to officially launch the product.

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.

Outlook for 2015

For the year 2016, the ITZ Section expects to receive an increase in licenses as more investors are increasingly showing interest in investing in the SITZ. This will be greatly influenced by the growing emphasis on the Blue economy in Seychelles. The ITZ section is focused on ensuring that the ITZ legislations remains on par with international best practice, and therefore emphasize on continuously amending the legislation.

For the year 2016, the ITZ Section also expects to conduct our preliminary review of the ITZ Act and Regulations thereby ensuring that it encompasses all relevant aspects of the growing demands from the business environment of Seychelles.

Additionally, for the year 2016, the ITZ Section aims to review the Authorisations and post-authorisations processes and systems for Hire Purchase and Credit Sales.

Insurance Services Section

As of the July 1st, 2013, the Central Bank of Seychelles ceased to be the regulator of the insurance sector. The insurance portfolio was then transferred to SIBA, now the FSA.

Key Responsibilities

The functions of the Sections 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 which shall be observed by insurers and intermediaries
- Protecting the interests of policyholders

Overview of Different Products Licensed

In 2015, there were 11 licensed insurance companies, compared to 10 in 2014, out of which 5 were operating domestically, whilst 6 were operating as non-domestic insurance companies. Two new non-domestic insurer licenses were approved in 2015 while one domestic insurer went into voluntary winding up.

With regards to the licensing and registration of insurance intermediaries, the total number decreased from 54 to 53 due to the surrender of one sub-agent license. Thus, at the end of 2015, insurance intermediaries consisted of 13 brokers, 2 agents, 36 sub-agents and 2 principal insurance representatives.

	2009	2010	2011	2012	2013	2014	2015
Domestic insurance company	3	3	4	4	4	6	5
Non-domestic insurance companies	3	3	3	5	5	4	6
Brokers	10	10	10	11	12	13	13
Agents	1	1	2	2	2	2	2
Sub-agents	19	27	33	36	38	38	36
PIR	1	1	1	1	1	1	2

Table 3: Statistics of licensees for 2014 and 2015 (Insurance)

Licensing Procedures

The core function of the Insurance Services Section (ISS) is to regulate and supervise insurers, reinsurers and insurance intermediaries in the Seychelles. The Insurance Act, 2008 (IA) along with 4 regulations form the basis of the legal framework which governs insurance business in Seychelles. In addition, the ISS has ensured that additional to the above, they also follow international best practice specifically the 26 Insurance Core Principles of the International Association of Insurance Supervisors (IAIS).

Key Achievements Of 2015

The FSA became a provisional member of International Association of Insurance Supervisors (IAIS) pending the ratification to a fully fledged member in the upcoming AGM in November 2016.

License Statistics

1. Gross Written Premium

Type of insurance business	End of Financial Year 2013(SR.)	End of Financial Year 2014(SR.)	End of Financial Year 2015*(SR.)
Long Term Insurance Business	63,210,833	61,854,650	61,336,622
General Insurance Business	270,522,397	288,731,953	316,564,178

Table 4: Statistics for Gross Written Premium 2014 and 2015 (Insurance)

2. Total Assets

Type of insurance business	End of Financial Year 2013(SR.)	End of Financial Year 2014(SR.)	End of Financial Year 2015*(SR.)
Long Term Insurance Business	437,522,442	455,958,877	486,358,159
General Insurance Business	341,330,464	388,142,731	415,589,237

Table 5: Statistics of Total Assets for 2014 and 2015 (Insurance)

Outlook For 2016

The ISS anticipates receiving technical assistance with the arrival of an Insurance expert in the 1st half of 2016. The expert will advise the FSA on matters in relation to the insurance section and insurance business. Furthermore, the expert is expected to work in close collaboration with the ISS manager to:

- review the current licensing and post-licensing procedures
- address any gaps identified
- train staff, and
- put in place a comprehensive risk-based supervision framework for insurance business regulated by the FSA.

Staff training remains on the agenda for 2016.

Gambling Supervision Section

On November 1st, 2015, the Seychelles Gambling Act, 2014 came into force. The Act assigns the responsibility for the regulation of casino, slot machines (also referred to as gambling machines) and interactive gaming to the Financial Services Authority. 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.

The Gambling Market

The gambling market is regulated and supervised under the provisions of the Seychelles Gambling Act, 2014. In 2015, the numbers of licensed operators were as follows: 4 casinos and, 6 slot machine operators. There were no licensed operators for interactive gambling.

Table 6 below shows the total number of casino and gambling machine licenses issued for the period 2010 to 2015.

In operation	2010	2011	2012	2013	2014	2015
Casino	3	4	4	5	4	4
Slot (Gambling) Machine	2	3	3	3	4	6

Table 6: Statistics of licensees in operation for 2014 and 2015 (Gambling)

Ceased Operation	2010	2011	2012	2013	2014	2015
Casino	0	1	0	1	1	0
Slot (Gambling) Machine	0	0	0	0	0	0

Table 7: Statistics of licensees who have ceased operation for 2014 and 2015 (Insurance)

Quantitative data in terms of total revenue and assets for the gambling sector is currently unavailable. This information will be available once the licensed operators submit their annual report and following the review of data received from preliminary onsite inspection reports.

Highlights of the FSA as the newly appointed gambling regulator

The FSA has been mandated to administer the Seychelles Gambling Act, 2014 on January 19th, 2015 when the Act was enacted. As such, the groundwork for setting up of the Gambling Supervision Section started in April 2015 to licence, regulate and supervise the gambling industry.

A consultant has been recruited to assist with the setting up of the regulatory framework and to make recommendations in relation to proposed amendments to the current legislative framework in order to redress certain discrepancies which are not in line with international best practices and standards.

Regulation and supervision of the Gambling Sector

The Gambling Supervision Section (GSS) carries out its primary function, of licensing and carrying out offsite surveillance and onsite supervision of its licensees.

