



ANNUAL REPORT

2018



Table of Contents

OUR MISSION	5
OUR VISION	5
OUR CORE VALUES.....	5
CHAIRMAN'S STATEMENT	6
CHIEF EXECUTIVE OFFICER'S STATEMENT.....	9
THE BOARD OF DIRECTORS.....	11
OUR ORGANISATION.....	16
OUR HISTORY.....	17
OUR LEGISLATIONS	18
OUR COMMITTEES.....	21
ORGANISATIONAL STRUCTURE.....	22
THE ECONOMIC AND REGULATORY SETTING.....	23
ECONOMIC SETTING	24
GLOBAL REGULATORY TRENDS.....	28
REGULATORY DEVELOPMENTS	32
OUR OPERATIONS	32
INTERNAL AUDIT	37
LICENSING AND SUPERVISION SECTION	38
THE FSA'S AUTHORISATION PERSPECTIVE	39
REGISTRY SECTION	44
INTERNATIONAL TRADE ZONE SECTION	48
INSURANCE AND PENSION SERVICES SECTION.....	53
GAMBLING SUPERVISION SECTION.....	58
FIDUCIARY SUPERVISION SECTION	61
CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES SUPERVISION SECTION.....	69
SUPPORT SECTIONS	75
INFORMATION SYSTEM SECTION.....	76
POLICY AND LEGAL SECTION	77
HUMAN RESOURCES SECTION	82
FINANCE SECTION	86

FINANCIAL SERVICES AUTHORITY APPEALS BOARD.....	89
FINANCIAL STATEMENTS	91
LIST OF ACRONYMS AND ABBREVIATION	122

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 great pleasure and privilege in my capacity as Chairman of the FSA to present, on behalf of the Board of Directors, the Annual Report for the FSA for the year ending 2018.

I was appointed as the Chairman of the FSA in July 2017 and since then, the Authority has gone through a period of substantial progress in its ongoing development. As an increasingly mature financial jurisdiction, the FSA and the non-bank financial services industry in Seychelles, continue to be a strong contributor to the Seychelles economy. Needless to say, that Seychelles has over the years established itself as a reputable financial jurisdiction and an international financial center of substance.

Local and international engagement remain focal for the Authority, as we continue to foster a close working relationship with the industry. The prospects that this represent, is extensive for a regulator like the FSA, not only in terms of maintaining the competitiveness of the sector but also in forging and sustaining



a robust regulatory framework with the right balance between the need for regulation and business development.

The Authority has continued to engage actively with international standard-setting bodies, namely the OECD, EU, IAIS, IOSCO and FATF, in order to maintain its good repute. Last year was marked by several notable achievements, verbi gratia, Seychelles taking over the Presidency and chairmanship of the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG), in September 2018, and also reviewing of all relevant preferential tax regimes in order to comply with the 4 minimum BEPS Standard. These amendments are as follows:

- The International Business Companies Act has been amended to allow IBCs to carry on business in Seychelles. This is in line with the amendments made in the Business Tax Act to move Seychelles tax system to a territorial system.
 - Similarly, in light with concurrent amendments in the Business Tax Act to move Seychelles tax system to a territorial system, the Companies (Special Licences) Act has been amended to remove the 1.5% business tax concession and withholding tax exemptions.
 - The Insurance Act has been amended to remove tax exemption provision applicable to non-domestic insurers. The tax exemption provision relating to reinsurance was removed.
 - The licensable Export Services activities under the International Trade Zone Act has been amended to remove the activities falling within the scope of the OECD work on BEPS. Under the revised export services regime, the holder of an Export Services License will not be allowed to provide any service other than repair and reconditioning of goods, warehousing and rental of storage space or logistic services, provided that these activities relate to goods physically handled in the zone, in Seychelles.
 - The Securities Act and Mutual Fund & Hedge Fund Act have been amended to require licensees to meet the minimum substance requirements in order to benefit from the concessionary tax rate afforded under these legislations.
 - The concessionary tax rate of 3% for offshore banking business (Segment 1 banking licence) has been removed.
- It is also important for us to establish the means for ensuring effective co-operation, information sharing and capacity building, with both our fellow regulators in other jurisdictions and local institutions. Through this means, several Memoranda of Understanding (MoU) were signed namely with the Jersey Gambling Commissions and the University of Seychelles. Through this cooperation, the FSA aims to ascertain internal best practices and build capacity of the financial services sector in Seychelles. To date, we have 21 such agreements with

international regulators and local stakeholders.

Amidst the fast pace of developments and increased competition witnessed in the global financial markets, the FSA has spared no efforts and worked relentlessly towards the consolidation of its legislative framework. Much of this work has been designed to create a foundation for sound framework for an expanding range of financial services products, in particularly the Sandbox Regulations, to be introduced forthwith.

In the face of challenges, the Board of the FSA has a preponderant role to play in fortifying, fostering and ascertaining that the corporate values and strategic objectives of the

organisation are implemented. As Chairman, I thank the Chief Executive Officer, the Deputy Chief Executive Officer and the Board of Directors for their active participation and contribution on the Board and sub-committees of the Board during the past year, to ensure that the strategic objectives of the organisation are efficiently achieved.

I wish to seize this opportunity to thank the staff of the FSA for their continued support and dedicated work towards the achievements made during the year.

We look forward to 2019 and beyond in a highly positive frame of mind, recognizing the challenges ahead and aiming to continue our part in ensuring the success of the Seychelles financial services industry.

*Mr. Suketu Patel
Chairman
Of the
Financial Services Authority*

CHIEF EXECUTIVE OFFICERS' STATEMENT

It is my honor to present the Annual Report concerning the activities of the Financial Services Authority for the year 2018.

In retrospect, the past two years can be characterized as the years of transition for the Authority, by way of intense review and revision of our regulatory framework and also several internal operational developments to ensure that we can better discharge our function.

To sustain the good repute of the jurisdiction, support international obligations and gain greater credibility, the Seychelles has committed itself to compliance with several other international organizations, namely, the OECD, the International Organisation of Securities Commission (IOSCO), Committee of Insurance, Securities, and Non-Banking Authorities (CISNA), Financial Action Task Force (FATF), European Union (EU), and the International Association of Insurance Supervisors (IAIS).

The Authority nurtures a strong working relationship with the public and private stakeholders. This hands-on approach aims to ensure that everyone shares the responsibility



for preserving and safeguarding our financial services sector in terms of both integrity and reputation. We will continue to foster close working relationships with the industry for better managing the demands of implementing new regulatory initiatives in a way that is both proportionate and effective. Furthermore, to enhance our visibility on the international arena, we worked in close collaboration with the Executive Board of the Seychelles Investment Board (SIB) to host a series of high-level meetings and conferences in Asia.

As the financial services sector grows, it is faced with numerous and novel challenges at both the domestic and international levels. Given the ongoing challenges, our focus will remain on maintaining the soundness of our growing sector built on a robust regulatory regime. We will make all efforts to ensure that we are ready to meet the future defies, with the right mix of expertise and experienced staff, appropriate processes and infrastructure and strong relationships with our counterparts.

Lastly, I would like to take this opportunity to thank all Board of Directors for their guidance and support, the management team and FSA

staff for their diligence and hard work, and for the commendable performance achieved this year. I am sure that the Authority will continue on sound foundations and I look up to a brighter future for the financial services in Seychelles.

In accordance with Section 14 of the Financial Services Authority Act, 2013, I present this report on the operation and activities of the FSA for 2018, accompanied by the audited financial statement.

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

THE FSA BOARD OF DIRECTORS

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

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

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

The current board of the FSA was appointed by the President Danny Faure, effective Friday 18th July, 2017, for a term of three years.

MEMBERS OF FSA BOARD OF DIRECTORS AS AT 31ST DECEMBER 2018

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

Member

S5(1)(a)	Chairperson	- Mr. Suketu Patel
S5(1)(b)	Chief Executive Officer	- Dr. Steve Fanny
S5(1)(c)	Principal Secretary of the Ministry responsible for Finance or a representative of the Principal Secretary	- Ms. Irene Croisee
S5(1)(d)	Attorney-General or a representative of the Attorney General	- Mr. David Espanon
S5(1)(e)	Chairperson of the Seychelles Chamber of Commerce and Industry or a representative of the Chairperson	- Ms. Marie-Cecile Espanon
S5(1)(f)	Chairperson of the Seychelles Bankers' Association or a representative of the Chairperson	- Mr. Norman Weber

S5(1)(g)	Governor of the Central bank of Seychelles or a representative of the Governor	- Ms. Jenifer Sullivan
S5(1)(h)	Chief Executive Officer of the Seychelles Investment Board or a representative of the Chief Executive Officer	- Ms. Cindy Vidot
S5(1)(i)	Appointed by the President	- Ms. Tanya Potter
S5(1)(i)	Appointed by the President	- Mr. Mike Laval

Secretary to the Board - Ms. Zenabe Daman

BOARD MEETINGS

Board meetings must be held at least once every three months. In 2018, five meetings were held.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

Members of the Audit Committee

(As at 31st December 2018)

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

Secretary to the Committee Ms. Zenabe Daman

HUMAN RESOURCES AND REMUNARATION COMMITTEE

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

Members of the Human Resources and Remuneration Committee

(As at 31st December 2018)

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

Secretary to the Committee Ms. Zenabe Daman

FINANCE COMMITTEE

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

Members of the Finance Committee

(As at 31st December 2018)

Ms. Norman Weber	-	Chairperson
Ms. Irene Croisee	-	Member
Ms. Cindy Vidot	-	Member

Secretary to the Committee Ms. Zenabe Daman

LEGAL COMMITTEE

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

Members of the Legal Committee

(As at 31st December 2018)

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

Secretary to the Committee Ms. Zenabe Daman

OUR ORGANISATION

OUR HISTORY

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

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

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

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

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

OUR LEGISLATIONS

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

Financial Services Authority Act, 2013

Financial Services Authority (Appeals board) Regulations, 2014

Companies (Special Licences) Act, 2003

Companies Special Licenses (Amendment) Act, 2018

Foundations Act, 2009

Foundations (Amendment) Act, 2011

Hire Purchase and Credit Sale Act, 2013

Insurance Act, 2008

Insurance (Amendment) Act, 2018

Insurance (Fees) Regulations, 2009

Insurance (Policy owner's Protection Fund) Regulations, 2009

Insurance (Domestic Insurance Business) Regulations, 2009

Insurance (Non-Domestic Insurance Business) Regulations, 2009

Insurance (Restriction of Insurers) Regulations, 2012

International Business Companies Act, 2016

International Business Companies (Amendment) Act, 2018

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 (Amendment) Act, 2018

International Trade Zone Regulations, 1995

International Trade Zone (Amendment of Schedule) Regulations, 1997

International Trade Zone (Employment) Regulations, 1997

International Trade Zone (Conditions of Employment) Order, 1997

International Trade Zone (Amendment) Regulations, 2004

International Trade Zone (Amendment) Regulations, 2018

International Trusts Act, 1994

International Trusts (Fees) Regulations, 1995

International Trusts (Amendment) Act, 2011

Limited Partnerships Act, 2003

Limited Partnerships (Amendment) Act, 2011

Mutual Fund and Hedge Fund Act, 2008

Mutual Fund and Hedge Fund (Amendment) Act, 2018

Mutual Fund and Hedge Fund (Substantial Activity Requirements) Regulations, 2018

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

Securities (Substantial Activity Requirements) Regulation, 2018

Seychelles Gambling Act, 2014

Seychelles Gambling (Fees) Regulations, 2018

OUR COMMITTEES

In carrying out our functions, the management of the FSA is assisted by the following committees:

PROCUREMENT COMMITTEE

The Procurement Committee 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 PRODUCT AND LEGISLATION COMMITTEE

The FSA Product and Legislation Committee (replacing 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 organizing social and recreational events for staff members. The Committee reports to the CEO.

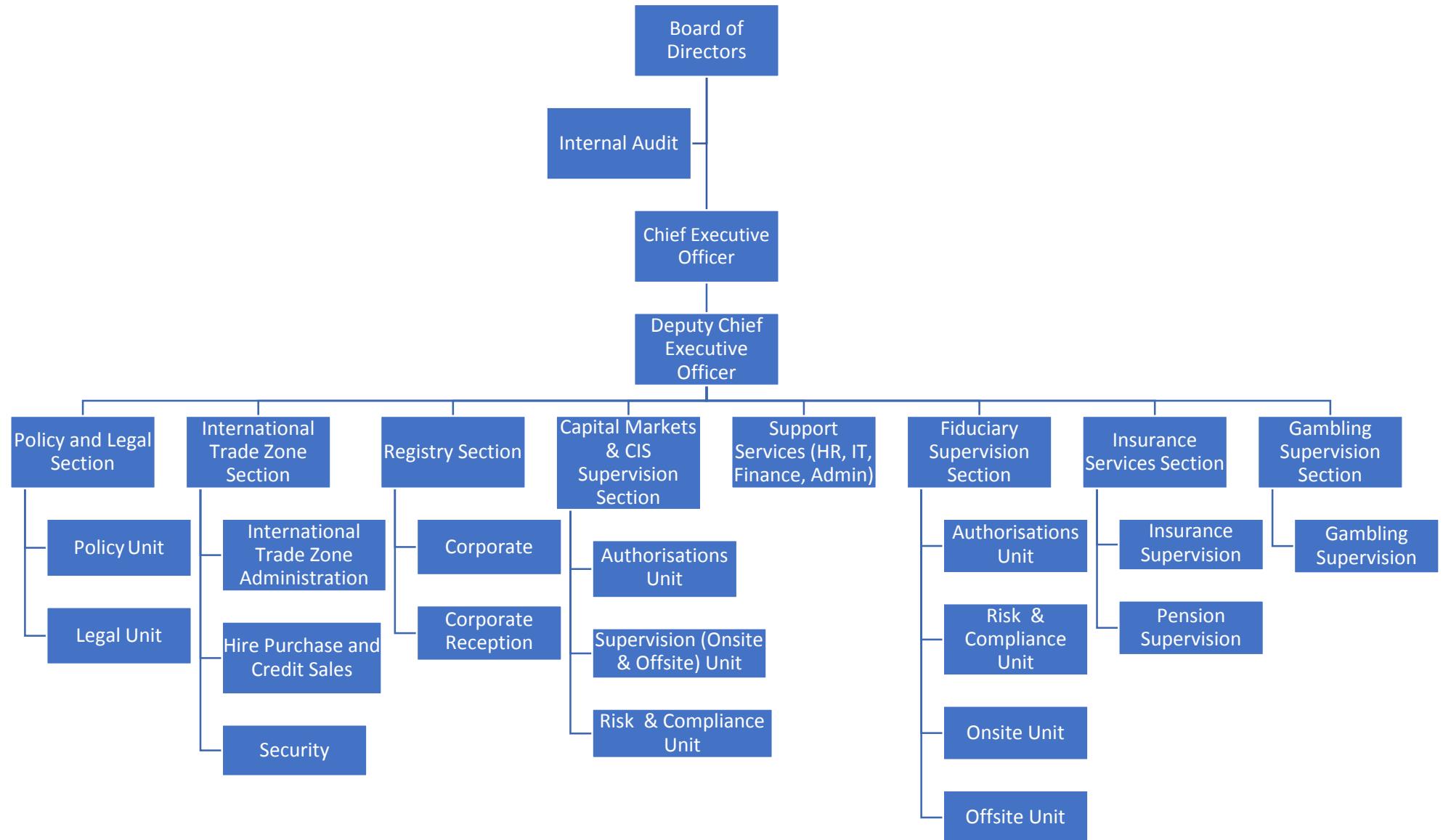
NEWSLETTER COMMITTEE

The Newsletter Committee is responsible for producing the FSA newsletter. The Committee comprises of representatives of each section within the FSA and reports to the CEO.

