Our Core Values

**Integrity**
We value responsible behaviours

**Innovation and Result-Oriented**
We strive to redefine the standards of excellence

**Accountability and Transparency**
We value personal ownership and accountability

**Humility**
We believe in listening to one another and value continuous learning

**Professionalism and Team Spirit**
We take pride in producing quality work and encourage collaborations

**Inclusivity**
We value the diversity in one another and believe in inclusive participation by all

**Mutual Respect and Trust**
We uphold confidentiality and our actions are consistent with our commitment

In 2019, staff were encouraged to act in accordance with all the Core CBS Values, be it at a personal or professional level. As a policymaker, the Bank plays a crucial role in ensuring economic and financial stability in the domestic economy. As such, its staff are also expected to live up to the highest moral standards, as envisaged by the institution’s pioneers when they started the journey more than 40 years ago.
## CONTENTS

<table>
<thead>
<tr>
<th>Section One</th>
<th>Overview</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section Two</td>
<td>Real Sector: Production, Labour and Prices</td>
<td>8</td>
</tr>
<tr>
<td>Section Three</td>
<td>Monetary and Financial Sector</td>
<td>23</td>
</tr>
<tr>
<td>Section Four</td>
<td>Government Finance</td>
<td>38</td>
</tr>
<tr>
<td>Section Five</td>
<td>External Sector</td>
<td>47</td>
</tr>
<tr>
<td>Section Six</td>
<td>Central Bank Operations</td>
<td>62</td>
</tr>
<tr>
<td>Annex I</td>
<td>Financial Statements and Auditor’s Report</td>
<td></td>
</tr>
<tr>
<td>Annex II</td>
<td>List of CBS Officers</td>
<td></td>
</tr>
</tbody>
</table>

*Letter of Transmittal*

*Core Values of the Central Bank of Seychelles*

*Board of Directors*

*List of Charts and Tables*
Letter of Transmittal

Central Bank of Seychelles
P.O. Box 701
Victoria

March 26, 2020

President Danny Faure
State House
Victoria

Dear Mr President,

In accordance with Section 47 (4) of the Central Bank of Seychelles Act 2004, as amended, I have the honour to submit the Sixteenth Annual Report of the Central Bank together with a copy of the Financial Statements for the year ended December 31, 2019. The Financial Statements have been certified and signed by the Auditor General, following the audit review on behalf of the Auditor General by Deloitte Touche (South Africa) appointed under section 19 of the Auditor General Act 2010, read with Section 47(3) of the Central Bank of Seychelles Act.

Yours sincerely,

C. Abel (Ms)
Governor
CENTRAL BANK OF SEYCHELLES

Board of Directors

(as at December 31, 2019)

Caroline Abel - Governor and Chairperson
Christophe Edmond - First Deputy Governor - Member
Jenifer Sullivan - Second Deputy Governor - Member
Errol Dias - Director
Bertrand Rassool - Director
William Otienne Ogara - Director
Frank Ally - Director
Sherley Marie - Director

Secretary to the Board

Annarose Clarisse
### List of Charts and Tables

<table>
<thead>
<tr>
<th>Table No.</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Quantitative Performance Criteria</td>
</tr>
</tbody>
</table>

| **Real Sector: Production, Labour and Prices** | |
| 2.1.1 | Gross Domestic Product by Kind of Economic Activity (2015 - 2019) at constant prices | 12 |
| 2.2 | Gross Domestic Product by Kind of Economic Activity (2015 - 2019) at current prices | 13 |
| 2.3 | Tourism Indicators (2015 - 2019) | 17 |
| 2.4 | Employment Statistics (2015 - 2019) | 19 |
| 2.5 | Inflation Rates (2015 - 2019) | 22 |

| **Monetary and Financial Sector** | |
| 3.1 | Monetary Survey (2015 - 2019) | 25 |
| 3.2 | Reserve Money (Q4-2018 to Q4-2019) | 27 |
| 3.3 | Credit (2015 - 2019) | 30 |
| 3.4 | Other Depository Corporations - Loans and Advances to Private Sector by Economic Sectors (2015 - 2019) | 30 |
| 3.5 | Loans by Development Bank by Economic Sectors (2015 - 2019) | 32 |
| 3.6 | Monetary Policy Rate (2019) | 33 |
| 3.7 | Interest Rates (2015 - 2019) | 34 |
| 3.8 | Weighted Average Deposit Auction Arrangement Rates (2019) | 36 |

| **Government Finance** | |
| 4.1 | Government Budget Summary (2018 - 2019) | 40 |
| 4.2 | Treasury Bills (2015 - 2019) | 45 |
| 4.3 | Treasury Bonds (2015 - 2019) | 46 |

| **External Sector** | |
| 5.1 | Seychelles Balance of Payments (2015 - 2019) | 49 |
| 5.2 | Imports (f.o.b.)-by HS Sections (2015 - 2019) | 50 |
| 5.3 | External Reserves (2015 - 2019) | 53 |
| 5.4 | Exchange Rates (2015 - 2019) | 53 |

<p>| <strong>Central Bank Operations</strong> | |
| 6.1 | Standing Facility Placements during 2019 | 69 |
| 6.2 | T-Bills Rates as at end-2019 | 70 |
| 6.3 | Total number and value of settled SADC RTGS transactions | 73 |
| 6.4 | New Banknotes issued into Circulation (2019) | 75 |
| 6.5 | Destruction of Soiled and Mutilated Banknotes (2019) | 76 |
| 6.6 | Demonetised Banknotes | 76 |
| 6.7 | Maya Commitments | 82 |</p>
<table>
<thead>
<tr>
<th>Chart No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Sector: Production, Labour and Prices</td>
<td>Changes in production indicators (2019)</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Visitor Arrivals (2009 - 2019)</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Price Movements (2009 - 2019)</td>
<td>21</td>
</tr>
<tr>
<td>Monetary and Financial Sector</td>
<td>Net Foreign and Domestic Assets (2009 - 2019)</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Reserve Money (2019)</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Notes and coins in circulation (2009 - 2019)</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Total Domestic Credit (2009 - 2019)</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Loans and Advances to Non-Government Sectors (2009 - 2019)</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Sectoral Allocation of DBS Domestic Credit (2009 - 2019)</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Interest Rates (2009 - 2019)</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Government Capital Expenditure (2009 - 2019)</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Stock of Domestic Debt (Jan – Dec 2019)</td>
<td>44</td>
</tr>
<tr>
<td>External Sector</td>
<td>Overall balance, current account and capital &amp; financial account of the BOP (2009 - 2019)</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Trade in Goods (2009 - 2019)</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Imports (f.o.b.) 2019</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Exchange rate movements of the three main currencies (2009 - 2019)</td>
<td>54</td>
</tr>
<tr>
<td>Central Bank Operations</td>
<td>Summary of FSD’s Sections</td>
<td>64</td>
</tr>
<tr>
<td>Acronyms</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>ACH</td>
<td>Automated Clearing House</td>
<td></td>
</tr>
<tr>
<td>AD</td>
<td>Administration Division</td>
<td></td>
</tr>
<tr>
<td>AEO</td>
<td>Authorised Economic Operators</td>
<td></td>
</tr>
<tr>
<td>AFI</td>
<td>Alliance for Financial Inclusion</td>
<td></td>
</tr>
<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering and Counter Financing of Terrorism</td>
<td></td>
</tr>
<tr>
<td>AQIF</td>
<td>Associate Qualification in Islamic Finance</td>
<td></td>
</tr>
<tr>
<td>ARC</td>
<td>Audit and Risk Committee</td>
<td></td>
</tr>
<tr>
<td>ASB</td>
<td>Al Salam Bank</td>
<td></td>
</tr>
<tr>
<td>ASP</td>
<td>Agency for Social Protection</td>
<td></td>
</tr>
<tr>
<td>ATI</td>
<td>African Training Institute</td>
<td></td>
</tr>
<tr>
<td>BAQF</td>
<td>Broodstock Acclimation and Quarantine Facility</td>
<td></td>
</tr>
<tr>
<td>BAU</td>
<td>Business As usual</td>
<td></td>
</tr>
<tr>
<td>BCMS</td>
<td>Business Continuity Management System</td>
<td></td>
</tr>
<tr>
<td>BDCs</td>
<td>Bureaux de Change</td>
<td></td>
</tr>
<tr>
<td>BEPS</td>
<td>Base Erosion Profit Shifting</td>
<td></td>
</tr>
<tr>
<td>BOP</td>
<td>Balance of Payments</td>
<td></td>
</tr>
<tr>
<td>BSD</td>
<td>Banking Services Division</td>
<td></td>
</tr>
<tr>
<td>CAA</td>
<td>Credit Auction Arrangement</td>
<td></td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bank of Seychelles</td>
<td></td>
</tr>
<tr>
<td>CBSITS</td>
<td>CBS Immediate Transfer System</td>
<td></td>
</tr>
<tr>
<td>CCBG</td>
<td>Committee of Central Bank Governors</td>
<td></td>
</tr>
<tr>
<td>CEMC</td>
<td>Consumer Empowerment and Market Conduct</td>
<td></td>
</tr>
<tr>
<td>CIF</td>
<td>Cost, Insurance, Freight</td>
<td></td>
</tr>
<tr>
<td>CME</td>
<td>Creative Media and Events</td>
<td></td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
<td></td>
</tr>
<tr>
<td>CSLs</td>
<td>Companies’ Special Licences</td>
<td></td>
</tr>
<tr>
<td>DAA</td>
<td>Deposit Auction Arrangement</td>
<td></td>
</tr>
<tr>
<td>DBO</td>
<td>Domestic Banking Operations</td>
<td></td>
</tr>
<tr>
<td>DBS</td>
<td>Development Bank of Seychelles</td>
<td></td>
</tr>
<tr>
<td>DFS</td>
<td>Digital Financial Services</td>
<td></td>
</tr>
<tr>
<td>DFTA</td>
<td>Digital Free Trade Area</td>
<td></td>
</tr>
<tr>
<td>DICT</td>
<td>Department of Information Communications Technology</td>
<td></td>
</tr>
<tr>
<td>DR</td>
<td>Disaster Recovery</td>
<td></td>
</tr>
<tr>
<td>DSIB</td>
<td>Domestic Systemically Important Banks</td>
<td></td>
</tr>
<tr>
<td>ECC</td>
<td>Electronic Cheque Clearing</td>
<td></td>
</tr>
<tr>
<td>ECL</td>
<td>Expected Credit Loss</td>
<td></td>
</tr>
<tr>
<td>ESAAMLG</td>
<td>Eastern and Southern Africa Anti-Money Laundering Group</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>Euro</td>
<td></td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
<td></td>
</tr>
<tr>
<td>FBO</td>
<td>Foreign Banking Operations</td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
<td></td>
</tr>
<tr>
<td>FEA</td>
<td>Foreign Exchange Auction</td>
<td></td>
</tr>
<tr>
<td>FIA</td>
<td>Financial Institutions Act</td>
<td></td>
</tr>
<tr>
<td>FIP</td>
<td>Financial and Investment Protocol</td>
<td></td>
</tr>
<tr>
<td>FIU</td>
<td>Financial Intelligence Unit</td>
<td></td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>FMD</td>
<td>Financial Markets Division</td>
<td></td>
</tr>
<tr>
<td>FMI</td>
<td>Financial Market Infrastructures</td>
<td></td>
</tr>
<tr>
<td>FR</td>
<td>Financial Reporting</td>
<td></td>
</tr>
<tr>
<td>FSA</td>
<td>Financial Services Authority</td>
<td></td>
</tr>
<tr>
<td>FSC</td>
<td>Financial Stability Committee</td>
<td></td>
</tr>
<tr>
<td>FSD</td>
<td>Financial Surveillance Division</td>
<td></td>
</tr>
<tr>
<td>FSS</td>
<td>Financial Stability Section</td>
<td></td>
</tr>
<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
<td></td>
</tr>
<tr>
<td>GBP</td>
<td>British Pound</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
<td></td>
</tr>
<tr>
<td>GEIT</td>
<td>Governance of Enterprise IT</td>
<td></td>
</tr>
<tr>
<td>GFIN</td>
<td>Global Financial Innovation Network</td>
<td></td>
</tr>
<tr>
<td>GIFCS</td>
<td>Group of International Finance Centre Supervisors</td>
<td></td>
</tr>
<tr>
<td>GIR</td>
<td>Gross International Reserves</td>
<td></td>
</tr>
<tr>
<td>GLI</td>
<td>Gaming Laboratories International</td>
<td></td>
</tr>
<tr>
<td>HRC</td>
<td>Human Resources Committee</td>
<td></td>
</tr>
<tr>
<td>HRD</td>
<td>Human Resources Division</td>
<td></td>
</tr>
<tr>
<td>IAD</td>
<td>Internal Audit Division</td>
<td></td>
</tr>
<tr>
<td>IAIS</td>
<td>International Association of Insurance Supervisors</td>
<td></td>
</tr>
<tr>
<td>IBC</td>
<td>Intershore Banking Corporation Ltd</td>
<td></td>
</tr>
<tr>
<td>IBFIM</td>
<td>Islamic Banking &amp; Finance Institute Malaysia</td>
<td></td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standard</td>
<td></td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
<td></td>
</tr>
<tr>
<td>IOC</td>
<td>Indian Ocean Commission</td>
<td></td>
</tr>
<tr>
<td>IORWG</td>
<td>International Operational Risk Working Group</td>
<td></td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organisation of Securities Commissions</td>
<td></td>
</tr>
<tr>
<td>IOT</td>
<td>Indian Ocean Tuna</td>
<td></td>
</tr>
<tr>
<td>IPI</td>
<td>Industrial Production Index</td>
<td></td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
<td></td>
</tr>
<tr>
<td>ITZ</td>
<td>International Trade Zone</td>
<td></td>
</tr>
<tr>
<td>IUU</td>
<td>Illegal, unreported and unregulated</td>
<td></td>
</tr>
<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
<td></td>
</tr>
<tr>
<td>MoFTIEP</td>
<td>Ministry of Finance, Trade, Investment and Economic Planning</td>
<td></td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
<td></td>
</tr>
<tr>
<td>MPCC</td>
<td>Monetary Policy Consultation Clause</td>
<td></td>
</tr>
<tr>
<td>MPF</td>
<td>Monetary Policy Framework</td>
<td></td>
</tr>
<tr>
<td>MPR</td>
<td>Monetary Policy Rate</td>
<td></td>
</tr>
<tr>
<td>MPSS</td>
<td>Micro Prudential Supervision Section</td>
<td></td>
</tr>
<tr>
<td>MRR</td>
<td>Minimum Reserve Requirement</td>
<td></td>
</tr>
<tr>
<td>NBS</td>
<td>National Bureau of Statistics</td>
<td></td>
</tr>
<tr>
<td>NFA</td>
<td>Net Foreign Assets</td>
<td></td>
</tr>
<tr>
<td>NIR</td>
<td>Net International Reserves</td>
<td></td>
</tr>
<tr>
<td>NISA</td>
<td>National Information Services Agency</td>
<td></td>
</tr>
<tr>
<td>ODCs</td>
<td>Other Depository Corporations</td>
<td></td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
<td></td>
</tr>
<tr>
<td>OMO</td>
<td>Open Market Operations</td>
<td></td>
</tr>
<tr>
<td>PAT2</td>
<td>Portfolio Analytics Tool</td>
<td></td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>PCI</td>
<td>Policy Coordination Instrument</td>
<td></td>
</tr>
<tr>
<td>PFMI</td>
<td>Principles for Financial Market Infrastructures</td>
<td></td>
</tr>
<tr>
<td>PIN</td>
<td>Personal Identification Number</td>
<td></td>
</tr>
<tr>
<td>PIRI</td>
<td>Pacific Island Regional Initiative</td>
<td></td>
</tr>
<tr>
<td>PMC</td>
<td>Property Management Corporation</td>
<td></td>
</tr>
<tr>
<td>POS</td>
<td>Point of Sales</td>
<td></td>
</tr>
<tr>
<td>PRS</td>
<td>Policy and Research Section</td>
<td></td>
</tr>
<tr>
<td>PSP</td>
<td>Payment System Providers</td>
<td></td>
</tr>
<tr>
<td>PUC</td>
<td>Public Utilities Corporation</td>
<td></td>
</tr>
<tr>
<td>RAS</td>
<td>Reimbursable Advisory Services</td>
<td></td>
</tr>
<tr>
<td>RBS</td>
<td>Risk-based Supervision</td>
<td></td>
</tr>
<tr>
<td>RFP</td>
<td>Request For Proposal</td>
<td></td>
</tr>
<tr>
<td>RMC</td>
<td>Risk Management Committee</td>
<td></td>
</tr>
<tr>
<td>RMF</td>
<td>Risk Management Framework</td>
<td></td>
</tr>
<tr>
<td>RMU</td>
<td>Risk Management Unit</td>
<td></td>
</tr>
<tr>
<td>RSD</td>
<td>Research and Statistics Division</td>
<td></td>
</tr>
<tr>
<td>RTGS</td>
<td>Real Time Gross Settlement</td>
<td></td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
<td></td>
</tr>
<tr>
<td>SBA</td>
<td>Seychelles Bankers Association</td>
<td></td>
</tr>
<tr>
<td>SBC</td>
<td>Seychelles Broadcasting Corporation</td>
<td></td>
</tr>
<tr>
<td>SBL</td>
<td>Seychelles Breweries Limited</td>
<td></td>
</tr>
<tr>
<td>SBM</td>
<td>State Bank of Mauritius</td>
<td></td>
</tr>
<tr>
<td>SCCI</td>
<td>Seychelles Chamber of Commerce and Industry</td>
<td></td>
</tr>
<tr>
<td>SCF</td>
<td>Standing Credit Facility</td>
<td></td>
</tr>
<tr>
<td>SCU</td>
<td>Seychelles Credit Union</td>
<td></td>
</tr>
<tr>
<td>SDDS</td>
<td>Special Data Dissemination Standards</td>
<td></td>
</tr>
<tr>
<td>SDF</td>
<td>Standing Deposit Facility</td>
<td></td>
</tr>
<tr>
<td>SEFT</td>
<td>Seychelles Electronic Funds Transfer</td>
<td></td>
</tr>
<tr>
<td>SFA</td>
<td>Seychelles Fishing Authority</td>
<td></td>
</tr>
<tr>
<td>SIB</td>
<td>Seychelles Investment Board</td>
<td></td>
</tr>
<tr>
<td>SIDS</td>
<td>Small Island Developing States</td>
<td></td>
</tr>
<tr>
<td>SMEF</td>
<td>Small and Medium Enterprise Finance</td>
<td></td>
</tr>
<tr>
<td>SPA</td>
<td>Seychelles Ports Authority</td>
<td></td>
</tr>
<tr>
<td>SPTC</td>
<td>Seychelles Public Transport Corporation</td>
<td></td>
</tr>
<tr>
<td>SRC</td>
<td>Seychelles Revenue Commission</td>
<td></td>
</tr>
<tr>
<td>STB</td>
<td>Seychelles Tourism Board</td>
<td></td>
</tr>
<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
<td></td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
<td></td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
<td></td>
</tr>
<tr>
<td>TRIPS</td>
<td>Trade-Related aspects of Intellectual Property Rights</td>
<td></td>
</tr>
<tr>
<td>TSD</td>
<td>Technical Services Division</td>
<td></td>
</tr>
<tr>
<td>TVET</td>
<td>Technical Vocational Educational Training</td>
<td></td>
</tr>
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<td>United States</td>
<td></td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
<td></td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
<td></td>
</tr>
<tr>
<td>WEO</td>
<td>World Economic Outlook</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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</tbody>
</table>
Technical Note
Owing to rounding of figures, the sum of separate items may not always add up to the total shown.
Abbreviations used in this Report are:

\[ \begin{align*}
R & = \text{Seychelles Rupee} \\
n.a & = \text{Figure not available} \\
. & = \text{Negligible} \\
-/0 & = \text{Nil}
\end{align*} \]
SECTION ONE

Overview

1.0 External Developments

The global economy is estimated to have grown by 2.9 per cent in 2019 according to the January 2020 updates of the World Economic Outlook (WEO) published by the International Monetary Fund (IMF). This was a slowdown in economic activity compared to 2018 when growth in global output was estimated at 3.6 per cent. The IMF publication alerted that downside risks remained “prominent”. Such risks included “rising geopolitical tensions” between the United States (US) and Iran with the ability to disrupt global oil supply, “intensifying social unrest” in several countries, strained “relations between the US and its trading partners” as well as “deepening economic frictions between other countries”. From a more positive perspective, the IMF reported that “market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out”. In addition, the year has also witnessed a “broad-based shift toward accommodative monetary policy” as well as a growing probability of “favourable news on US-China trade negotiations”, amongst others, although these developments were not necessarily visible yet in macroeconomic data.

After a period of above-trend performance, activity in the US has relatively softened, which was a key contributing factor to the overall slowdown in growth in advanced economies. Hence, whilst unemployment rates were already at record lows, “core consumer price inflation remained muted across advanced economies”. In most emerging economies, inflationary risks remained low “amid subdued activity”. The weak aggregate demand has reduced metal and energy prices, two key factors that have helped to keep headline inflation low.