1. Licensing

The licensing procedure plays an important role in the supervisory process. The FSA ensures that entry is allowed only to applicants that will not be injurious to the country's financial system as well as the good repute of the Seychelles. The licensing process includes the conduct of due diligence on directors, shareholders and beneficial owners of the applicant and analysis of the applicant's business plan and its key employees.

During the year 2015, the FSA received one application for a casino licence.

2. Offsite surveillance

Offsite surveillance involves the analysis and monitoring of the gambling operators through their financial performance and position on the basis of periodic returns (such as the monthly regulatory return and annual audited financial statements) which are submitted to the FSA. This allows for problems to be identified in a timely manner and for prompt, corrective measures to be implemented accordingly.

3. Onsite supervision

Onsite supervision involves examination of the operators' licensed premises which allow for the assessment of internal controls, installation of gambling devices and surveillance systems, corporate governance and management oversight of the gambling business activities. The examinations also involve verification of the accuracy of returns submitted to the FSA as part of the offsite analysis.

In 2015, a preliminary inspection of the business premise of all existing casinos and slot machine operators were carried out. Two forums were also conducted with the existing operators. The first forum was to introduce the FSA, clarifying its regulatory role and to inform the operators of the new Seychelles Gambling Act, 2014 coming into operation. In the second forum, training on money laundering, facilitated by the consultant, was given to the operators who were then invited to discuss vulnerabilities that might be affecting the operation of the gambling business in Seychelles.

Capacity Building and development

During the course of the year 2015, the section increased its manpower with the recruitment of two supervision officers. As is customary, emphasis is placed on staff development through learning the day-to-day operation of the section, as well as attending relevant conferences, workshops, courses and trainings.

Outlook for 2016

It is anticipated that the setting up of the regulatory framework will be completed by July 2016. Thereafter, guidelines and technical standards will be made available to the operators. The Gambling Act provided a transition period of 9 months for operators licensed by the SLA to comply with the provisions of the Act. As such, new licences will be issued under the Act to existing operators and thereafter the enforcement process will commence.

Staff training and development remains on the agenda for 2016.



Supervision

Supervision Section

The two core responsibilities of the Supervision Section are to –

- a. gain a thorough understanding of the operations of the relevant licensed entities, including the risks they face and the mitigating structures and procedures they put in place to deal with those risks; and
- b. monitor compliance and adherence of licensed entities to the relevant legislative framework, rules and best practices, and to take the necessary enforcement action in instances of regulatory breach or non-compliance.

These two responsibilities are derived from the mandated functions of the FSA under the FSA Act, which ultimately are to safeguard public interest from unlawful activities in relation to non-bank financial services and foster investor confidence, local and international, with the aim of promoting Seychelles as a first-class financial services center. As such, the Section aims for appropriate, responsive and cost-effective supervision of the financial services under its responsibility.

The Supervision Section is also responsible to effect enforcement actions on licensees in breach or default of their regulatory obligations. This is done in close consultation with the Policy, Research and Legal Section.

The Supervision Section is not responsible for the supervision of the whole spectrum of entities or products under the regulatory ambit of the FSA. Both the Insurance Section and the Gambling Section have a supervisory and enforcement function internal to their section.

Structure

The Supervision Section is organized into three units with two of the units directly carrying out supervision of the relevant regulated entities and products and the third unit responsible for risk and compliance.

1. Fiduciary Services & Products Supervision Unit (FSSU)

The FSSU is responsible to supervise and take enforcement actions against relevant entities licensed, authorized or otherwise regulated under the –

- International Corporate Service providers Act, 2003
 - International Corporate Service providers

- International Trustee Service Providers
- Foundation Service Providers
- International Trade Zone Act, 1994
- International Business Companies Act, 1994
- Companies Special Licence Act, 2003
- Protected Cell Companies Act, 2003
- Limited Partnership Act, 2003

2. Capital Markets & Collective Investment Schemes Supervision Unit (CMCISU)

The CMCISU is responsible to supervise and take enforcement actions against relevant entities licensed, authorized or otherwise regulated under the Securities Act, 2007 and the Mutual Fund and Hedge Fund Act, 2008 –

- Securities Act, 2007
 - Securities Exchange
 - Clearing Agency
 - Securities Facility
 - Securities Dealers and Securities Dealers' Representatives
 - Investment Advisors and Investment Advisors' Representatives
- Mutual Fund and Hedge Fund Act, 2008
 - Private Funds
 - Professional Funds
 - Public Funds
 - Fund Administrators

3. Risk & Compliance Unit (RCU)

The RCU has the responsibility of implementing and maintaining compliance procedures relating to the above-mentioned laws administered by the FSA.

Approach to Supervision

As per international best practice, the FSA takes a two-pronged approach to supervision, with on-site (inspections-based) supervision, complementing off-site (desk-based) surveillance.

1. Off-site, desk-based surveillance

Off-site surveillance encompasses the ongoing monitoring of the relevant regulated entities through desk-based activities, which include:

- Vetting of licence applications
- Approval of ownership changes
- Vetting of directors, managers, and other key staff
- Review of audited financial returns
- Review of policies and procedures

The objectives of the off-site surveillance are to—

- Determine the compliance of licensees with applicable legislative framework, codes, guidelines and best practices
- Review and understand all material issues disclosed by the financial statements
- Identify early warning signs of potential problem areas in the regulated entities
- Assist on-site supervision in focusing on high-risk areas and/or areas of greatest weakness in each licensee
- Assist on-site supervision to follow up on the compliance by the regulated entities with any conditions and directions

2. On-site, inspections-based supervision

On-site supervision entails the Supervision staff carrying out inspections of the offices of licensees. On-site inspections may be seen as complimentary to the on-going desk-based surveillance. The principal objectives of on-site examinations, in addition to those derived from off-site surveillance are to—

- assess the market conduct of licensees for fairness and transparency;
- monitor licensees adherence to the Financial Services Legislations ;
- ensure licensees adhere to corporate governance best practices;
- evaluate the risk management processes established by licensees; and
- evaluate the internal control procedures established by licensees.