ENFORCEMENT COMMITTEE

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

ORGANIZATIONAL STRUCTURE



THE ECONOMIC AND REGULATORY SETTING

ECONOMIC SETTING

INTERNATIONAL ECONOMIC PERSPECTIVE

According to the World Economic Outlook¹ released in January 2019, the growth rate for the year 2018 is estimated at around 3.7 percent, similar to projections made. The forecasted growth rate for the years 2019 and 2020 stand at 3.5 percent and 3.6 percent respectively. These figures have been revised downwards by 0.2 and 0.1 percent as opposed to predictions made.

The downward revisions for the upcoming years is mainly attributed to the increases in tariffs between the United States and China amongst other developments. These developments include the adoption of new automobile fuel emission standards by Germany, Italy facing risks and concerns pertaining to the sovereign and finance, Turkey facing a shrinkage in relation to its financial markets, France faced with the various street protests and industrial actions which in turn had a negative impact of the economy.

Advanced economies are expected to face a downward trend in economic growth projected to be 2.0 percent for the year 2019 as opposed to the previous year which stood at 2.3 percent. For the emerging markets and developing economies (EMDEs) the expected growth rate is 4.5 percent for 2019 which is 0.1 percent lower as opposed to the previous, but this is expected to increase for the year 2020 to a rate of 4.9 percent.

In terms of commodities, the price for crude oil has faced various fluctuations since August. For the start of the year, the price for one barrel of crude oil was \$55 and this is expected to remain so for the coming years.

Inflation rates have remained steady for advanced economies, however this has not been the case among emerging markets and developing market economies (EMDEs). Inflation in such market economies have been alleviated thanks to the reduction in the prices of oil. Another factor attributed to the decline in the inflationary rate is the

¹ International Monetary Fund, World Economic Outlook, January 2019: A weakening Global Expansion, Washington DC.

declining rate of currencies against local prices.

Trade negotiations are expected to become a major risk for the outlook as depending on the outcome of such evaluation, the trends can either showcase an increase in the projected amount or prove to be a deterrent for growth prospects.

BREXIT brings a great amount of uncertainty as to the growth projections of the United Kingdom. This uncertainty is reflected in an adverse manner as the country is still to exit the European Union (EU).

REGIONAL ECONOMIC PERSPECTIVE

According to the Regional Economic Outlook² for Sub Saharan Africa, growth for the year 2018 stood at 3 percent. The future growth prospects are expected to increase gradually and it is expected to reach 3.5 percent for 2019.

This predicted growth is set to impact both countries which have an abundance of resources such as Nigeria and South Africa as

well as countries which lack natural resources within the region. The growth rate however is expected to differ as the resource deficient countries are expected to grow at a rate of 5 percent, higher compared to its counter regions. This would mean an increase in the per capita income in the medium term.

The inherent risks include the trade disputes of two major economies, namely the United States and China which has an overall impact on growth worldwide. The impact of such tension results in decreased prices of commodities and declined exports from these countries.

Droughts experienced in the southern regions has a negative impact on the level of productivity in the field of agriculture overall impacting growth prospects.

The inflation rate for 2018 stood at 8.5 percent. This is expected to decline by 0.4 percent for 2019. This displays the downward trend in the inflationary rate for the region. This projection is mainly attributed to a decrease in demand.

² International Monetary Fund, *Regional Economic Outlook, Sub-Saharan Africa, April 2019; Recovery Amid Elevated Uncertainty, Washington DC.*

THE SEYCHELLES CONTEXT

The Seychelles being a small island nation, is reliant on the developments occurring on the international platform. The tourism industry, being the main pillar of the economy continues to bring foreign exchange to the economy which in turn contributes to the gross domestic output, whilst other sectors of the economy contribute a minority as opposed to this industry.

According to the Central Bank of Seychelles' Annual Report³, the total expansion in growth was 4.1 percent, a decrease of 0.2 percent when compared to the previous year.

The fisheries sector, which yields a lot of potential still remained untapped. As for the financial services sector, both on the banking and non-banking side are important pillars of the economy.

The tourism sector's active performance contributed an approximate of USD 564 million and an approximate of 361, 844 visitors, mainly from the European continent.

The local currency for 2018, experienced a downtrend when compared to the US dollar, Euro and the British Pounds. However, further analysis reveals that the downturns were mostly towards the Euro and the British Pounds as opposed to the US dollar.

Other developments within the economy included the implementation of the Progressive Income Tax (PIT) with the objective to address the issues of income disparity for and help in the alleviation of poverty.

For 2019, there is an expected growth rate of 3.5% for the Seychelles economy, lower than the previous rate experienced.

LOCAL CAPITAL MARKETS TRENDS

The sole stock exchange within the Seychelles jurisdiction known as TROP-X, will soon transition to its new brand name MERJ. This transition reflects the expansion of the exchange and the desire to diversify its portfolio into the offering of Crypto Assets.

For the year 2018, there was a total of 30 listings on the exchange, an increase of 25% as opposed to the previous year. Out of the

³ Annual Report 2018; Central Bank of Seychelles

30 listings, 28 are equities and 2 are debt listings. Majority of the companies who have shares on the exchange are incorporated domestically. In total on 2 companies are non-domestic.

Sacos Group Ltd, traded on the exchange with the symbol SAC, had a total of 2,000,000 shares listed. For the period of January 2018, a total of SCR 7 was paid out as dividends to shareholders. In November, the total dividends paid out was SCR1.50 per share. The highest price of the shares was SCR 125 and the lowest SCR100. Seychelles

Breweries Ltd (SBL) had a total of 12,600,000 shares listed. The dividends pay out stood at SCR 1 for the period of June and December with a total dividends yield of 7.39%.

The total market capitalization was USD 287 million as opposed to USD 258.66 million for the year 2017. When analyzed, the total market capitalization of the exchange has been gradually increasing over the years since the exchange commenced operation in 2013.

GLOBAL REGULATORY TREND

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 2018 are as follows:

FATCA

The United States' Foreign Account Taxpayer Compliance Act ("FATCA") aims to ensure that United States' ("U.S.") persons with financial assets outside the US are paying the correct amount of tax in the U.S. It was enacted in March 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act. It is an information reporting regime aimed at combating tax evasion by U.S. persons holding investments in accounts outside the U.S. FATCA focuses on reporting by foreign financial institutions about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

The Government of the United States and the Government of the Seychelles have reached an agreement in substance. Seychelles has adopted the Model 1 Intergovernmental Agreement ("IGA") which is an agreement between states. Whilst the agreement has not been signed as yet, it is still considered to be in effect. In Seychelles, all Financial Institutions (the definition of which includes a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company) had to register with the Internal Revenue Service ("IRS") by the 31st December 2014. Registration is required regardless of whether the financial institution has existing U.S. clients and is still open to any financial institution who has not applied as yet. The IGA requires financial institutions in the Seychelles to report information on financial accounts to the authorities in the Seychelles and also to register with the IRS. The Seychelles' authorities, in turn, provide this information to the IRS on an automatic basis. No data protection waivers are required and no 30

percent withholding tax on all U.S. sourced payments will be applied by the U.S.

BASELINE EROSION AND PROFIT SHIFTING (BEPS)

BEPS refers to tax planning strategies that exploit gaps and mismatched in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. The OECD has established an inclusive framework on BEPS, which allows interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS related issues and reviewing and monitoring the implementation of the whole BEPS Package.

Seychelles became the 84th member of the Inclusive Framework on BEPs on the 7th July 2016 following the first meeting of the Inclusive Framework of BEPS in Kyoto, Japan.

BEPS has altogether 15 standards (Actions) of which Seychelles will have to comply with the 4 minimum standards, as stated below:

Action 5: Counter harmful tax practices more
Action 6: Prevent treaty abuse

Action 13: Re-examine transfer pricing documentation

Action 14: Make dispute resolution mechanisms more effective

A review of all relevant preferential tax regimes was undertaken by the FSA in close collaboration with other government stakeholders and the private sector and amendments were made to the following legislations in order to bring them in line with BEPS:

1. The International Business Companies Act
2. The Companies (Special Licenses) Act
3. The Insurance Act
4. The Business Tax Act
5. The International Trade Zone Act
6. The Securities Act and Mutual Fund & Hedge Fund Act

These amendments will take effect on 1st January, 2019.

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 (“CRS”). In July 2014, the OECD further published the

Commentaries and technological modalities, which together comprise the entire Standard for Automatic Exchange of Financial Account Information in Tax Matters (herein referred to as “the Standard”). This is now the international standard for automatic exchange of financial account information. Pursuant to the Standard, financial institutions report information to the tax administration in the jurisdiction in which they are located. The information consists of details of financial assets they hold on behalf of taxpayers from jurisdictions with which their tax administration exchanges information. The tax administrations then exchange that information. The reporting obligations are similar to those imposed by FATCA. Seychelles is an early adopter and committed to implementing the new standard with the first exchanges occurring in September 2017.

OECD ECONOMIC SUBSTANCE REQUIREMENTS

The OECD has released new global standards that apply to ‘no or low nominal tax’ jurisdictions and that require ‘substantial activities’ in order for the tax regime not to be considered a harmful tax practice. Such is

termed as “Economic Substance requirements”. The objective is to prevent such no or low-tax jurisdictions from attracting profits from certain mobile activities without corresponding to any economic activity or bringing benefits to the jurisdiction. The types of mobile activities covered include headquarters, distribution centers, service centers, financing, leasing, fund management, banking, insurance, shipping, holding companies, and the provision of intangibles. It is to be noted that Seychelles is not categorised as a “no or low nominal tax” jurisdiction.

Why the introduction of “Economic Substance requirements”?

The OECD faced a situation following the introduction of substantial activity requirements for referential regimes only by creating a perceived level playing field issue with jurisdictions which had no or low-tax regimes. The specific concern that has been raised is that business could simply relocate to a no or only nominal tax jurisdiction to avoid having to meet the substance requirements that apply to preferential tax regimes. For example, some Inclusive Framework members which have a corporate income tax system offer

international business company regimes, and these jurisdictions have been assessed and committed to amend or abolish the regimes. If the regime is being amended, this includes the addition of substantial activities requirements. At the same time, similar international business company laws apply in no or only nominal tax jurisdictions, but based on the current application of the criteria, the Inclusive Framework would not ask for the same amendments or abolition of the corresponding legislation. It has been argued that this may even increase the pressure on taxing jurisdictions with low

rates of corporate income tax to consider abolishing them.

The OECD agreed to address this potential incoherence and address the perceived challenge to the level playing field, by drawing on the existing guidance issued by the Inclusive Framework on the substantial activities facto that applies for preferential regimes. This would hold similar mobile business activities to a similar standard, irrespective of whether they are taxed under a preferential regime or a no or nominal tax rate.

REGULATORY DEVELOPMENTS

SEYCHELLES MUTUAL EVALUATION REPORT (“MER”) BY THE EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (“ESAAMLG”)

The Eastern and Southern Africa Anti-Money Laundering Group (“ESAAMLG”) is a Financial Action Task Force (“FATF”) style regional body founded in August 1999, with the purpose to combat money laundering and terrorism financing by implementing anti-money laundering measures. The Mutual Evaluation (“ME”) exercise is designed to assess a country’s compliance with the international AML/CFT standards. This involves assessing whether the necessary Laws, Regulations or other measures required under the essential criteria of the FATF Methodology are in force and effective. The ESAAMLG is made up of 19 member countries (which also comprises of Seychelles) and 4 observer jurisdictions and 17 regional and international bodies. In September 2018, the Seychelles took over the Presidency and chairmanship of the ESAAMLG.

In June 2017, the FATF through the ESAAMLG initiated Seychelles’ second round of Mutual Evaluation Assessment. The first phase was to assess the Technical Compliance following which the assessors undertook two subsequent face-to-face meetings in Seychelles to assess

the effectiveness of how Seychelles was implementing the FAFT Recommendations.

In line with the adopted procedures for Mutual Evaluations Assessment, the assessors met with various stakeholders (being both government and private sector) to review the AML/CFT institutional framework, the relevant AML/CFT Laws, Regulations, Guidelines and other systems in place to deter and prosecute money laundering or the financing of terrorism. The Seychelles MER was adopted in September 2018 and published on November 9th, 2018.

The salient point of the MER has been that AML/CFT system in Seychelles is at an emerging stage and that the overall level of effectiveness is affected by inadequate capacity and enforcement in key competent authorities.

NATIONAL RISK ASSESSMENT

Recommendation 1 of the FATF calls on countries to identify, assess and understand the Money Laundering and Terrorist Financing risks they face as a jurisdiction and to designate an authority to coordinate the risk assessment.

At the beginning of 2016, the Seychelles started its National Risk Assessment (NRA).

In May 2018, the Cabinet of Ministers adopted the National Risk Assessment (“NRA”) Report and it was made available for all parties/stakeholders concerned to ensure that relevant parties know and understand the country’s associated Money Laundering and Terrorist Financing risks. Additionally, as part of the Mutual Evaluation, Seychelles was required to present a copy of the NRA Report to the assessors.