1.1 Domestic Economic Development

As a small, open island developing state which relies heavily on the rest of the world, Seychelles is susceptible to external shocks. The country has limited scope for diversification and as has been the case thus far, relies primarily on the services sector, particularly the tourism industry. Consequently, a slowdown in global output has the potential to adversely impact the performance of the domestic economy.

During 2019, economic sentiment of both businesses and consumers remained broadly unchanged compared to the previous year. The main challenges expressed by the business community included high operating costs, the difficulty to recruit local workers as well as stiff competition from imported substitutes. These were in addition to calls to the relevant authorities for improvement in the ease of doing business as well as the need for more consultations prior to the introduction of new policies with a direct impact on businesses. From a consumer perspective, indicators such as an increased level of income, strong demand for credit by private individuals, growth in imports of consumer goods as well as overseas travel suggested a high level of spending power and therefore consumer confidence. However, throughout the year, one of the main concerns expressed by the general public was “high cost of living”.

Central Bank of Seychelles Annual Report 2019 | 1
The above stated, there were signs of positive overall level of activity during the year. Consistently, growth in real Gross Domestic Product (GDP) is estimated at 3.9 per cent, slightly higher than 3.8 per cent achieved in 2018.

Most indicators suggest an expansion in output. The service sector – which accounts for around two thirds of the country’s economic activity – remained key to the overall performance of the economy considering its contribution to foreign exchange earnings, GDP, employment generation as well as tax revenue.

An upbeat tourism industry was fundamental to the overall performance of the services sector. A review of two key indicators, namely visitor arrivals and tourism earnings, showed another overall positive outcome. The record number of 384,204 visitors to the country was an increase of 6.2 per cent compared to the previous year. Such outcome was the result of strong growth in arrivals from traditional European markets – supported by improved economic performance in the Eurozone – although the number of tourists from the main emerging markets, such as China and South Africa were less than in the previous year. Another contributing factor was the improved air accessibility following the introduction of a twice-weekly flight by Air Mauritius in July, the return of direct flights between Seychelles and Paris-Charles de Gaulle by Air France in October as well as the launch of weekly flights to Tel Aviv, Israel in November by Air Seychelles. In addition, the strategies of the Seychelles Tourism Board (STB) to improve the country’s visibility and exposure in external markets also contributed to the overall performance of the sector.

As for the direct income generated by the tourism sector, this is estimated at US$590 million. Whilst such result was a growth of 5.5 per cent from the previous year to a new record level, the general sentiment of many stakeholders continued to be that such figure is an underestimate of the reality. This opinion is consistent with the general accepted belief that a significant proportion of tourism earnings does not enter the Seychelles economy. Therefore, many analysts remained of the opinion that the country is not reaping maximum benefits from the sector. This stated, according to GDP estimates, the total annual direct value-added contribution of tourism to the Seychelles economy, more specifically the category ‘accommodation and food service activities’ grew by 5.0 per cent in 2019.

The aforementioned growth in tourism earnings was a positive development for the foreign exchange market where such inflows represent an important source of supply. During 2019, there was a growth of 2.1 per cent in total supply of foreign exchange whilst the year-on-year increase in the total stock of foreign currency deposits held by residents in domestic banks was by 13 per cent in US dollar terms. As for the external value of the rupee against its main traded counterparts, it depreciated by 0.9 per cent against the US dollar (USD) but appreciated by a larger magnitude vis-a-vis both the euro (EUR) and British pound (GBP). To a large extent, the movement of the rupee against the EUR and GBP continued to be particularly influenced by the performance of the two currencies on the international markets.

Against the above backdrop, Seychelles was able to strengthen its external position and finished the year better prepared to weather balance of payments (BOP) shocks. During the year, the Central Bank continued with its

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1 This mainly relates to the fact that the earnings of many stakeholders are kept outside the Seychelles economy.
policy of opportunistichic purchases of foreign exchange from the market despite IMF’s assessment that Seychelles’ official reserves had already reached an “adequate” level. From US$549 million at the end of 2018, gross international reserves (GIR) finished the year under review at US$580 million, an outcome equivalent to 3.8 months of imports. As for net international reserves (NIR), it stood at US$430 million and higher than the end of 2019 target of US$403 million by US$27 million.

Consistent with the growth in official reserves, preliminary BOP estimates – show an improved current account outcome. Hence, whilst the record of transactions with the rest of the world continued to show a net outflow due to the country’s high reliance on imports, early estimate indicates a narrowing of the current account deficit from 18 per cent of GDP in 2018 to 17 per cent of GDP in 2019. Such outcome was attributed to a higher surplus from the services account as well as reduced net outflow of primary income.

In terms of price development, the year observed easing inflation compared to the previous year. According to official figures published by the National Bureau of Statistics (NBS), the rate of increase in prices of goods and services has moderated during the year with the monthly measure showing a lower rate compared to the preceding year. At the end of 2019, the Consumer Price Index (CPI) showed that prices were on average 1.7 per cent higher than in December 2018. Such price increase was lower than the outcome of 3.4 per cent recorded in December 2018.

The implemented monetary policy continued to focus on ensuring that the primary objective of the Bank, which is to promote domestic price stability, is effectively met. Following approved revisions to the Monetary Policy Framework (MPF) by the Board in December 2018, a Monetary Policy Rate (MPR) was introduced in January. In the resulted interest-rate based framework, reserve money was no longer the operational target with the MPR serving as the key indicator used to signal the prevailing monetary policy stance effective January. The MPR lies in the middle of the pre-existing interest rate corridor and therefore is surrounded by a Standing Deposit Facility (SDF) as the floor and a Standing Credit Facility (SCF) as the ceiling. As such, the SDF and SCF are adjusted to revisions in the MPR. The revised MPF had as objective to provide clearer signals to the market on the Bank’s monetary policy stance as well as to support deepening of the interbank market and eventually improve transmission through the interest rates channel. Operationally, it is also aimed to address the challenges faced under the “old” framework where the Bank had to achieve stability in short-term interest rates while simultaneously meeting a reserve money target.

The inaugural MPR was set at 5.5 per cent whilst the SDF and SCF were raised by 50 basis points each to 2.5 per cent and 8.5 per cent, respectively, which was indicative of a slight tightening of monetary policy compared to the stance in place since April 2018. Such decision took into consideration short-term inflationary impulses forecasted to originate from measures introduced on the fiscal side such as tax and salary revisions announced in the budget for the period under review as well as sustained growth in credit to the private sector. This policy

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2 A measure of the country’s transactions with the rest of the world
stance was maintained until the third quarter of the year which implied that the SDF and SCF remained unchanged over that period.

Following its assessment on inflation outlook for the fourth quarter of 2019, the Bank was of the view that the weak growth in global commodity prices, sustained stability in the external value of the domestic currency were key conditions that would support a moderate increase in consumer prices. This was despite some uncertainties that could arise from the fiscal side as well as persisting strong growth in demand for credit by the private sector. As such, the monetary policy stance was loosened and therefore, the MPR was lowered from 5.5 per cent to 5.0 per cent. Consistently, there was a downward shift in the interest rate corridor whereby the SDF rate and SCF rate were reduced from 2.5 per cent and 8.5 per cent to 2.0 per cent and 8.0 per cent, respectively.

Monetary statistics showed some degree of consistency between the prevailing monetary environment and the general movement in interest rates during 2019. When the interest rate corridor was shifted upwards in the first quarter of the year, there was an overall increase in the effective interest rates applicable on both deposits and credit. However, these subsequently fell towards the end of the year following a shift to a looser monetary policy stance in the fourth quarter.

Against the above backdrop, at the end of 2019, the aggregate stock of outstanding loans disbursed to the private sector has grown by R1,482 million or 22 per cent compared to December 2018. Further analysis of the statistics show that the majority of this increase reflected a higher outstanding balance under the categories ‘tourism facilities’, ‘private households & non-profit institutions’ and ‘mortgages’. Moreover, by category, credit to the subgroup ‘private households & non-profit institutions’ with a share of 21 per cent, accounted for the largest proportion of loans to the private sector. To note, although maintaining its position compared to end 2018, a slight decline from 23 per cent was observed in loans to this category in the year under review.

In consideration of the year’s development, the general indication is that the transmission of monetary policy signals from the Central Bank to the market has overall improved. However, there is room for further improvement of the transmission of policy signals through the interest rate channel such that monetary policy becomes more effective.

As regards to the performance of the fiscal account, this remained positive. For the financial year ending December 2019, the achieved primary surplus stood at 2.6 per cent of GDP compared to the target of 2.5 per cent of GDP. Hence, government remained committed to fiscal discipline and to reduce public debt to below 50 per cent of GDP by 2021. At end-2019, total public debt stood at 57 per cent of GDP.

On the policy front, important attention was placed on increasing disposable income of households. The main measures that were introduced included a 5.0 per cent increase in the minimum wage and social security benefits for the elderly citizens as well as long service allowance for non-contract public sector employees. To note, government had also planned an increase of 5.0 per cent in salary of public service employees\(^3\) in April which was however not approved by the National Assembly. This was because the majority of members objected to a 5.0

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\(^3\) Consistent with the Public Service Salary Act of 2013
per cent increase in favour of an equal distribution of the proposed budgeted amount to all employees irrespective of salary grade. Consequently, in December, the executive branch of government decided to offer a supplementation allowance of 5.0 per cent of the basic salary to public sector employees, back-paid as of April 01, instead of the 5.0 per cent increase in basic salary.

The government also introduced some measures with the objective of tackling health issues relating to the consumption of sugar and tobacco. A sugar tax applicable on all beverages with a sugar content exceeding 5g per 100ml was introduced in April with the aim to dampen the rising trend in obesity and non-communicable diseases, most notably amongst children. Also introduced was an increase of 10 per cent in excise tax on locally produced and imported tobacco as of January. Furthermore, in June, a prescription fee of R25 was introduced at public health clinics with the objective to create more awareness on the costs associated with healthcare in Seychelles.

Other policies introduced by the government in 2019 included an increase in customs duty on imported pork and poultry meat with the objective to preserve and promote local industry, more specifically the agriculture sector. The resulted higher cost of imports for such products should help to address the stiff competition from imported substitutes that had been expressed as a major concern by local businesses.

In the labour market, statistics for end of the third quarter of 2019 show a total of 54,259 employed persons, which was a growth of 8.0 per cent compared to the third quarter of 2018 and by 7.0 per cent in comparison to end-2018. The majority or 66 per cent of total employment were in the private sector. Foreign labour accounted for 5.9 per cent of total employed persons in government and these were mainly in the category ‘education’ and ‘human health & social work activities.’ The share of expatriate employment in the parastatals sector stood at 12 per cent and these were predominantly employed in ‘administrative & support services’. To note, the same analysis could not be done for the private sector due to unavailability of data. The average earnings for the private, parastatal, and public sectors stood at R13,262, R15,474 and R16,935 respectively following increases across all three sectors. As for the rate of unemployment, this stood at 2.4 per cent in the third quarter of 2019 at 0.9 percentage points lower than in the same period of 2018. The rate of unemployment amongst the female population was 2.5 per cent whilst the male unemployment rate was 2.3 per cent. Notable is the period’s marked decline in youth unemployment from 14 per cent to 6.3 per cent. Skills miss-match and consequently the inability of businesses to fill all vacancies from the existing pool of local labour continued to represent one of the main challenges expressed by stakeholders. As such, the year observed a further increase in the participation of foreign workers and across wider segments of the economy. To note, the increased dependency on foreign labour also translates into a growth in outward transfers of workers’ remittances to the rest of the world.

In the year under review, Seychelles continued its engagement with the IMF through the three-year Policy Coordination Instrument (PCI) approved by the executive Board of the Fund in December 2017.

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4 Latest available information
5 The PCI is an instrument designed to assist countries “formulate and implement a macroeconomic policy package with close monitoring of progress”. The arrangement which is without financial support is expected to benefit Seychelles in the form of...
In June, following its latest assessment of the country’s economic performance and outlook, Fitch Ratings upgraded the sovereign credit rating for Seychelles from “BB-” to “BB” with a stable outlook. The upgrade which was maintained in the December review took into consideration the performance of key indicators as well as important successful reforms undertaken with the support of IMF.

During 2019, the Central Bank managed to successfully meet its NIR targets – applicable end-June and end-December – as illustrated in Table 1.1.

Table 1.1: Quantitative Performance Criteria

<table>
<thead>
<tr>
<th></th>
<th>2017 Q4</th>
<th>2018 Q1</th>
<th>2018 Q2</th>
<th>2018 Q3</th>
<th>2018 Q4</th>
<th>2019 Q1</th>
<th>2019 Q2</th>
<th>2019 Q3</th>
<th>2019 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net International Reserves $^{1/2}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Target</td>
<td>391</td>
<td>406</td>
<td>393</td>
<td>393</td>
<td>375</td>
<td>392</td>
<td>403</td>
<td>403</td>
<td>403</td>
</tr>
<tr>
<td>Actual</td>
<td>424</td>
<td>429</td>
<td>430</td>
<td>420</td>
<td>406</td>
<td>412</td>
<td>409</td>
<td>402</td>
<td>430</td>
</tr>
</tbody>
</table>

1. The stated target is a floor
2. The target dates are end of Q2 and Q4

According to estimates from January 2020, global economic growth for the year was projected at 3.3 per cent. The relatively positive outlook was to reflect a boost in market sentiment which would follow “tentative signs” of a pick-up in manufacturing activity as well as in global trade. However, the early indications were that an outbreak of a new virus – coronavirus named COVID-19 – that first appeared in Wuhan, China, at the beginning of December has the potential to severely impact global activity. Measures to contain the virus include restrictions imposed on the movement of people, an action which has significantly reduced output in China as well as other parts of the world given the importance of the Chinese economy to global activity. World tourism and travel trade is one of the main activities expected to be severely impacted.

Against the above backdrop, the indication is that 2020 will be a very challenging one for the tourism industry and consequently the Seychelles economy. A significant slowdown of the tourism industry in terms of visitor arrivals suggest a reduction in income and hence less inflows of foreign exchange. Whilst this is also expected to translate into a fall in demand by the industry, the overall outcome is likely to cause a depreciation of the domestic currency. Ceteris paribus, a weaker rupee against the US dollar would increase domestic prices although this will be partly mitigated by forecasted weak global energy prices in the midst of sluggish global output although inflationary risks would remain relevant in 2020.
In terms of the country’s ability to weather external shocks, based on the projected level of imports of goods and services for the year 2020, the end-2019 total international reserves would cover in excess of four months.

The early indications are that economic activity will slow down significantly in 2020, with a high probability that growth in real GDP would be in negative territory.
2.0 Overview
Preliminary statistics suggest that economic activity remained positive in 2019 and total output, measured in terms of changes in real GDP, is estimated to have grown by 3.9 per cent, which was 0.1 percentage point above the level achieved in 2018. The critical driver of economic growth remained the services sector, essential of which is the tourism industry. Key indicators from the industry show new record levels of visitor arrivals as well as direct earnings.

Tourism performance was driven by strong growth from traditional European markets, whereas the number of visitors from the main emerging markets, such as China and South Africa, declined, reflecting a continuation of trends observed in 2018. The positive development in European markets was influenced by the Eurozone economic recovery as well as the increased airline connectivity. As per past trends, employment in the tourism industry accounted for the largest share of the labour market.

After years of stagnation, post-reforms, and following double-digit growth in 2018, the agricultural sector maintained its positive performance in 2019 with several indicators suggesting an even higher performance for the sector than the current estimate. This was partly due to the implementation of protectionist measures via the import channel as well as investment in longstanding infrastructure. Nevertheless, the sector remained vulnerable to competition from cheaper imports.

As for the fisheries sector, the available indicators show mixed signals although based on preliminary estimates, activities increased by 3.0 per cent compared to 2018. On the one hand, there was sustained investment and support from additional tax concessions, whilst on the other, data seems to suggest a possibility of growing supply-side constraints. In an effort to address the marine stock depletion, alternative innovations which include developing the necessary infrastructure to facilitate aquaculture have been implemented. This supplements pre-existing policies for at-risk species, including tuna.

With regards to the manufacturing sector, there was positive growth across most components. Nevertheless, challenges faced as a result of the quota imposed on yellow-fin tuna fishing have constrained fisheries activity given the lack of product diversification. Positive growth was recorded in the manufacturing of beverages, key of which was the increase in output of Seychelles Breweries Limited (SBL). Moreover, the company released new products and was exploring export opportunities to European markets. There was nevertheless a contraction in the production of tobacco.

The telecommunications industry – a high performing sector in recent times – is estimated to have more than doubled the previous year’s growth rate. This was evidenced by sustained double-digit growth in data demand and positive performance across most services offered.
In terms of price developments, inflationary pressures moderated further during 2019. The CPI published by NBS show a 12-month average inflation rate of 1.8 per cent which was 1.9 percentage points lower than in 2018. At the end of December 2019, prices of goods and services were on average 1.7 per cent higher than a year earlier, showing a marked reduction in inflationary impulses compared to 3.4 per cent recorded in 2018.

2.1 Primary Sector
The primary sector comprises of activities relating to the extraction and collection of natural resources. Within the local context, this comprises of the fisheries and agriculture segments. Quarterly national account statistics published by NBS showed somewhat positive outcomes for data covering the period up to the third quarter of 2019. On the one hand, a double-digit expansion in the fisheries sector was recorded relative to the corresponding period of 2018, while on the other hand, there was a lower estimated output for agriculture.

The aforementioned sectors remained critical areas of focus by the government during 2019. The areas on which the formulated policies emphasised on included tax concessions, modernisation, improved value-added and efficiency gains amongst others. Tax concessions to both sectors which was announced as part of government’s 2019 Budget Strategy and Outlook became applicable at the start of the year. Key elements included amendments to valued-added tax (VAT) regulations to allow registered farmers and fishermen to be eligible for VAT refund on locally purchased goods/equipment. A Fisheries Comprehensive Plan – inclusive of challenges put forward by relevant stakeholders – was launched in the second half of the year. With regards to agriculture, highlights included policies providing for tax exemptions, renovation of the chicken abattoir and promoting biotechnological innovations for boosting production amongst others.

2.1.1 Fisheries
Preliminary estimates show an annual increase of 3.0 per cent in fisheries activity relative to 2018. Such outcome was partly supported by improved infrastructure in the sector with the ability to reap efficiency benefits. As of the third quarter of 2019, year-to-date published statistics show a decline of 15 per cent in fish catch. Such performance which indicate a significant contraction in the sector’s output was broadly consistent with the trend observed prior to 2018. This therefore implies that the performance achieved in 2018 when the growth in fish catch increased by 49 per cent relative to 2017 was an outlier.

In terms of key developments, a new Broodstock Acclimation and Quarantine Facility (BAQF), at Providence Fishing Port, a prerequisite for the future development of the aquaculture sector was inaugurated in October. The facility was financed by the European Union (EU) at a cost of R15 million and will cater for species such as grouper and red snapper.

From a policy perspective, August saw the launch of a three-year Fisheries Comprehensive Plan, which will serve as a guide for the development of the sector for the next three years. The Plan follows consultations with stakeholders and seeks to address the challenges put forth, namely, capacity control, lack of operational resources management plans, mismanagement of concessions and subsidies, and lack of safety measures, amongst others.
Key features of the plan include a new fishing vessel classification system, safety standards and requirements for each class of vessel, a new vessel marking scheme and mandatory vessel registration with the relevant authority. Infrastructure-wise, the plan commits to numerous projects including ice plants, jetties, spaces to moor fishing boats in different regions including Glacis, Anse Etoile, Cascade and Baie Ste Anne, Praslin. These are expected to be carried out in 2020. On a related note, a new fish market on La Digue officially opened in January, funded in the framework of the current Fisheries Protocol signed between the government of Seychelles and the EU.

Notwithstanding these positive developments, factors such as the depletion of the marine stock remained a concern for the fishing industry, and is one that is expected to persist moving forward. Moreover, illegal fishing in the Seychelles waters and poaching of various species, such as sea cucumbers and lobsters continued to be notable challenges. As a result, the local fishing authority imposed measures to protect selected species in a bid to ensure their sustainability and long-term viability. As an example, after a closure of two seasons, lobster fishing reopened late 2018 until March under additional licence conditions. These included a limit of four divers per licence holder and a maximum of six traps depending on the type of fishing used. Another development of note was the continued extension of protected areas under the Marine Spatial Planning process. By end-2020, the total protected area is expected to cover 30 per cent of the exclusive economic zone and include sustainable policies covering the fisheries and tourism sectors.

In October, Seychelles secured EUR58 million under the Sustainable Fisheries Partnership Agreement and its accompanying protocol from EU for the next six years, subject to its official signing by relevant parties. The agreement gives EU vessels access to Seychelles waters while the accompanying protocol sets out the conditions including the number of vessels allowed to fish, the tonnage and provisions for joint-inspections of EU-flagged vessels by the Seychelles Fishing Authority (SFA).