These on-site inspections may be general or theme-based.

2.1 General-based

The inspection teams perform holistic reviews of the regulated entities 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 –

- **Client Due-Diligence:** Procedures relating to client due diligence at the on-boarding stage, processes relating to the on-going monitoring of clients, and record keeping of client information are reviewed.

- **Abnormal Transactions:** Procedures relating to the recording, escalation and reporting of abnormal and suspicious transaction internally and externally to the relevant authorities, and records held are reviewed.
- **Audit and Accounting:** The financial records are reviewed and discussions are held with the external auditor in this regard.
- **Internal Controls:** Reviewing the internal controls and lines of defense present and the effectiveness of these.
- **Human Resource:** Reviewing the human resources of the company and assessing their adequacy for the operations and risk mitigation.
- **Compliance Testing:** Reviewing the audit function and assessing its effectiveness.
- **Corporate Governance:** Reviewing the corporate governance structures in place and adherence to corporate governance best practices.

2.2 Theme-based

The inspection teams perform a narrow focused review of a particular aspect of the operations of a licensee, 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.

The findings, if any, from either type of inspections, are presented and discussed with directors and senior management of the licensee prior 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.

3. Developments

3.1. Fiduciary Services & Products Supervision

3.1.1. Inspections

The Fiduciary Supervision Unit conducted a number of focused inspections in 2015 to examine and monitor compliance by specified entities (IBCs, LP, and foundations and trusts), with the "record-keeping requirements" specified hereunder –

- Availability of ownership and accounting record-keeping information
- Verification of reported non-compliances by licensees of specified entities with
 - Ownership and Accounting information
 - Annual Return declaration;
- Availability of information pertaining to holders of bearer shares following the abolition of bearer shares

During 2015, the FSA undertook a number of focused onsite inspections at the registered office of specified entities, international trusts and foundations.

The table below provides a breakdown of focused on-site inspections that have been conducted during the year 2015 for availability of ownership and accounting records for IBCs.

Product Type	Month	Nº of Visits
IBCs	February	2
	March	6
Total inspection conducted in 2015		8

Table 8: On-site focused -Inspection 2015 (IBCs)

The table below provides a breakdown of focused on-site inspections that have been conducted during the year 2015 for availability of ownership and accounting records for international trusts.

Product Type	Month	Nº of Visits
International Trusts	June	1
	July	8
	August	1
	September	2
	October	1
Total inspection conducted in 2015		13

Table 9: On-site focused -Inspection 2015 (International Trusts)

The table below provides a breakdown of focused on-site inspections that have been conducted during the year 2015 for availability of ownership and accounting records for foundations.

Product Type	Month	Nº of Visits
Foundations	July	8
	August	5
	September	5
Total inspection conducted in 2015		18

Table 10: On-site focused -Inspection 2015 (Foundations)

The table below provides a breakdown of focused on-site inspections that have been conducted during the year 2015 for availability of ownership and accounting records for limited partnerships.

Product Type	Month	Nº of Visits
Limited Partnerships	June	11
Total inspection conducted in 2015		11

Table 11: On-site focused -Inspection 2015 (Limited Partnerships)

A newly introduced obligation under section 12.2 of the Code for International Corporate Service Providers requires licensees to monitor compliance by specified entities and foundations under their administration and to report “continued non-compliance to the FSA within a specified timeframe. In 2015, 37 International Corporate Service Providers reported non-compliance by specified entities and foundations under their administration and the relevant enforcement actions were taken by the FSA against such entities.

3.1.2 Joint Inspection

In view of the increasing commitment to ensure that practices within the sector are in line with the acceptable international norms of best practices, the need for better collaboration between financial service regulators on relevant regulatory matters is key.

As such, although the ultimate responsibility for the regulation and supervision of licensees rests with the FSA, in 2015 the FSA has reinforced its collaboration with the Financial Intelligence Unit (“FIU”) and carried out 2 joint inspections.

3.1.3 Enforcement Actions

During the 2015, there were a number of enforcement actions that were taken against licensees. These are detailed in Table 12 below.

License Type	Directions	Directives	Penalty Fees	Suspension	Revocation
International Corporate Service Providers	12	-	10	-	2
International Trustee Service Providers	-	-	-	-	-
Foundation Service Providers	-	-	-	-	-

Table 12: Enforcement actions (Fiduciary)

3.1.4 Surrendering of Licence for 2015

During the 2015, there were four licensees which surrendered their licenses as a result of different circumstances. These are detailed in Table 13 below.

License Type	Surrender
International Corporate Service Providers	3
International Trustee Service Providers	1
Foundation Service Providers	-

Table 13: Surrender of licences (Fiduciary)

3.2. Capital Markets & CIS Supervision

3.2.1. Inspections

During 2015, the CMCISU carried out one focused on-site inspection in August. This inspection was carried out with the aide of an external consultant who also provided staff with training in the preparation and analysis of inspections focused on a company's financial records.

3.2.2. Enforcement Actions

During 2015, there were a number of enforcement actions that were taken against Capital Markets and Collective Investment Schemes licensees. These are detailed in Table 14 and Table 15.