FINANCIAL STABILITY COMMITTEE

A Financial Stability Committee (“FSC”) has been created effective March 21, 2016 with the task of maintaining financial stability within the Seychelles’ domestic economy. Financial stability is the condition whereby the financial system is resistant to economic shocks without major disruption. With the higher number of market participants, a broader range of financial services and products on offer and a more liberalized economy, it is important that the financial system can withstand adverse domestic and external shocks. Members of the FSC are the Central Bank of Seychelles, which

has the Chairmanship, along with the Ministry of Finance, Trade, Investments and Economic Planning, the FSA and the Financial Intelligence Unit. The FSC is an advisory body where members can inform one another of rising risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive risk and collectively ascertain the state of financial stability within the country. Meetings are held on a quarterly basis.

The FSC met four times throughout 2018, during which potential risk areas were discussed. As had been the case for 2017, the threat of global de-risking remained. It was observed although several measure were taken the previous year had a positive impact, certain institutions still faced challenges to maintain correspondent banking relationships. The FSC, will be working in close collaboration with various stakeholders to establish a dedicated legal framework to implement the FSC’s mandate and objectives.

FSA BECOMES AN ASSOCIATE MEMBER OF THE IOSCO

The International Organization of Securities Commissions (“IOSCO”) is the international body that brings together the world's securities regulators and is recognized as the global

standard setter for the securities sector. The Commission was established in 1983 and its membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions, where securities regulators in emerging markets account for 75% of its ordinary membership. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation, furthermore IOSCO works extensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

IOSCO has three categories of membership; The Ordinary Membership, Associate Membership and Affiliated Membership, that reflect the different approaches to securities markets regulation, while also ensuring that those with an interest in the regulation of securities markets are also involved in the debate on securities market issues.

The FSA recently became an **Associate Member** of IOSCO on March 8th, 2018 and is currently working on the necessary legislative and regulatory changes in order to apply to become an Ordinary Member and a signatory

of the Multilateral Memorandum of Understanding ("MMoU"). These necessary changes would allow the FSA to cooperate and exchange information with its foreign counterparts. As a small island state, being an Associate Member of an international body will not only increase the Seychelles' visibility on the global environment, but will also improve the Seychelles' transparency and accountability by adhering to the IOSCO principles.

The two committees of relevance to Seychelles are the **Growth and Emerging Markets Committee**, which seeks to promote the development and greater efficiency of emerging securities and futures markets and the **Africa/Middle-East Regional Committee**, which is one of four regional committees constituted by IOSCO to focus on regional issues relating to securities regulation in the African/Middle-East region.

THE GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

In 2001, Seychelles became a member of the Global Forum, a sub-body of the OECD, as a sign

of its commitment to eliminate harmful tax practices. The commitment includes Seychelles adoption of certain standards in favor of transparency, non-discrimination and effective exchange of information, which are at the heart of the OECD's work.

PEER REVIEWS

Peer review aims to ensure compliance with international guidelines, standards and principles in order to maintain the availability of, the access to, and the exchange of all information relevant for tax purposes. The Peer Review process is undertaken in two phases. Phase 1 reviews, assess the quality of a jurisdiction's legal and regulatory framework for the exchange of information, while Phase 2 reviews, look at the practical implementation of that framework. At the final phase, a collective discussion on a draft report is held by the Peer Review Group. At this stage, the reports are thoroughly discussed and may be negotiated where disagreements arise over the assessment or recommendations. The report is then presented to the Global Forum and once adopted by the Forum, it is published.

SEYCHELLES' NEW PEER REVIEW

Seychelles last report in relation to this work was published in 2015 where Seychelles was rated "largely compliant" overall with the International Standard for Exchange of Information on Tax Matters.

Seychelles' new Peer Review was officially launched on the 6th December, 2018. Once again, the Seychelles' legal and regulatory framework for transparency and exchange of information for tax purposes as well as the practical implementation of that framework will be assessed. However, compared to the previous review, as per the revised methodology, this review will also cover the availability of beneficial ownership information of legal entities and legal arrangements. The draft report is expected to be submitted to the Peer Review Group for consideration and discussion at the Peer Review Group meeting in December 2019. Seychelles will continue to take all necessary monitoring and supervisory steps to ensure that it pursues all its efforts in maintaining and improving its exchange of information framework.

OUR OPERATION

INTERNAL AUDIT

The Internal Audit Unit of the FSA was established in the year 2015, in accordance with Section 10 of the FSA Act, as a key component of the FSA's governance framework. The Internal Audit Unit is mandated by an Internal Audit Charter which was approved by the FSA's Board.

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

During the year 2018, the Internal Audit Unit performed and completed a number of scheduled audit engagements which resulted in recommendations for improvement and strengthening of internal controls to manage emerging risks. Several new policies and procedures manuals have been drafted and a number of existing manuals have been updated by management, as a result of the internal and external audit's recommendations. The new policies and procedures manuals include:

- the Asset Management Policy
- the Stores and Inventory Policy and Procedures Manual
- the SITZ Guidelines and Procedures for operators and tenants
- Delegations of authority for signing of accountable documents, cheques and banks
- the Credit and Debtors Management Policy

The Internal Audit Unit is proactively engaging with management by performing continuous follow ups of corrective actions with set deadlines to ensure the non-recurrence of audit observations.

OUTLOOK FOR 2019

For the year 2019, the focus of the Internal Audit Unit will be to –

- a) promote and improve the risk management culture within the FSA;
- b) Widen the scope of audit work to include more of the mission critical areas of the FSA;
- c) Engage in relevant capacity development and on-going learning to improve skills and competencies.

LICENSING
AND
SUPERVISION

THE FSA'S AUTHORIZATION PERSPECTIVE

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

LICENSING PROCESS

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

application for a licence should be submitted in accordance with the respective law and guidelines. Guidelines that will assist applicants in the submission of an application, as well as the application forms, can be accessed on the FSA's website (www.fsaseychelles.sc).

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

THE FSA'S AUTHORIZATION PERSPECTIVE

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

Request for approvals may include new business applicants wanting to enter the sector or existing licensees wanting to extend their current services, seek additional permissions

for the provision of other regulated activities or undertake substantial changes in their operation. The application process includes the submission of the following documentation as

well as any other information deemed necessary by the Authority in making its determination.

Application Documents

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

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

certain senior staff and officers. In addition, key persons vetted by the Authority include shareholders and beneficial owners.

Customer Due Diligence (CDD) Documents

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

- Proof of identity (passport, national identity card, driving license, etc.)
- Proof of address (utility bills, etc.)
- Proof of financial integrity and soundness (bank reference)
- Employment references
- Police clearance certificate
- Declaration of whether a person is a Politically Exposed Person
- Face to face interview (as required)

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

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

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

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

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

Overview of On-site and off-site supervision

Off-site (Desk-based surveillance)

Off-site supervision involves a broad spectrum of activities including, but not limited to:

- regulatory approval
- determining compliance by licensees and other regulated persons with applicable laws, codes, guidelines and established best practices
- reviewing and understanding material issues disclosed by the financial statements
- identifying early warning signs of potential problem areas in the regulated entities
- assist on-site supervision team in focusing on high-risk areas and areas of greatest weakness in each licensee
- assist on-site supervision team to follow up on the compliance by the licensees and other regulated persons with any condition or direction

On-site Supervision

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

- monitor licensee's and other regulated person's adherence to the relevant laws
- ensure licensees and other regulated persons adhere to good corporate governance
- gain an understanding of licensee's and other regulated person's operations to identify the risk associated with their business and how these risks are being managed
- evaluate the risk management processes established by licensees and other regulated persons
- evaluate the internal control procedures established by licensees and other regulated persons
- review the roles performed by the board of directors and senior management

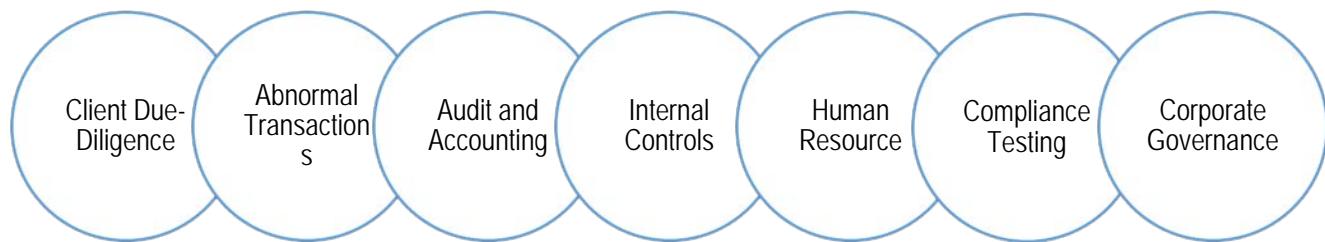
TYPES OF ON-SITE INSPECTIONS

On-site inspections may be general or theme based.

GENERAL-BASED

The inspection teams perform holistic reviews of the licensees and other regulated persons to

assess their operations, governance and risk management processes against regulatory requirements and standards. These full-scope inspections delve in the following aspects of the operations of a licensee intervention. These may be done in collaboration with the Financial Intelligence Unit (FIU).



THEME BASED

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

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

and discussed with directors and senior management of the licensee prior to a final report being issued. The final report informs the directors and management of the licensee of any adverse matters that require attention and deadlines to effect the corrections of those matters. The inspection cycle depends on the nature of the licensee and the respective supervisory unit's risk assessment.

REGISTRY SECTION

FUNCTIONS AND KEY RESPONSIBILITY

The Registry Section (“the Section”) administers the Registry legislations set out per Part 2 of Schedule 1 of the Financial Services Authority Act under which either the FSA CEO or the FSA itself is mandated to act as the Registrar. The Section administers the following laws:

- The International Business Companies Act, 2016
- The Foundations Act, 2009
- The International Trusts Act, 1994
- The Limited Partnerships Act, 2003

The Section is responsible for ensuring that the different registers for the different entities or legal arrangements are maintained in accordance with the provisions of the relevant laws that govern them.

The main duties and responsibilities of the Registry Section focus on the registration of specified entities in the first instance (i.e. incorporation or registration) such as International Business Companies (“IBCs”) and Foundations in accordance with the relevant legislations.

The Section also processes post-registration transactions including the renewals of legal personalities and amendments to their constitutional documents that are files at the Registrar.

The Registry Section is also responsible for the issuance of Certificates of Good Standing and Certificates of Official Search as well as other information upon requests made in accordance with the relevant provisions of the legislations.

The main areas of priority for the Registry Section is to ensure a culture of high performance and high levels of service delivery vis-à-vis its core responsibilities. Additionally, the Registry Section is committed to ensuring that the records it keeps are as complete and accurate as possible.

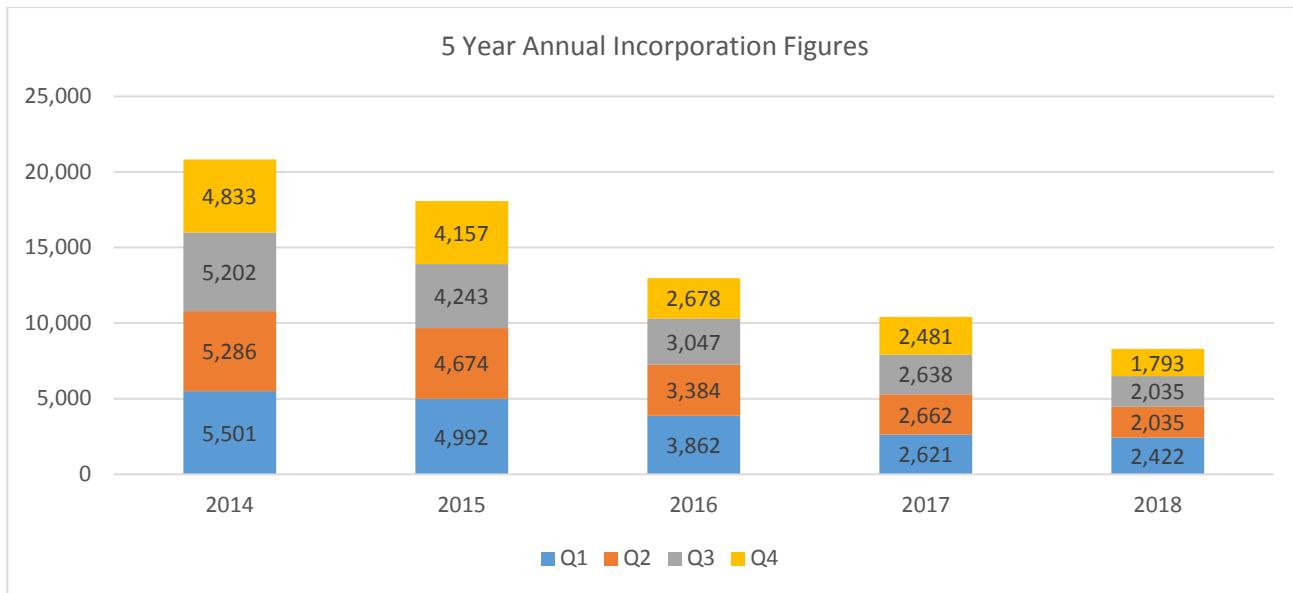
GENERAL OVERVIEW OF LEGAL PERSONALITIES AND ARRANGEMENTS FORMED IN 2018

Products	2018
IBCs	8,285
Foundations	74
International Trusts	55
Limited Partnerships	1

IBCs

New incorporations of IBCs for the year ended 2018 amounted to 8,285 companies. This figure represents a decrease of 20% when compared to the total incorporations for the

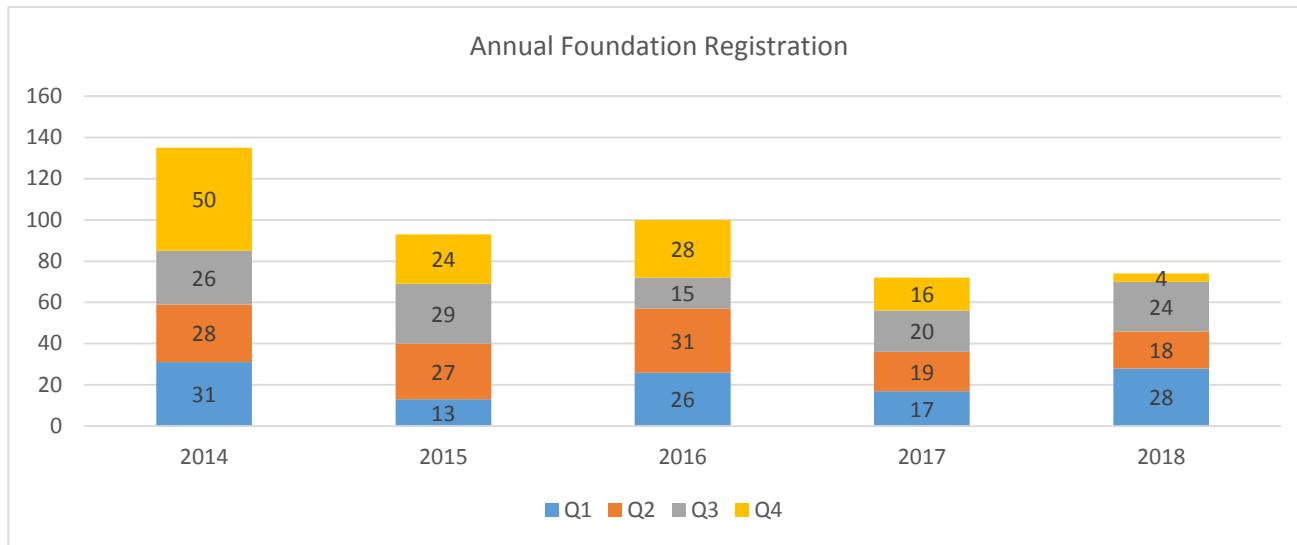
year ended 2017. The average number of companies incorporated on a monthly basis was 690 IBCs per month during 2018 compared to the monthly average of 1,000 in 2016.