2.1.2 Agriculture

Growth in this sector is estimate at 2.0 per cent for the year under review. As at the end of the third quarter, statistics showed an expansion of 13 per cent and 26 per cent in output of livestock, namely the slaughter of pigs and chicken, respectively. However, the production of eggs contracted by 1.5 per cent, albeit partly influenced by the marked reduction in the output of layer chicks experienced in 2018 that impacted egg production in the year under review. Nevertheless, importation of layer chicks increased by 44 per cent in 2019 relative to 2017, a development that supports a more positive outlook beyond 2019.

In October, after a four-month delay, the Ferox abattoir reopened following major renovations. The facility forms part of the Ministry’s strategic comprehensive plan to boost chicken production, mindful of the required standards. The abattoir intends to increase processing capacity to 50 per cent of production demand in the next three years, with such plans supported by a growth of 57 per cent in compound animal feed, thereby suggesting that the challenge of securing animal feed for the expansion of the sector has been addressed.

With regards to crop production, namely that of tea and cinnamon as published by NBS, after no production of tea was recorded during the first three quarters of 2018, there was a positive development in the final quarter of 2018.
which continued thereafter. As of the end of the third quarter of 2019, tea production was 167 per cent above that of the previous year. With regards to cinnamon, output increased by 1.2 per cent.

From a policy perspective and consistent with the comprehensive plan for agriculture launched in 2018, graduates from the Seychelles Institute of Agriculture and Horticulture will be allocated with state-owned lands to encourage further development in the sector. Nonetheless, strong competition from imports remains an ongoing concern which is one of the reasons why considerations for the use of agricultural biotechnology innovations to improve output was presented by the Seychelles Agricultural Agency during the year. Another noted development included the establishment of a business facilitation platform for regional trade in agro-food products amongst member states of the Indian Ocean Commission (IOC). Such a platform aims to reduce the region’s dependence on imported products and accentuate the members’ relative comparative advantage when it comes to the sector.
Table 2.1: Gross Domestic Product by kind of Economic Activity (2015 - 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017(1)</th>
<th>2018(1)</th>
<th>2019(2)</th>
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<tr>
<td><strong>Gross Domestic Product</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at constant prices</td>
<td>8,068.0</td>
<td>8,436.2</td>
<td>8,805.3</td>
<td>9,135.8</td>
<td>9,487.9</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>4.9%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>3.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>103.3</td>
<td>103.8</td>
<td>106.0</td>
<td>126.1</td>
<td>128.6</td>
</tr>
<tr>
<td>Fishing</td>
<td>56.0</td>
<td>57.0</td>
<td>60.2</td>
<td>63.5</td>
<td>65.4</td>
</tr>
<tr>
<td>Manufacture of food</td>
<td>172.8</td>
<td>189.5</td>
<td>214.2</td>
<td>267.6</td>
<td>267.6</td>
</tr>
<tr>
<td>Manufacture of beverages and tobacco</td>
<td>171.7</td>
<td>168.0</td>
<td>178.0</td>
<td>184.4</td>
<td>193.6</td>
</tr>
<tr>
<td>Manufacture of concrete, rock products, glass etc</td>
<td>54.7</td>
<td>52.3</td>
<td>42.6</td>
<td>47.9</td>
<td>49.8</td>
</tr>
<tr>
<td>Manufacturing, other</td>
<td>111.3</td>
<td>109.2</td>
<td>108.6</td>
<td>114.4</td>
<td>116.7</td>
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<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>79.2</td>
<td>64.7</td>
<td>63.8</td>
<td>65.1</td>
<td>67.7</td>
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<tr>
<td>Water supply; sewerage, waste management and remediation activities</td>
<td>33.7</td>
<td>32.2</td>
<td>30.1</td>
<td>30.3</td>
<td>31.5</td>
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<td>Construction</td>
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<td>242.9</td>
<td>235.4</td>
<td>257.7</td>
<td>270.5</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>565.2</td>
<td>605.0</td>
<td>637.4</td>
<td>634.9</td>
<td>660.2</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>741.5</td>
<td>825.1</td>
<td>810.9</td>
<td>823.1</td>
<td>856.0</td>
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<tr>
<td>Accommodation and food service activities</td>
<td>978.1</td>
<td>993.3</td>
<td>1,052.5</td>
<td>1,077.6</td>
<td>1,131.5</td>
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<tr>
<td>Information and communication</td>
<td>683.6</td>
<td>725.3</td>
<td>851.0</td>
<td>878.6</td>
<td>940.1</td>
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<tr>
<td>Financial and insurance activities</td>
<td>355.4</td>
<td>400.7</td>
<td>364.4</td>
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<td>Real estate activities</td>
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<td>483.7</td>
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<tr>
<td>Owner Occupied dwellings</td>
<td>676.3</td>
<td>699.3</td>
<td>761.8</td>
<td>787.6</td>
<td>811.3</td>
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<td>Professional, scientific and technical activities</td>
<td>274.4</td>
<td>294.3</td>
<td>292.5</td>
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<td>320.9</td>
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<td>Administrative and support service activities</td>
<td>243.3</td>
<td>257.0</td>
<td>276.5</td>
<td>283.9</td>
<td>295.3</td>
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<tr>
<td>Public administration and defence; compulsory social security</td>
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<td>545.8</td>
<td>567.0</td>
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<td>627.2</td>
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<td>Education</td>
<td>231.0</td>
<td>237.8</td>
<td>244.8</td>
<td>255.5</td>
<td>263.2</td>
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<tr>
<td>Human health and social work activities</td>
<td>177.5</td>
<td>180.3</td>
<td>192.6</td>
<td>204.4</td>
<td>210.6</td>
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<tr>
<td>Arts, entertainment and recreation</td>
<td>40.8</td>
<td>40.9</td>
<td>42.4</td>
<td>39.0</td>
<td>40.1</td>
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<td>Other service activities</td>
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<td>59.3</td>
<td>60.1</td>
<td>57.1</td>
<td>58.8</td>
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<tr>
<td>Allocation of FISIM(^3) to Nominal Sector</td>
<td>-135.6</td>
<td>-150.3</td>
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<td>-153.9</td>
<td>-146.2</td>
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**Value Added at basic prices**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017(1)</th>
<th>2018(1)</th>
<th>2019(2)</th>
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<tbody>
<tr>
<td><strong>Value Added at basic prices</strong></td>
<td>6,908.2</td>
<td>7,217.0</td>
<td>7,535.8</td>
<td>7,825.8</td>
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<td>Taxes Less subsidies</td>
<td>1,159.9</td>
<td>1,219.1</td>
<td>1,269.5</td>
<td>1,310.0</td>
<td>1,346.6</td>
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</tbody>
</table>

**Notes:**

1 Provisional Estimates – National Bureau of Statistics
2 Indicative Estimates – Seychelles Macroeconomic Framework Working Group
3 Financial Intermediation Services Indirectly Measured
### Table 2.2: Gross Domestic Product by Kind of Economic Activity (2015 - 2019)

at current prices

<table>
<thead>
<tr>
<th>Activity</th>
<th>2015 (R million)</th>
<th>2016 (R million)</th>
<th>2017 (R million)</th>
<th>2018 (R million)</th>
<th>2019 (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at current market value</td>
<td>18,339.8</td>
<td>19,002.4</td>
<td>20,806.3</td>
<td>22,063.8</td>
<td>23,439.9</td>
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<tr>
<td><strong>Change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>223.2</td>
<td>227.3</td>
<td>236.9</td>
<td>277.8</td>
<td>290.4</td>
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<tr>
<td>Fishing</td>
<td>152.0</td>
<td>154.8</td>
<td>154.4</td>
<td>159.8</td>
<td>168.7</td>
</tr>
<tr>
<td>Manufacture of food</td>
<td>358.4</td>
<td>374.1</td>
<td>524.0</td>
<td>716.7</td>
<td>734.6</td>
</tr>
<tr>
<td>Manufacture of beverages and tobacco</td>
<td>398.3</td>
<td>388.0</td>
<td>390.9</td>
<td>418.4</td>
<td>450.3</td>
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<tr>
<td>Manufacture of concrete, rock products, glass etc</td>
<td>102.0</td>
<td>99.7</td>
<td>81.1</td>
<td>91.6</td>
<td>97.7</td>
</tr>
<tr>
<td>Manufacturing, other</td>
<td>238.8</td>
<td>231.6</td>
<td>238.0</td>
<td>261.7</td>
<td>273.6</td>
</tr>
<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>420.4</td>
<td>433.8</td>
<td>415.5</td>
<td>386.9</td>
<td>412.4</td>
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<tr>
<td>Water supply; sewerage, waste management and remediation activities</td>
<td>75.0</td>
<td>80.4</td>
<td>79.6</td>
<td>81.4</td>
<td>86.8</td>
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<tr>
<td>Construction</td>
<td>575.3</td>
<td>551.0</td>
<td>580.9</td>
<td>687.1</td>
<td>739.6</td>
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<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>1,268.0</td>
<td>1,343.4</td>
<td>1,455.8</td>
<td>1,513.7</td>
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<tr>
<td>Transportation and storage</td>
<td>2,057.3</td>
<td>2,111.0</td>
<td>2,147.3</td>
<td>2,232.5</td>
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<tr>
<td>Accommodation and Food service activities</td>
<td>2,291.8</td>
<td>2,369.5</td>
<td>2,550.1</td>
<td>2,677.9</td>
<td>2,882.2</td>
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<tr>
<td>Information and communication</td>
<td>910.6</td>
<td>955.5</td>
<td>1,099.9</td>
<td>1,160.8</td>
<td>1,273.2</td>
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<tr>
<td>Financial and insurance activities</td>
<td>797.4</td>
<td>899.5</td>
<td>872.3</td>
<td>872.2</td>
<td>929.8</td>
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<td>Real estate activities</td>
<td>1,016.7</td>
<td>1,054.3</td>
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<tr>
<td>Owner Occupied dwellings</td>
<td>1,494.7</td>
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<td>1,958.2</td>
<td>2,063.9</td>
<td>2,179.0</td>
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<tr>
<td>Professional, scientific and technical activities</td>
<td>479.8</td>
<td>498.9</td>
<td>496.4</td>
<td>535.4</td>
<td>559.8</td>
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<tr>
<td>Administrative and support service activities</td>
<td>497.3</td>
<td>521.1</td>
<td>574.1</td>
<td>600.2</td>
<td>629.8</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>1,234.2</td>
<td>1,279.2</td>
<td>1,362.5</td>
<td>1,472.0</td>
<td>1,539.0</td>
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<tr>
<td>Education</td>
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<td>405.2</td>
<td>415.1</td>
<td>442.5</td>
<td>467.2</td>
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<tr>
<td>Human health and social work activities</td>
<td>309.7</td>
<td>317.9</td>
<td>354.0</td>
<td>387.8</td>
<td>409.4</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>95.2</td>
<td>96.8</td>
<td>100.4</td>
<td>91.7</td>
<td>96.8</td>
</tr>
<tr>
<td>Other service activities</td>
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<td>100.6</td>
<td>101.9</td>
<td>97.2</td>
<td>102.6</td>
</tr>
<tr>
<td><strong>Allocation of FISIM(^3) to Nominal Sector</strong></td>
<td>-283.1</td>
<td>-328.1</td>
<td>-324.9</td>
<td>-360.9</td>
<td>-342.9</td>
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</table>

**Value Added at basic prices**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,199.7</td>
<td>15,688.6</td>
<td>16,967.3</td>
<td>17,981.7</td>
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</table>

**Taxes Less subsidies**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<td>3,140.2</td>
<td>3,313.8</td>
<td>3,839.1</td>
<td>4,082.1</td>
<td>4,280.5</td>
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</tbody>
</table>

**Notes:**

2. Indicative Estimates – Seychelles Macroeconomic Framework Working
3. Financial Intermediation Services Indirectly Measured
2.2 **Industries**

The industrial segment comprises of activities in the construction and manufacturing sectors. Growth rates within the components of the segment are expected to be positive, with such outcome supported by positive indicators from both construction and manufacturing activities. In the former sector, this included sustained credit demand for ‘mortgages’ and ‘tourism facilities’.

2.2.1 **Construction**

Following a growth of 9.4 per cent in 2018, the sector is estimated to have expanded by 5.0 per cent in 2019. The current estimate can be seen as conservative in consideration of noted increases in production levels registered across multiple products relating to construction activity. This included growth rates of 172 per cent, 27 per cent, 15 per cent and 14 per cent in the production of ‘crusher waste’, ‘aggregate’, ‘crusher dust’ and ‘blocks’ respectively as at the end of the third quarter for the year.

Following the imposed moratorium on Foreign Direct Investment (FDI), construction activities have been oriented towards finishing pre-approved projects as well as small to medium scale projects such as residential and infrastructural. Key government projects included social housing construction undertaken for Property Management Corporation (PMC), including Le Domaine Housing Estate, Orchid Village and Anse Aux Poules Bleues. Other major projects that remained ongoing included the Seychelles Broadcasting Corporation (SBC) House at Union Vale and the La Gogue Dam extension.

2.2.2 **Manufacturing**

The manufacturing sector is estimated to account for 6.7 per cent of GDP in 2019, an annual increase of 0.8 percentage points in its share of GDP. Several indicators suggest that growth rates across most segments remained robust, albeit hampered by competition from imported substitutes and high costs of production. According to sentiment of investors and most analysts, the sector was also adversely impacted by the short notice of policy announcements, key of which were related to wage, labour and immigration policies.

The sector’s positive growth was primarily attributed to an increase of 3.1 per cent in the manufacturing of food despite a contraction of 13 per cent in the production of canned tuna in the first three quarters of the year. Such overall positive performance was supported by data from the Industrial Production Index (IPI), which show a growth of 7.9 per cent for the year in the category of ‘manufacturing of other food products’.

With regards to the category of ‘beverages & tobacco’, there was a growth of 1.9 per cent which was due to an increase of 8.0 per cent in the production of ‘beers & stouts’. Average annual IPI recorded a growth of 17 per cent in the category of ‘distilling, rectifying & blending of spirits’ relative to the previous year. Conversely, the production of ‘soft drinks’ and ‘juices’ contracted by 2.9 per cent and 18 per cent respectively for the first three quarters of 2019 relative to the corresponding period of 2018. Statistics also show a fall of 12 per cent in the production of cigarettes.

During 2019, SBL, a key manufacturer expanded its product range with the releases of *Slow Turtle Cider* and *SeyBrew Lite*. The company achieved a buoyant performance in its financial year that ended in June, an outcome
that has supported the company’s plan to explore the export market for craft beer, more specifically to Australia, Germany, and United Kingdom (UK).

![Chart 2.1: Changes in Production Indicators (2019)](chart.png)

**Source:** National Bureau of Statistics

With regard to the activities under the category of ‘manufacturing of concrete, rock products, glass etc’, a modest growth of 0.4 per cent is estimated, albeit with growth impacted by large stock effects carried over from 2018. As for the ‘other manufacturing’ category of GDP, the estimated growth was 1.2 per cent, with a general increase expected across all of its subcomponents, a result supported by buoyant domestic demand and sustained activities in tourism. This also included increases of 4.4 per cent in the production of ‘paints’, based on information for the first three quarters of the year relative to the corresponding period in 2018.

### 2.3 Services

The services sector historically accounts for around two thirds of economic activity, key of which is the tourism industry as the primary driver. In more recent times, developments relating to the telecommunications sector have also increased in importance.

#### 2.3.1 Tourism

The number of visitors who disembarked in Seychelles during 2019 amounted to 384,204 which was a growth of 6.2 per cent relative to 2018. A closer analysis of the statistics indicated that such outcome was impacted by an increase of 206 per cent in transit passengers whilst the number of tourists who visited the country for holiday purposes increased by a modest 2.1 per cent.

Key developments included improved air accessibility with the introduction of a twice-weekly flight by Air Mauritius; Air Seychelles establishing direct flights to Israel as well as the historic return of Air France in October, following
an absence of over 20 years from Seychelles\textsuperscript{6}. The commencement of Air France flights coincided with the ceasing of operations to Seychelles by Joon earlier during the year.

The number of visitors from Europe accounted for 69 per cent of total arrivals, with Germany having the largest share from Europe (27 per cent). With regards to the performance of traditional markets and with the exception of France, there was a growth of 12 per cent in visitor arrivals from both UK and Italy whilst supply from the German market increased by 18 per cent. The contribution from the French market contracted by 0.6 per cent. Other notable developments included a return to positive performance of the Russian market (9.2 per cent) and double-digit growth in the number of tourists from Switzerland (14 per cent).

![Chart 2.2: Visitor Arrivals (2009 – 2019)](chart)

The Asian market contracted by 4.2 per cent due to declines of 1.7 per cent and 34 per cent in the number of tourists from the UAE and China, respectively. However, this was partially offset by growth of 7.7 per cent and 3.1 per cent in visitor arrivals from Israel and India, respectively. There was also a fall in visitors from the African continent and this was primarily due to a contraction of 4.0 per cent in supply from the South African market.

The overall performance of the tourism industry was supported by the strategies of the STB to improve the country’s visibility and exposure in external markets. In March, the country was represented in Germany for the Internationale Tourismus-Börse Berlin and in April, the Arabian Travel Market held in Dubai. This was followed by the Paris’ Expo Porte de Versailles in October and most notably, at the 40\textsuperscript{th} edition of the World Travel Market in London in November. Moreover, STB participated in trade fairs and road shows, including the Matka trade show (Nordic region), ‘Le Salon de Vacances’ (Belgium) and the Spotlight Africa Workshop (Zambia), amongst others.

\textsuperscript{6} To note, as from 5\textsuperscript{th} May 2018, Joon, the sister airline of Air France, started direct flights between Seychelles and Paris Charles de Gaulle.
Consistent with increased arrivals and the improved visibility strategy, tourism earnings are estimated to have increased by 5.5 per cent in 2019, to a new peak of US$590 million. This outcome came despite a weaker EUR observed in 2019 relative to 2018. Moreover, stakeholders remained of the view that such figure is an underestimate in view of the generally accepted sentiment that a significant proportion of tourism earnings does not enter the Seychelles economy.

Nonetheless, the growth in earnings and visitor arrivals was consistent with the estimated higher output or value-added contribution from the direct measure of tourism activities in the economy, more specifically the GDP category ‘accommodation and food service activities’, which increased by 5.0 per cent. As at the end of the third quarter, average bed occupancy rates stood at 62 per cent, which was unchanged from the previous year albeit following a rise of 5.1 per cent in the number of beds available. Given the aforementioned developments, the average length of stay marginally declined to 9.9 nights.

### Table 2.3: Tourism Indicators (2015-2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitors arrivals</td>
<td>276,233</td>
<td>303,177</td>
<td>349,861</td>
<td>361,844</td>
<td>384,204</td>
</tr>
<tr>
<td>Average length of stay (nights)</td>
<td>9.9</td>
<td>9.9</td>
<td>9.5</td>
<td>10.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Tourism Earnings (US$ million)</td>
<td>393</td>
<td>414</td>
<td>483</td>
<td>559</td>
<td>590</td>
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</table>

**Memorandum**

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<th>62(1)</th>
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</thead>
<tbody>
<tr>
<td>Total bed occupancy rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 YTD total bed occupancy rate as at Q3 2019

Sources: National Bureau of Statistics, (except tourism foreign exchange earnings which are from Central Bank of Seychelles)

#### 2.3.2 Telecommunications

A key development in the industry, namely the fibreoptic cable which was installed in 2012 has contributed to robust growth in the sector. For the year under review, the telecommunications industry is estimated to have grown by 7.0 per cent, a result that was supported by high demand for products on offer.

According to market indicators, the sector’s performance was mainly fuelled by the demand for data. As at the end of the third quarter of 2019, data traffic has increased by 22 per cent relative to the corresponding period of 2018 and continued a period of annual double-digit growth in demand since the statistics were collected. Such development was consistent with other indicators, mainly growth of 7.7 per cent, 10 per cent and 1.5 per cent in mobile accounts, internet and cable tv connections, respectively. With regards to telephone use, whilst the length of local calls increased by 7.5 per cent, that for international calls declined by 6.6 per cent. The latter decline is an indication of how data availability and use have altered the choice in the means of communications in the economy.
One major event was associated with the change in ownership of the longest serving telecoms company, Cable and Wireless. Following a prolonged negotiation period, it was announced in November that the company had been sold to a group of Seychellois entrepreneurs. The new shareholding group purchased the company for US$130 million from Liberty Global. The acquisition was partially financed by the Trade Development Bank, with the participation of ABC Banking Corporation of Mauritius and domestically, Barclays and Nouvobanq.

2.3.3 Financial Services

The financial services sector is estimated to have expanded by 4.0 per cent in 2019. Such result was supported by stronger services inflows as well as double-digit growth in demand for credit by the private sector. The year saw the official opening of two international banks, namely Al Salam Bank (ASB) and the State Bank of Mauritius (SBM) (Seychelles) Limited. With regards to ASB, the bank officially launched its full commercial banking services in February by offering retail and corporate banking. However, at the end of 2019, ASB was focusing on corporate and small and medium enterprises, with personal banking to follow once the legal framework is implemented.