License Types	Directions	Penalty Fees	Suspension	Revocation	License cancelled
Seychelles Securities Exchange	-	-	-	-	-
Securities Facility	-	-	-	-	-
Clearing Agency		-	-	-	-
Securities Dealers	6	4	-	-	-
Investment Advisors	1	-	-	-	-
Securities Dealer Representatives	-	-	-	-	-
Investment Advisor Representatives	-	-	-	-	-

Table 14: Enforcement Actions (Capital Markets)

License Types	Directions	Penalty Fees	Suspension	Revocation	License cancelled
Approved Foreign Fund Administrators	1	1	-	-	1
Seychelles Fund Administrators	-	-	-	-	-
Restricted Fund Administrators	-	-	-	-	-
Professional Funds	4	4	-	-	-
Private Funds	3	2	-	-	1

Table 15: Enforcement Actions (Collective Investment Schemes)

3.2.3. Other Developments

The CMCISU worked in close collaboration with the Policy, Research and Legal Section in the procurement process of consultants for a number of projects under the National Financial Sector Development Implementation Plan (FSDIP). The Unit also provided technical contribution towards new pieces of legislation that have a bearing on capital markets and are planned to be introduced imminently.

3.3. Risk and Compliance

During 2015 the Risk and Compliance Unit (RCU) was mainly involved with attending to complaints with respect to regulated entities. There were 24 complaints, 2 of which were capital markets related, with the remaining 22 being related to fiduciary services.

4. Plans for 2016

4.1. Risk based supervision

The FSA has seen the need and importance to review its current regulatory framework and as such it is working toward the implementation of a risk based supervision framework which would be used to regulate and supervise licensees.

4.2. Implementation of new legal and supervisory framework for Capital Markets and CIS Sector

Per the FSDIP, it is expected that new or revised legislation for the capital markets and collective investment schemes be effected during the second quarter of 2016. From these, there will also be

new post-authorisation procedures and processes developed and implemented, that will allow for risk-based supervision of the regulated entities. The CMCISU will be working in close collaboration with the consultants working on these projects.

4.3. Inspections

4.3.1. Fiduciary Services Unit

As mentioned earlier, the Unit has conducted inspections to assess the level of compliance by licensees and other regulated persons. For the year 2016, further onsite inspections are expected to be undertaken to ensure that a good level of compliance is being maintained by licensees, specified entities, international trusts and foundations.

4.3.2. Capital Markets & CIS Supervision Unit

It is expected that following the implementation of the new post-authorisation procedures and processes in the third quarter of 2016, which will see the introduction of a risk-based approach to supervision, the Unit will draw up an inspection cycle, with the first on-site inspections to occur towards the middle of the fourth quarter of 2016.

- **Compliance meetings with Securities Exchange, Securities Dealers and Securities Facility**

The CMCISU plans to re-kindle the practice of monthly Compliance Meetings with Trop-X, AfriClear and AfriDep. The purpose of these meetings is to maintain a close relationship with the compliance function within these entities, in view of their critical importance to the markets, to discuss any seen or foreseen compliance matters.

It is expected that on some occasions such meetings may be broadened in scope to discuss authorization or policy matters.

- **Training and Professional Developments**

Three staffs within the Unit are expected to enrol on and complete the Diploma in Investment Compliance from the Chartered Institute of Securities and Investment (CISI) towards the end of 2016.



Support Sections

Information Technology Section

The responsibility of the Information Technology section is to provide technological support to the different sections within the FSA through the establishment of international Information technology standards and to safeguard the Information Technology infrastructure of the FSA by taking a proactive approach.

Key achievements of 2015

In 2015, the procurement process for the server virtualization project was undertaken.

An IT Security policy for the FSA was developed and received the Board's approval.

In collaboration with the Authorization & Registry Section and the industry, the FSA successfully launched the online name submission system.

Outlook for 2016

The goal for 2016 is to remain abreast with the ever-changing Information Technology landscape. The completion of the server virtualization project is one objective towards that goal. Security is becoming a very important aspect of Information Technology, hence building capacity in that particular area will be one of the aims of the section. The section will continue working towards the improvement of the newly introduced online name submission system.

Policy, Research and Legal Section

The role of Policy, Research and Legal 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 Section is engaged in close collaboration with all Sections.

Research

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.

Legal

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 as well as new laws and regulations which may have an effect on the industry. The Section is heavily involved in the drafting of legislations that are administered by the FSA. The Section 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.

Policy

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 section works closely with all stakeholders to ensure that policy decisions are as effective as possible.

Industry Training

Capacity building within the industry is one of the FSA objectives. In 2015, the FSA undertook the following industry training initiatives:

1. AML training

As is customary, the FSA endorsed and supported an Anti-Money Laundering & Counter Terrorist Financing Workshop presented by Comsure Group. The workshop was held over two days. Attendees included FSA staff, representatives of other governmental departments as well as members of the financial services industry.

The workshop portrayed the commitment of Government to capacity building in Anti-Money Laundering and Counter Terrorist Financing. The workshop provided up to date regulatory information, an overview of the legal and regulatory framework and their practical considerations, as well as best practice considerations. It was tailored around FSA findings and deficiencies perceived within the industry as a result of compliance reviews.

2. FATCA workshop

The FSA, the Ministry of Finance, Trade and Blue Economy and the Seychelles Revenue Commission, in collaboration with Appleby Global, hosted a presentation on the implementation of the FATCA to all relevant stakeholders. The presentation was undertaken by Mrs Natasha Hardowar-Bissessur, the regional compliance manager for Asia and Africa and Mr Malcolm Moller, the Managing Partner for Mauritius and Seychelles.

3. Projects under the Financial Sector Development Implementation Plan

As part of the Financial Sector Development Implementation Plan, the government of Seychelles secured funding from the Investment Climate Facility (ICF) and the African Development Bank (AfDB). The FSA received financing towards the following projects:

1. Review of the Mutual Fund and Hedge Fund Act, 2008
2. Review of the Authorizations and Post Authorizations Processes and Systems for Capital Markets
3. Review of the Authorizations and Post Authorizations Processes and Systems for Collective Investment Schemes
4. Establishment of the Authorizations and Post Authorizations Processes and Systems for Hire Purchase and Credit Sales
5. Developing a risk based supervision framework for Insurance
6. Developing a risk based supervision framework for Pensions

In addition, several other projects are being undertaken in conjunction with the Central Bank. They include:

1. Conduct of a Baseline survey on financial literacy
2. National Strategy on financial education
3. Feasibility Study on Central Securities Depository
4. Policy and Strategy on Islamic Banking and Finance
5. Conduct of a workshop on Investment Banking

The assistance of the World Bank has also been received with respect to the following projects:

6. Financial Consumer Protection Act
7. Netting Act
8. Central Securities Depository Act
9. Securities Act

With the exception of the Securities Act, the legislations are being considered in collaboration with the Central Bank.