FOUNDATIONS

New Foundations registered during the year increased by 3 % from 71 Foundations in 2017 to 74 Foundations in 2018.

Cumulatively there were 760 Foundations as at December 31st, 2018 resulting in a growth of 3% from 2017 overall figures.



INTERNATIONAL TRUSTS

New registration of International Trusts Declarations for the year 2018 was 55, representing a 67% increase on the 2017 total which stood at 33 International Trusts Declarations Registered.

OVERALL REGISTRY STATISTICS

The year 2018 recorded a decline of 20% compared to 2017 in relation to new yearly IBC incorporations that stood at 8,285 companies incorporated for the year. This continued the trend of a sustained decrease in annual incorporation figures starting in earnest in the year 2015. The rate of percentage decrease has increased as in between 2014 and 2015 the rate of decline stood at 13% whereas the figure increased in 2018 to 60% when compared to

2014. The rate of decline from the preceding year (2017) was 20%.

The Foundations registration showed an increase of 3 % when comparing 2018 registration statistics to that of 2017.

International Trusts also showed an increase of trusts in 2018 to 55 new trusts representing an increase of 67% in 2018 when compared to 2017 numbers.

IBCs	2015	2016	2017	2018	% Change
Cumulative Total	176,558	189,706	199,931	208,216	4%
New IBCs	18,066	12,971	10,402	8,285	-20%
Foundations					
Cumulative Total	514	614	686	760	3%
New Foundations	93	100	72	74	3%
International Trusts					
Cumulative Total	659	696	729	784	67%
New International Trusts	53	37	33	55	67%

KEY ACHIEVEMENTS OF 2018

The year 2018 proved to be an important year for the Registry Section particularly considering the number of changes to the Section's processes necessitated by the enactment of the IBC Act enacted late 2016 and certain regulatory deadlines that were imposed by the same Act notably with respect to the Register of Directors' filing requirement.

OUTLOOK FOR 2019

Following the amendments made to the IBC Act in December 2018, the Section will need to review its processes and information systems

in order to bring them at par with the new requirements of the new amendments.

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

INTERNATIONAL TRADE ZONE SECTION

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

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

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

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

- Light Assembly
- Processing

- Redistribution
- Export Services
- Manufacturing

KEY RESPONSIBILITIES

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

Employment matters within the ITZ are governed by the ITZ (Employment) Regulations, 1997 and the ITZ (Conditions of Employment) Order, 1997. These Regulations provide for the establishment of an Employment Council to advise the Minister and the FSA on all matters relating to employment within the ITZ, including grievance matters. Therefore, one additional mandate of the ITZ Section is to ensure compliance by ITZ licensees to these Regulations.

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

The ITZ Section also administers the Hire Purchase and Credit Sales Act which became operational in March 2014. However, the Regulations were only enacted in 2018, to provide for applicable fees and charges.

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.

CREDIT SALES AGREEMENT

Similar to the Hire Purchase Agreement, a Credit Sale is when goods are bought by a buyer from a dealer, for which the buyer does not have to pay the cash price of the goods at the time of purchase. Instead, the buyer pays for the goods over time through monthly instalments. However, unlike the Hire Purchase, the ownership of the goods bought passes to the buyer at the time the credit sales agreement is entered into or upon delivery of the goods.

STRUCTURE

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

The ITZ Licensing Unit is responsible for the licensing and supervision of all ITZ licensees so as to ensure that licensees comply with the ITZ legislations as well as any other relevant legislations in Seychelles. In relation to employment matters under the ITZ, the Unit conducts regular employment visits at the premises of the ITZ licensees. The Unit handles complaints or enquiries from ITZ employees and employers. Additionally, the Unit processes any employment grievances lodged by ITZ employees or employers in accordance with the ITZ (Employment) Regulations. This includes conducting the appropriate investigation in regards to the grievance, acting as the intermediary during joint consultations between employer and employee, and determines a way forward upon conclusion of the grievance procedure.

KEY DEVELOPMENTS OF 2018

During the course of 2018, the ITZ Section:

- Reviewed the SITZ Guidelines and Procedures for Operators and Tenants, with the collaboration of the Finance Section. The aim of this review was to illustrate clear processes and procedures to be followed by the zone operators in order to maximize rent collection. This will ensure both compliance and create an effective management of revenue system for the FSA.
- Made recommendations with regards to proposed amendments to bring the ITZ Act in line with the OECD's BEPS requirements.

AUTHORIZATION PROCESS

The ITZ Section follows the same application process as that of the other licensing section of the FSA in terms of the documentations required. However, unlike other licensing sections within the FSA, the ITZ Section does not

place particular emphasis on "Fit & Proper" of individuals within ITZ licensees.

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

The number of new licences issued in 2018 per licence type are as follows:

Licence	Approved	Rejected
Export Services	-	-
Redistribution	-	-
Light Assembly	-	-
Processing	-	-
Manufacturing	-	1
Telecommunication	-	-

Only one application for an ITZ licence was submitted in 2018. However, the application was declined as the applicant failed to provide sufficient information pertaining to the proposed business activity and certain documents submitted were deemed to be false and misleading.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2014	2015	2016	2017	2018
Export Services	14	13	11	11	11
Redistribution	9	9	10	9	6
Light Assembly	1	1	1	1	1
Processing	7	8	8	8	7
Manufacturing	2	3	3	2	2
Telecom.	1	0	0	0	0

SUPERVISION PROCESS

During the onsite supervision visit, the ITZ Section assesses the premises of the ITZ licensees, ensuring that the premises are not easily accessible by the public and ensuring that the business activities being conducted within the premises are within the activities specified in the licence of the licensee. The relevant records of the licensee are inspected so as to ensure that, as per the revenues recorded on its financial records, all goods are being exported rather than being sold to the local market (unless the licensee has been allowed to sell a particular portion of its goods or services to the local market). The importation records of a licensee are inspected to ensure that there is no abuse in tax concessions granted under the ITZ licence.

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

INSPECTIONS UNDERTAKEN

Licensee	2018
Export Services	3
Redistribution	2
Light Assembly	1
Processing	3
Manufacturing	1
Total inspections	10

Enforcement Actions

The ITZ Section did not undertake any enforcement actions against any licensee under its administration in 2018.

COMPLAINTS

For 2018, no complaints were received from licensees or general public.

OUTLOOK FOR 2019

For 2019, the ITZ Section will be working closely with other sections of the FSA and other stakeholders to further review the current ITZ regime to bring it at par with international standards and develop it into a competitive

product. While amendments were undertaken in 2018 to review the ITZ Act vis-à-vis geographically mobile activities (i.e. services) to meet the OECD's BEPS requirements, further amendments need to be undertaken to the legislation to bring geographically immobile activities (e.g. manufacturing activities) in line with the EU Code of Conduct for Business Taxation requirements.

INSURANCE AND PENSION SUPERVISION SECTION

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

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

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

KEY RESPONSIBILITIES

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

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

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

The FSA is designed to supervise financial institutions and licences with structures similar to those of the Pension Fund. For instance, life insurance companies that sell life insurance policies have parallel investment functions to the Pension Fund. Therefore, the IPS Section will administer the regulation of the Seychelles

Pension Fund upon transfer to the FSA in the near future.

STRUCTURE

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

KEY DEVELOPMENTS OF 2018

During the course of 2018, the following insurance codes for the industry were drafted and implemented:

- Claims Management
- Market Conduct for Insurance Brokers
- Requirement for Actuarial Reporting
- Reinsurance Arrangement
- Risk Management and Internal Controls

AUTHORIZATION PROCESS

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

NEW LICENSE APPLICATIONS

The table below depicts the number of applications received for 2018.

	Approved	Rejected
Domestic Insurer	1	0
Non-Domestic Insurer	0	1
Broker	3	0
Agent	0	0
Sub-Agent	4	0

OVERVIEW OF NUMBER OF LICENSES OVER THE PAST 5 YEARS

Licence	2014	2015	2016	2017	2018
Domestic Insurance	6	5	5	5	6
Non-Dom. Insurance⁴	4	6	7	8	8
Brokers	13	13	12	14	17
Non-Dom. Brokers⁵	1	1	1	1	1
Agents	2	2	2	3	3
Sub-Agents	38	36	35	37	41
Insurance Managers	0	0	1	1	0
PIR⁶	1	2	3	2	2

FIT AND PROPER APPROVALS

For the year 2018, the FSA has rejected 3 Fit and Proper applications. The Section has carried out 37 Fit and Proper assessments in 2018.

SUPERVISION PROCESS

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

- Actuarial reports
- Updated business plans
- Reinsurance treaties
- Quarterly Returns Forms

INSPECTIONS UNDERTAKEN

Nº of Visits	
Domestic Insurer	1
Broker	-

⁴ Non-Domestic Insurance

⁵ Non-Domestic Brokers

⁶ Principle Insurance Representatives

ENFORCEMENT ACTIONS

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Non-Domestic insurer	1	-	-	-	-
Domestic Insurer	2	1	-	-	-
Broker	2	-	5	-	-
Agent	-	-	-	-	-
Sub - Agent	-	-	1	1	-
Insurance Manager	1		1	1	1

COMPLAINTS

The table below depicts the total number of complaints received by the IPS Section for 2018 against the category of licensee.

	Domestic Insurer	Broker
Complaints Received	11	3
Resolved Complaints	10	3
Unresolved Complaints	1	-

OUTLOOK FOR 2019

The following key projects are expected to be undertaken by the Insurance Section in 2019:

- Develop an ORSA (“Own Risk Solvency Assessment”) Framework for the licensed insurers
- Explore Captive Insurance Market as a new product
- Finalize the amendments of the Insurance Act

The table below illustrates an overview on how the market is developing in terms of Gross Written Premiums (“GWP”) and Total Assets (“TA”).

General Insurance Business		
Year	Gross Written Premium (SCR)	Total Assets (SCR)
2011	213,680,626	287,377,214
2012	256,511,231	316,831,066
2013	270,522,397	314,330,464
2014	288,731,953	388,142,731
2015	316,564,178	369,720,203
2016	336,903,832	406,660,477
2017	352,207,253	428,886,621
2018	385,996,525	510,329,899

Life Insurance Business		
Year	Gross Written Premium (SCR)	Total Assets (SCR)
2011	51,154,726	392,455,666
2012	52,794,662	415,740,894
2013	63,210,833	437,522,422
2014	61,854,650	455,958,877
2015	61,336,622	486,358,159
2016	70,642,280	476,847,036
2017	68,857,550	542,950,151
2018	77,539,443	566,376,698

GAMBLING SUPERVISION SECTION

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

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

KEY RESPONSIBILITIES

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

STRUCTURE

The GS Section currently comprise of one unit whereby both the authorization and supervision functions are undertaken. The authorization function entails the processing of applications, vetting of key persons in the

gambling industry, approving gambling premises, attending to queries and handling of complaints. The supervision function entails both on-site and off-site supervision duties.

KEY DEVELOPMENTS OF 2018

Representatives of the GS section and other sections attended an in-house training on various topics related to gambling. The training was delivered by representatives from the Gaming Laboratories International (“GLI”) Africa, an international well-recognized gaming laboratory which provides various services such as testing, certification and consultancy.

Representatives of the GS Section attended the 14th Annual GRAF Conference for the first time where participants were able to meet various gambling authorities of Africa to share knowledge and experiences on the gambling industry, its impact on economies and societies and the challenges that it presents.

As part of the Financial Education Strategy, the GS Section in collaboration with Ms. Labiche (the Head of Psychological Services and Chairperson of the Health Research and Ethics Committee) raised public awareness of responsible gambling and gambling addiction

during the first Financial Education Fair which took place in November 2018.

AUTHORIZATION PROCESS

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

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

3. The employees of licensees which must hold a certificate of approval from the FSA.

NEW LICENCE APPLICATIONS

The table below depicts the number of applications received for 2018.

	Approved	Rejected
Casino	0	0
Slot Machine	0	1
Interactive Gaming	0	0

The application received in 2018 was rejected as it was incomplete and there were insufficient supporting documents.

OVERVIEW OF NUMBER OF LICENCES OVER THE PAST 5 YEARS

Licence	2014	2015	2016	2017	2018
Casino	4	4	4	5	5
Slot Machine	4	6	5	7	7
Interactive gaming	-	-	-	-	-

SUPERVISION PROCESS

During the onsite inspection, the Section inspects the gambling devices, electronic monitoring, security and surveillance systems and accounting records. Unlike other sections within the FSA, the GS Section also undertakes night spot checks where they inspect entrance notices, rules and licence certificate on display, presence of security officers, the atmosphere

on the gaming floor and the security and surveillance systems, if possible.

INSPECTIONS UNDERTAKEN

Licence	Nº of night spot Checks
Casino	8
Slot Machine	14

ENFORCEMENT ACTIONS

UNDERTAKEN

The GS Section did not undertake any enforcement actions.

COMPLAINTS

The table hereunder depicts the total number of complaints received by the GS Section for 2018 against each category of entity.

	Casino	Slot Machine
Complaints Received	1	2
Resolved Complaints	1	2
Unresolved Complaints	-	-

Most of the complaints received were from the players suspecting the operators from manipulating the different games.