In August, SBM which is a subsidiary of the Mauritian financial group, SBM Holdings Limited, was officially opened and is expected to offer standard banking services, albeit with greater emphasis on technological innovations. This potentially includes the use of e-wallets and more digitalised processes across its services.

2.4 Other Key Segments

Positive performance was recorded across the remaining segments of the services sector. Increases of 4.0 per cent in ‘administrative & support service activities’, ‘electricity, gas, steam & air conditioning supply’, ‘water supply; sewerage, waste management & remediation activities’, ‘wholesale & retail trade’ and ‘transportation & storage’ were recorded. With the exception of ‘professional, scientific & technical activities’ and ‘public administration & defence; compulsory social security’ which both grew by 2.0 per cent, the remaining categories are estimated to have grown by 3.0 per cent.

With regards to ‘water supply, sewage, waste management & remediation’ and ‘electricity, gas, steam & air conditioning supply’, the two sectors are linked to activities of the Public Utilities Corporation (PUC). Indicators show that, as of the third quarter of the year under review, water production had increased by 3.7 per cent whereas water consumption had risen by 2.9 per cent and served as a positive metric in the company’s sustained effort to reducing leakages by improving infrastructure. With regards to electricity production, an increase of 11 per cent was recorded and serves as a strong indicator for economic activity and therefore suggests positive growth.

Whilst a number of new major infrastructure projects were undertaken by PUC in 2019, others were ongoing from the previous year. The renovation work to increase the capacity of the La Gogue dam continued. Another major PUC project was the installation of 33kV underground cable network, from Au Cap to Anse Boileau, aimed at enhancing the distribution of electricity. There was also the Ile de Romainville Solar Park Project expected to save the country 1.6 million litres of fuel per annum used in energy production by producing sufficient energy to power 2,000 households. Another project was the extension of the Providence desalination plant aimed to mitigate the
risks caused by water shortages in the short to medium term. Excluding other infrastructure works, the cost of the aforementioned projects in 2019 exceeded R500 million.

2.5 Labour Market

As at the end of the third quarter of 2019, the private sector accounted for the majority of formally employed persons. As per historical norms, the largest number of employees in the private sector were in the ‘accommodation & food service activities’, followed by the construction industry and the manufacturing sector.

From a policy perspective, issues regarding the quality of local labour and the use of foreign workers were raised by multiple economic agents. Given these developments, a new policy concerning the recruitment and employment of foreigners was announced in October and will become operational in 2020. The policy aims to address concerns relating to foreign workers in the construction and tourism sectors in particular.

2.5.1 Employment

As at the end of the third quarter of 2019, an average of 54,259 persons were formally employed. Relative to the corresponding period of 2018, this was a growth of 8.0 per cent, and in comparison to end-2018, an increase of 7.0 per cent. The private sector accounted for 66 per cent of total employment, with government and parastatals contributing 15 per cent and 19 per cent of the total respectively. Of note, the higher employment level has been primarily driven by the private sector, which grew by 10 per cent. The segments that experienced the largest growth rates in its workforce included ‘administrative & support services activities’ (by 19 per cent), ‘construction’ (by 14 per cent) and ‘wholesale & retail trade’ (by 14 per cent).

<table>
<thead>
<tr>
<th>Table 2.4: Employment Statistics (2015 – 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Average Employment</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Private Sector</td>
</tr>
<tr>
<td>Parastatals</td>
</tr>
<tr>
<td>Government</td>
</tr>
</tbody>
</table>

^{(1)} Figures are as at Q3 2019
Source: National Bureau of Statistics

With regards to foreign labour, it accounted for 5.9 per cent of total employed persons in government and 12 per cent in the parastatal sector. In the latter, expatriates occupied posts mainly in the ‘administrative & support services’ whilst in government, they were predominantly employed in ‘education’ and ‘human health & social work activities.’ To note, the same analysis could not be done for the private sector due to unavailability of data.
2.5.2 Unemployment
At the end of the third quarter of 2019, the national unemployment rate was 2.4 per cent or 0.9 percentage points lower than in the same period in 2018. The female unemployment rate stood at 2.5 per cent whereas male unemployment was 2.3 per cent. Such development was a shift from the corresponding period in 2018, whereby the rates stood at 4.2 per cent and 2.8 per cent for male and female unemployment respectively. A positive development has been the marked decline in youth unemployment from 14 per cent to 6.3 per cent. Such development can be seen as seasonal in nature, with school-leavers generally entering the workforce during the quarter, thereby leading to sudden drops within the stratum on an annual basis.

Nonetheless, youth unemployment has generally followed a declining trend in recent years. Such positive shift is in part attributed to demographic effects as well as implemented government policies, key of which being ‘My First Job Scheme’. The scheme was launched in the year under review through the Ministry responsible for employment and has as objective to help young graduates from professional centres secure employment.

2.5.3 Earnings
As at the end of the third quarter of 2019, the average earnings for the private, parastatal, and public sectors stood at R13,262, R15,474 and R16,935 respectively. Relative to the corresponding period of the previous year, increases were observed across all three sectors. Earnings of the private, parastatal and government sectors rose by 4.9 per cent and 5.6 per cent and 14 per cent respectively.

Growth in earnings followed an increase of 5.0 per cent in the minimum wage effective 2019 which not only impacted the lower wage bracket but also subsequent income levels.

2.6 Prices
As at December 2019, the CPI as published by NBS showed a year-on-year increase of 1.7 per cent in the average prices of goods and services paid by consumers. All three main components of the CPI, namely ‘fish’, ‘other food’ and ‘non-food’ items recorded growth, and such price increases were by 7.9 per cent, 1.3 per cent and 1.7 per cent respectively.

Although it recorded the second largest change across the components, the category ‘non-food’ items accounted for the biggest weighted share of the change in CPI, given its weight. Notable changes in this component include increases in the prices of ‘tobacco’ (12 per cent), ‘education’ (6.3 per cent), ‘alcoholic beverages’ (2.9 per cent) and ‘housing, water, electricity & gas’ (1.2 per cent). Administrative prices adjustments (e.g. revision to utility tariffs) and tax measures, with the latter namely on alcohol and tobacco, were the major determinants of changes in the CPI for these components. As announced in the 2019 budget address, alcohol prices were impacted by a newly introduced sugar tax applicable on all beverages with a sugar content that exceeds 5g per 100ml while the increase in tobacco prices followed a rise of 10 per cent in excise tax on the product.
With regards to the 12-month average inflation rate, this stood at 1.8 per cent in 2019 in comparison to 3.7 per cent in 2018. A decline in ‘other food’ (by 0.8 per cent) was offset by increases of 9.5 per cent and 2.1 per cent in the index for the categories of ‘fish’ and ‘non-food’ components, respectively. Given its larger weighting in the CPI, ‘non-food’ rather than ‘fish’ prices accounted for the largest share of change in prices. This was as a result of increases across most categories, key of which being ‘tobacco’ (by 11 per cent), ‘housing, water, electricity & gas’ (5.4 per cent), and ‘education’ (by 7.3 per cent) amongst others. Notable declines were observed in the prices of items under ‘recreation & culture’ (by 1.4 per cent), ‘clothing & footwear’ (by 1.3 per cent) and ‘transport’ (by 0.9 per cent).

With regards to the ‘other food’ component, notable reductions were recorded in the prices of ‘fish (frozen, smoked, salted)’ (by 6.7 per cent), ‘meat’ (by 4.3 per cent), and fruits (by 1.1 per cent). The general decline in prices were partially attributed to weaker growth in energy and commodity prices, which helped to dampen possible pressure on the domestic exchange rate. This is reflected in the measure of core inflation, which omits the direct effects of electricity, fuel items and more volatile prices, namely that of ‘fresh fish’. Relative to the 12-month average CPI, core inflation was 1.5 percentage points lower and closed the year at 1.2 per cent.
Table 2.5: Inflation Rates (2015 - 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Items</td>
<td>4.0</td>
<td>-1.0</td>
<td>2.9</td>
<td>3.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Fish</td>
<td>-12.1</td>
<td>0.1</td>
<td>-5.6</td>
<td>-2.0</td>
<td>9.5</td>
</tr>
<tr>
<td>Other Food Items</td>
<td>1.8</td>
<td>0.0</td>
<td>0.9</td>
<td>0.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>Non-Food Items</td>
<td>4.7</td>
<td>-1.2</td>
<td>3.3</td>
<td>4.3</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Year-on-year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Items</td>
<td>3.2</td>
<td>-0.2</td>
<td>3.5</td>
<td>3.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Fish</td>
<td>3.3</td>
<td>-13.2</td>
<td>1.9</td>
<td>7.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Other Food Items</td>
<td>1.7</td>
<td>0.3</td>
<td>2.2</td>
<td>-3.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Non-Food Items</td>
<td>2.7</td>
<td>-0.1</td>
<td>3.7</td>
<td>4.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics
SECTION THREE

Monetary and Financial Sector

3.0 Monetary Policy Developments

In an effort to minimise the discrepancies associated with guiding short-term interest rates whilst simultaneously targeting reserve money, the Board of the Central Bank approved revisions to the MPF in December 2018. Therefore, effective January 2019, the MPF transitioned from reserve money targeting to an interest-rate based framework with the introduction of an MPR. The change in the framework was also aimed to enhance guidance provided to the market on the monetary policy stance, encourage the deepening of the interbank market and ultimately improve the transmission of interest rates.

The MPR serves as the key policy variable used to signal the prevailing monetary policy stance as opposed to indirectly influencing money supply growth, as was the case since late 2008. The MPR is the midpoint of the pre-existing interest rate corridor, whereby the SDF and SCF serve as the floor and ceiling, correspondingly. Furthermore, revisions in the MPR subsequently influences the interest rates on the SDF and SCF.

In terms of monetary policy decision, the stance adopted since April 2018 was further tightened for the first quarter of 2019. This was in line with the forecasted short-term inflationary impulses particularly expected to originate from tax and salary revisions as per the 2019’s budget measures. Despite the projected decline in oil and commodity prices, sustained growth in credit to the private sector coupled with direct and indirect spill-over effects related to large capital projects were expected to add further inflationary pressures during the first three months of 2019. Thus, the inaugural MPR was set at 5.5 per cent and consistent with the monetary policy stance, the SDF rate was increased from 2.0 per cent to 2.5 per cent whilst the SCF rate was raised from 8.0 per cent to 8.5 per cent. Given that the tight monetary policy stance prevailed until the end of the third quarter of 2019, the MPR and the rates on the SDF and SCF remained unchanged over the same period.

For the fourth quarter of 2019, the monetary policy stance was loosened on account of subdued projected inflationary pressures. Weak growth in global commodity prices along with a generally stable Seychelles rupee against the US dollar were expected to absorb inflationary impulses stemming from uncertainties surrounding policies that may originate from the fiscal side. Thus, the MPR was lowered to 5.0 per cent from 5.5 per cent. Accordingly, the interest rate corridor shifted downwards, whereby the SDF rate and SCF rate was lowered from 2.5 per cent and 8.5 per cent to 2.0 per cent and 8.0 per cent, respectively.

In terms of interest rate movements, there was an increase in both the deposits and lending rates at the beginning of the year, an outcome that was consistent with the tightened monetary policy stance. However, towards the end of the year, the savings and lending rate declined, expected to be in reaction to the relatively looser monetary policy stance adopted as of the fourth quarter of 2019.

As a result of the structural excess liquidity and in line with greater emphasis on steering market interest rates, monetary policy implementation was mainly geared towards withdrawing liquidity in a manner that ensured stability.
in short-term interest rates. The Deposit Auction Arrangement (DAA) followed by the standing facilities were the main instruments used to facilitate policy implementation. As customary, the Central Bank and the Ministry responsible for Finance continued to collaborate on policy aspects relating to the issuance of government securities for monetary policy purposes.

Additionally, in line with strengthening the expectations channel of monetary policy, the Bank maintained its communication with all stakeholders to improve the receptiveness of policies being enacted with the aim to ultimately enhance its effectiveness.

During the year, the Bank was able to accomplish its main policy objectives albeit with some challenges with regards to the transmission of interest rates which despite some signs of improvement remained relatively weak.

3.1 Net Foreign and Domestic Assets
For the year under review, total net foreign assets (NFA) of the Central Bank and other depository corporations (ODCs) grew by 6.2 per cent (or R744 million) to stand at R12,742 million. Increases were observed in both components whereby, the NFA of the Central Bank and that of ODCs rose by 7.7 per cent (or R559 million) and 3.9 per cent (or R185 million), respectively. The former is indicative of the Bank’s endeavour to accumulate international reserves so as to enhance the resiliency of the economy in the event of adverse external shocks. As at end-2019, NIR stood at US$430 million and surpassed the target by US$27 million.

With reference to the stock of domestic assets, this expanded by 20 per cent (or R1,840 million) to stand at R10,847 million. Such outcome was consistent with increases across all three main components. Claims on public entities and credit to the private sector grew by 36 per cent (or R194 million) and 22 per cent (or R1,482 million), correspondingly. As for net claims on government, it rose by 10 per cent (or R164 million).
### Table 3.1: Monetary Survey\(^1/3\) (2015 - 2019)

<table>
<thead>
<tr>
<th>Net Foreign Assets (^2)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank</td>
<td>9,438.6</td>
<td>9,916.4</td>
<td>10,868.9</td>
<td>11,998.1</td>
<td>12,742.3</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>6,505.5</td>
<td>6,550.4</td>
<td>6,982.4</td>
<td>7,247.7</td>
<td>7,806.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domestic Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims on private sector</td>
<td>6,488.2</td>
<td>7,578.4</td>
<td>8,913.8</td>
<td>9,007.2</td>
<td>10,846.8</td>
</tr>
<tr>
<td>Claims on public entities</td>
<td>4,645.7</td>
<td>5,122.7</td>
<td>6,032.3</td>
<td>6,748.3</td>
<td>8,230.3</td>
</tr>
<tr>
<td>Claims on government (net)</td>
<td>531.7</td>
<td>630.8</td>
<td>636.7</td>
<td>559.0</td>
<td>732.8</td>
</tr>
</tbody>
</table>

| Money Supply, M3          | 12,172.5| 13,647.8| 15,887.8| 17,115.5| 19,493.8|
| Money Supply, M2          | 7,441.0  | 8,618.7 | 9,773.0 | 10,054.9| 11,506.7|
| Money Supply, M1          | 4,069.8  | 4,602.4 | 5,099.3 | 4,931.3 | 5,650.5 |
| Transferable deposits     | 3,137.7  | 3,575.9 | 3,982.8 | 3,762.3 | 4,422.1 |
| (of which public entities)| 428.7   | 524.0   | 699.5   | 399.3   | 803.0   |

| Quasi-Money               | 3,371.2  | 4,016.3 | 4,673.7 | 5,123.6 | 5,856.2 |
| Fixed Term deposits       | 945.3    | 1,102.2 | 1,241.4 | 1,222.5 | 1,423.7 |
| (of which public entities)| 169.4   | 228.3   | 208.2   | 230.1   | 253.7   |
| Savings deposits          | 2,425.9  | 2,914.1 | 3,432.3 | 3,901.1 | 4,432.5 |

| Foreign Currency Deposits | 4,731.6  | 5,029.1 | 6,114.8 | 7,059.6 | 7,987.1 |
| Other items, net          | 3,754.2  | 3,847.0 | 3,894.9 | 3,890.7 | 4,095.2 |

Figures do not necessarily add up due to rounding off conventions

1 End of period
2 Excludes government balances
3 Changes in previous figures are due to revisions

Source: Central Bank of Seychelles

### 3.2 Money Supply

An analysis of the components of money supply showed that the broadest monetary aggregate, M3, increased by 14 per cent (or R2,379 million) to stand at R19,494 million on account of expansions in all of its main components. The narrowest monetary aggregate, M1, rose by 15 per cent (or R719 million) primarily driven by growth in transferable deposits and currency with public by 18 per cent and 5.1 per cent, correspondingly. The stock of fixed-term deposits and savings deposits rose by 16 per cent and 14 per cent, respectively. As such, the total value of quasi-money grew by 14 per cent (or R733 million). Consequently, M2 expanded by 14 per cent (or R1,452 million).
At end-2019, the stock of foreign currency deposits rose by 13 per cent to stand at R7,987 million. The total value of foreign currency deposits was US$567 million in US dollar terms, which was a growth of 13 per cent relative to the level recorded at end-2018.

### 3.3 Reserve Money

Based on feedback from the market, the communication of the Bank’s monetary policy stance through a reserve money target and the interest rate corridor provided mixed signals. Operationally, the challenges were related to the fact that CBS had to stabilise short-term interest rates whilst simultaneously meeting a given reserve money target. Thus, during the second review under the PCI\(^8\) engagement with the IMF, the reserve money quantitative target was replaced with a Monetary Policy Consultation Clause (MPCC) effective December 2018. The MPCC is based on an agreed quarterly 12-month average inflation path which lies within a ±2.0 per cent outer band, whereby a breach would trigger consultation with the IMF Board and a breach of an inner band of ±1.5 per cent requires consultation with the IMF staff.

Nonetheless, reserve money remains a key variable monitored by the Bank as it indicates the liquidity level in the system and has implications for the domestic price stability objective of the Bank.

The quarterly reserve money outcome is illustrated in Table 3.2 and Chart 3.3 below.

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7 Often referred to as base or high-powered money and is comprised of currency in circulation and ODCs’ deposits held at the Central Bank.
8 The PCI aims to reinforce the country’s efforts to strengthen macroeconomic stabilisation and promote sustained and inclusive growth.
At R3,994 million, the average stock of reserve money for the fourth quarter of 2019 expanded by 7.6 per cent with reference to end-2018 average. This was consistent with an increase of 35 per cent and 10 per cent in ODCs’ reserves and currency in circulation, respectively.
3.4 Domestic Credit

3.4.1 Central Bank and Other Depository Corporations

At the close of 2019, the total stock of outstanding domestic credit expanded by 14 per cent relative to the previous year to stand at R12,303 million primarily due to an increase of 22 per cent (or R1,482 million) in claims on private sector. Credit disbursed to the parastatal sector grew by 36 per cent (or R194 million). Conversely, claims on government declined by 3.5 per cent (or R123 million) consistent with the authorities’ effort to reduce total public debt to below 50 per cent of GDP by 2021.
3.4.2 Sectoral Allocation of Credit to the Private Sector\(^9\)

An analysis of the sectoral distribution of credit to the private sector indicated that the category of ‘private households & non-profit institutions’ which accounted for the largest share of total private sector loan portfolio at 21 per cent expanded by 14 per cent (or R208 million). There was also an increase in credit disbursed under the categories ‘tourism facilities’, ‘mortgages’ and ‘trade’ – which represented 17 per cent, 15 per cent and 10 per cent of total loans allocated to the private sector – by 32 per cent (or R348 million), 30 per cent (or R283 million) and 10 per cent (or R77 million), correspondingly. Credit allocated to the tourism sector was mainly geared towards refurbishment projects. On the contrary, credit to the category ‘manufacturing’ which accounted for 2.1 per cent of aggregated credit to the sector declined by 4.7 per cent (or R8.6 million).

In comparison to December 2018, the aggregate value of foreign currency denominated loans to the private sector grew by 38 per cent. There was also an increase in its share of total credit from 22 per cent in the previous year to 26 per cent in 2019.

