



CENTRAL BANK OF SEYCHELLES

P. O. Box 701 Victoria, Seychelles

Telephone: [+248] 428 20 00

Fax: [+248] 432 36 65

E-mail: enquiries@cbs.sc

Ref.: FSD/GEN/1

Date: January 8, 2019

To all Banks

Single Licensing Regime Guidelines

A copy of the revised guidelines on single licensing which sets out the requirements that banks would have to follow for effective implementation of the single licensing regime is hereby enclosed. The revised guideline takes into account the change in the tax regime, notably the effects following the repeal of Item 7 of the First Schedule of the Business Tax Act 2012.

Following the above, banking activities that give rise to foreign sourced income will be taxed at the rate of –

- i) 25 per cent on the first SCR1,000,000 of taxable income; and
 - ii) 33 per cent on the remainder
- effective as of January 01, 2019.

CBS trust in your adherence to the guidelines and remain at your disposal should you have further clarification.



C. Abel (Ms)
Governor

Central Bank of Seychelles

Single Licensing Regime Guidelines

1.0 Introduction

The 2011 amendments to the Financial Institutions Act 2004 eliminate the requirement for separate licences to conduct only offshore banking. It introduces a single licensing regime which provides for one licence under which both onshore and offshore banking activities may be conducted. The single licensing regime introduces the concept of Segment 1 and Segment 2; Segment 1 relates to banking business that gives rise to “foreign sourced income” whilst other banking business fall under Segment 2. It is recognised that some banks will operate exclusively in Segment 1 or Segment 2, and others in both.

These guidelines address the requirements that banks would have to follow for effective implementation of the single licensing regime which has accounting implications.

2.0 Interpretation

“Foreign sourced income” means the taxable business income transactions generated by and sourced from a “non-resident person” or an entity incorporated or registered in Seychelles which has personal and economic relations or place of effective management outside Seychelles.

“Non-resident person” as defined in the Business Tax Act 2009.

3.0 Segmentation of Banking Activities

This section provides more details on Segment 1 and Segment 2. Segment 1 activities are essentially directed to the provision of services that give rise to “foreign sourced income”. Segment 1 assets will generally consist of placements with and advances to foreign financial institutions, parents or overseas correspondents, investments in foreign securities, stocks and debt instruments as well as claims on “non-resident persons” or entities incorporated or registered in Seychelles which have personal and economic relations or place of effective management outside Seychelles. Segment 1 liabilities will normally arise from deposits made by and borrowings from “non-resident persons” or entities incorporated or registered in Seychelles which have personal and economic relations or place of effective management outside Seychelles. These liabilities must be used exclusively to fund assets that generate “foreign sourced income”. Annex 1 provides some examples of Segment 1 activities.

Segment 2 activities relate to banking business other than those that fall under Segment 1. Segment 2 business will essentially consist of transactions with persons or entities that do not generate “foreign sourced income”. Banks conducting Segment 2 business are also at

liberty to finance domestic transactions from “non-resident persons” funds. See Annex 1 for some examples of Segment 2 activities.

4.0 Accounting and Control Systems

The tax rates applicable to banks are stipulated in the Business Tax Act as amended by Regulations in 2010. The rate of 3 per cent stated in the Business Tax (Amendment of First Schedule) Regulations, 2012 has been repealed and is no longer applicable.

“Foreign sourced income” derived from Segment 1 activities will be subject to a tax rate of -

- i) 25 per cent on the first SCR1,000,000 of taxable income; and
- ii) 33 per cent on the remainder

effective as of January 01, 2019.

For banks operating in both segments, International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) require disclosure of financial information on different segments of the business of an enterprise; relevant disclosures need to be made in the notes to the accounts. This is further discussed below.

5.0 Segmental reporting

Under the single licensing regime, the submission of separate returns for offshore banks has been eliminated.

Banks would need to ensure that all its activities are being reported in accordance with IAS/IFRS standards. The returns, as detailed in Annex 2, will continue to be completed and submitted to CBS as per the requirements. Returns to be submitted to other divisions of CBS will remain unchanged.

Examples of Segment 1 and Segment 2 activities

Segment 1 activities deemed as “foreign sourced income”

Bank A takes deposit from Client X who is a “non-resident person” and places the fund with Bank B which is based in New York.

Bank A takes deposit from Client X who is a “non-resident person” and makes a loan to a “non-resident person” which is building a hotel in Seychelles.

Segment 2 activities not deemed as “foreign sourced income”

Bank A takes deposit from Client X who is a “non-resident person” and places the fund with Bank C which is based in Seychelles.

Bank A takes deposit from Client X who is a “non-resident person” and makes a loan to a resident to purchase property in Seychelles.

Bank A takes deposit from Client X who is a resident and makes a loan to a “non-resident person”.

Bank A takes deposit from Client X who is a resident and makes a loan to a resident.

Annex 2

List of Returns to be submitted by Banks

	Returns		Frequency
1	FCER 1	Report on Foreign Currency Exposure	Daily
2	L 1	Liquid Asset Requirement	Weekly
3	A(i)	Statement of Assets and Liabilities	Monthly
4	A(ii)	Statement of Income and Expenditure	Monthly
5	A 3	Return on Maturity Profile	Monthly
6	A 4	Gap Analysis	Monthly
7	A 5	Country Classification of Deposits, Interbank Funds and Loans and Advances	Monthly
8	H	Return on Government and Parastatal Deposits	Monthly
9	RWCR	Risk Weighted Capital Ratio	Monthly
10	LP	Loan Provisioning	Monthly
11	CR	Concentration Risk	Monthly