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### PRESS COMMUNIQUÉ

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#### **Financial Stability Committee discussions**

The Financial Stability Committee maintains that the overall domestic financial system is currently stable, although certain areas of concern were discussed. These are being closely monitored and the members stand ready to take corrective action should the need arise.

The Committee reached this conclusion at its first meeting for this year, held on February 08, 2018, during which it considered a number of ongoing, as well as upcoming developments that could potentially have a bearing on the financial stability of the country.

The issue of de-risking and withdrawal of correspondent banking relationships remained a key focal point on the agenda. Members discussed the reform of the international financial services sector as a necessary task in order to address the negative perception of the financial sector. Furthermore, review of the Anti-Money Laundering (AML) Act and institutional framework for AML supervision, particularly given discussions held during the Eastern Southern African Anti-Money Laundering Group Mutual Evaluation, will be necessary to address the risks to correspondent banking relationships.

Another factor impacting upon the reform of the international financial services, which was discussed by members, is the legislative amendments coming forth as a result of the Base Erosion Profit Shifting (BEPS) implementation. Such amendments reinforce the national commitment and will contribute towards the improvement of the perception and rating of the jurisdiction.

The Committee also discussed the status of the National Risk Assessment of Money Laundering and Terrorist Financing, a process supported by the World Bank, which is due to be presented to Cabinet in the first quarter of the year for their endorsement. This led to discussions on the Mutual Evaluation, for which the first draft of the report has been received in late February 2018. The members highlighted that the outcome of this report will have a very significant bearing on the country, and reiterated their combined efforts to work to ensure that in as much as possible, identified shortcomings are swiftly dealt with. It was also noted that Technical Assistance will be provided in this regard by the International Monetary Fund.

Discussions also touched upon various national and political matters that are very likely to have budgetary implications, as well as the current macroeconomic pressures arising largely from an increase in disposable income which has to a large extent lead to higher than usual demand for foreign currency. In this regard, the anticipated review of monetary policy stance in order to combat the expected resulting inflationary pressures was also mentioned.

The members once again highlighted the importance of a financial sector strategy to guide its growth and development. This would allow for a more seamless and coordinated growth path and in many ways lead to a more efficient development process, including strategically dedicating resources for the attainment of such vision, as well as ensuring consistency across all of the stakeholder's initiatives.

Other issues discussed included cyber-security risks around the world and initiatives being undertaken to minimise cyber-security risks at the national level, including the drafting of a Cybersecurity Bill, and the innovation arising through Financial Technology (FinTech). With regards to the latter, one prime area of interest for the Committee is the global developments in relation to digital currencies and the national implications of such.