\(^9\) Effective January 2014, submissions pertaining to sectoral allocation of credit to the private sector were revised to more accurately capture the disaggregated loans portfolio.
Table 3.3: Credit;¹/²/³ 2015 – 2019

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Credit</td>
<td>9,793.0</td>
<td>11,027.8</td>
<td>11,925.1</td>
<td>11,935.1</td>
<td>13,488.3</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>8,607.9</td>
<td>9,842.7</td>
<td>10,740.1</td>
<td>10,750.1</td>
<td>12,303.2</td>
</tr>
<tr>
<td>Claims on private sector</td>
<td>4,645.7</td>
<td>5,122.7</td>
<td>6,032.3</td>
<td>6,748.3</td>
<td>8,230.3</td>
</tr>
<tr>
<td>Claims on public entities</td>
<td>531.7</td>
<td>630.8</td>
<td>636.7</td>
<td>539.0</td>
<td>732.8</td>
</tr>
<tr>
<td>Claims on government</td>
<td>3,430.5</td>
<td>4,089.2</td>
<td>4,071.1</td>
<td>3,462.8</td>
<td>3,340.1</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev. fund stocks</td>
<td>30.0</td>
<td>30.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Treasury bonds</td>
<td>658.9</td>
<td>378.0</td>
<td>350.7</td>
<td>349.6</td>
<td>295.7</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>2,045.6</td>
<td>2,985.7</td>
<td>3,072.8</td>
<td>2,432.6</td>
<td>2,415.5</td>
</tr>
<tr>
<td>Central Bank</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
</tr>
<tr>
<td>Claims on government</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bills</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
<td>1,185.1</td>
</tr>
</tbody>
</table>

Figures do not necessarily add up due to rounding off
¹ End of period
² All figures for stocks, bonds and bills are at cost value
³ Changes in previous figures are due to revisions
Source: Central Bank of Seychelles

Table 3.4: Other Depository Corporations – Loans and Advances to Private Sector by Economic Sectors¹/² (2015 – 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Advances</td>
<td>4,645.7</td>
<td>5,122.7</td>
<td>6,032.3</td>
<td>6,748.2</td>
<td>8,230.3</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Loan</td>
<td>1,163.7</td>
<td>1,174.0</td>
<td>1,584.2</td>
<td>1,518.2</td>
<td>2,100.4</td>
</tr>
<tr>
<td>Agriculture and horticulture</td>
<td>49.6</td>
<td>61.5</td>
<td>94.6</td>
<td>109.4</td>
<td>117.5</td>
</tr>
<tr>
<td>Fisheries</td>
<td>52.1</td>
<td>44.9</td>
<td>42.0</td>
<td>67.2</td>
<td>87.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>102.3</td>
<td>184.2</td>
<td>253.0</td>
<td>184.1</td>
<td>175.5</td>
</tr>
<tr>
<td>Real Estate</td>
<td>649.7</td>
<td>636.5</td>
<td>679.5</td>
<td>679.8</td>
<td>742.8</td>
</tr>
<tr>
<td>Construction</td>
<td>376.1</td>
<td>444.0</td>
<td>410.7</td>
<td>558.7</td>
<td>664.6</td>
</tr>
<tr>
<td>Transportation</td>
<td>177.9</td>
<td>172.5</td>
<td>265.4</td>
<td>355.8</td>
<td>437.9</td>
</tr>
<tr>
<td>Tourism Facilities</td>
<td>986.1</td>
<td>959.7</td>
<td>1,103.4</td>
<td>1,089.1</td>
<td>1,437.4</td>
</tr>
<tr>
<td>Wholesale &amp; Retail trade</td>
<td>404.9</td>
<td>495.9</td>
<td>584.3</td>
<td>739.8</td>
<td>816.5</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>2.0</td>
<td>0.9</td>
<td>0.6</td>
<td>1.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Other business</td>
<td>343.6</td>
<td>447.6</td>
<td>535.3</td>
<td>487.1</td>
<td>782.0</td>
</tr>
<tr>
<td>Private households &amp; Non-profit organisations</td>
<td>998.3</td>
<td>1,096.5</td>
<td>1,349.7</td>
<td>1,532.0</td>
<td>1,740.2</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>503.0</td>
<td>578.4</td>
<td>713.9</td>
<td>944.2</td>
<td>1,226.8</td>
</tr>
</tbody>
</table>

Figures do not necessarily add up due to rounding off
¹ End of period
² Changes in previous figures are due to revisions
Source: Central Bank of Seychelles
3.4.3 Development Bank’s Credit

The Development Bank of Seychelles (DBS) has a specific mandate to assist in providing credit to productive sectors that contribute to economic development. Loans disbursed by DBS generally come with less stringent terms, and at rates that are relatively lower with reference to industry standards in several categories.

In 2019, DBS’ total loan portfolio contracted by R25 million (or 2.9 per cent) to end the year at R848 million. In absolute terms and by loan category, the largest reductions were of R15 million (14 per cent), R5.2 million (2.9 per cent) and R3.6 million (12 per cent) observed under ‘other services’, ‘tourism’ and ‘agriculture’, respectively. These groupings reflect 11 per cent, 20 per cent and 3.2 per cent of the bank’s total loan portfolio. The ‘building & construction’ category, which constituted the largest component of loans disbursed by DBS with a 49 per cent share, fell by R0.9 million (0.2 per cent). Conversely, loans to the category ‘transport’ which represented 6.6 per cent of DBS’ total loans portfolio grew by R0.2 million (0.3 per cent).

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10 DBS was established in 1977 under Decree No. 21 as a development financing institution with a specific mandate to assist in the economic development of Seychelles. DBS finances new modernisation and expansion projects in the fields of agriculture, fishery, industry, service and tourism as well as construction of commercial and residential complex. To be eligible for a credit facility, the applicant must be a Seychellois citizen or a company incorporated in Seychelles with at least 51 per cent Seychellois ownership.
Table 3.5: Loans by Development Bank by Economic Sectors\(^1\) (2015 - 2019)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Advances</td>
<td>522.9</td>
<td>740.7</td>
<td>887.5</td>
<td>873.0</td>
<td>847.5</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>27.3</td>
<td>33.6</td>
<td>32.6</td>
<td>30.6</td>
<td>26.9</td>
<td>5.2</td>
<td>4.5</td>
<td>3.7</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>103.1</td>
<td>243.0</td>
<td>377.3</td>
<td>416.4</td>
<td>415.5</td>
<td>19.7</td>
<td>32.8</td>
<td>42.5</td>
<td>47.7</td>
<td>49.0</td>
</tr>
<tr>
<td>Fishing</td>
<td>22.8</td>
<td>33.1</td>
<td>36.7</td>
<td>36.6</td>
<td>36.5</td>
<td>4.4</td>
<td>4.5</td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Industry</td>
<td>25.0</td>
<td>37.6</td>
<td>44.9</td>
<td>45.3</td>
<td>44.8</td>
<td>4.8</td>
<td>5.1</td>
<td>5.1</td>
<td>5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Tourism</td>
<td>121.6</td>
<td>158.1</td>
<td>188.1</td>
<td>178.9</td>
<td>173.7</td>
<td>23.3</td>
<td>21.3</td>
<td>21.2</td>
<td>20.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Trade</td>
<td>3.2</td>
<td>3.5</td>
<td>3.2</td>
<td>2.6</td>
<td>2.0</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Transport</td>
<td>72.0</td>
<td>93.8</td>
<td>76.8</td>
<td>55.5</td>
<td>55.6</td>
<td>13.8</td>
<td>12.7</td>
<td>8.7</td>
<td>6.4</td>
<td>6.6</td>
</tr>
<tr>
<td>Other services</td>
<td>147.8</td>
<td>137.9</td>
<td>128.0</td>
<td>107.3</td>
<td>92.5</td>
<td>28.3</td>
<td>18.6</td>
<td>14.4</td>
<td>12.3</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Figures do not necessarily add up due to rounding off

\(^1\) End of period

Source: Development Bank of Seychelles

3.5 Interest rates

3.5.1 The Monetary Policy Rate

The MPR became effective as of January 2019 and serves as the key policy rate signalling the monetary policy stance. It is complemented by the pre-existed interest rate corridor, whereby the latter changes based on movements in the MPR.

For the first quarter of 2019, the inaugural MPR was set at 5.5 per cent. The floor and ceiling of the interest rate corridor, the SDF and SCF, were at 2.5 per cent and 8.5 per cent, respectively. The year started with a slight tightening of monetary policy in consideration of perceived outlook on inflation in the short to medium term and this stance was maintained until the end of the third quarter of the year.
As of October, the MPR was lowered to 5.0 per cent to support domestic economic activity given that inflationary pressures were anticipated to be modest in the short to medium term. Subsequently, the interest rate on the SDF and SCF was reduced to 2.0 per cent and 8.0 per cent, correspondingly.

The MPR, interest rates of the corridor and DAA outcomes are illustrated in Table 3.6 and Chart 3.8 below.

<table>
<thead>
<tr>
<th>Table 3.6: Monetary Policy Rate (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>MPR</td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

3.5.2 Interest rates of Other Depository Corporations (ODCs)

Consistent with the tightened monetary policy stance as of the beginning of the year, the effective interest rates on both deposits and loans increased before subsequently declining towards the end of the year in line with the looser stance adopted as of the fourth quarter of 2019.

The average return on fixed-term rupee deposits grew by 38 basis points to 3.94 per cent in December 2019 from 3.56 per cent in the preceding year. A more detailed analysis of this movement showed that the yields across all maturities were higher with the exception of those in the maturity bracket of ‘more than 12 months’ where there was a decline of 19 basis points. Principal increases were in the return on instruments in the maturity brackets of ‘less than 7 days’ and ‘above 3 months up to 6 months’ by 78 basis points and 68 basis points, correspondingly. As for the average return on savings deposits, this remained relatively unchanged at 2.88 per cent at end-2019.
In 2019, government continued to issue Treasury bills (T-bills) to meet its fiscal needs, in addition to withdrawing liquidity in support of monetary policy. At the close of 2019, the yield on the 91-day, 182-day and 365-day T-bills stood at 5.22 per cent, 5.63 per cent and 6.29 per cent, respectively. Whilst the average return on the 91-day maturity fell by nine basis points with reference to end-2018, the interest rate on 182-day maturity and 365-day maturity increased by 15 basis points and 40 basis points, correspondingly.

### Table 3.7: Interest Rates\(^{123}\) (2015 – 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume-weighted Average Deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Rate</td>
<td>2.91</td>
<td>2.92</td>
<td>2.37</td>
<td>2.87</td>
<td>2.88</td>
</tr>
<tr>
<td>Fixed Term Deposits Rate</td>
<td>4.08</td>
<td>3.55</td>
<td>3.34</td>
<td>3.56</td>
<td>3.94</td>
</tr>
<tr>
<td>&lt;=7 days</td>
<td>1.18</td>
<td>1.11</td>
<td>1.05</td>
<td>1.38</td>
<td>2.16</td>
</tr>
<tr>
<td>&gt;7 days &lt;=3 months</td>
<td>3.12</td>
<td>3.54</td>
<td>3.46</td>
<td>3.53</td>
<td>3.81</td>
</tr>
<tr>
<td>&gt;3 months &lt;=6 months</td>
<td>4.73</td>
<td>3.17</td>
<td>2.94</td>
<td>3.30</td>
<td>3.98</td>
</tr>
<tr>
<td>&gt;6 months &lt;=12 months</td>
<td>5.80</td>
<td>4.82</td>
<td>3.82</td>
<td>4.25</td>
<td>4.59</td>
</tr>
<tr>
<td>&gt;12 months</td>
<td>5.54</td>
<td>5.08</td>
<td>5.45</td>
<td>5.35</td>
<td>5.16</td>
</tr>
<tr>
<td><strong>Volume-weighted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average lending rate</td>
<td>12.57</td>
<td>12.42</td>
<td>12.05</td>
<td>12.58</td>
<td>12.36</td>
</tr>
<tr>
<td>91-day Treasury bill rate</td>
<td>5.70</td>
<td>6.50</td>
<td>3.16</td>
<td>5.31</td>
<td>5.22</td>
</tr>
<tr>
<td>182-day Treasury bill rate</td>
<td>6.39</td>
<td>7.11</td>
<td>4.92</td>
<td>5.48</td>
<td>5.63</td>
</tr>
<tr>
<td>365-day Treasury bill rate</td>
<td>7.15</td>
<td>7.33</td>
<td>5.34</td>
<td>5.89</td>
<td>6.29</td>
</tr>
</tbody>
</table>

\(^{1}\) All data are taken on an end of period basis  
\(^{2}\) Changes in previous figures are due to revisions  
\(^{3}\) Treasury bill rates as at closing date

**Source:** Central Bank of Seychelles

As for the effective lending rate, this declined by 22 basis points, from 12.58 per cent in the previous year to 12.36 per cent in 2019. Consequently, the difference between the lending and savings rates – the interest rate spread – fell by 22 basis points compared to end-2018 to stand at 9.49 per cent.

With regards to the transmission of monetary policy, whilst the introduction of the MPR has improved some aspect of monetary policy communications, overall, the interest rate and expectation channels remained relatively weak during 2019. This is in consideration of the varied reactions to changes in the MPR observed throughout the year under review. Nonetheless, the Bank remains committed to strengthening both channels with the objective to improve the effectiveness of monetary policy.
3.6 Monetary Policy Instruments
For the year under review, money market interventions remained primarily geared towards withdrawing excess liquidity from the system such that short-term interest rates are anchored in the middle of the interest rate corridor and congruent with the monetary policy stance. As such, monetary policy implementation used liquidity-absorbing instruments in view of the environment of overall structural excess liquidity.

3.6.1 Minimum Reserve Requirement (MRR)
Throughout 2019, the proportion of applicable residents’ deposit liabilities mandated to be held by ODCs, also known as MRR, remained at 13 per cent in 2019 for rupee as well as foreign currency deposits. The overall MRR maintained were above the prescribed requirement given the excess liquidity conditions. As has been the case since July 15, 2011, MRR continued to be unremunerated. At the year-end, applicable MRR balance on rupee-denominated deposit liabilities totalled R1,462 million, whilst that on the US dollar and euro deposit liabilities amounted to US$44 million and EUR28 million, correspondingly.

3.6.2 Deposit Auction Arrangement
DAA was the primary monetary policy instrument used to withdraw excess liquidity. In order to anchor interest rates at the middle of the interest rate corridor, a targeted level of excess liquidity was withdrawn. Thus, the Bank employed standard operations, whereby all auctions were quantity-based. Relatively longer maturities of the DAA, namely 35-day, 56-day and 63-day, were introduced in order to assist ODCs in their liquidity management.

By the end of 2019, the stock of outstanding DAA stood at R873 million, which exceeded the R845 million observed in 2018 in view of an overall higher level of liquidity that the Bank had to absorb.

The table below shows the average interest rates on the main DAA maturities offered during 2019.
<table>
<thead>
<tr>
<th>Maturity Period</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 days</td>
<td>5.39</td>
<td>5.54</td>
<td>5.50</td>
<td>5.13</td>
</tr>
<tr>
<td>28 days</td>
<td>5.65</td>
<td>5.64</td>
<td>5.54</td>
<td>5.29</td>
</tr>
<tr>
<td>35 days</td>
<td>5.71</td>
<td>5.64</td>
<td>5.56</td>
<td>5.35</td>
</tr>
<tr>
<td>56 days</td>
<td>5.77</td>
<td>5.77</td>
<td>5.74</td>
<td>5.49</td>
</tr>
<tr>
<td>63 days</td>
<td>5.75</td>
<td>5.74</td>
<td>5.63</td>
<td>5.52</td>
</tr>
</tbody>
</table>

Table 3.8: Weighted Average Deposit Auction Arrangement Rates\(^1\) (2019)

\(^1\) End-of-period data

Source: Central Bank of Seychelles

3.6.3 Credit Auction Arrangement (CAA)

In line with the excess liquidity condition, money market interventions were focused on withdrawing liquidity. Thus, the CAA, an instrument utilised for injecting liquidity was not used in the year under review.

3.6.4 Repurchase Operations

The two other instruments that may be used in liquidity management are reverse repurchase and repurchase agreements. These instruments necessitate the use of government T-bills as underlying securities. In view of changes made to the MPF introduced at the start of the year, their use would require further amendments to the MPF as well as a review of operations at both the Central Bank and ODCs. Consequently, the instruments were not utilised in the Bank’s open market operations in 2019.

3.6.5 Standing Facilities

Standing facilities are instruments offered by some central banks and can be availed by ODCs to assist with their short-term liquidity management, by providing deposit and lending arrangements on an overnight basis.

3.6.5.1 Standing Deposit Facility

The SDF, which serves as the floor of the interest rate corridor, allows ODCs to place their end-of-day excess funds in an overnight deposit at an interest rate set by the Bank. In line with the further tightening of the monetary policy as of the first quarter of 2019, the SDF rate was raised from 2.0 per cent to 2.5 per cent. Consistent with the looser monetary policy stance adopted as of the fourth quarter of 2019, the SDF rate was reduced from 2.5 per cent to 2.0 per cent. A total of R23,504 million, representing 445 placements were recorded during 2019.

3.6.5.2 Standing Credit Facility

In the event that funding is unavailable on the interbank market, ODCs have the option to access credit on an overnight basis through the SCF, which also serves as the ceiling of the interest rate corridor. As of the first quarter of 2019 and congruent with the prevailed monetary policy stance, the interest rate on the SCF was raised from 8.0 per cent to 8.5 per cent. With a change to a looser stance, the SCF rate was lowered to 8.0 per cent from 8.5 per cent as of the fourth quarter of 2019. Only one SCF request was received by the Bank and this was for a total of R175 million.
In 2019, the Bank was concerned that this facility was not being utilised as a last resort. One of the reasons for this relate to the impediments that are encountered when borrowing on the interbank market. This issue was on the agenda for deliberations amongst market participants in an effort to encourage interbank activity such that request for SCF is made as a last resort.

3.6.6 Foreign Exchange Auction (FEA)
The FEA is an instrument which the Bank can use for both liquidity and reserve management purposes. Purchases from the market add liquidity and increase international reserves; a sale has the opposite effect. For the year under review, the Bank opportunistically purchased US$65 million from the market with the strategic objective of accumulating international reserves. In view of no excess volatility observed in the foreign exchange market, no FEA was conducted to influence the external value of the domestic currency.

3.6.7 Foreign Exchange Swaps
Foreign exchange swaps are used for fine-tuning liquidity conditions in the system and may also be used to manage external reserves. The instrument is yet to be used by the Bank since its introduction in 2010.
4.0 Overview

In 2019, the fiscal outcome remained positive. A primary surplus of 2.6 per cent of GDP was achieved, a result brought about primarily through savings made on the expenditure side. Such outcome was also higher than the target of 2.5 per cent of GDP which underlined government’s commitments to fiscal discipline and to reduce total public debt to below 50 per cent of GDP by 2021. The end-2019 aggregate stock of public debt stood at 57 per cent of GDP.

On the policy front, key measures were introduced during the year with the aim of increasing the level of disposable income for households. In addition, concerns over rising health costs linked with excessive consumption of sugar prompted government to introduce a sugar tax which took effect in April. Also due to health concerns, the excise tax on tobacco was increased by 10 per cent.

Given that they are considered as relatively more healthy options, measures to preserve and promote local agricultural produce were given prominence with the introduction of a customs duty on imported pork and poultry. Other measures introduced during the year included a prescription fee of R25 at public health centres for non-chronic illnesses.

To help address the cost of living, VAT on locally produced canned tuna was removed.

4.1 Policy Changes

As noted above, fiscal policies implemented in 2019 were mainly geared towards increasing levels of disposable income for households. As of January, there was an increase of 5.0 per cent in the minimum wage, implying a rise from R33.30 to R34.97 per hour (from R5,050 to R5,250 per month). In the same light, the rate for casual workers was increased from R38.38 to R40.30 per hour. Consistent with these revisions, the social security benefits for the elderly citizens was raised by 5.0 per cent to R5,250 per month.

Other measures included the introduction of a long service allowance for non-contract public sector employees. The monthly allowance took effect in July and is dependent on the number of years of service as well as applicable to employees with a minimum of 5 years of service.

In line with the Public Service Salary Act of 2013, the government was to increase the salaries of public service employees by 5.0 per cent in April. However, the Amendment Bill was not approved by the National Assembly in view that the majority members of the house were not in favour of the increase across the salary grid but rather on an even distribution of the budgeted total amount equally to each employee independent on salary level. In

Statistics and analysis are based on GFS 2019, as per latest data available as at March 09, 2020.
view of such development, the R62 million allocation for the public service salary increment was given in the form of a 5.0 per cent supplementation allowance in December, back-paid as of April 01.

During the year, government also introduced measures aimed at tackling health issues, more specifically those relating to the consumption of sugar and tobacco, whilst simultaneously securing an additional revenue source. In April, a sugar tax was introduced, applicable on all beverages with a sugar content that exceeds 5g per 100ml. This was in an effort to dampen the rising trend in obesity and non-communicable diseases, most notably amongst children. To discourage the use of tobacco, the excise tax on both locally produced and imported tobacco was increased by 10 per cent as of January.

Another key focus of the government in 2019 was on measures to preserve and promote local industry. This include addressing the stiff competition from imported substitutes, a major concern expressed by local businesses, including in the agricultural sector. In an effort to help revive the livestock sector, dampen competition from imports and improve domestic food security, customs duty on imported pork and poultry meat was increased as of January. In the same month, the 15 per cent VAT on canned tuna was removed, leading to a reduction in prices of this product.

In other matters, government introduced a prescription fee of R25 in June. The prescription fee is payable at public health clinics\textsuperscript{12} and was put forth with the aim of creating more awareness of the costs associated with healthcare in Seychelles.

Government’s efforts to increase revenue through the introduction of the immovable property tax was however postponed to 2020 in view of delays in the final approval and implementation process. The Immovable Property Tax is expected to be implemented in January 2020.