OUTLOOK FOR 2019

The GS Section anticipates to review the legal and supervisory framework of the gambling sector in Seychelles with the assistance of a consultancy firm. The new legislative framework is expected to resolve the shortcomings which currently exist with the current law taking into account new technological development in the gambling industry. The private sector will be invited to actively engage in the development of the new legislative framework.

The GS Section will be reviewing its internal procedures in order to achieve greater efficiency in its internal processes and service delivery. New guidelines are expected to be issued for licensees.

The GS Section will continuously focus on capacity building, training and self-developments.

FIDUCIARY SUPERVISION SECTION

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

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

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

KEY RESPONSIBILITIES

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

STRUCTURE

In order to achieve its mandate, the FS Section is segregated into four clusters, namely the Authorization Cluster, Off-Site Cluster, On-Site

Cluster and the Risk and Compliance Cluster (which comprises of two sub-units being the Compliance Unit and the Financial Analysis Unit), each having direct responsibility for the supervision of specific regulated activities.

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

The Off-Site Cluster mainly undertakes desk-based supervision of the conduct of licensees. These include, but not limited to, the monitoring of business conduct and activities of licensees to ensure that it is in line with the relevant laws, codes, guidelines, licensing conditions and any directions or directives issued by the FSA. The cluster also handles appointment of officers, changes in legal and beneficial ownership of the licensees, acquisitions and mergers and advertising materials of licensees. The On-Site Cluster is tasked to obtain first-hand insight into the internal control, risk management structure and compliance of licensees. It entails monitoring licensees' adherence with all applicable laws, regulations and codes. This is

undertaken through themed based or full scope on-site examination.

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

licensees under the ICSP Act and companies under the Companies (Special Licences) Act, 2003.

AUTHORISATIONS PROCESS

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

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

NEW LICENSE APPLICATIONS

The table below depicts the number of applications received under the International Corporate Services Providers Act for 2018.

2018	ICS	ITS	FS
Fully Fledge Licence Applications			
Approved	4	3	5
Rejected	1	0	0
Withdrawn	1	0	0
Managed Service Provider Licence Applications			
Approved	0	N/A	0
Rejected	0	N/A	0
Withdrawn	2	N/A	0

The application was rejected in view that the applicant did not meet the dual control requirement.

The table below depicts the number of applications received under the Companies (Special License) and the Protected Cell Companies Act for 2018.

2018	CSL	PCC
Approved	5	1
Rejected	2	0
Withdrawn	0	0

The applications were rejected as the applicants failed to submit the requested additional documents and the application processing fee.

FIT AND PROPER APPROVALS

The FSA is vested with the responsibility of preventing individuals who may pose certain risk to the sector from entering. As such any

director or member of managerial staff, including managers and other employees having significant powers or responsibilities with respect to the business activities of the licensee, must undergo the Fit and Proper test.

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

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

The table below depicts the total number of fit and proper determinations made in 2018.

2018	ICS	ITS	FS
Approved	39	13	19
Rejected	12	3	2

The applications were rejected as the applicants failed to meet the fit and proper criteria.

ON-SITE INSPECTIONS

Theme base Onsite Examination

For the year 2018, the On-Site Cluster undertook focused inspections at the premises of 22 licensees in order to inspect the records

of a sample of IBCs under the administration of the licensees. In total, 7,485 IBCs were inspected where the focus was in the following areas:

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

INDEPENDENT VERIFICATION INSPECTIONS

The Code for International Corporate Service Providers requires licensees to monitor compliance by specified entities (including IBCs) and foundation, with certain record-keeping requirements and to periodically inform the FSA of any continued non-compliance by the specified entity or foundation. It should be noted that in most cases, the reported non-compliance was rectified prior to the conduct of independent verification by the FSA, except for certain IBCs under the administration of one licensee.

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

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

*Note that in light of the amendments in the IBC Act, the Annual Returns were not inspected for the year 2018

FULL SCOPE INSPECTIONS

The On-Site Cluster conducted one full scope onsite inspection in 2018 at the office of one licensee. The inspection focused on the following areas:

- Compliance Testing

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

APPROVALS FOR REQUEST FOR CERTAIN CHANGES

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

The following table illustrates the various changes recorded and approved by the Authority under the ICSP Act for the year 2018.

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

COMPLAINTS

The table hereunder depicts the total number of complaints received by the FS Section for 2018 against each category of entity.

	Total Complaints Received
IBCs	9
ICS	10
Non-Seychelles Entities	6

The complaints received varied from the non-payment of exit fees, fraudulent transactions and services provided by the licensees.

ENFORCEMENT ACTIONS

Directives issued pursuant to section 26(1) of the FSA Act	0
Directions issued pursuant to section 32(1) of the FSA Act	5

WEBSITE REVIEW

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

KEY DEVELOPMENTS OF 2018

In 2018, the FS Section was party to a number of initiatives and in the fourth quarter of the year, the section underwent some minor restructuring. The main initiatives and projects were as follows:

FAMILIARIZATION TRAININGS

As part of the FS Section's staff development, plan and strategy to ensure that its remains abreast and on par with international norms and best practices, staff from the FS section undertook familiarization trainings to the Isle of Man and Mauritius with the aim to:

1. Better understand their regulatory environment in respect to regulatory conduct and the AML/CFT framework
2. Better understand their specific regulatory/supervisory functions
3. Build the capacity of staff for off-site supervision and on-site inspection procedures
4. Better understand the employed internal arrangement (in terms of the organizational structure) and the various functions and inter-relationships within the departments

ESAAMLG TYPOLOGIES GROUP

In the April 2018 ESAAMLG Plenary meeting held in Arusha a Sub-Committee comprising of Seychelles, Zambia and Zimbabwe was created and tasks to present the Concept Paper on the vulnerabilities linked to the Concealment of Beneficial Ownership to the Working Group for adoption.

The FS Section is leading this project for Seychelles together with the Central Bank of Seychelles and the Financial Intelligence Unit.

GROUP OF INTERNATIONAL FINANCE CENTRES SUPERVISORS' MEETING

The Group of International Finance Centre Supervisors ("GIFCS") regroups financial services supervisors with a core interest of promoting the adoption of international regulatory standards especially in the banking, fiduciary and AML/CFT arena. The Group is a recognized leading authority on the regulation of trust and company service providers, and the interface of these intermediaries with AML/CFT standards. One staff of the FS Section attended the meeting in Abu Dhabi in November as an observer and the FSA is in the process of applying for a full membership of the GIFCS.

OECD ASSESSORS TRAINING

From 3rd to 7th December, 2018 the one staff of the FS Section attended the Global Forum on Transparency and Exchange of Information in Tax Matters held in Lisbon, Portugal. The main purpose of the training seminar was to coach future assessors who will be members of assessment teams responsible for carrying out the Global Forum's peer reviews and specifically, to prepare the FSA for the upcoming review on exchange of information upon request scheduled for 2019.

OUTLOOK FOR 2019

AUTOMATION OF MANUAL PROCESS

The FSS has identified key processes, which can be automated in order to increase the efficiency of our workforce. With the ever-increasing demand for human capital to perform smarter, faster and more productively, it is vital to embed technologies into daily work processes to assist and facilitate company goals. Currently the section is utilizing in-house developed software to assist with some of its processes relating to IBCs. However, it has been established that there are other critical

processes which, through an automation process, will decrease certain services delays, namely:

- Lodging of application for licences
- Request for renewal
- Lodging of compliance form
- Industry surveys
- Request for Information
- Issuance of reminders to licensees
- Lodging of complaints
- Integrated database for all entities under the FSA's purview
- Analysis of collected data

FOCUSED ONSITE INSPECTIONS

In order to ensure the availability of legal ownership and beneficial ownership of legal entities and legal arrangement, the section will be undertaking a number of onsite inspection at the offices of the licensees. In terms of ensuring the availability of accounting information, the section will be working closely with the Seychelles Revenue Commission in order to test the availability and quality of such records being kept by legal entities and legal arrangements under the purview of the FSA.

CAPITAL MARKETS & COLLECTIVE INVESTMENT SCHEMES SUPERVISION SECTION

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

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

The Securities Act, 2007 governs the securities business in or from the Seychelles. This Act provides for the licensing, regulation and supervision of the Seychelles Securities Exchange, its clearing agency, securities facility and market intermediaries such as securities dealers and investment advisors. It also sets requirements for the public issue of securities and those issuers' ongoing obligations.

KEY RESPONSIBILITIES

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

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

The need for regulation and supervision stems from the duty of the FSA to protect the interests of the investors. If capital market intermediaries and collective investment schemes are left unregulated and unsupervised, such persons may act in a manner which subordinates the interests of the investors to that of their own. This is detrimental to the public interest. The collapse of a capital market institution or a collective investment scheme or an act of irregularity in such an institution may deter public confidence in the capital market and in collective investment schemes. Thus the need for regulation and supervision of such activities. Regulation without supervision serves no

useful purpose. Even in the most regulated and best supervised markets, there are institutions collapsing due to insolvency and scams. These cannot be totally prevented, but the incidence of such occurrences may be reduced if proper regulation and supervision is in place.

The benefits of regulation and supervision are as follows:

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

The objectives of regulation and supervision are as follows:

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

- To foster the stability of regulated entities

STRUCTURE

The CM&CISS Section is comprised of 3 units:

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

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

NUMBER OF NEW LICENSES ISSUED IN 2018 PER PRODUCT TYPE

Licence	2017
Professional Fund	1
Private Fund	1
Public Fund	1
Exempt Foreign Fund	0
Fund Administrator	0
Approved Foreign Administrator	0
Restricted Fund Administrator	0
Investment Advisor	1
Investment Advisor's Representative	1
Securities Dealer	6
Securities Dealer's Representative	7
Securities Exchange	0
Clearing Agency	0
Securities Facility	0

AUTHORISATION PROCESS

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

ENFORCEMENT ACTIONS

The table hereunder depicts the enforcement actions taken by the CM&CISS Section for 2018:

	Directions	Directives	Penalty Fees	Suspensions	Revocations
Professional Fund	4	-	-	-	-
Private Fund	3	-	-	-	1
Public Fund	2	-	-	-	-
Fund Administrator	2	-	-	-	-
Investment Advisor	4	-	1	-	-
Securities Dealer	8	0	2	1	1
Securities Exchange	-	-	-	-	-

COMPLAINTS

The table hereunder depicts the total number of complaints received by the CM&CISS Section for 2018 against each category of entity.

Securities Dealer	
Complaints Received	4
Resolved Complaints	-
Unresolved Complaints	4

The complaints received varied from investors not being compensated for bad investments to bank related issues and persons making false representation of being licensed.

KEY DEVELOPMENTS OF 2018

The FSA hosted the 40th Bi-annual meeting for the Committee of Insurance, Securities and Non-Banking Authorities (“CISNA”) from April 18th to 20th, 2018. CISNA consists of the non-banking financial authorities namely, Capital Markets, Collective Investments Schemes, Insurance companies, Retirement funds and providers of intermediary services in the SADC.

The CISNA committees meet twice yearly. The different committees met during the week to discuss each country’s achievements and the way-forward as a committee.

CM&CISS was tasked with emerging with regulations for Financial Technology (“Fintech”) Regulatory Sandbox. The proposed sandbox regulations were presented to the Cabinet of

Ministers and endorsed on December 19th, 2018. The FSA engaged PricewaterhouseCoopers (“PwC”) Hong Kong to carry out a readiness assessment for the FSA and also provided a capacity building session on Fintech for FSA staff and industry stakeholders.

In line with the Financial Sector Development Implementation Plan (“FSDIP”) for Seychelles, CM&CISS Section worked in collaboration with the Central Bank of Seychelles on a policy and strategy on Islamic Finance and Banking. The policy paper was presented and approved by the Cabinet on December 19th, 2018.

The FSA became an Associate Member of IOSCO on March 8th, 2018. The FSA is subsequently working to make the necessary legislative and regulatory changes in order to submit its application for Ordinary Membership within the next 12 months.

In consideration of Seychelles’ commitment towards removing harmful preferential tax regimes in the context of the OECD’s Base Erosion and Profit Shifting (BEPS) initiative, amendments were made to the Securities Act and the Mutual Fund and Hedge Fund Act to provide for the minimum substance requirements to be met by fund administrators

and businesses under the Securities Act in order to benefit from the concessionary tax rate. The substantial activity requirements will be met if the licensee undertakes its core income generating activities in Seychelles with reasonably adequate number of suitably qualified persons and incurs an adequate amount of operating expenditures for such activities.

OUTLOOK FOR 2019

REVIEW OF PROCESSING PROCEDURES

The CM&CISS Section intends to finalise its internal operational processes with the aim of streamlining and easing the application process and improving overall efficiency and service delivery standards.

Following the FSA's continued efforts to improve the quality of services delivered, the CM&CISS Section intends to update the relevant application forms and establish clear guidelines to create a more efficient system whereby reducing the time taken to process an application.

The following are the service standard targets for 2019 for the processing of new applications:

Licence Application	Timeframe
Private/Professional Fund	7 working days
Public Fund	30 working days
Fund Administrator	30 working days
Investment Advisor/Representative	30 working days
Securities Dealer/Securities Dealer Representative	30 working days
Approval for Foreign Approved Licensees	20 working days

SUPERVISION FRAMEWORK

As part of the FSA's continued efforts to improve the quality of monitoring and supervision carried out, the CM&CISS Section intends on implementing a risk-based supervision approach towards regulating and supervising its licensees and other regulated persons. The CM&CISS Section is reviewing and enhancing its on-site and off-site supervision policies and procedures and have the respective supervision framework fully implemented in 2020.

DEVELOPMENTS OF NEW PRODUCTS

The section will be working in close collaboration with the other sections of the FSA and other stakeholders to consider new products in order to expand the range of products on offer, in particular:

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

The FSA intends to finalise and implement the sandbox regulations, offering firms a more flexible regulatory regime. This would also aid to minimize any legal uncertainty and allow the firm to operate under a controlled environment under the FSA's supervision and to later graduate to mainstream regulations. The respective regulations have been forwarded to the Attorney General's Office for drafting.

IOSCO MEMBERSHIP APPLICATION

Following the FSA's successful acceptance as an Associate Member of IOSCO as of March 2018, the FSA will be working to address any legislative (and other regulatory or administrative) gaps to be in compliance with

all requirements of the IOSCO MMoU and submit its application for Ordinary Membership by 2019. The FSA will be working closely with IOSCO during the screening process of the FSA's application.