Procurement for all the projects are underway and is expected to be finalized by 2016.

Outlook for 2016

Groundwork for different projects has been undertaken in 2015. These will be pursued further in 2016. The ongoing projects currently being undertaken by the FSA include:

1. New legislations

The FSA is considering the following new legislations:

- A new International Business Companies Act which will repeal and replace the International Business Companies Act, 1994
- The Global Corporations Act which will repeal and replace the Companies (Special Licenses) Act, 2003
- A new International Corporate Service Providers Act which will repeal and replace the International Corporate Service Providers Act, 2003
- A new Trusts Act which will repeal and replace the International Trusts Act, 1994
- The Collective Investment Schemes Act which will repeal and replace the Mutual Fund and Hedge Fund Act, 2008
- A Securities Act to replace the Securities Act, 2007

The Human Resource and Administration Section

The Human Resource and Administration 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:

- **Human Resource Planning:** In the human resource planning function, the number and type of employees needed to accomplish organisational goals are determined. Research is an important part of this function because planning requires the collection and analysis of information in order to forecast human resources supplies and to predict future human resources needs. Consideration is given to the recruitment and selection of the human resources for the Organisation.
- **Training and Development:** The training and development function gives employees the skills and knowledge to perform their jobs effectively.
- **Safety:** There is a need to provide a safe working environment for employees by supporting workplace safety training and maintaining statistical information about workplace health and safety.
- **Compliance:** Compliance and keeping up to date with employment laws.

Key achievements for 2015

The Section undertook its first employee satisfaction survey. The results of the survey will assist the Section in improving the work place environment for all employees.

The Health and Safety handbook was finalised and the first Health and safety newsletter was issued. In addition, the section was able to implement health and safety programs for its employees such as talks, trainings, blood donation. The full list of activities is provided in the following table.

Activity	Date	Number Of Participants	Duration
Sensitization talk (blood donation)	27 th and 29 th January	62	1 hour
Blood donation	25 th February	9	4 hours
First Aid training	3 rd ,4 th ,5 th ,9 th ,10 th and 11 th March	22	3 days per group
Fire fighting training	15 th ,17 th ,20 th ,22 nd and 24 th April	78	1 day per group
Back wellness session	23 rd and 24 th September	68	1 hour 30 minutes
World obesity talk	15 th October	27	1 hour
World Cancer day	28 th October	12	1 hour walk

Table 16: Health and Safety Activities Undertaken in 2016(Human Resources)

Recruitment during 2015

The year 2015 saw the need for the FSA to boost the number of employees, especially within the newly established Gambling Supervision and Supervision sections. A total of 22 new staff members were employed within the FSA in 2015 bringing the total staff complement to 109.

Outlook for 2016

During the course of 2016, the plan for the section is to strengthen its commitment towards the development of its staff by undertaking a Competency Mapping and Training Plan Implementation and Evaluation for the FSA.

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 2015 are set out in the following section.

Key achievements of 2015

In 2015, the Finance Section was restructured from two into three Units to enable it to become more effective and efficient in its processes.

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 entities it registers and regulates and has been financially contributing to the economy through yearly dividend payments to the Consolidated Fund. In terms of its expenditure for the year 2015, FSA has managed to control costs in relation to the 2015 budget allocation.

For the year 2015, FSA has collected a total of **SR158 million** as gross income and at the same time managed to effect a transfer of surplus funds of **SR99.2 million** (63 percent of actual revenue collected) to the Government.

Outlook for 2016

In 2016, the FSA statement of accounts will for the first time be prepared in accordance with International Financial Reporting Standards (IFRS) standards in line with the requirements of the PEMC Act. Preparation for this transition started in 2015. A consultant has been contracted to assist with the transition and work is ongoing.

In 2016, the Finance Section will review its Accounts Procedures Manual to align it with current practices and standards, as the manual is the document that provides guidance and training with regards to good financial and accounting practices.



Financial Statements



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OPINION OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE FINANCIAL SERVICES AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2015

Scope

Pursuant to the powers conferred on me by Section 13(4) of the Financial Services Authority Act, 2013, I have audited the accompanying financial statements of the Financial Services Authority (the Authority), which comprise the Statement of Financial Position as at 31 December 2015, the Statement of Comprehensive Income, Statement of changes in equity, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practice, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit and to report it to the Minister of Finance. The audit was conducted in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified opinion

The Authority's property (Investment property and owner occupied buildings) is carried in the Statement of Financial Position at cost less accumulated depreciation of SR21,431,445. As disclosed in note 18 to the Accounts, the sum of SR5,265,288 was received as insurance compensation arising from partial damage of building, from a fire. This sum was based on a professional valuation of the market value lost. The Authority did not effect adjustments for the diminution of value of buildings and investment property and buildings.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the Financial Services Authority as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice.



