



CENTRAL BANK OF SEYCHELLES

P. O. Box 701, Victoria, Seychelles

Tel: + (248) 4 282 000; Fax: + (248) 4 226 104

Website: www.cbs.sc

PRESS COMMUNIQUÉ

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Financial Stability Committee discussions

The four-members of the Financial Stability Committee (FSC) met on May 26, 2017 for their second session for the year 2017. The Committee looked at risk assessment analysis and developments over the course of the fourth quarter of 2016 to date, in addition to a review of quarterly and monthly data for the same period that have had or could have implications upon financial stability.

The Committee further discussed the issue of de-risking and its impact upon correspondent banking relationships globally, as elaborated during their meeting of 16 October 2016. Aside from actions being taken by the high-level Committee on de-risking, the members were also informed that Central Bank officials along with those from the Ministry of Finance, Trade and Economic Planning had highlighted the country's concerns in this regard to the International Monetary Fund and World Bank during the Spring Meetings at the end of April. The members were advised that the Minister had openly expressed Seychelles' interest to have a leading role in organising an international forum around this subject matter to create awareness of the challenges being faced by Seychelles and to also work with other jurisdictions, particularly small island states, to tackle this global issue.

In addition, the members were informed that Seychelles' banks are taking a proactive approach in regards to the issue of de-risking by engaging with their correspondent banks as well as the regulators thereof. These efforts aim to showcase efforts being made to ensure that bank's policies and procedures are in line with international best practices to reassure these foreign

counterparts. It was also noted that all local regulatory bodies must showcase efforts which are being deployed to ensure that the jurisdiction is adhering to best international practices to combat money laundering and combat against the financing of terrorism as well as fraud and corruption. This will provide the comfort that Seychelles is not taking a backseat approach nor is it taking this threat for granted, as this could otherwise have a crippling effect, as well as in the long run further build up and enhance our financial sector resilience.

The members also made mention to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) meetings held in April 2017 in Arusha, whereby a delegation consisting of not only Financial Intelligence Unit staff but also Central Bank of Seychelles, Financial Services Authority, Seychelles International Financial Services Association and the Seychelles Revenue Commission participated in the public-private sector meeting and a training for the mutual evaluation (for which the Seychelles desk review will commence in June 2017). The members were also informed that the next ESAAMLG meeting will be held in Seychelles in August 2018. In addition, Seychelles is to assume Presidency of ESAAMLG and the Minister for Finance, Trade and Economic Planning Dr Peter Larose will thus be assuming the role of President of ESAAMLG.

As customary in previous meetings, the Committee's discussion also touched upon probable events which had been graded according to both likelihood and potential impact upon the domestic economy and financial sector. Such deliberations were undertaken from a qualitative perspective, thereby allowing for risks that do not appear in the quantitative financial sector and macroeconomic data to be highlighted. Topics covered both subject matters which are one-offs as well as ever-persistent potential threats to financial stability. These included but were not limited to political developments both domestically and internationally, performance of the tourism and fisheries sector, likely global interest rate developments, commodity price movements, and other related matters. Moreover, the recent ransomware attack was also highlighted given the increasing reliance on computers and the threat which this poses. In this regard, it was noted that several domestic initiatives are in the process of being deployed, and these include the formulation of a Cybersecurity legislation.

The members were also presented with some quantitative analysis covering various metrics relating to the broader economy and indicators of the financial sector performance during the

course of the fourth quarter of 2016, including credit-to-Gross Domestic Product, loans-to-deposit ratios, inflation, and foreign exchange market developments. Furthermore, monthly results covering the period of January to March 2017 (covering predominantly the banking sector financial performance at this point in time) were presented. Relatively stable trends in these regards were noted over the periods covered. Credit growth was highlighted as an element worth monitoring going forward to ensure that it does not lead to inflationary pressures. In this regard, it was noted that CBS opted to maintain a tight monetary policy stance during the second quarter of 2017 (announced on March 28, 2017).

The presentation concluded that the overall financial system appears stable but took account of known evolving risks and recommendations in these regards. The FSC will continue to monitor market developments and wherever possible take necessary action to mitigate risk exposures.