MINIMUM SUBSTANCE REQUIREMENTS

Following the introduction of the minimum substance requirements to be met by fund administrators and businesses under the Securities Act in order to benefit from the concessionary tax rate, the section will be working in close collaboration with the Policy and Legal Section and the Seychelles Revenue Commission in order to provide clearer guidance on substantial activity requirements on what will constitute "reasonably adequate" number of suitably qualified persons and "adequate" amount of operating expenditures for such activities.

SUPPORT SERVICES

INFORMATION SYSTEM SECTION

The responsibility of the Information Systems section is to provide technological support to the different sections within the FSA through the establishment of international standards and to safeguard the Information Technology infrastructure of the FSA. The section continues to assess the technological requirements of the organization and in collaboration with management, find new ways in which the organization can build a competitive advantage by introducing Information Technology in the daily operations to make it more efficient.

OUTLOOK FOR 2019

The goal for 2019 is to collaborate with management and harness the capabilities of

Information Technology to further enhance the service delivery. For the year 2019, the Information Systems section will be working on two major projects. The first project is working with an international development company in order to revamp the FSA's website so that it becomes easier to navigate so that information can easily be retrieved by our clients and the general public. Another important task of 2019 is to create an online system for submission of licence applications which will streamline the application process to become more effective and efficient. Once completed, all applications will have to be submitted through a portal by our clients.

POLICY AND LEGAL SECTION

The role of Policy and Legal Section (PL Section) is focused around the development of the FSA's regulatory and legislative framework in line with developing international standards and best practice, whilst ensuring the continued development of a healthy non-bank financial services industry. In addition, the Section also provides legal opinions as required by the FSA. As such, the PL Section is engaged in close collaboration with all other Sections of the FSA.

The legal team within the Section liaises with the entire organisation, including the Office of the CEO, to provide legal assistance as required. This includes the drafting or reviewing of all contracts that the FSA undertakes, Memorandum of Understandings between the FSA and third parties, as well as new laws and regulations which may have an effect on the industry. The team is heavily involved during the drafting stage of legislations that are administered by the FSA. The legal also provides legal interpretations and where necessary, liaises with the Office of the Attorney General and with the FSA's lawyer for complex interpretations or for court cases directly or

indirectly involving the FSA. The work of the legal team is diverse in view of the number of legislations being administered by the FSA.

The policy ambit of the FSA develops the policies of the FSA which is then translated into legislation, codes and guidelines. This is done through consultations with the sections responsible for the products as well as with the industry. The policy team is also heavily involved during the drafting stage of legislations together with the legal team. The policy team works closely with all stakeholders to ensure that policy decisions are as effective as possible.

A key undertaking of the Section is research. It is through research that the FSA gives consideration to new products, as well as ways in which to add value to the existing products so that we are able to enhance our competitive edge in the international financial services industry but at the same time remaining compliant with international standards. It is also through research that the FSA assesses the impact of its policies. This mandate also involves keeping relevant statistical information regarding FSA's products and the industry.

KEY ACHIEVEMENTS OF 2018

INDUSTRY TRAINING

Capacity building within the non-bank financial services industry is one of the FSA's objectives. This is also a key component of the FSA strategic plan. In 2018, the FSA undertook the following industry training initiatives:

ICA TRAINING PROGRAM

The FSA, in collaboration with the International Compliance Association (ICA) conducted two cohorts of Certificate in Compliance and one cohort of Certificate in Anti-Money Laundering (AML). The courses received the participation of over 182 participants from the industry and staffs from the Authority itself. The training program gave participants a thorough overview and better understanding of the regulatory environment and the AML matters of the world in financial services. The courses focused on different aspects of international legislations and best practice developments, key compliance activities and processes which prevails, and other key compliance areas such as; anti-money laundering framework, risks management and the prevention of financial crimes.

INTRODUCTORY CERTIFICATE IN SEYCHELLES FINANCIAL SERVICES

The Guy Morel Institute welcomed a new cohort of 25 participants for the "Introductory Certificate in Seychelles Financial Services". The course, endorsed by the Authority, is a foundation level qualification providing an introduction to both local and international financial services sector. The course is designed to enhance participant's basic understanding and appreciation of the industry by covering a wide range of subjects and providing a broad and balanced understanding and knowledge of the sector.

The course is also highly recommended for those current international financial services practitioners who wish to refresh their knowledge in the international financial services industry. It has been developed with two major considerations in mind: to equip participants with practical and on-the-job skills that will enable them to successfully launch their career in the international financial services industry and to enable current international financial services practitioners to update their body of knowledge, bearing in mind the changes that have taken place in the global international financial services industry generally and the Seychelles international financial services industry in particular.

SCHOLARSHIP POLICY

In 2018, a number of 10 participants received a scholarship from the FSA to undertake the Introductory Certificate in Seychelles Financial Services which was conducted in April 2018 while one participant received a scholarship for the Foundation in Insurance also conducted in April 2018.

The Aim of this initiative is to provide financial assistance to individuals willing to pursue further education relevant to the fiduciary services sector, thereafter enabling the FSA to alleviate the shortage of adequately skilled manpower required to serve a growing industry by ensuring that individuals interested in seeking a career in this sector acquire the relevant competencies in terms of formal training and qualifications.

FSA UNDERGOES GAMBLING SUPERVISION TRAINING

The FSA, in collaboration with Gaming Laboratories International (GLI) Africa, underwent a three-day theoretical and practical training.

The training held at the FSA in March was facilitated by GLI Technical and Compliance Senior Managers and covered a wide-range of topics related to various types of gambling machines, interactive gambling, table games,

on-line monitoring systems, jackpots, as well as topics related to casino inspections, jurisdictional concerns and fairness to the players.

FSA SIGNS MOU WITH JERSEY GAMBLING COMMISSION

In light of the growing globalisation of gambling services, on the 16th July 2018, the FSA and the Jersey Gambling Commission ("JGC") entered into an MOU. The document was signed by the CEO of the FSA, Dr. Steve Fanny and the CEO of JGC, Dr. Jason Lane.

Through this MOU, a formal basis for cooperation and coordination has been established.

FINANCIAL LITERACY

The FSA in collaboration with the Central Bank of Seychelles, organized for the first time a Financial Education Fair which was held on the 23rd and 24th November 2018, in the capital of Seychelles, Victoria. The financial education fair brought together the different partners and stakeholders within the financial services sector, encompassing both banking and nonbanking sector of the financial services industry. This includes both Government and the private sector, such as banks, bureau de change, insurance companies and capital

markets. The fair created a platform providing the public with the opportunity to engage with representatives across the financial services community in an attempt towards educating the public on the different financial products or services available and provide clarifications on the functions and answer any queries relating to the different financial services organizations and stakeholders.

OUTLOOK FOR 2019

Groundwork for different projects has been undertaken in the previous years. These will be pursued further in 2019. Those not specifically addressed in preceding sections are summarized below.

REVIEW OF LEGISLATIONS IN LINE WITH THE EU CODE OF CONDUCT FOR BUSINESS TAXATION REQUIREMENTS

Having amended the relevant legislations in line with the OECD's BEPS standard in 2018, work will be undertaken in 2019 to amend the relevant legislations (mainly the International Trade Zone regime) that are affected by the EU Code of Conduct for Business Taxation requirements.

PRIVATE TRUST COMPANIES

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

NEW TRUSTS ACT

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

AMENDMENTS TO THE COMPANIES (SPECIAL LICENCES) ACT

Following the amendments made in 2018 to comply with the OECD's BEPS requirements, further amendments are being proposed to the Companies (Special Licences) Act to streamline the application process and administration of such companies.

REVIEW OF SEYCHELLES' AML/CFT FRAMEWORK

Following the ESAAMLG's second round Mutual Evaluation Assessment of the Seychelles' AML/CFT framework, the FSA will

be working in close collaboration with other stakeholder to improve the legal landscape and effectiveness of AML/CFT supervision within the jurisdiction. A new AML is expected to be enacted in 2019.

HUMAN RESOURCES SECTION

The Human Resources Section (HR Section) is responsible for the human aspects of the organisation. Employee performance is vital to the organisation. The key functions of the Section are summarized as follows:

1. **Performance management:** Ensuring that the existing system is working and performance management is continuous whereby employees are given feedback throughout the year.
2. **Reward management:** The formulation and implementation of strategies and policies that aim to reward employees fairly, equitable and consistently.
3. **Recruitment and selection:** Ensuring that the most skilful and competent individuals are selected for the job. The recruitment process generates a pool of capable individuals to apply for employment at the FSA.
4. **Career development and succession planning:** Looking at the availability of career development and planning for such. It ensures that FSA is attracting new talent and expanding the capabilities of existing

employees to fill in business-critical positions.

5. **Capability Development and Learning and Development:** Placing importance on people and their capacity to perform at high levels in rapidly changing working environments and contexts. It ensures that the organisation has in place the right strategy to support learning and development of employees.
6. **Health, Safety and Wellbeing:** Identifying workplace hazards, investigating complaints, recording accidents, undertaking inspection of all FSA premises and making recommendations to the management on where improvement is required and organising activities that will help increase awareness about health and safety in the workplace.
7. **Operational Human Resource:** These are services provided by the section to business operations and technical sections. It includes the implementation of staff benefits, employee relationship management, management of day-to-day

issues, counselling and handling of databases.

KEY ACHIEVEMENTS FOR 2018

CONTRACTOR MANAGEMENT DOCUMENT

A document has been designed, containing regulations and guidelines to ensure that contractors (including sub-contractors) are meeting safety requirements when undertaking works for the FSA.

REVISION OF HR POLICIES

During 2018 a number of policies were revised to ensure that the FSA remains competitive and an employer of choice and by providing its employees up to date and reasonable facilities which in turn boosts their productivity.

TRAINING

In 2018, the following trainings were conducted:

- The FSA ran a session on Crypto currency at the Savoy Hotel and it was attended by key stakeholders
- For the first time a number of FSA employees had the opportunity to study for a Fintech programme
- Quite a substantial number of staff were enrolled on the International Compliance

Association, Certificate in Compliance Course with a 100% pass rate

- The FSA ran a ‘Time Management’ course and ‘Communication skills’ training which was conducted by the Guy Morel Institute (GMI)

HEALTH AND SAFETY PROGRAMS FOR EMPLOYEES

In 2018, the following health and safety programs were conducted:

- Basic first aid
- Basic safety at work for security staff
- Basic fire safety training
- Talk on nutrition and dental hygiene
- 109 combined Safety Audits for offices and warehouses were conducted
- FSA staff participated in a blood donation activity
- A Cardiovascular screening was done by the Ministry of Health for FSA staff
- The Seychelles Tourism Academy (STA) performed 3 sessions of “Wellness and Spa” for the FSA staff
- A contract was signed with Vision Care of which FSA staff could get free eye tests and discount price upon purchasing glasses

RECRUITMENT DURING 2018

A total of 16 new employees joined the FSA in 2018 in various posts bringing the total workforce to 136 as at December 2018.

OUTLOOK FOR 2019

PAY MANAGEMENT STRUCTURE

The FSA will be working towards introducing a more rigorous pay structure which will consist of a job evaluation exercise, salary benchmarking exercise and the creation of a salary/reward structure.

MENTORSHIP PROGRAMME

The FSA will be working towards designing a mentorship programme which will provide its young employees with the necessary guidelines in terms of embarking on training and maintaining a healthy, work-life-study balance.

EMPLOYEE HANDBOOK

The FSA will be revamping its employee handbook.

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 of Directors.

The Section is responsible for recording all transactions in an accurate, transparent and time-bound manner, tracking expenses and purchases, keeping financial records, 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 2018 are set out from page 91 of this document.

KEY ACHIEVEMENTS OF 2018

Similar to previous years, the FSA has not received any subventions from the government but instead has been self-financing all its operations and capital expenditure through the revenue collected from the licensing and registration fees. The FSA has been financially contributing to the Consolidated Fund through quarterly dividend payments to the Government. In terms of its expenditure, the FSA has once again managed to control costs in

relation to the 2018 budget allocation. For the year 2018, the FSA has collected a total of **SR157.8 million** as gross incomes and effected a transfer of surplus funds of **SR45.2 million** (28.6 percent of actual revenue collected) to the Government.

In order to ensure financial discipline and transparency in the financial operations and transactions of the FSA, during 2018 there was a revision of certain existing financial procedures and policies while new ones were drafted and after submission and review by the various committees of the FSA board all policies and procedures were subsequently approved for implementation during 2019.

OUTLOOK FOR 2019

In 2019, the Finance Section will have combined all the approved procedures and policies into one document, which will subsequently be used as guidance and training to Finance staff with regards to good financial and accounting practices and in line with current practices and standards. At the same time, the manual will provide information and guidance to other staff within the FSA on financial matters and policies that impact on their functions and tasks.

Following that, the section will then take the opportunity to educate internal staff and peers

within the organisation so as better facilitate processes and have the co-operation of staff in the implementation of accounting policies and procedures throughout the authority.

In 2018, the Section undertook research work and gather information on different accounting systems, package, and firms that could assist with the implementation of a new customized accounting software. Following the information gathered, the section will in 2019 focus on acquiring the best solution package that will meet not only the requirements of the section but that will meet the requirement of the Authority in terms improvement with regards to its reporting requirements and obligations.

In addition to the new accounting software the section will, where available be making use of information technology to improve and expedite internal processes and monitoring of transactions and improve on the Section's effectiveness and productivity, through facilities such as internet banking.

In 2019 and in subsequent years, ongoing IFRS training will continue to provide to the Finance staff so that staff remain up-to-date and abreast with new IFRS updates and latest developments so that they become more knowledgeable and skillful in the keeping of

records and preparing of accounts in accordance with IFRS standards.

FINANCIAL SERVICES
AUTHORITY APPEALS
BOARD

THE FSA APPEALS BOARD

The FSA Appeals Board was constituted through the enactment of the Financial Services Authority (Appeals Board) Regulations, 2014. The Regulations allows any person who is aggrieved by the decision of the Authority to make an appeal to the Board within 90 days of the decision being made. The appeal must be in the prescribed form as per the Regulations and must be delivered to the Secretary of the Appeals Board.

The Appeals Board, upon hearing the appeal, may affirm the decision of the FSA, vary the decision or set aside the decision and remit the matter concerned for reconsideration by the FSA in accordance with such direction as the Appeals Board considers fit.