Marc Benstrong
Auditor General

25 April 2016
Victoria, Seychelles

Financial Services Authority

Statement of Financial Position as at 31 st December 2015					
		31.12.2015		31.12.2014	
	Note	(SR)	(SR)	(SR)	(SR)
Non - Current Assets					
Fixed Assets					
Freehold Property	2	8,737,550		8,737,550	
Buildings and Others	2	6,683,461		8,274,625	
Investment Property	2	14,756,145		15,590,758	
Work in Progress	3	87,759,932		62,935,838	
Accounts Receivable	4	4,690,056			
Total Non-Current Assets		122,627,144		95,538,771	
Current Assets					
Cash on Hand		528,970		1,304,217	
Cash at Bank	5	66,137,892		65,340,481	
Accounts Receivable	6	4,340,212		7,737,754	
Total Current Assets		71,007,074		74,382,452	
TOTAL ASSETS		193,634,218		169,921,223	
Net Assets/Equity					
Retained Earnings/(Loss)	7	54,481,858		53,054,330	
Government Contributed Assets	8	8,715,700		8,715,700	
Total Net Assets/Equity		63,197,558		61,770,030	
Non-Current Liabilities					
GOS Capital Fund	9	6,832,505		7,686,568	
Loan <i>due after 12 months</i>	10	69,540,371		60,333,712	
Gratuity & Compensation Reserve	11	4,134,331		3,477,866	
Retention monies	12	2,980,891		-	
Total Non-Current Liabilities		83,488,098		71,498,146	
Current Liabilities					
Accounts Payable	13	12,084,052		15,495,637	
Surplus Funds payable to GOS	14	20,226,396		21,157,410	
Loan <i>due within the next 12 months</i>		14,638,114		-	
Total Current Liabilities		46,948,562		36,653,047	
TOTAL LIABILITIES		130,436,660		108,151,193	
TOTAL NET ASSETS/ EQUITY & LIABILITIES		193,634,218		169,921,223	



Chief Executive officer

Date: 8th April 2016



Finance Manager

Date: 08th April 2016

Financial Services Authority

Statement of Comprehensive Income for the Year Ended 31st December 2015			
	Year to 31.12.2015	10 months to 31 December	
	(SR)	(SR)	(SR)
Corporate and SITZ Fees	16	140,167,581	100,554,638
Rental Income	17	11,282,535	6,948,877
Insurance compensation	18	6,347,620	-
Other Income		34,818	240,432
Total income		157,832,554	107,743,947
Finance charges			
Interest Income		203,564	137,415
Interest Expense		(3,887,184)	(1,727,318)
Net Interest Expense		-3,683,620	(1,589,903)
Commission Expense		-	(682,488) (682,488)
Personnel Emoluments	19	(26,431,102)	(18,927,630)
Office Running Costs	20	(14,484,598)	(8,698,542)
Educational Dissemination Programs	21	(1,775,410)	(1,021,329)
Bank Charges	22	(45,592)	(35,579)
Consultancy and Professional Costs	23	(1,576,330)	(1,249,144)
Amortisation of Capital Grant		854,063	711,719
Depreciation		(3,248,671)	(2,719,622)
Provision for Doubtful Debt		245,117	(168,716)
Impairment of assets		(251,939) (46,714,462)	267,167 (31,841,676)
PROFIT FROM OPERATING ACTIVITIES		107,434,472	73,629,880
PROFIT FOR THE YEAR		107,434,472	73,629,880
Other Comprehensive Income			
Foreign Currency Translation	15	(6,759,337)	6,197,081
Other Comprehensive Income for the Year -Net of tax		(6,759,337)	6,197,081
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		100,675,135	79,826,961



Chief Executive officer

Date: 8th April 2016



Finance Manager

Date: 08th April 2016

Financial Services Authority

Statement of Cash Flows for The Year Ended 31st December 2015			
	2015 (SR)	10 months to 31 December 2014 (SR)	(SR)
Cash Flows from Operating Activities			
Operating Profit/(Loss)	100,675,135	79,826,961	
Depreciation Expenses	3,248,671	2,719,622	
Amortisation of Capital Grant	(854,063)	(711,719)	
Assets written off	251,939	(267,167)	
(Increase) /Decrease in Accounts Receivable (including staff loans)	(1,292,514)	(1,705,687)	
Increase/(Decrease) in Accounts Payable	(430,694)	5,426,589	
Increase /(Decrease) in Gratuity and Compensation Reserve	656,466	356,628	
Net Cash Provided/(Used) by Operating Activities	102,254,941		85,645,227
Cash Flows from Investing Activities			
Proceeds from sale of Assets	-	625,000	
Purchase of Assets	(1,074,837)	(1,239,353)	
SITZ work In Progress	(24,824,094)	(299,762)	
Net Cash Used by Investing Activities	(25,898,931)		(914,115)
Cash Flows from Financing Activities			
Loan drawdown	23,844,775		
Cash Surplus transferred to GOS	(100,178,621)	(70,257,749)	
Net Cash Provided/(Used) by Financing Activities	(76,333,846)		(70,257,749)
Net Increase/(Decrease) in Cash	22,164	14,473,363	
Cash as at 01st January 2015	66,644,698		52,171,335
Cash as at 31st December 2015	66,666,862		66,644,698



Chief Executive officer

Date: 18th April 2016



Finance Manager

Date: 08th April 2016

Financial Services Authority

Fixed Assets and Depreciation Schedule - 2015

Fixed Assets	Cost			Depreciation			Net book Value	
	01.01.2015	Additions	Disposal	31.12.2015	01.01.2015	For the Year	On Disposal	31.12.2015
Warehouses	36,668,266	-		36,668,266	17,417,591	1,466,731		18,884,322
Office Block	2,550,000			2,550,000	1,632,000	102,000		1,734,000
Utility Block	660,462			660,462	422,689	26,418		449,107
Fencing	637,788			637,788	627,261	6,650		633,911
Plant and Machinery	373,309			373,309	362,728	2,419		365,147
Office Equipment	4,158,428	295,421	(686,467)	3,767,383	3,459,655	432,459	(588,486)	3,303,628
Computers	2,157,160	342,100	(86,921)	2,412,340	1,918,541	102,028	(85,613)	1,934,956
Software	569,067	-		569,067	527,020	12,938		539,958
Furniture and Fittings	4,764,046	311,500	(369,439)	4,706,106	3,740,228	579,176	(216,788)	4,102,616
Vehicles	2,492,650	-		2,492,650	1,499,483	369,700		1,869,183
Other Assets	1,320,428	125,816		1,446,244	879,024	148,152		1,027,176
Total	56,351,604	1,074,837	(1,142,827)	56,283,614	32,486,221	3,248,671	(890,886)	34,844,004
								21,439,609

Financial Services Authority

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31st DECEMBER, 2015

1. Accounting Policies

Financial Services Authority (FSA) was established as a Statutory Body under the Financial Services Authority Act 2013 (Act 19 of 2013). Unless mentioned otherwise below, the Financial Services Authority has been following the historical cost method of accounting.