\textsuperscript{12} Exemptions of this policy include people under the age of 18, pensioners above the age of 63, youth who are over 18 but studying full time, expecting mothers and certain cases of emergency.
**Table 4.1: Government Budget Summary**  
(2018 - 2019)

<table>
<thead>
<tr>
<th></th>
<th>2018 Budget</th>
<th>2018 Actual</th>
<th>2019 Budget</th>
<th>2019 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue and grants</strong></td>
<td>8,787,545</td>
<td>8,481,993</td>
<td>8,948,880</td>
<td>8,435,400</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>8,539,018</td>
<td>8,205,004</td>
<td>8,739,642</td>
<td>8,341,201</td>
</tr>
<tr>
<td><strong>of which:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>878,080</td>
<td>965,097</td>
<td>885,430</td>
<td>974,980</td>
</tr>
<tr>
<td>Social Security Tax-Arrears</td>
<td>207,615</td>
<td>207,615</td>
<td>-</td>
<td>439</td>
</tr>
<tr>
<td>Customs Duties</td>
<td>299,055</td>
<td>315,019</td>
<td>329,584</td>
<td>313,123</td>
</tr>
<tr>
<td>Excise Tax</td>
<td>1,334,053</td>
<td>1,280,508</td>
<td>1,445,329</td>
<td>1,385,436</td>
</tr>
<tr>
<td>GST Tax Arrears</td>
<td>2,278</td>
<td>2,637</td>
<td>-</td>
<td>2,923</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>2,441,176</td>
<td>2,492,847</td>
<td>2,603,009</td>
<td>2,590,657</td>
</tr>
<tr>
<td>Business tax</td>
<td>1,521,480</td>
<td>1,376,495</td>
<td>1,433,911</td>
<td>1,396,939</td>
</tr>
<tr>
<td>Corporate Social Responsibility Tax</td>
<td>104,621</td>
<td>106,256</td>
<td>112,634</td>
<td>108,746</td>
</tr>
<tr>
<td>Tourism Marketing Tax</td>
<td>68,408</td>
<td>70,173</td>
<td>73,632</td>
<td>71,453</td>
</tr>
<tr>
<td>Other Tax</td>
<td>540,554</td>
<td>473,913</td>
<td>567,372</td>
<td>580,158</td>
</tr>
<tr>
<td>Property Tax</td>
<td>-</td>
<td>40,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Nontax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee and Charges</td>
<td>391,019</td>
<td>334,621</td>
<td>426,420</td>
<td>339,840</td>
</tr>
<tr>
<td>Dividends Income</td>
<td>531,491</td>
<td>426,355</td>
<td>664,799</td>
<td>477,410</td>
</tr>
<tr>
<td>Other Nontax</td>
<td>44,090</td>
<td>32,274</td>
<td>45,655</td>
<td>44,181</td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>175,098</td>
<td>121,195</td>
<td>111,867</td>
<td>54,917</td>
</tr>
<tr>
<td><strong>Grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>240,527</td>
<td>276,988</td>
<td>209,238</td>
<td>94,200</td>
</tr>
<tr>
<td><strong>Expenditure and net lending</strong></td>
<td>8,851,087</td>
<td>8,420,257</td>
<td>9,082,395</td>
<td>8,379,341</td>
</tr>
<tr>
<td>Primary Current Expenditure</td>
<td>7,645,626</td>
<td>7,429,375</td>
<td>7,802,868</td>
<td>7,509,015</td>
</tr>
<tr>
<td>Interest due</td>
<td>720,697</td>
<td>689,119</td>
<td>723,066</td>
<td>558,564</td>
</tr>
<tr>
<td>Transfers</td>
<td>61,587</td>
<td>54,701</td>
<td>52,778</td>
<td>92,121</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>876,326</td>
<td>753,497</td>
<td>884,677</td>
<td>534,487</td>
</tr>
<tr>
<td>Net lending</td>
<td>101,159</td>
<td>9,942</td>
<td>221,746</td>
<td>148,942</td>
</tr>
<tr>
<td>Contingency</td>
<td>47,346</td>
<td>46,787</td>
<td>50,000</td>
<td>49,989</td>
</tr>
<tr>
<td><strong>Primary balance, Accrual basis (GFS)</strong></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including grants</td>
<td>657,155</td>
<td>750,854</td>
<td>589,550</td>
<td>614,623</td>
</tr>
<tr>
<td>In per cent of GDP</td>
<td>3.0%</td>
<td>3.5%</td>
<td>2.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Excluding grants</td>
<td>408,628</td>
<td>473,866</td>
<td>380,313</td>
<td>520,424</td>
</tr>
<tr>
<td>In per cent of GDP</td>
<td>1.9%</td>
<td>2.2%</td>
<td>1.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Overall balance, Accrual basis (GFS)</strong></td>
<td>-63,542</td>
<td>61,736</td>
<td>-133,516</td>
<td>56,060</td>
</tr>
<tr>
<td>In per cent of GDP</td>
<td>-0.3%</td>
<td>0.3%</td>
<td>-0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Overall balance, cash basis (after grants)</td>
<td>-63,542</td>
<td>255,999</td>
<td>-133,516</td>
<td>-196,375</td>
</tr>
<tr>
<td>Financing</td>
<td>63,542</td>
<td>-255,999</td>
<td>133,516</td>
<td>196,375</td>
</tr>
<tr>
<td>Foreign Financing (accrual basis, net)</td>
<td>386,201</td>
<td>-340,046</td>
<td>106,469</td>
<td>-43,271</td>
</tr>
<tr>
<td>Domestic Financing, net</td>
<td>-322,659</td>
<td>-756,123</td>
<td>27,046</td>
<td>265,171</td>
</tr>
<tr>
<td>Bank Financing</td>
<td>-290,393</td>
<td>-643,108</td>
<td>24,341</td>
<td>175,577</td>
</tr>
<tr>
<td>Non-Bank Financing</td>
<td>-32,266</td>
<td>-113,015</td>
<td>2,705</td>
<td>89,595</td>
</tr>
</tbody>
</table>

Figures do not necessarily add up due to rounding.

1 The series is subject to audit and might be revised accordingly.
2 The primary balance is obtained by excluding interest payments from the overall balance.

Source: Ministry responsible for Finance
4.2 Public Debt\textsuperscript{13}
At the end of 2019, the total stock of public debt\textsuperscript{14} stood at R13,302 million (US$944 million), which was equivalent to 57 per cent of GDP. This was a growth of 2.1 per cent relative to December 2018. The increase in the overall debt level was mainly driven by an expansion of 3.1 per cent in domestic debt to stand at R7,438 million, primarily due to an increase of 18 per cent in the total value of debt guaranteed by the government.

With regards to the stock of external debt, this expanded by 0.2 per cent in US dollar terms, from US$415 million in 2018 to US$416 million in 2019.

Despite the above developments, the government remained committed to reducing public debt to below 50 per cent of GDP by 2021 with efforts to achieve this objective expected to intensify in 2020.

4.3 Outcome for 2019
The primary fiscal outcome for 2019 remained positive considering that a surplus was achieved. The result was underpinned by lower-than-anticipated government expenditure which offset the underperformance in total revenue collected for the year. As such, the year’s primary balance target of 2.5 per cent of GDP was met with the actual outcome standing at 2.6 per cent of GDP.

![Chart 4.1: Government Finance Outcome (2009 – 2019)](chart)

Source: Ministry responsible for Finance

\textsuperscript{13} Statistics and analysis are based on Aggregated Debt Stock for 2019, as at March 10, 2020.
\textsuperscript{14} Includes debt guaranteed by the government.
4.4 Revenue

In 2019, total annual revenue (inclusive of grants) amounted to R8,435 million which was 5.7 per cent below forecast. Such outcome was mainly driven by a shortfall in non-tax revenue.

Tax revenue stood at R7,425 million which was an underperformance of 0.9 per cent. This outcome was as a result of lower tax receipts under all of its sub components with the exception of ‘income tax’ and ‘other tax’ which were 10 per cent and 2.3 per cent above forecast. The main underperformances were registered in the categories ‘custom duties’ (5.0 per cent), ‘excise tax’ (4.1 per cent) and ‘corporate responsibility tax’ (3.5 per cent).

With regards to non-tax revenue, this stood at R916 million which was 27 per cent below the projected figure and followed lower-than-expected receipts collected across all components. In particular, revenue received from ‘grants’ and ‘proceeds from sale of assets’ were 55 per cent and 51 per cent below the expected respective amount.

4.5 Expenditure and Net Lending

Total government expenditure and net lending stood at R8,379 million compared to the budgeted R9,082 million. At the end of 2019, total value of net lending amounted to R149 million which was R73 million below the expected outcome.

4.5.1 Current Outlays

Savings were materialised under current outlays. It stood at R7,509 million or R294 million below the budgeted amount. This was due to lower-than-anticipated spending under most sub-components of current expenditure, with the exception of ‘transfers to public enterprises’, ‘benefits and approved programmes of the Agency for Social
Protection’ (ASP), ‘others’ and ‘interest due on external debt’ which exceeded their respective budgets by R39 million, R64 million, R4.3 million and R4.1 million, respectively.

### 4.5.2 Capital Outlays
The aggregate capital outlays stood at R820 million, which was 33 per cent below the planned amount. As per past trends, the funding of capital projects accounted for the larger share of capital expenses and this stood at R534 million in 2019. The sum spent as development grants amounted to R137 million, and this was appropriated to PUC (R60 million), PMC (R50 million) and the Seychelles Public Transport Corporation (SPTC) (R27 million).

![Chart 4.3: Government Capital Expenditure (2009 - 2019)](image)

**Source:** Ministry responsible for Finance

### 4.6 Financing
As per established trends, government’s financing needs were sourced from both domestic and foreign sources. Domestic financing was largely in the form of T-bills whilst foreign sources of financing included grants, external loans from bilateral and multilateral partners as well as from commercial banks. The actual total financing of the government’s budget for the year was R196 million as compared to the forecasted R134 million.
4.6.1 Treasury Bills

T-bills continued to be the main short-term instrument used to meet the domestic financing needs of government during 2019. In view of increased issuances for fiscal purposes at the end of 2019, the stock of outstanding T-bills was higher than in 2018. The increase was by 3.2 per cent at cost value and 3.3 per cent at face value.

Yields\textsuperscript{15} on the 91-day, 182-day and 365-day T-bills, ended the year at 5.22 per cent, 5.63 per cent and 6.29 per cent, respectively. This was compared to 5.31 per cent, 5.48 per cent and 5.89 per cent on the same securities for end-2018.

\textsuperscript{15} T-bills rates as at closing date.
Table 4.2: Treasury Bills $^{1/2/3/4}$ (2015 – 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stock outstanding</strong> $^{1/3/4}$</td>
<td>2,857.3</td>
<td>4,005.0</td>
<td>3,859.5</td>
<td>3,554.4</td>
<td>3,668.3</td>
</tr>
<tr>
<td>91-day bills (tender issue)</td>
<td>404.4</td>
<td>510.8</td>
<td>566.1</td>
<td>366.5</td>
<td>327.9</td>
</tr>
<tr>
<td>182-day bills (tender issue)</td>
<td>524.9</td>
<td>1,055.4</td>
<td>1,108.4</td>
<td>726.7</td>
<td>770.5</td>
</tr>
<tr>
<td>365-day bills (tender issue)</td>
<td>1,927.9</td>
<td>2,438.8</td>
<td>2,185.1</td>
<td>2,461.1</td>
<td>2,569.9</td>
</tr>
<tr>
<td><strong>Stock outstanding</strong> $^{2/3/4}$</td>
<td>3,096.9</td>
<td>4,218.2</td>
<td>4,023.6</td>
<td>3,722.9</td>
<td>3,844.3</td>
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<tr>
<td>91-day bills (tender issue)</td>
<td>410.8</td>
<td>518.1</td>
<td>570.4</td>
<td>371.1</td>
<td>332.1</td>
</tr>
<tr>
<td>182-day bills (tender issue)</td>
<td>549.4</td>
<td>1,088.6</td>
<td>1,132.6</td>
<td>746.9</td>
<td>790.8</td>
</tr>
<tr>
<td>365-day bills (tender issue)</td>
<td>2,136.7</td>
<td>2,611.5</td>
<td>2,320.5</td>
<td>2,604.9</td>
<td>2,721.3</td>
</tr>
</tbody>
</table>

**Held By** $^{2/3}$

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>2,186.5</td>
<td>3,114.7</td>
<td>3,158.6</td>
<td>2,546.9</td>
<td>2,546.8</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>289.0</td>
<td>510.0</td>
<td>324.2</td>
<td>392.4</td>
<td>363.2</td>
</tr>
<tr>
<td>Others</td>
<td>621.4</td>
<td>593.5</td>
<td>540.8</td>
<td>783.5</td>
<td>934.3</td>
</tr>
</tbody>
</table>

1. At cost value
2. At face value
3. End-of-period data
4. Balances exclude stock of bills held by the Central Bank and includes stock issued for monetary policy purposes

**Source:** Central Bank of Seychelles

4.6.2 Treasury Bonds

In August, government issued a 1770 bond, which was aptly named in commemoration of the 250 years since the first settlement in Seychelles. The total amount issued was R200 million at an interest rate of 7.0 per cent per annum with a tenure of seven years. The issuance of the bond was for the purposes of withdrawing the excess liquidity from the financial system and indirectly stabilising spending, inflation and foreign currency holdings by providing an avenue for long term saving. In addition, two DBS bonds, each worth R50 million were issued in April on tenors of three years at 6.0 per cent and five years at 6.5 per cent per annum.

At the end of 2019, the total stock of outstanding bonds stood at R550 million. Due to maturities during the year of the outstanding balance of 5-year (5.5 per cent) bond, the outcome was a net reduction of R50 million compared to the previous year.
Table 4.3: Treasury Bonds \(^1\) (2015 - 2019)

<table>
<thead>
<tr>
<th>Stock outstanding</th>
<th>2015 (R million)</th>
<th>2016 (R million)</th>
<th>2017 (R million)</th>
<th>2018 (R million)</th>
<th>2019 (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0%, 2-yr</td>
<td>814.6</td>
<td>512.6</td>
<td>600.0</td>
<td>600.0</td>
<td>550.0</td>
</tr>
<tr>
<td>4.5%, 3-yr</td>
<td>262.6</td>
<td>262.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.5%, 5-yr</td>
<td>250.0</td>
<td>250.0</td>
<td>250.0</td>
<td>250.0</td>
<td>-</td>
</tr>
<tr>
<td>6.0%, 3-yr</td>
<td></td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>-</td>
</tr>
<tr>
<td>6.5%, 5-yr</td>
<td></td>
<td>150.0</td>
<td>150.0</td>
<td>150.0</td>
<td>-</td>
</tr>
<tr>
<td>7.0%, 7-yr</td>
<td></td>
<td>150.0</td>
<td>150.0</td>
<td>150.0</td>
<td>-</td>
</tr>
<tr>
<td>7.0%, 7yr 1770 Bond</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>200.0</td>
</tr>
<tr>
<td>16%, 10-yr (8%)</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Held by**

<table>
<thead>
<tr>
<th>Held by</th>
<th>2015 (R million)</th>
<th>2016 (R million)</th>
<th>2017 (R million)</th>
<th>2018 (R million)</th>
<th>2019 (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>610.9</td>
<td>330.3</td>
<td>302.0</td>
<td>302.0</td>
<td>242.0</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>91.4</td>
<td>91.4</td>
<td>129.4</td>
<td>129.4</td>
<td>149.0</td>
</tr>
<tr>
<td>Others</td>
<td>112.2</td>
<td>90.9</td>
<td>168.5</td>
<td>168.5</td>
<td>159.0</td>
</tr>
</tbody>
</table>

\(^1\) End-of-period data

Source: Central Bank of Seychelles
5.0 Overview

In 2019, Seychelles’ current account remained inherently in deficit. However, provisional estimates show a narrowing of the shortfall from US$283 million in 2018 to US$275 million. This was principally due to a higher services account surplus as well as reduced net payments of primary income. The tourism sector remained key for Seychelles which from an external sector perspective is reflective in its contribution to the country’s foreign exchange inflows. For the year under review, another positive performance of the sector was recorded in terms of both visitor arrivals and earnings. The annual growth in visitor arrivals was 6.2 per cent which was an improved outcome compared to an increase of 3.4 per cent recorded in 2018. However, tourism earnings are estimated to have grown by 5.5 per cent in 2019, at a reduced pace in comparison the double-digit figure achieved in 2018. To note, a significant share of the increase in visitor arrivals recorded in 2019 was accounted for by transit passengers which by the nature of their travel tend to spend relatively less whilst in the country.

In terms of international reserves, the Bank maintained its reserve accumulation policy with the objective to further improve the country’s external position in 2019. This continued to be primarily through opportunistic purchases of foreign exchange from the domestic market. At year end, gross official reserves stood at US$580 million, equivalent to 3.8 months of imports of goods and services. Moreover, at US$430 million, NIR was US$27 million above its target.

With regards to the 2019’s developments in the foreign exchange market, there was a decline in demand whilst the cumulative supply was higher than in 2018. As for exchange rate movements, the Seychelles rupee depreciated against the US dollar but strengthened vis-à-vis the EUR and GBP.

5.1 Current account

The provisional current account outcome for the year 2019 shows a deficit of US$275 million, equivalent to 17 per cent of GDP. As highlighted above, this was an improved performance compared to the 2018 level of US$283 million (18 per cent of GDP), a result that was attributed to increased value of net inflow from the rest of the world for transactions recorded in the services account, coupled with a reduction in payments of primary income to non-residents.

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16 Since 2015 the Bank has started to include offshore sector data, particularly the activities of entities registered as Company Special Licence (CSLs), in the BOP. This was a prerequisite for the country’s subscription to the IMF Special Data Dissemination Standards (SDDS). The new offshore data has significantly altered the country’s BOP in particular the capital and financial account. To note that the BOP has been revised as far back as 2012 in order to include the offshore sector data.
5.1.1 Trade in goods

In 2019, there was a slight worsening of 0.7 per cent to US$620 million in country’s trade deficit relative to the preceding year. This was because the estimated decline of 4.4 per cent in payments for imported goods was insufficient to offset a decrease of 10 per cent in the value of exports.
Table 5.1: Seychelles Balance of Payments\(^1\) (2015 - 2019)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ACCOUNT (US$ million)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods,</td>
<td>-256.2</td>
<td>-287.4</td>
<td>-295.7</td>
<td>-282.9</td>
<td>-274.9</td>
</tr>
<tr>
<td>Credits (of which:)</td>
<td>-473.0</td>
<td>-531.9</td>
<td>-590.3</td>
<td>-615.4</td>
<td>-619.6</td>
</tr>
<tr>
<td>Merchandise exports (f.o.b.)</td>
<td>449.4</td>
<td>459.2</td>
<td>525.3</td>
<td>572.7</td>
<td>516.3</td>
</tr>
<tr>
<td>Debits (of which:)</td>
<td>253.1</td>
<td>286.5</td>
<td>286.4</td>
<td>330.7</td>
<td>256.8</td>
</tr>
<tr>
<td>Merchandise imports (f.o.b.)</td>
<td>922.4</td>
<td>991.0</td>
<td>1,215.7</td>
<td>1,188.1</td>
<td>1,135.9</td>
</tr>
<tr>
<td>Other sectors</td>
<td>848.0</td>
<td>895.5</td>
<td>1,115.6</td>
<td>1,092.9</td>
<td>1,045.5</td>
</tr>
<tr>
<td><strong>Services, net</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits (of which:)</td>
<td>322.0</td>
<td>386.3</td>
<td>446.5</td>
<td>435.9</td>
<td>440.3</td>
</tr>
<tr>
<td>Tourism Earnings</td>
<td>805.0</td>
<td>893.7</td>
<td>998.1</td>
<td>1,105.7</td>
<td>1,128.9</td>
</tr>
<tr>
<td>Debits</td>
<td>392.0</td>
<td>413.7</td>
<td>482.7</td>
<td>559.2</td>
<td>589.7</td>
</tr>
<tr>
<td><strong>Primary Income, net</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>-105.4</td>
<td>-132.2</td>
<td>-136.2</td>
<td>-105.0</td>
<td>-89.3</td>
</tr>
<tr>
<td>Credits</td>
<td>-15.1</td>
<td>-7.5</td>
<td>-8.9</td>
<td>-8.3</td>
<td>-7.8</td>
</tr>
<tr>
<td>Debits</td>
<td>5.0</td>
<td>5.1</td>
<td>4.7</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Investment income</td>
<td>20.1</td>
<td>12.5</td>
<td>13.6</td>
<td>13.0</td>
<td>12.6</td>
</tr>
<tr>
<td>Credits</td>
<td>-90.3</td>
<td>-124.8</td>
<td>-127.3</td>
<td>-96.7</td>
<td>-81.5</td>
</tr>
<tr>
<td>Debits</td>
<td>12.4</td>
<td>8.2</td>
<td>10.8</td>
<td>18.7</td>
<td>19.4</td>
</tr>
<tr>
<td><strong>Secondary Income, net</strong></td>
<td>-27.0</td>
<td>-9.7</td>
<td>-15.7</td>
<td>1.5</td>
<td>-6.4</td>
</tr>
<tr>
<td>General government</td>
<td>18.6</td>
<td>30.7</td>
<td>22.4</td>
<td>42.2</td>
<td>37.8</td>
</tr>
<tr>
<td>Fishing licence fees</td>
<td>18.6</td>
<td>30.7</td>
<td>22.4</td>
<td>42.2</td>
<td>37.8</td>
</tr>
<tr>
<td>Other grants</td>
<td>5.7</td>
<td>7.5</td>
<td>10.9</td>
<td>8.6</td>
<td>8.0</td>
</tr>
<tr>
<td>Debits</td>
<td>12.9</td>
<td>23.2</td>
<td>11.5</td>
<td>33.7</td>
<td>29.8</td>
</tr>
<tr>
<td>Other sectors</td>
<td>5.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Credits</td>
<td>-45.6</td>
<td>-40.4</td>
<td>-38.0</td>
<td>-40.7</td>
<td>-44.2</td>
</tr>
<tr>
<td>Debits</td>
<td>13.5</td>
<td>17.1</td>
<td>20.1</td>
<td>21.1</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>CAPITAL AND FINANCIAL ACCOUNT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL ACCOUNT</strong></td>
<td>252.6</td>
<td>280.5</td>
<td>317.5</td>
<td>270.1</td>
<td>295.5</td>
</tr>
<tr>
<td><strong>FINANCIAL ACCOUNT</strong></td>
<td>-288.8</td>
<td>-226.3</td>
<td>-265.2</td>
<td>-220.3</td>
<td>-247.2</td>
</tr>
<tr>
<td>Direct investment</td>
<td>-193.0</td>
<td>-119.3</td>
<td>-206.3</td>
<td>-317.9</td>
<td>-253.1</td>
</tr>
<tr>
<td>Assets</td>
<td>-87.1</td>
<td>-78.4</td>
<td>-81.9</td>
<td>-103.0</td>
<td>-7.4</td>
</tr>
<tr>
<td>Liabilities</td>
<td>105.9</td>
<td>40.9</td>
<td>124.5</td>
<td>307.7</td>
<td>245.7</td>
</tr>
<tr>
<td>Portfolio investment</td>
<td>-35.9</td>
<td>51.8</td>
<td>53.5</td>
<td>-30.4</td>
<td>11.3</td>
</tr>
<tr>
<td>Assets</td>
<td>-43.9</td>
<td>61.1</td>
<td>38.5</td>
<td>-33.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Liabilities</td>
<td>-8.0</td>
<td>9.3</td>
<td>-15.0</td>
<td>-2.7</td>
<td>-10.1</td>
</tr>
<tr>
<td>Other investment</td>
<td>-59.9</td>
<td>-158.8</td>
<td>-112.4</td>
<td>128.0</td>
<td>-5.4</td>
</tr>
<tr>
<td>Assets</td>
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<td>-91.1</td>
<td>-12.2</td>
<td>130.0</td>
<td>9.5</td>
</tr>
<tr>
<td>Liabilities</td>
<td>-127.5</td>
<td>67.8</td>
<td>100.1</td>
<td>2.0</td>
<td>14.9</td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td>30.7</td>
<td>7.1</td>
<td>-3.4</td>
<td>16.7</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>OVERALL BALANCE</strong></td>
<td>73.0</td>
<td>0.1</td>
<td>18.4</td>
<td>3.8</td>
<td>24.0</td>
</tr>
<tr>
<td>Financing of overall balance</td>
<td>-73.0</td>
<td>-0.1</td>
<td>-18.4</td>
<td>-3.8</td>
<td>-24.0</td>
</tr>
<tr>
<td>Reserve assets</td>
<td>-73.0</td>
<td>-0.1</td>
<td>-18.4</td>
<td>-3.8</td>
<td>-24.0</td>
</tr>
<tr>
<td>Arrears</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Memorandum items:**
- Current account (percentage of GDP)
- Trade Balance (f.o.b.); (merchandise exports less imports)
- Stock of Reserves (Gross) (US$ million)
- Stock of Reserves (Gross) (Months of cif imports)
- Exchange Rate (Rupee/US$; period average)

\(^1\)Data series may differ from previous publications due to revisions.