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

Members of the Appeals Board

(As at 31st December 2018)

Mr. Divino Sabino	-	Chairperson
Mr. Anthony Derjacques	-	Member
Ms. Sandra Hall	-	Member
Mr. Francis Lebon	-	Member
Ms. Jean Preira	-	Member

Secretary to the Board Ms. Taryn Auguste

FINANCIAL STATEMENT



Audited Financial Statements as at 31st December, 2018

TABLE OF CONTENTS - DECEMBER 31, 2018

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

DIRECTOR	: Mr. Suketu Patel	Chairman
	Dr. Steve Fanny	CEO - Director
	Ms. Jenifer Sullivan	Director
	Ms. Irene Croisee	Director
	Mr. David Espanon	Director
	Ms. Marie Cecile Espanon	Director
	Ms. Tania Potter	Director
	Mr. Mike Laval	Director
	Mr. Norman Weber (appointed effective May, 2018)	Director
	Ms. Cindy Vidot (appointed effective February, 2018)	Director
SECRETARY	: Ms. Zenabe Daman	Secretary
REGISTERED OFFICE	: Bois De Rose Avenue Roche Caiman Victoria, Mahé Seychelles	
PRINCIPAL PLACE OF BUSINESS	: Bois de Rose Avenue Roche Caiman Victoria, Mahé Seychelles	
AUDITORS	: Auditor General P O Box 49, Unity House Victoria, Mahé Seychelles	

DIRECTORS' REPORT

The Directors are pleased to submit their report together with the audited financial statements of the Authority for the year ended December 31, 2018.

PRINCIPAL ACTIVITY

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

VISION

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

MISSION

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

CURRENT YEAR EVENT

The Authority has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the year 2018 is the third financial year that the Financial Services Authority is presenting its financial statements under International Financial Reporting Standards (IFRS).

The FSA board was appointed effective July, 2017 . During the year 2018 there were two new appointments to the FSA Board, Ms Cindy Vidot and Mr Norman Weber who were appointed in February and in May 2018 respectively. There has been no change in the business of the FSA during the financial year ended 31st December, 2018

RESULTS

	2018
	SR'000
Profit for the year	73,756
Retained earnings brought forward	<u>110,190</u>
Profit available for distribution	183,946
Transfer to Government of Seychelles (GOS)	(45,192)
 Retained earnings carried forward	 <u>138,754</u>

DIRECTORS AND DIRECTORS' INTEREST

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

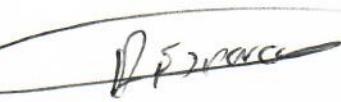
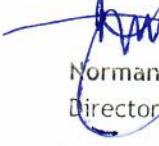
The Directors are responsible for the overall management of the affairs of the Authority including the operations of the Authority and making investment decisions.

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

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

The Authority is audited by the Auditor General.

BOARD OF DIRECTORS APPROVAL
Suketu Patel
Chairman
Steve Fanny
Director & CEO
Jenifer Sullivan
Director
Irene Croisee
Director
David Espanon
Director
Mike Laval
Director
Norman Weber
Director
Tania Potter
Director
Marie Cecile Espanon
Director
Cindy Vidot
Director

Dated:

Mahé, Republic of Seychelles



Office of the Auditor General

3rd Floor, Block C, Unity House
Victoria, Republic of Seychelles
Telephone: 248-4672500 Email: auditgen@oag.sc
Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF FINANCIAL SERVICES AUTHORITY FOR 2018

Opinion

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

Accordingly, in my opinion,

- (c) proper accounting records have been kept by the Authority as far as it appeared from examination of those records; and
- (d) the financial statements on pages 4 to 26 present fairly, in all material aspects, the financial position of the Authority as at 31 December 2018 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of the Board for the Financial Statements of the Authority

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

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

Responsibilities of the Auditor General

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

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

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

auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my report. However, future unforeseeable events or conditions may cause the Authority to cease to continue as a going concern;

- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates with the Board among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.


Gamin Herath
Auditor General

03 June 2019
Victoria, Seychelles



	Notes	December 31, 2018 SR	December 31, 2017 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,036,136	18,761,952
Investment property	6	126,160,021	127,591,119
Intangible asset	7	8,049	19,334
Long term receivables	8(f)	9,239,107	8,049,945
		<u>153,443,313</u>	<u>154,422,350</u>
Current assets			
Trade and other receivables	8	9,324,581	7,979,963
Cash and cash equivalents	9	82,134,974	71,436,865
		<u>91,459,555</u>	<u>79,416,828</u>
Total assets		<u>244,902,868</u>	<u>233,839,179</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	4,270,316	5,124,379
Retained earnings		<u>138,754,203</u>	<u>110,190,092</u>
		<u>151,740,219</u>	<u>124,030,171</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	28,741,266	47,747,147
Accrued Interest on Borrowings		<u>1,633,023</u>	<u>2,963,769</u>
Retirement benefit obligations	13	8,662,133	5,553,646
		<u>39,036,422</u>	<u>56,264,562</u>
Current liabilities			
Borrowings	12	21,896,108	20,496,260
Other payables	14	32,230,119	33,048,186
		<u>54,126,227</u>	<u>53,544,446</u>
Total liabilities		<u>93,162,650</u>	<u>109,809,008</u>
Total equity and liabilities		<u>244,902,868</u>	<u>233,839,179</u>

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


Suketu Patel
Chairman


Steve Fanny
Director & CEO


Jenifer Sullivan
Director


Irene Croisee
Director


David Espanon
Director


Cindy Vidot
Director


Mike Laval
Director


Norman Weber
Director


Tania Potter
Director


Marie Cecile Espanon
Director

	Notes	2018 SR	2017 SR
Revenue	2(l)/15	157,820,238	159,665,452
Staff costs	16	(43,503,291)	(33,112,459)
Administrative expenses	17	(30,153,761)	(19,301,970)
Educational dissemination	18	(1,714,798)	(2,407,846)
Other operating costs	19	(7,670,943)	(6,442,853)
Finance income - Interest on staff loans		606,425	416,072
Marketing Grant to SIB		(1,722,970)	(421,708)
CISNA Seminar		(1,582,199)	
Other income	20	25,857	2,267,461
Foreign exchange (losses)/gains		1,651,722	(1,655,742)
Profit and total comprehensive income for the year		73,756,280	99,006,408

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

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

	Note	Stated capital SR	Capital grant SR	Retained earnings SR	Total SR
At January 1, 2018		8,715,700	5,124,379	110,190,092	124,030,171
Total comprehensive income for the year		-	-	73,756,280	73,756,280
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(45,192,169)	(45,192,169)
Prior Year Adjustment					
At December 31, 2018		8,715,700	4,270,316	138,754,203	151,740,220
<hr/>					
		Stated capital SR	Capital Grants SR	Retained earnings SR	Total SR
At January 1, 2017		8,715,700	5,978,442	84,570,964	99,265,106
Total comprehensive income for the year		-	-	99,006,407	99,006,407
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(73,387,279)	(73,387,279)
At December 31, 2017		8,715,700	5,124,379	110,190,092	124,030,170

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

	Notes	2018 SR	2017 SR
Cash generated from operations			
Profit for the year		73,756,280	99,006,407
<i>Adjustments for</i>			
Depreciation on property, plant and equipment	5	2,099,385	1,521,249
Depreciation of investment property	6	6,414,336	5,761,578
Amortisation of intangible asset	7	11,284	14,088
Work in Progress Written off	5	165,000	-
Amortisation of capital grant	19	(854,063)	(854,063)
Retirement benefit obligations charge	13	5,583,869	2,148,817
Bad Debts written off	17	393,190	
Interest receivable		(606,425)	(416,072)
		86,962,856	107,182,005
<i>Changes in working capital</i>			
- Increase in trade and other receivables		(2,926,970)	(4,361,744)
- (Decrease)/Increase in trade and other payables		2,879,257	(139,498)
Cash generated from operations		86,915,143	102,680,763
Retirement obligations paid	13	(2,475,383)	(2,182,440)
Interest received		606,425	416,072
Net cash inflow from operating activities		<u>85,046,185</u>	<u>100,914,395</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,538,569)	(4,983,803)
Payment - Investment Properties		(1,612,703)	
Net cash outflow from investing activities		<u>(3,151,272)</u>	<u>(4,983,803)</u>
Cash flows from financing activities			
Borrowing received	12	1,197,327	2,278,186
Loan Repayment		(18,803,358)	(16,773,950)
Interest paid		(4,255,414)	(4,658,031)
Amount transferred to the Government of Seychelles		(49,335,360)	(72,762,631)
Net cash outflow from financing activities		<u>(71,196,805)</u>	<u>(91,916,427)</u>
Net increase in cash and cash equivalents		<u>10,698,108</u>	<u>4,014,165</u>
Movement in cash and cash equivalents			
At January 1,		71,436,866	67,422,700
Increase		10,698,108	4,014,165
At December 31,	9	<u>82,134,974</u>	<u>71,436,865</u>

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

1. GENERAL INFORMATION

The principal activities of the Financial Services Authority are detailed on page 2. Its registered office and principal place of activity is at Bois de Rose Avenue, Roche Caiman Victoria Mahe Republic of Seychelles.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

Finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. *The amendment has no impact on the Authority's financial statements.*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. the five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. *The amendment has no impact on the Authority's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. *The amendment impacts on the Authority's financial statements.*

Clarifications to IFRS 15 'Revenue from Contracts with Customers'. Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. *The amendment has no impact on the Authority's financial statements.*

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. *The amendment has no impact on the Authority's financial statements.*

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4). Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4). Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. *The amendment has no impact on the Authority's financial statements.*

The amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. *The amendment impacts on the Authority's financial statements.*

Annual Improvements to IFRSs 2014-2016 cycle

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

Annual Improvements to IFRSs 2014-2016 cycle (Cont'd)

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

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2018 or later periods, but which the Authority has not adopted earlier.

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

IFRS 16 Leases

IFRS 17 Insurance Contracts

Annual Improvements to IFRSs 2015-2017 Cycle

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Amendments to References to the Conceptual Framework in IFRS Standards

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

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

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

(b) Property, plant and equipment

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (Cont'd)

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

Depreciation is calculated on the straight line method with reference to the expected useful life of the assets concerned. Depreciation is computed from the month after receipt of goods/assets using the following principal annual rates.

	%
Buildings	4
Gate and fencing	10
Motor vehicles	20
Plant & equipment	10 - 25
Furniture and fittings	10 - 20
Other assets	25

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

Assets are currently being depreciated up to a NIL balance. No depreciation is provided for in the month of disposal.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

(c) Investment property

Investment property, held to earn rentals or for capital appreciation or both and not occupied by the Authority are measured initially at cost, including transaction costs.

Investment property is measured in accordance with requirements set out for that model in IAS 16. Transfers to or from investment property can be made only when there has been a change in the use of the property.

An entity that elects the cost model, should measure all its investment property at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on a straight-line at 4% p.a. over the economic useful life of 25 years.

(d) Intangible assets - Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives of 4 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred and are included in the statement of profit and loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(e) Financial instruments**

Financial assets and liabilities are recognised on the Authority's statement of financial position when the Authority has become a party to the contractual provisions of the instrument. The Authority's accounting policies in respect of the main financial instruments are set out below.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of profit or loss.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

(iii) Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares are classified as equity.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Authority has a legal enforceable right to set off the recognised amounts and the Authority intends either to settle on a net basis, or to realise the asset and liability simultaneously.

(h) Capital Grants

Grants related to assets from the Government of Seychelles for acquisition of property and equipment received in form of donations is treated as deferred income by crediting capital grant, classified under equity in the statement of financial position.

Depreciation calculated on such assets is released from grants and credited to depreciation charge in the statement of profit or loss until those assets are fully depreciated.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) Capital Grants (Cont'd)

In the event that property and equipment acquired from grants are disposed of before they are fully depreciated, the carrying amount of such asset is reversed to the grant and gain or loss, if any, are recognised to the statement of profit or loss.

(i) Retirement benefit obligations

The Authority provides for payments of compensation to permanent employees for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Authority does not carry out any actuarial valuation since the Authority's management have based themselves on the method as prescribed by the Ministry of Administrative & Power and Circular 9 A of 1993, 15% of gross salary in the case of PSC and on internal contracts of employees and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(j) Provisions

Provisions are recognised when the Authority has a present or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

(k) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured in the currency of the primary economic environment in which the Authority operates. The financial statements are presented in Seychelles Rupees (SR) which is the Authority's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(l) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is recognised according to the following criteria:

(i) Services revenue

Revenue from services are recognised in the year in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

(ii) Rental income

Rental income is recognised on an accrual basis with the substance of the relevant rental agreements with the tenants.

(iii) Interest income

Interest income is recognised on an accrual basis with the substance of the relevant loan agreements with the staff.

(m) Business tax

The Authority is exempt from tax as per paragraph 1 of the Second Schedule to Business Tax Act, 2009.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial Risk Factors**

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest risk), credit risk and liquidity risk.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of its financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Market risk**(i) Currency risk**

The Authority is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars. Foreign exchange risk arises from commercial transactions and assets denominated in currencies other than the functional currency.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

At December 31, 2018, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, the impact on results for the year would have been SR1.61m (2017: SR1.60m) assets and liabilities as depicted in the table below:

	2018	2017
	SR	SR
Bank balances	76,282,970	53,669,561
Trade & other receivables	5,351,001	4,812,971
Borrowings	(50,637,374)	(68,243,407)
Other payables	(22,801,908)	(22,157,528)
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	8,194,689	(31,918,403)

Management has proper policies in place to ensure that foreign exchange risk is minimised.

(ii) Cash flow and fair value interest rate risk

The Authority's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

At December 31, 2018, if interest rates on floating rate borrowings had been ±1% higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by SR 506k (2017: SR 727k) due to impact on interest expense on borrowings.

(b) Credit risk

The Authority's credit risk is primarily attributable to its trade receivables. The Authority does not have a significant concentration of credit risk, with exposure spread over a large number of customers. In addition, the Authority has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

The table below shows the concentration of trade receivables by number of counterparties at the end of the reporting period.

	2018	2017
	%	%
5 major counterparties	46	34
Others (diversified risks)	54	66
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	100	100

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, management monitors rolling forecasts of the Authority's liquidity reserve on the basis of expected cash flows.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year SR'000	Between 1 and 2 years SR'000	Between 2 and 5 years SR'000	Over 5 years SR'000	Total SR'000
At December 31, 2018					
Bank Borrowings	21,896	23,097	5,645	-	50,638
Other payables	32,230	887	27	-	33,144
At December 31, 2017					
Bank Borrowings	20,496	21,620	26,127	-	68,243
Other payables	33,048	2,061	903	-	36,012

3.2 Fair Value Estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Authority for similar financial instruments.

3.3 Capital Risk Management

The Authority's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Authority sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Authority monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2018, the Authority's strategy, which was unchanged from 2017, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio was as follows:

	2018 SR'000	2017 SR'000
Total debt	50,638	68,243
Less: Cash and cash equivalents	(82,135)	(71,437)
Net debt	(31,497)	(3,194)
Total capital	151,740	124,030
Net debt	(31,497)	(3,194)
Total capital plus debt	120,243	120,836
Gearing ratio	(26.19)	(2.64)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Functional currency

The choice of the functional currency of the Authority has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The functional currency has been assumed by the Directors to be the Seychelles Rupee.