2. Fixed Assets

2.1 Freehold Property

No depreciation has been charged on the value of the freehold property.

2.2 Other fixed Assets and Depreciation

The assets have been stated at cost less depreciation. The movement in fixed assets and depreciation are given in the SCHEDULE (P4/10) attached. Assets are depreciated on a straight-line basis with reference to the expected useful life of the assets concerned.

Depreciation is computed from the month after receipt of goods using the following principal annual rates. No depreciation is provided for in the month of disposal.

Building	4%
Office Structures / Improvement	10%
Plant and Machinery	10%
Fencing	10%
Office Equipment / Appliances	20%
Computers	25%
Furniture / Fixtures	20%
Vehicles	20%
Software	25%
Other Assets	25%

2.3 Investment Property

Investment property has been included in the accounts at cost and apportioned on the basis of the total floor area leased out in proportion to the total floor area of all FSA buildings. As at December, 2015, the net book value of Investment property stood at **SR14,756,145** which represents approximately 82% of total net book value of the cost of the buildings leased out. Investment property is depreciated on a straight-line basis at 4% over economic useful life of 25 years.

Description	(SR)
Carrying amount as at 01st January 2015	15,590,758
Additions during the year	-
Increase in fair value during the year	-
Disposals during the year	-
Depreciation for the year	<u>834,613</u>
Carrying amount as at 31st December 2015	<u>14,756,145</u>

3. Work in Progress

Work in Progress comprises of the following:

- Disbursements to the contractor as at 31.12.2015 – SR80,945,832.
- Consultancy Fee/ Structural Engineer Fees relating to the construction of new warehouses. Total paid as at 31.12.2015 – SR2,499,303
- Planning Fee and others. Total paid as at 31.12.2015 – SR466,820
- Improvement to SITZ Infrastructure. Total Paid as at 31.12.2015 – SR867,086.
- 5% Retention on contract sum in respect of construction of warehouse – SR2,980,891

The contract for construction of three warehouses is for a total sum of US\$7,217,524. The sum of US\$ US\$6,413,208 has been disbursed to the Contractor at the year end, leaving a balance of US\$804,316.

4. Staff loan

The balance of staff loans, repayable over more than 12 months comprises of **SR4,589,507** and **SR100,549** in respect of vehicle loans and General Purpose Loans respectively.

5. Cash at Bank

	As at 31.12.2015 (SR)	As at 31.12.2014 (SR)
Seychelles Rupee Account Balance	5,393,756	8,175,162
US Dollar Account Balance	60,587,538	56,823,526
Euro Account Balance	<u>156,598</u>	<u>341,793</u>
Total	<u>66,137,892</u>	<u>65,340,481</u>

6. Accounts Receivable

Advance to Supplier	847,233	800,729
IBC & SITZ Fees Receivable	2,986,362	2,824,317
Loans to staff	113,699	4,219,201
Other Receivables	546,786	292,492
Provision for Doubtful Debts	<u>(153,868)</u>	<u>(398,985)</u>
Total	<u>4,340,212</u>	<u>7,737,754</u>

7. Retained Earnings

The movement in Retained Earnings is shown below:

Retained earnings as at 1.1.2015	53,054,330	64,642,528
Surplus for the year	100,675,135	79,826,961
Surplus Transferred to the Government	<u>(99,247,607)</u>	<u>(91,415,159)</u>
Retained earnings as at 31.12.2015	<u>54,481,858</u>	<u>53,054,330</u>

8. Government Contributed Assets

This represents the value of the land transferred to the Financial Services Authority, formerly the Seychelles International Business Authority by the Government of Seychelles.

9. Capital Fund

Capital Funds received from Government was treated as a capital grant and transferred to income over the expected useful life of the assets to which they relate. As at 31.12.2015, the sum of SR854,063 has been provided as amortisation of the grant.

10. Loan

Loan outstanding as at 31.12.2015 relates to an overdraft facility of **US\$7,500,000** from Nouvobanq (SIMBC) Seychelles Ltd to finance the construction of warehouses, and the first disbursement was effected in March 2014. The sum disbursed and outstanding as at 31.12.2015 is **US\$6,413,208**. The current portion of the loan repayable over the next twelve months i.e. the 10 months repayment effective March 2016, amounts to **US\$1,115,217**. Repayment will commence in March 2016 and expected to be completed in December 2020. Included in the accounts are the principal repayments due. Interest on the total drawdown amounts to **US\$ 1,046,819**.

11. Gratuity and Compensation

Gratuity and Compensation for past years' service has been calculated in accordance with Ministry of Administration & Manpower, Circular 9A of 1993 and 15 % of gross salary in the case of PSC and other employees on contract. The provision as at 31.12.2015, in this respect amounted to **SR4, 134,331**.

12. Retention monies

In accordance with the contract for the construction of new warehouses, 5% of the contract sum retained is payable after the defect liability period of twelve months from the practical completion date. Total retention as at 31 December 2015 was **US\$227,102**.

13. Accounts Payable

These represent liabilities incurred for purchases, services and other obligations which are payable within a year and deferred income.