Source: Central Bank of Seychelles
5.1.2 Merchandise exports

The preliminary estimated total value of exported merchandise stood at US$257 million, a reduction of 22 per cent compared to US$331 million in 2018. As per the established tendency, the main contributor to exports earnings was canned tuna; its value fell by 17 per cent from US$285 million in the previous year to US$236 million for the year under review.

5.1.3 Merchandise imports

Total payments for imported merchandise (fob)\textsuperscript{17} amounted to US$1,045 million in 2019, which was a decrease of US$47 million compared to US$1,093 million in 2018. Notable was a fall in imports of mineral fuel – both in volume and value terms – in comparison to 2018. The reduction in the volume of imported mineral fuel was by 5.2 per cent whilst in value terms, the fall was by 14 per cent with the latter due to the fact that on average, oil prices were relatively lower internationally.

The main components of import were ‘machinery & transport equipment’ and ‘food, live animals & vegetables oils’ which accounted for 28 per cent and 23 per cent of total import values, respectively. Other prominent import categories were ‘mineral fuels’ (21 per cent) and ‘manufactured goods & miscellaneous manufactured articles’ (19 per cent).

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (US$ million)</th>
<th>2016 (US$ million)</th>
<th>2017 (US$ million)</th>
<th>2018 (US$ million)</th>
<th>2019 (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports</td>
<td>987</td>
<td>1,042</td>
<td>1,116</td>
<td>1,093</td>
<td>1,045</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>22</td>
<td>27</td>
<td>23</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Chemicals</td>
<td>59</td>
<td>63</td>
<td>50</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Food, live animals &amp; vegetable oils</td>
<td>224</td>
<td>277</td>
<td>286</td>
<td>293</td>
<td>280</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>298</td>
<td>275</td>
<td>338</td>
<td>289</td>
<td>274</td>
</tr>
<tr>
<td>Manufactured goods &amp; misc. manufactured articles</td>
<td>194</td>
<td>215</td>
<td>196</td>
<td>174</td>
<td>188</td>
</tr>
<tr>
<td>Mineral fuels</td>
<td>174</td>
<td>165</td>
<td>210</td>
<td>238</td>
<td>204</td>
</tr>
<tr>
<td>Other commodities</td>
<td>15</td>
<td>20</td>
<td>13</td>
<td>21</td>
<td>23</td>
</tr>
</tbody>
</table>

\textit{Notes:}

\textsuperscript{1} Harmonised System

Source: National Bureau of Statistics & Central Bank of Seychelles

\textsuperscript{17} “Free on Board” means what it costs to get the goods to the boat (or equivalent). The alternative is "Cost, Insurance, Freight" (cif), which includes additional costs to get the good to the foreign customer.
5.2 Services

In line with past trends and consistent with the service-driven structure of the Seychelles’ economy, the services account remained in surplus in 2019. At US$440 million, net export of services to the rest of the world grew by US$4.5 million relative to the 2018 level. Total export of services increased by US$23 million or 2.1 per cent to stand at US$1,129 million, of which the direct earnings from the tourism industry is estimated to have increased by 5.5 per cent to US$590 million.

Europe retained its position as the main market for visitors to Seychelles by continent with a contribution of 68 per cent of total tourist arrivals. Germany remained the European market with the largest market share, accounting for 27 per cent of arrivals from the aforementioned market, followed by France and UK with a 16 per cent and 12 per cent market share, respectively. With regards to other continents, compared to 2018, the year under review observed decreases in the number of visitors originating from Asia and Africa, and these were by 4.2 per cent and 1.4 per cent correspondingly.

In terms of value of services acquired from non-residents, this stood at US$689 million, an increase of US$19 million or 2.8 per cent compared to the previous year. Such result shows a direct correlation with the increase of 2.7 per cent in the statistics for temporary departures by Seychelles’ residents during the year.

5.3 Primary Income

In 2019, the primary income account remained in deficit. It is estimated at US$89 million which shows a reduction in net outflow of income by US$16 million compared to 2018. Such outcome was attributed to lower payments of investment income, namely interest and dividends to non-resident investors.
5.4 Secondary Income
During the year under review, the balance of the country’s secondary account fell from a surplus of US$1.5 million in 2018 to a deficit of US$6.4 million. Such result was principally the result of increased demand for foreign labour and therefore the associated growth in the value of outward remittances by expatriate workers, primarily employed in the construction and tourism industries.

As for official transfers, whilst the overall outcome remained in surplus, the net inward figure fell from US$42 million in 2018 to US$38 million in 2019.

5.5 Capital and financial accounts
In 2019, the estimated balance for the capital and financial accounts remained in surplus. In addition, it showed an increase in the total financing of the current account from US$270 million in 2018 to US$296 million in the year under review.

5.5.1 Capital account
Total net inward flow of capital is estimated at US$48 million, which was US$1.4 million (or 2.9 per cent) lower than in 2018. Official capital transfers remained the main component of this account. Inward official capital transfers continued to represent donations in the form of high-value capital goods from the country’s main development partners.

5.5.2 Financial account
Preliminary estimates show US$247 million financing of the current account from the financial account which was US$27 million higher than in the previous year.

FDI remained the main components of the financial account with a gross inflow contribution estimated at US$246 million. This was however a decrease of US$62 million compared to 2018 which was principally due to delays in the implementation of a number of tourism projects that were not affected by the 2015-2020 moratorium. To note, the estimated total FDI which include offshore activity is also influenced by the value of liabilities of international business companies, namely entities registered under Companies’ Special Licences (CSLs).

5.6 External reserves
As at the end of December, the stock of gross official reserves held at the Central Bank stood at US$580 million, which was an increase of US$31 million (by 5.6 per cent) relative to the previous year primarily due to opportunistic purchases from the market. Gross official reserves were equivalent to 3.8 months of the country’s total imports of goods and services.

As regards to NIR, the year-end level was US$430 million, at US$27 million above the target of US$403 million.

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18 A moratorium on the construction of large hotel projects in Seychelles became effective mid-2015 and is expected to end in 2020. However, this excluded hotels that had their plans approved prior to the introduction of the moratorium, as well as expansions of existing hotels.
### Table 5.3: External Reserves¹ (2015-2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross official reserves</td>
<td>536.1</td>
<td>523.5</td>
<td>545.2</td>
<td>549.5</td>
<td>580.5</td>
</tr>
<tr>
<td>Central Bank</td>
<td>535.5</td>
<td>523.0</td>
<td>544.7</td>
<td>549.0</td>
<td>580.0</td>
</tr>
<tr>
<td>Government</td>
<td>0.6</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Central Bank’s External liabilities</td>
<td>42.3</td>
<td>38.1</td>
<td>41.8</td>
<td>34.5</td>
<td>27.2</td>
</tr>
<tr>
<td>Net official Reserves (include blocked deposits)</td>
<td>493.8</td>
<td>485.4</td>
<td>503.4</td>
<td>515.0</td>
<td>553.3</td>
</tr>
<tr>
<td>Net official Reserves (exclude blocked deposits)</td>
<td>423.4</td>
<td>415.0</td>
<td>424.3</td>
<td>407.7</td>
<td>430.0</td>
</tr>
</tbody>
</table>

¹ End of period data

Source: Central Bank of Seychelles

### 5.7 Exchange rates

The exchange rate of the Seychelles rupees to the US dollar remained broadly stable during 2019 with no observed episodes of excess volatility as well as known speculative behaviours. Whilst it depreciated by 12 cents (0.9 per cent) from an average of R13.9115 per US dollar in 2018 to R14.0335 in 2019, it also appreciated by 71 cents (4.3 per cent) relative to the EUR and by 63 cents (3.4 per cent) vis-à-vis the GBP.

Movements in the external value of the domestic currency against the US dollar were primarily impacted by the local dynamics of demand and supply whereas relative to the EUR and GBP, external factors were relatively predominant.

### Table 5.4: Exchange Rates¹ (2015 - 2019)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Seychelles Rupees per currency unit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>20.2793</td>
<td>18.0142</td>
<td>17.5237</td>
<td>18.5043</td>
<td>17.8705</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>0.1100</td>
<td>0.1230</td>
<td>0.1221</td>
<td>0.1260</td>
<td>0.1288</td>
</tr>
<tr>
<td>South African Rand</td>
<td>1.0506</td>
<td>0.9096</td>
<td>1.0270</td>
<td>1.0566</td>
<td>0.9727</td>
</tr>
</tbody>
</table>

¹ Period Averages

Source: Central Bank of Seychelles
5.8 Developments in Financial Services

Insurance and Pension sector

During 2019, the Financial Services Authority (FSA) continued with its application to become a signatory to the Memorandum of Understanding (MOU) with the International Association of Insurance Supervisors (IAIS\textsuperscript{19}), to which it already holds a membership. As part of the process to become a signatory, FSA has started to work on the necessary administrative, legislative and regulatory changes. These changes will allow FSA to cooperate and exchange information with its foreign counterparts. Being a signatory to an international body such as the IAIS will not only increase Seychelles' visibility in the global environment, but also improves the country's transparency and accountability by adhering to the IAIS core principles.

International Trade Zone (ITZ) and Hire Purchase

In 2019, FSA undertook reforms in the International Trade Zone regime in order to comply with EU Code of Conduct Group on Business Taxation standards and requirement for Base Erosion and Profit Shifting (BEPS) of foreign source income in lieu of the current territorial business tax regime. Phase one of the reform includes removal of business tax exemption for ITZ companies under the ITZ Act. Phase two involves the imposition of substance requirements for ITZ companies to benefit with business tax exemption for those deriving foreign sourced income with permanent establishment in Seychelles.

Fintech Innovation

The FSA continued work to set up and operationalise the Regulatory Sandbox for Capital Markets. The Sandbox Regulations, gazetted in June is a framework set up by the Authority in order to allow for the offer and testing of

\textsuperscript{19} The IAIS is the international body that brings together the world's insurance supervisors and regulators and is recognised as the global setter of standards for the insurance sector.
innovative eligible financial services within a regulated environment with defined conditions and restrictions, but exempted from licensing, disclosure and reporting requirements under the Securities Act. Under this framework, FSA will consider two broad categories of projects; one, being digital market places that would encompass projects such as crypto-exchanges and digital custodians, and secondly, securities token offerings.

During the course of 2019, FSA has worked closely with PwC Hong Kong to put in place the necessary procedures, workflows and guidelines to operationalise the Regulatory Sandbox. It is expected that FSA would be accepting a first cohort of applicants during the first quarter of 2020.

In October, FSA became a full member of the Global Financial Innovation Network (GFIN)\(^\text{20}\). The Authority, through GFIN, seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. This includes a pilot initiative for firms wishing to test innovative products, services or business models across more than one jurisdiction. It also aims to create a new framework for co-operation between financial services regulators on innovation-related topics and for the sharing of different experiences and approaches.

**Gambling**

In 2019, FSA procured the consulting services of the Gaming Laboratories International (GLI) Africa to review and revamp the existing Seychelles Gambling legislative and regulatory framework to bring it at par with international standards, best practices and the rapid changes in technology. The project commenced in July and expected to be completed by early June 2020, excluding consultations with licensed operators and the general public. FSA anticipate finalisation of the Act by first quarter of 2021.

**Capital Market and Collective Investment Scheme**

During 2019, FSA continued its accession to become an Associate Member of the International Organisation of Securities Commissions (IOSCO)\(^\text{21}\). This involved the necessary legislative and regulatory changes in order to apply to become an ordinary member and a signatory of an MOU. These changes will allow FSA to cooperate and exchange information with its foreign counterparts. Being an associate member of an international body will not only increase Seychelles' visibility in the global environment, but also improves its transparency and accountability by adhering to the IOSCO principles.

**Fiduciary Services**

Seychelles, through FSA and the Central Bank of Seychelles, officially became members of the Group of International Finance Centre Supervisors (GIFCS)\(^\text{22}\) in November. GIFCS collective memberships (including

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\(^{20}\) GFIN is a network of 50 organisations committed to support financial innovation in the interests of consumers. It was formally launched in January 2019 by an international group of financial regulators and related organisations, including the UK’s Financial Conduct Authority (FCA) (built on the FCA’s early 2018 proposal to create a global sandbox).

\(^{21}\) The IOSCO is the international body that brings together the world's securities regulators and is recognised as the global setter of standards for the securities sector.

\(^{22}\) GIFCS is a long-established group of financial services supervisors with a core interest of promoting the adoption of International regulatory standards especially in the banking, securities, fiduciary and Anti Money Laundering (AML)/Counter Finance Terrorism (CFT) arena.
Seychelles) accounted for a market share of nearly 10 per cent of global International banking assets. The Group has become a very positive contributor to promoting compliance among its members with the Basel Core Principles and the Financial Action Task Force (FATF) Recommendations. The GIFCS is also recognised as a leading authority on the regulation of trust and company service providers, and the interface of these intermediaries with AML/CFT standards.

5.9 International Relations

Seychelles maintained strong relations with its diplomatic partners both on a bilateral and multilateral level during 2019. Whilst numerous agreements were signed or renewed with the aim of enhancing the economic and diplomatic relations, there were also challenges that the country had to address to ensure that it remained in line with its international commitments.

5.9.1 Multilateral Institutions

The country continued to enjoy excellent relations with its multilateral partners, whose support in terms of technical capacity development and financially, ensured the successful implementation of various projects and programmes.

5.9.1.1 International Monetary Fund

The authorities pursued the objectives agreed on under the PCI arrangement with as much vigour as in previous years, although it is a non-financing programme. All quantitative targets were met on the test date, with the exception of the primary fiscal balance which fell short by a slim margin. In terms of the Bank’s performance under the PCI, the institution’s primary objective of price stability remained the focus of monetary policy decisions taken throughout the year and thus, inflation was well within the inner bounds of the MPCC. Furthermore, the NIR targets were met by a comfortable margin.

5.9.1.2 World Bank

The World Bank Group Executive Director, Ms. Anne Kabagambe, who was appointed in November 2018, visited Seychelles in February, as part of her tour to familiarise herself with member states falling under the Africa Group I Constituency. During the visit, she reiterated the World Bank’s commitment towards the ongoing projects that the organisation is engaged in and discussed other potential areas of support.

In 2019, Seychelles received Technical Assistance (TA) under the Reimbursable Advisory Services (RAS) programme of the World Bank. RAS offers technical advice, analytical and implementation support services to member countries that fall in the middle and high-income brackets. As these cannot be fully funded from the World Bank’s country programmes, member states then have to reimburse for the costs incurred. The main areas which benefitted from such services were the natural gas project and activities in the field of social services protection. To note, over the past few years, the country has also benefitted from the institution’s expertise in various projects including the Coastal Management Plan and Roadmap, the Technical Vocational Educational Training (TVET), among others.
5.9.1.3 World Trade Organisation (WTO)

Since becoming a member of the WTO, Seychelles has actively pursued certain initiatives that form part of its commitments of accession, as well as pursuing issues of interest that are currently under negotiation.

The country is particularly active in negotiations pertaining to fisheries subsidies, e-commerce, General Agreement on Trade in Services (GATS) meeting on rules, particularly Domestic Regulation and Most Favoured Nations (MFN) Exemption, and specific commitments on Economic Needs Test and scheduling issues.

Currently, Seychelles does not have a legal framework to apply ‘Trade Remedies’, i.e. the Agreements on Safeguards, Subsidies and Anti-Dumping. Legislations pertaining to same have been prepared and submitted to the Attorney General’s office for final drafting and subsequent formalities.

In order to allow developing member states of the WTO some flexibility to procure affordable and generic medicines which are necessary for the treatment of epidemics, Seychelles ratified the Protocol amending the Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS). In addition, the country also ratified the WTO Trade Facilitation Agreement which came into force in 2017.

As per WTO negotiations on fisheries subsidies – relating to the provision of rules on subsidies that contribute to overcapacity, overfishing or illegal, unreported and/or unregulated (IUU) fishing – WTO members are expected to reach an agreement by June 2020, at the 12th WTO Ministerial Conference. However, the agreement was still under negotiation at the Negotiating Group on Rules clusters of meetings and in Seychelles, national stakeholders were also engaged on the WTO fisheries subsidies negotiations.

5.9.1.4 African Development Bank (AfDB)

The African Development Bank (AfDB) remains one of the country’s staunchest allies and over the years has financed numerous infrastructure projects. During 2019, the AfDB was involved in the project to increase the water storage capacity of the La Gogue Dam through a loan of US$21 million to PUC. Work on the project that began in November 2017 is expected to be fully completed in 2020.

5.9.2 Bilateral Relations

Seychelles continued to enjoy excellent relations with its bilateral partners. In June, it was announced that Seychelles will benefit from a grant of US$22 million from China for the financing of various projects, including a technical and vocational school. In addition, as per an agreement signed in August 2017, the Chinese government was funding the construction of the SBC House which will cater for both the radio and television stations under one roof.

In December, the authorities advised that the Chinese government will also be donating 1.43 million yuan for the redevelopment of the Bazar Labrin site at Beau Vallon as part of the trade agreement that was signed by the two parties.
The Indian government has assisted Seychelles in various forms; through financing for housing projects; construction of roads; installation of solar panels; several high impact community projects and so on.

5.9.2.1 European Union

The EU and Seychelles have a strong relationship, and the EU has over the years supported the country’s development through various programmes, be it economic or social.

For instance, under the Fisheries Protocol for the period 2014 – 2019, the country received EUR30 million in terms of access fees for EU fishing vessels and sectoral support. The agreement allows EU vessels to fish in Seychelles waters and unload their catch in Port Victoria, thus providing a regular supply of tuna to the local canning factory for processing and exports, mostly to the European market. In addition, the EU also assists with various projects aimed at further developing the fisheries sector. In that respect, in January, a new fish market was opened on La Digue as part of sectoral support to promote the development of artisanal fisheries and infrastructure, as well as to encourage a sustainable fisheries industry.

In support of the fight against drugs, a team of experts from the EU Action against Drugs and Organised Crimes undertook a mission in March to assess the drug situation in the country. This exercise followed a Political Dialogue held in November 2018 between the two parties and was the first of its kind in that area. The team of specialists from various EU countries aimed to assess both the demand and supply side of the scourge.