(b) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(c) Useful lives and residual values

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Authority and the relevant industry in which it operates in order to best determine the useful lives and residual values of property and equipment.

(d) Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Authority would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

(e) Impairment of other assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**(f) Limitation of sensitivity analysis**

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Authority's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Authority's views of possible near-term market changes that cannot be predicted with any certainty.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2018

	Land & Buildings SR	Gates & fences SR	Motor vehicles SR	Plant & equipment SR	Furniture & fixtures SR	Other assets SR	Work-in progress SR	Total SR
COST								
At January 1, 2018	18,608,182	637,788	2,887,475	7,635,985	4,936,917	1,784,403	3,065,004	39,555,754
Additions	-	-	325,000	517,114	214,685	362,270	119,500	1,538,569
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	(165,000)	(165,000)
Transfers/Adjustments				1,817,214			(1,817,214)	
At DECEMBER 31, 2018	18,608,182	637,788	3,212,475	9,970,313	5,151,602	2,146,673	1,202,290	40,929,323
ACCUMULATED DEPRECIATION								
At January 1, 2018	6,165,213	637,788	1,808,915	6,395,063	4,322,876	1,463,946	-	20,793,801
Charge for the year	394,825	-	330,415	953,471	234,889	185,785	-	2,099,385
Disposal	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At DECEMBER 31, 2018	6,560,038	637,788	2,139,330	7,348,534	4,557,765	1,649,731	-	22,893,186
NET BOOK VALUE								
At DECEMBER 31, 2018	12,048,144	-	1,073,145	2,621,779	593,837	496,942	1,202,290	18,036,137

In early 2017, Parcel Number: V17891 was cancelled and sub-divided into two parcels (V19847 and V19848) where parcel V19847 (with a total area of 2557 m²) was transferred to the Government for onward leasing to PUC at transfer price of SCR1. The sub division of the land commenced in 2016 and was finalised on 24.02.2017. No adjustment was effected for the reduction in cost in the accounts.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

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

(b) December 31, 2017

	Land & Buildings SR	Gates & fences SR	Motor vehicles SR	Plant & equipment SR	Furniture & fixtures SR	Other assets SR	Work-in progress SR	Total SR
COST								
At January 1, 2017	18,608,182	637,788	2,392,475	7,217,142	4,632,807	1,697,312	2,964,980	38,150,686
Additions	-	-	495,000	418,843	304,110	87,091	100,024	1,405,068
Disposals	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
At December 31, 2017	<u>18,608,182</u>	<u>637,788</u>	<u>2,887,475</u>	<u>7,635,985</u>	<u>4,936,917</u>	<u>1,784,403</u>	<u>3,065,004</u>	<u>39,555,754</u>
ACCUMULATED DEPRECIATION								
At January 1, 2017	5,770,388	637,788	1,500,417	5,993,632	4,109,848	1,260,479	-	19,272,552
Charge for the year	394,825	-	308,498	401,431	213,028	203,467	-	1,521,249
Disposals	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At December 31, 2017	<u>6,165,213</u>	<u>637,788</u>	<u>1,808,915</u>	<u>6,395,063</u>	<u>4,322,876</u>	<u>1,463,946</u>	<u>-</u>	<u>20,793,801</u>
NET BOOK VALUE								
At December 31, 2017	<u>12,442,969</u>	<u>-</u>	<u>1,078,560</u>	<u>1,240,922</u>	<u>614,041</u>	<u>320,457</u>	<u>3,065,004</u>	<u>18,761,953</u>

(c) Depreciation for the year has been fully charged to other operating costs.

(d) Included in land and buildings is land amounting to SR 8,715,700 a contribution from Government of Seychelles as Stated Capital. (Refer to note 10).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

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

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

	2018	2017
	SR	SR
Consultancy/ structural engineer fees	105,700	270,700
Planning and other fees	67,524	17,524
IT Work In Progress	-	1,817,214
Improvement to infrastructure	1,029,066	959,566
	<u>1,202,290</u>	<u>3,065,004</u>

6. INVESTMENT PROPERTY

	2018	2017
	SR	SR
Cost		
At January 1,	150,244,886	137,834,008
Additions	4,983,238	12,410,878
At December 31,	155,228,124	150,244,886
Accumulated depreciation		
At January 1,	22,653,767	16,892,189
Charge for the year	6,414,336	5,761,578
At December 31,	29,068,103	22,653,767
Net Book Value	126,160,021	127,591,119

- (a) A revaluation of the FSA infrastructure was undertaken in January 2017 by a professional independent assessor. The next revaluation will be done during the year 2019. after major refurbishment of Warehouses J & K. Investment properties have been revalued as follows:

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

(b)

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

7. INTANGIBLE ASSETS

Computer Software

	2018	2017
	SR	SR
Cost		
At January 1,	587,468	587,468
Additions		
At December 31,	587,468	587,468
Amortisation		
At January 1,	568,134	554,046
Charge for the year	11,284	14,088
At December 31,	579,418	568,134
Net Book Value	8,050	19,334

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

8. TRADE AND OTHER RECEIVABLES	2018	2017
	SR	SR
Trade receivables	5,408,972	4,799,030
Prepayments	1,281,362	1,238,169
Loans and receivables (note (f))	11,727,706	10,088,840
Other receivables	471,940	376,010
	<u>18,889,980</u>	<u>16,502,049</u>
Provision for credit impairment (note (c) and (d))	(326,292)	(472,141)
	<u>18,563,688</u>	<u>16,029,908</u>

Disclosed as follows:

	2018	2017
	SR	SR
Within one year	9,324,581	7,979,963
After more than one year (note (f))	9,239,107	8,049,945
	<u>18,563,688</u>	<u>16,029,908</u>

- (a) The carrying amount of trade and other receivables approximate their fair values.
- (b) As at December 31, 2018, trade receivables that were past due but not impaired amounted to SR (2018: SR887,619). Except for two customers, these relate to a number of independent customers for whom there is no recent history of default. These receivables were aged above 90 days.
- (c) As at December 31, 2018, trade receivables amounting to SR 326,292 were impaired (2017: SR 472,141). These relate to a number of independent customers who are not necessarily in difficult economic situations but are instead slow payers that require to be chased and reminded regularly that they are in arrears with payment. These receivables were aged above 90 days.
- (d) The movement in the provision for credit impairment is as follows:

	2018	2017
	SR	SR
At January 1,	472,141	455,331
(Reversal)/ Charge to the statement of profit or loss (note 17)	(145,849)	16,810
At December 31,	<u>326,292</u>	<u>472,141</u>

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

	2018	2017
	SR	SR
US Dollar	5,351,001	4,812,971
Seychelles rupee	13,212,687	11,216,937
	<u>18,563,688</u>	<u>16,029,908</u>

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

	2018	2017
	SR	SR
Within one year	2,488,599	2,038,895
After more than one year	9,239,107	8,049,945
	<u>11,727,706</u>	<u>10,088,840</u>

- (g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any other collaterals as securities, except for pledges on vehicles as security for Vehicle Loans
- (h) The other classes within trade and other receivables do not contain impaired assets and except for pledges in vehicles as security for staff loans, the Authority does not hold any other collateral as security.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

	2018	2017
	SR	SR
Cash in hand	503,153	78,582
Cash at banks	<u>81,631,821</u>	<u>71,358,283</u>
	<u>82,134,974</u>	<u>71,436,865</u>

	2018 & 2017
	SR
Government contributed assets (notes (a) & 5(d))	<u>8,715,700</u>

(a) This represents the value of land transferred to the Authority by the Government of Seychelles in 1999.

11. CAPITAL GRANT

Capital grant was received from the Government of Seychelles for purchase of assets in 1999. Capital grant is amortised over the useful lives of the assets to which they relate.

12. BORROWINGS

	2018	2017
	SR	SR
Bank borrowing		
Non-current	28,741,266	47,747,147
Current	<u>21,896,108</u>	<u>20,496,260</u>
	<u>50,637,374</u>	<u>68,243,407</u>

The movement is as follows:

	2018	2017
	SR	SR
At January 1,	68,243,407	82,739,171
Received during the year	1,197,327	2,278,186
Paid during the year	<u>(18,803,360)</u>	<u>(16,773,950)</u>
At December 31,	50,637,374	68,243,407

- (a) Bank borrowing is from Nouvobanq and amounted to USD 7.5 million to finance the construction of new warehouses of the Authority. The first disbursement was effected in March 2014 and repayment commenced in March 2016 by monthly instalments of USD 142,740 and is to be completed by February 2021. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears a variable interest rate of 6.72% to 7.42% in 2018.
- (b) Borrowing is denominated in US Dollar and its maturity profile is detailed under note 3 (c) and the carrying amount of borrowing approximates its amortised cost. .
- (c) The interest accrued on borrowings has been capitalised to investment property.

13. RETIREMENT BENEFIT OBLIGATIONS

	2018	2017
	SR	SR
At January 1,	5,553,646	5,587,269
Charge for the year (note 16)	5,583,869	2,148,817
Payments during the year	<u>(2,475,383)</u>	<u>(2,182,440)</u>
At December 31,	8,662,132	5,553,646

(a)

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

14. OTHER PAYABLES	2018	2017
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)	6,400,262	10,543,454
Advance payments -fees	12,596,905	8,470,716
Deposits-rent	4,880,925	4,298,777
Corporate Tax	653,228	791,704
Accrued Interest on Overdraft	4,821,084	6,149,107
Accrued Expenses	241,248	136,269
Other payables	4,269,490	5,621,928
	<u>33,863,142</u>	<u>36,011,955</u>

Disclosed as follows:

	2018	2017
	SR	SR
Within one year	32,230,119	33,048,186
After more than one year (accrued interest)	1,633,023	2,963,769
	<u>33,863,142</u>	<u>36,011,955</u>

- (a) The amount payable to the GOS represents the surplus for the year which is transferred on a quarterly basis as per section 12(3) of the Financial Services Authority Act 2013.
- (b) Included in the increase in investment of property and accrued interest is a non cash amount of SR443,144 relating to previous years which affects the cash flow statement against accounts payable. The difference is as a result of the change in interest rates over the past years and as well as a result of certain adjustments made to the face of the accounts.
- (c) The carrying amount of other payables are denominated in the following currencies:

	2018	2017
	SR	SR
US Dollar	22,801,908	22,157,528
Seychelles rupee	11,061,234	13,854,427
	<u>33,863,142</u>	<u>36,011,955</u>

15. REVENUE

	2018	2017
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	11,478,382	14,150,176
IBC annual licence fees	77,169,717	81,734,947
Other licence fees	6,588,181	7,208,862
Funds and securities fees	1,794,940	1,447,455
Insurance fees	1,187,949	1,214,392
Gambling Fees	7,243,535	4,642,814
Other services	23,117,685	25,962,658
	<u>128,580,389</u>	<u>136,361,304</u>
(b) Rental income		
Investment property	28,933,365	23,011,067
Outdoor space	306,484	293,081
	<u>29,239,849</u>	<u>23,304,148</u>
	<u>157,820,238</u>	<u>159,665,452</u>

16. STAFF COST

	2018	2017
	SR	SR
Salaries & wages	32,502,559	25,817,686
Employee benefits and related expenses	3,954,720	3,834,869
Directors' emoluments (note 23)	362,868	392,857
SITZ Employment Council/FSA Appeals Board	323,936	303,284
Gratuity and compensation paid (note 13)	5,583,869	2,148,817
Retirement benefit obligations	775,339	524,946
	<u>43,503,291</u>	<u>33,112,459</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

17. ADMINISTRATIVE EXPENSES

	2018	2017
	SR	SR
Administration costs	4,445,126	3,490,709
Rental Costs	5,656,991	5,357,344
Communication costs	2,206,816	2,121,737
Transport and travelling costs	2,280,691	726,595
Maintenance and repairs	992,925	1,198,638
Training	3,325,530	1,175,301
Legal fees	312,000	292,000
Audit and Accountancy fees	88,000	88,000
Professional fees	7,550,762	2,729,880
Bank charges	64,500	51,853
(Reversal)/ charge for provision for credit impairment (note 8(d))	(145,849)	16,810
Bad Debts Written Off	539,039	
General expenses	2,837,230	2,053,103
	<u>30,153,761</u>	<u>19,301,970</u>

18. EDUCATIONAL DISSEMINATION

	2018	2017
	SR	SR
Information dissemination	1,353,587	2,008,313
Advertisement	361,211	399,533
	<u>1,714,798</u>	<u>2,407,846</u>

19. OTHER OPERATING COSTS

	2018	2017
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	2,099,386	1,521,250
- Investment Property (note 6)	6,414,336	5,761,578
Amortisation (note 7)	11,284	14,088
Amortisation of capital grant	(854,063)	(854,063)
	<u>7,670,943</u>	<u>6,442,853</u>

20. OTHER INCOME

	2018	2017
	SR	SR
Grants Received from International Institutions		2,118,564
Sundry income	25,857	148,897
	<u>25,857</u>	<u>2,267,461</u>

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

21. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2018 amounted to SR 19,542,974 (2017: NIL).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

21. COMMITMENTS (CONT'D)

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

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

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

	2018	2017
	SR	SR
Not later than one year	29,839,324	29,467,064
Later than one year and not later than five years	78,453,397	77,468,647
	<u>108,292,721</u>	<u>106,935,711</u>

The contracts with most of the tenants are renewable on a five yearly basis.

22. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2018 (2017: Nil).

23. RELATED PARTY TRANSACTIONS

	2018	2017
	SR	SR
Directors		
- Remuneration (including Fees for the HR & Audit Committees) (note 16)	362,868	392,857
Holding Entity		
- Surplus payable (note 14)	<u>45,192,169</u>	<u>73,387,279</u>

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

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2018, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

	2018	2017
	SR	SR
Key management personnel		
Salaries and other benefits	8,861,096	6,250,735
Accrued Benefits	1,329,164	927,470
Employer Pension costs	<u>221,527</u>	<u>124,949</u>
	<u>10,411,787</u>	<u>7,303,154</u>

LIST OF ACRONYMS AND ABBREVIATION

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

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