	As at 31.12.2015 (SR)	As at 31.12.2014 (SR)
IBC & SITZ Fees paid in advance:		
Advance from Customers	5,562,794	9,697,171
ITZ Rent Deposit	1,623,272	1,600,761
Corporate Tax	951,778	1,003,950
Accrued Salaries	686,354	-
Provision for audit fee	88,000	90,000
Others	<u>3,171,854</u>	<u>3,103,755</u>
Total	<u>12,084,052</u>	<u>15,495,637</u>

14. Surplus Funds Paid to Government of Seychelles

In accordance with Section 12(3) of the Financial Services Authority Act, 2013, the FSA transferred on a quarterly basis, a total of **SR99,247,607** as excess income to the Government of Seychelles. The sum of **SR79,021,211** was paid in 2015 with the remaining balance of **SR20,226,396** pertaining to the 04th quarter of the year payable in January 2016.

15. Foreign Currency Transactions

Foreign currency receipts and payments/expenditure are accounted for at the market mid rates as published by the CBS at the end of each previous month. End of period balances are recognised in the accounts at the CBS mid-rate of **SR13.1258 to 1 US. Dollar** and **SR14.2756 to 1 Euro**, as at 31st December, 2015.

16. Income

Revenue from IBC Registration and Allied Services consists of the following:

	As at 31.12.2015 (SR)	As at 31.12.2014 (SR)
IBC Registration Fees	24,069,491	22,007,227
IBC Annual Licence Fees	79,478,932	56,687,632
Other Licence Fees	6,887,565	2,200,348
Funds and Securities Fees	1,227,852	779,984
Insurance Fees	942,098	800,667
Other Services	<u>27,561,643</u>	<u>18,078,780</u>
Total	<u>140,167,581</u>	<u>100,554,638</u>

17. Rental Income

Rental Income from Investment Property	10,537,805	6,196,295
Outdoor Space rental	<u>744,730</u>	<u>752,582</u>
Total	<u>11,282,535</u>	<u>6,948,877</u>

18. Compensation for impairment of property, plant and equipment

Insurance proceeds received from impairment of furniture and equipment and partial damage of the warehouse, arising from a fire in 2014 as follows:

	(SR)
Warehouse	5,265,288
Furniture and Equipment	<u>1,082,332</u>
Total	<u>6,347,620</u>

The net book value of furniture and equipment were written off from the accounts.

19. Personnel Emoluments

	As at 31.12.2015 (SR)	As at 31.12.2014 (SR)
Payroll expenses	20,072,272	14,195,181
Employer's Pension contribution	412,789	300,071
Honorarium-Board Members	487,020	389,864
- SITZ Employment Council	221,158	150,000
Inco9me & Non-Monetary Benefits tax	3,252,018	2,360,546
Gratuity & compensation paid	<u>1,985,845</u>	<u>1,531,968</u>
Total	<u>26,431,102</u>	<u>18,927,630</u>

20. Office Running Costs

Administration Costs	6,905,811	4,221,989
Communication Costs	1,760,950	1,209,892
Transport & Travelling Costs	541,751	318,971
Maintenance & Repairs	1,791,451	1,372,225
Training	2,031,614	867,060
General Expenses	<u>1,453,021</u>	<u>708,405</u>
Total	<u>14,484,598</u>	<u>8,698,542</u>

21. Educational Dissemination

Information Dissemination	1,729,762	954,920
Advertisement	<u>45,648</u>	<u>66,409</u>
Total	<u>1,775,410</u>	<u>1,021,329</u>

22. Bank Charges

Bank Charges	45,592	35,579
Total	<u>45,592</u>	<u>35,579</u>

23. Consultancy and Professional Costs

The consultancy cost comprises of the following:

Local Legal Fees	229,500	181,500
Audit Fee	88,000	75,000
Professional Fees	1,114,830	967,406
Others	<u>144,000</u>	<u>25,238</u>
Total	<u>1,576,330</u>	<u>1,249,144</u>

24. Related Parties

Directors	2015 (SR)	2014 (10 months) (SR)
Steve Fanny (appointed March '14)	43,200	36,000
Rupert Simeon (appointed March '14)	43,200	36,000
Jennifer Morel (CEO) (appointed March '14)	43,200	36,000
Georgette Capricieuse (appointed March '14)	43,200	18,000
Irene Croisee (appointed March '14)	43,200	36,000
Ronny Govinden (appointed March '14)	43,200	36,000
Basil Soundy (appointed March '14)	43,200	36,000
Jennifer Sullivan (appointed March '14)	43,200	36,000
Angelique Antat (appointed March '14)	43,200	36,000
James Kinyany (appointed May, resigned Oct '15)	14,400	-
Wendy-Pierre (CEO) (appointed March till July '14)	-	14,400
Jocelyn Ah-Yu (appointed March '14)	-	36,000
Estelle Peron (Secretary)	<u>36,000</u>	<u>30,000</u>
Total	<u>439,200</u>	<u>386,400</u>

In addition, all Board members, except for the Board Secretary were paid bonuses of R.5,400, in December 2015.

Senior Management

Chief Executive Officer

	(SR)	(SR)
Salary	687,012	258,255*
Bonus	75,928	30,913

*01 August to 31 December 2014

List of Acronyms and Abbreviations

AEOI	- Automatic Exchange Of Information
AML	- Anti Money Laundering
CBS	- Central Bank of Seychelles
CISNA	- Committee of Insurance, Securities and Non-Banking Financial Authorities
COMESA	Common Market for Eastern and Southern Africa
FATF	- Financial Action Task Force
FATCA	- Foreign Account Taxpayer Compliance Act
FSA	- Financial Services Authority
GDP	- Gross Domestic Product
IBC	- International Business Company
ICSP	- International Corporate Service Provider
IFSP	- International Foundation Service Provider
IMF	- International Monetary Fund
ITSP	-International Trust Service Provider
ITZ	- International Trade Zone
OECD	-Organisation for Economic Co-operation and Development
SADC	- Southern African Development Company
SIBA	- Seychelles International Business Authority
WTO	World Trade Organisation



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