In November, the 7th EU-Seychelles Political Dialogue was held and three technical agreements pertaining mainly to capacity building were signed. The aim is to strengthen internal capacity in the AG’s office, at the Anti-Corruption Commission and also to support the private sector. The parties also discussed plans to redevelop and modernise Port Victoria by extending the quay and creating more berthing space as well as increasing its depth to better accommodate the vessels that use the facility. To that end, the Seychelles Ports Authority (SPA) has secured loans from the European Investment Bank amounting to EUR12.5 million and the Agence Française de Développement EUR16.5 million. EU will also provide a grant of EUR5.0 million towards the project.

5.9.3 Regional Integration

2019 was a very active year for Seychelles on the regional stage. Aside from participating in the various programmes of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), the country was also involved in other initiatives.

5.9.3.1 Southern African Development Community

During the first half of the year, a consultant from SADC was in the country to conduct a mid-term review of the SADC programmes, namely the Regional Indicative Strategic Development Plan (2015 – 2020) and the Strategic Indicative Plan being implemented in all member states.

At the Summit of Heads of States in August, President Faure urged all members to come together and prepare a strategy to address maritime security as this is very important for the development of the blue economy. Being
the champion for the continent’s blue economy agenda, Seychelles used such international fora to emphasise the plight of the Small Island Developing States (SIDS) and the need for sustainable resource management.

Seychelles also played a key role in pushing for the admission of Madagascar to the SADC Parliamentary Forum, led by Speaker of the Seychelles National Assembly, Hon. Nicholas Prea.

As regard the regional trade agenda, work within SADC continued on various headings under the Protocol on Trade, such as Trade Remedies, Trade in Services and Intellectual Property. With respect to the latter, in 2019, the focus was on the Regional Framework and Guidelines on Intellectual Property. The aim is to foster mutual cooperation on Intellectual Property issues within the context of industrialisation, trade, and addressing socio-economic development as well as competitiveness of the SADC Region.

5.9.3.1.1 SADC Committee of Central Bank Governors

In line with its mandate, the Committee of Central Bank Governors (CCBG) in SADC continued to provide a platform for closer collaboration among member central banks, with the aim of promoting the development of financial institutions and markets through harmonisation of relevant policies and frameworks.

The CCBG remained focused on the identified Strategic Focus Areas (SFA) for the three-year period 2017-2019 and these were:

**SFA 1: Promote macroeconomic convergence**

As per the requirements of the Finance and Investment Protocol (FIP), the CCBG monitored member states’ performance for the year 2018, in terms of primary and secondary convergence criteria. The primary criteria include maintaining inflation at low and stable levels, that is between 3.0 and 7.0 per cent; maintaining a prudent fiscal stance based on the avoidance of large budget deficits (i.e. deficit of less than 3.0 per cent of GDP); and low levels of public and publicly-guaranteed debt of less than 60 per cent of GDP. The secondary convergence criteria cover current account deficits which should not exceed 3.0 per cent of GDP, real GDP growth of more than 7.0 per cent and foreign exchange reserves equivalent to at least six months of import cover.

Whilst members endeavoured to abide by the above-mentioned sets of primary and secondary criteria, there were various challenges and constraints which affected their performance at an individual level in view of the nature of each economy. As regard to Seychelles, all primary criteria were achieved, but similar to most members, the country found it difficult to attain the secondary targets.

**SFA 2: Contribute to financial market deepening and integration**

Under SFA 2, the focus is on developing strategies aimed at strengthening and deepening financial markets in the region, and ensuring a coordinated approach to financial market development in collaboration with relevant financial market role players in the region. Thus, members are encouraged to adopt international best practices and collaborate in terms of sharing of information and expertise for their mutual benefit.

In 2019, the focus was on harmonising policies for financial markets across the region as well as the possibility of developing a Financial Markets Development Index for the region.
SFA 3: Monitor financial stability
During the year under review, emphasis was placed on putting in place the necessary frameworks to prevent, predict and withstand shocks that may arise from both internal and external conditions as well as effective monitoring of the financial system to ensure that it remained robust. This was in line with the objective to develop a framework for cross-border crisis resolution for member countries to support financial stability and minimise the adverse effects of financial contagion in the region.

SFA 4: Promote financial integrity
SFA 4 aims to promote financial integrity by ensuring adherence to agreed international principles and standards in the transactions undertaken by financial institutions across the SADC region. This implies ensuring a safe, sound and well-functioning payment and clearing system. In that respect, work continued on ensuring the proper functioning of the SADC Real Time Gross Settlement (SADC-RTGS) System, as well as putting in place the necessary framework to enable low-value cross border credit transfers.

SFA 5: Foster domestic and regional financial inclusion
As this is a relatively new area, the Terms of Reference (TOR) for the FinTech Workgroup was finalised during the year. The focus will be on implementing the necessary measures as well as providing support for the development of regulations and legislations to promote financial inclusion across the region.

In addition, the CCBG also considered various cross-cutting issues that are meant to support the identified SFAs, such as capacity building, ICT, central bank governance and leveraging of the region’s interests in international fora.

5.9.3.2 COMESA Integration Programme
In 2019, Seychelles participated in the initiatives for COMESA to move towards a Digital Free Trade Area (DFTA), which is all about empowering traders to do cross border trade using ICT as a tool to minimise physical barriers. DFTA is defined into three segments, namely e-Trade, e-Logistics and e-Legislation. E-Trade intends to promote e-commerce by providing an online platform for the COMESA region to trade online.

In line with the move towards digitalisation, the first consultative meeting of the technical working group on COMESA Authorised Economic Operators (AEO) was held in Nairobi, Kenya, in July and its purpose was to develop a regional Guideline on the Implementation of the COMESA AEO Programme. The AEO Programme is a key driver for Customs-Business partnerships and provides for a secure, transparent and predictable trading environment, and enhances economic prosperity. Under regional and international standards, Customs Administrations are encouraged to develop partnerships with businesses to facilitate and secure trade, and work towards developing mechanisms for mutual recognition. Seychelles has requested for TA for the implementation of AEO under the 11th EDF23 programme.

23 European Development Fund
5.9.3.3 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

The Task Force of Senior Officials met in Tanzania in April, to discuss the country’s progress report on measures taken to address the shortcomings identified in the second Mutual Evaluation Report.

The aim of the ESAAMLG is to combat money laundering by implementing the recommendations of the FATF, which sets the standards and measures for combating money laundering, terrorist financing and other threats that may affect the global financial system.
SECTION SIX

Central Bank Operations

6.1 Research and Statistics Division

The Research and Statistics Division’s (RSD) core functions are aligned with the Bank’s mandate of promoting domestic price stability. The main role of the Division is to conduct research, assessment and formulation of policies, macroeconomic analyses, collation and dissemination of statistics. Tasks in the Division are organised within two Sections, namely the Policy and Research Section (PRS) and the Statistics Section, between which the duties are coordinated consistently with the overall responsibilities of RSD. The Division also coordinates with internal and external stakeholders for the preparation and publication of the Bank’s Annual Report, Statistical Bulletins and Monthly Reviews.

In order to gain greater understanding of the domestic economy, expectation and confidence surveys are carried out by RSD staff on a quarterly basis with commercial banks and Seychelles Credit Union (SCU). A consumer confidence and expectation survey was also conducted with the assistance of NBS. In addition, the Division undertakes or collaborates in events that aim to promote economic awareness, improve the overall financial knowledge of the population and increase their understanding of the Bank’s policies.

The Division is also tasked with maintaining the Bank’s relationship with international partners through active participation in regional blocs, data submissions and technical contributions to organisations such as IMF, SADC, AfDB, COMESA, Alliance for Financial Inclusion (AFI) and the World Bank. Additionally, members of staff are required to prepare several reports and participate in conferences and meetings held by the organisations mentioned above.

6.1.1 Capacity Building and Development

Improvement of technical capacity and expertise is of utmost importance to the Division. In line with this, staff have attended trainings and workshops related to finance, statistics, macroeconomics and policy formulation. A critical area for capacity building remains the forecasting and modelling ability of technical staff and in view of this, two in-house training sessions with TA from the consulting firm OG Research to improve the econometric-based forecasting model were held in March and December.

6.1.2 Policy and Research Section

A mission critical role of PRS is to update the Bank’s monetary and exchange rate policies in accordance with changes in the domestic and global economic conditions. This is primarily undertaken through dynamic updates in the Bank’s MPH to accommodate the current economic environment. In January, the Bank also smoothly transitioned to an interest rate-based framework from a reserve money targeting one.

In order to increase economic awareness, PRS also delivered presentations to members of the Seychelles Chamber of Commerce and Industry (SCCI), media houses and school students. PRS was also the main contributor and editor for the commemorative book entitled Central Bank of Seychelles 1978 – 2018:
Celebrating 40 years of Central Banking, which was launched in November to wrap up activities marking the Bank’s 40th anniversary. The book which traces the evolution of the Bank since its inception, will also serve as reference material for the institution.

Staff maintained efforts to improve understanding of several analytical tools such as the macroeconomic model as mentioned above, and an enhanced framework for estimating tourism earnings. In addition to that, the Section also carried out researches to identify the impact of policy implications on the economy.

6.1.3 Statistics Section
The compilations and disseminations of data were done in line with the IMF’s Special Data Dissemination Standards (SDDS) guidelines which remained one of the key priorities of the Statistics Section. This ensured that reliable financial and economic indicators were available on a regular and timely basis. The Section also compiled data from surveys and information received from NBS and the Ministry responsible for Finance. Moreover, the Section continued its effort to promote prompt and accurate submission of data from various respondents.

6.1.3.1 Monetary and Financial Statistics
The compilation of monetary and financial data was done as per the Monetary and Financial Statistics Manual (2008) of the IMF with certain elements of the 2016 manual also being incorporated with the intention of moving fully towards the 2016 manual in the near future. In 2019, the banking sector remained the main contributor of these statistics. However, going forward, it is expected that the coverage will be extended to include insurance companies and pension fund.

6.1.3.2 External Sector Statistics
During 2019, the annual offshore sector survey was again done in collaboration with FSA. In spite of the challenges faced with data collection, the information gathered remained essential for the compilation of BOP and IIP statistics. There were several meetings with local partners, such as Seychelles Investment Board (SIB), Indian Ocean Tuna (IOT), STB and Air Seychelles, with the objective to increase data coverage for the BOP statistics.

In addition, staff of the Section also participated in sectoral surveys conducted with various stakeholders with the aim to help improve or enhance established relationships.

6.2 Financial Surveillance Division
The primary objective of the Financial Surveillance Division (FSD) is to promote a sound financial system. This is mainly achieved by (a) ensuring effective regulation and supervision of entities under the portfolio of the Bank at both micro and macro levels; and (b) regulating and overseeing the national payment system to ensure it is safe, secure, efficient and operates effectively. Entities falling under the purview of FSD include banks, bureaux de change (BDCs), financial leasing companies, non-deposit taking financial institutions, credit unions, payment system providers (PSPs) and financial market infrastructures (FMIs).

FSD is organised into four sections, whose roles and functions are summarised below:
6.2.1 Regulatory and Supervisory Portfolio

6.2.1.1 The Financial Sector

During the year under review, no new BDC licence was granted by the Bank. However, 1 Class B BDC surrendered its licence bringing the count to a total of 11 Class B and 13 Class A BDCs. As regards to the number of PSP license holders, this remained unchanged at 15.

As for commercial banks, 2019 saw the final revocation of Habib Bank Limited’s licence following the Bank’s approval for it to close down its operations in Seychelles in 2018. In addition, SBM Bank (Seychelles) Limited commenced its banking operations in August despite being licensed since 2016. This was due to delays encountered by the bank in the setting up of its operations. To this effect, there was a total of 9 commercial banks in operation at the end of 2019.

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24 A Class B BDC is licensed to buy and sell foreign currency in the form of notes, coins and traveller’s cheques only.
25 A Class A BDC is licensed to buy and sell foreign currency in the form of notes, coins, traveller’s cheques and also engage in money transmission.
6.2.2 Developments in the Supervisory Framework

During the year, the Bank continued its effort to develop its regulatory and supervisory framework. Work progressed on amendments to a number of legislations which govern the operation of regulated entities. These were namely the Financial Institutions Act, 2004 (FIA) and the National Payment System Act, 2014, respectively. Such initiatives aim to ensure a robust framework, all the while considering the evolution of supervisory and regulatory practices globally as well as developments in the financial sector. Concurrently, emerging risks were also being monitored and a risk-based supervision (RBS) framework was in the process of being finalised which will enable the Bank to efficiently target supervisory resources towards higher risk institutions and put in place measures to address any deficiencies identified.

Additionally, the Bank continued to pursue the adoption of the Basel Capital Framework with legislations that will guide the implementation of Basel II Pillar I finalised in 2019. Moreover, Pillar II of Basel II was being considered alongside the development of the RBS framework. Also, in 2019, the Bank contemplated the adoption of Basel III capital definition as well as Basel II Pillar III disclosure requirements. Work on their implementation is expected to continue in 2020.

Furthermore, in 2019 the Bank revised its Financial Institutions (Credit Classification & Provisioning) Regulations of 2010 to align with the requirements of the International Financial Reporting Standard (IFRS) 9 as the applicable standard for commercial banks’ provisions for credit impairment. Accordingly, the Bank continued to work closely with the commercial banks throughout the year and monitored their implementation of IFRS 9.

In light of the changes in the tax regime to align with the Organisation for Economic Cooperation and Development’s (OECD) BEPS framework, the Bank revised its single licensing regime guidelines in January. The guidelines reflect the applicable tax rates following the repeal of the preferential tax rate for foreign sourced income of commercial banks. Furthermore, the Bank issued its Cybersecurity Guidelines in April to all deposit-taking financial institutions such as banks and credit union. The guidelines describe the baseline requirements and expectations of the Bank vis-à-vis cybersecurity with the aim of promoting and enhancing cyber-risk management practices in the financial sector.

Lastly, the Bank contracted the Islamic Banking & Finance Institute Malaysia (IBFIM) – a talent development institution – through the issuance of a Request for Proposal (RFP) to conduct a two-week training workshop for certain members of staff across the Bank during the month of September on Islamic Banking and Finance. This formed part of the Bank’s ongoing capacity development programme to deepen staff’s knowledge and understanding on the subject matter, an initiative that proved to be fruitful following attainment of an overall pass rate of 83 per cent for the Associate Qualification in Islamic Finance (AQIF) examination. It is hoped that staff will from then on be able to better discharge their duties in relation to the proposed introduction of Islamic Banking and Finance in Seychelles.

6.2.3 Enhancing Compliance with AML/CFT Requirements

During 2019, the Bank set up a new Section within the FSD to take on the responsible for Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) supervision for institutions under the Bank’s purview. This was in
line with the policy decision taken by the Cabinet of Ministers in October 2018 for sectoral supervision under the new AML/CFT regime. The Section will also cater for policy work such as laws and guidelines that pertain to supervision as part of its membership in the National Technical AML Committee.

To note, the new AML/CFT Bill and a new Bill on Beneficial Ownership were presented and approved by Cabinet in December and are expected to be deliberated on by the National Assembly in the first quarter of 2020.

6.2.4 Micro Prudential Supervision Section

The responsibility for conducting the prudential offsite and onsite surveillance of licensed entities is delegated to the Micro Prudential Supervision Section (MPSS).

As mandated by section 33(1) of the CBS Act and section 42 of the FIA, in 2019 work was undertaken for the finalisation and issuance of three limited scope examination reports which commenced in the previous year. Thereafter, three onsite examinations were initiated, which comprised of one limited scope and two full-scope examinations of licensed entities. Of note, the full-scope examinations were conducted using the CAMELS\textsuperscript{26} monitoring system. The objective was to evaluate the financial institutions’ operations in terms of governance, performance, risk management structures and compliance to legal and regulatory obligations whilst assessing the institutions’ mechanisms in place to monitor and control risks.

With regards to offsite surveillance, continuous monitoring\textsuperscript{27} was conducted on the institutions’ financial position and performance. The main objective is to monitor any major or adverse trends which may signal emerging risks in financial institutions and also to allow for detection of areas of concern, to ensure that corrective measures are taken in a timely manner. Of note, risks identified during offsite monitoring may result in onsite examinations for further scrutiny or other remedial actions, in accordance with relevant legislations.

In order to enhance the effectiveness of supervision and oversight by the MPSS, the Section initiated the development of a statistical application framework to allow for electronic submission of all returns. The project is aimed at continuously improving the accuracy and efficiency of reporting. Moreover, the RBS framework is at an advanced stage of development and it is anticipated that it will allow for a more efficient use of supervisory resources.

Other tasks performed by the team during the year included:

- ad-hoc and recurrent analyses of major vulnerabilities observed;
- business plan analyses;
- monthly review of key financial soundness indicators and the overall performance of the banking industry;
- sensitivity analyses to test the impact of adverse effects on financial institutions’ capital adequacy and profitability amongst other indicators; and
- coordinate or assist with projects relating to bank supervision or payment systems oversight.

\textsuperscript{26} Capital, Asset Quality, Management, Earnings, Liquidity and Sensitivity to market risk.

\textsuperscript{27} Monitoring of supervised entities is carried out through desk reviews to guarantee compliance with prudential requirements.
6.2.5 **Financial Stability Section**

The main responsibility of the Financial Stability Section (FSS) is to monitor and assess the stability of the domestic financial system. This is achieved by identifying excessive build-up of systemic risks and subsequently propose relevant mitigating measures to the Financial Stability Committee (FSC) whose mandate is to contribute to financial stability. Furthermore, the Section has oversight of the national payment system.

The loss of correspondent banking relationships remained a key risk to financial stability, in addition to cybersecurity threats which were on the rise. Furthermore, given the pivotal role of government in the domestic financial system, the increased reliance of state-owned enterprises on government finances was also identified as a threat to financial stability.

6.2.5.1 **Principles for Financial Market Infrastructures (PFMI) Assessment**

As part of its payment systems oversight mandate, FSS oversaw the first assessment of the market infrastructures in Seychelles against the PFMI\(^28\), which was completed in May.

Amongst the five systems which met the FMI definition, three were payment systems operated by the Bank whilst the other two were securities post-trade systems operated by MERJ Exchange. At the end of 2019, the payment systems being operated by the Bank were as follows:

- the CBS Immediate Transfer System (CBSITS), an interbank transfer system which provides for finality of interbank transfers directly across the general ledger of the Bank;
- the Electronic Cheque Clearing (ECC), an interbank electronic image-based system for clearing and settling cheques and;
- the Seychelles Electronic Funds Transfer (SEFT), an interbank domestic funds transfer system.

6.2.5.2 **IFRS 9 – Financial instrument**

To facilitate the implementation of the new accounting standard, an internal working group was set up in April with the main mandate of monitoring and analysing credit risks emanating from the implementation of IFRS 9 and to make recommendations as and when necessary. Furthermore, to enhance the quality of implementation of IFRS 9 by the banking industry, the Bank received assistance from two IMF experts in the field, who in addition to providing training to the Bank’s staff, met with selected commercial banks and their respective auditors to better understand the various challenges that remained. Moreover, work started on a template to provide commercial banks with the necessary forward-looking macroeconomic information required to run their Expected Credit Loss (ECL) models.

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\(^28\) The PFMIs are the international standards for financial market infrastructures, i.e. payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories. They were issued in April 2012 by the Committee on Payments and Market Infrastructures of the Bank for International Settlements (BIS) and the Technical Committee of the IOSCO.
During the year, work began on a number of frameworks aimed at enhancing the stability of the domestic financial system as well as ensuring an efficient payment system. The Domestic Systemically Important Banks (DSIB) framework has been prepared and its rolling out is envisaged in 2020. In addition, an oversight framework for the national payment system has been drafted and expected to be finalised in 2020.

6.3 Financial Markets Division

The Financial Markets Division (FMD) has the responsibility to effectively implement the Bank's monetary policy as well as manage the country's international reserves. The Division is segregated into the front, middle and back offices in line with good governance practices.

Duties executed by the front office included open market operations (OMOs) as well as administering all processes that relate to the issuance of government (treasury) and government-guaranteed securities in the domestic financial market. These operations were undertaken with the objective to effectively implement the Bank's monetary policy decisions and ensuring efficiency in its role as government's agent. Furthermore, the country's international reserves were managed day-to-day as guided by the Bank's Investment Policy and Guidelines.

The Financial and Risk Analysis Section also referred to as the middle office, works in close collaboration with the front office. Measuring and reporting financial risks by monitoring compliance of the activities of the front office against set limits, guidelines, policies and approved strategies are the primary functions of the middle office. In addition, there is on-going engagement with the front office with the aim to formulate appropriate targets and define investment objectives for the Bank's financial market operations. Through research and analyses, in the area of domestic and international markets developments, the Section provides added support to the Monetary Policy Technical Committee (MPTC) and Investment Committee (IC). Furthermore, enhancing the risk management and operational objectives relating to reserves management and monetary policy implementation, remained important elements as part of the middle office function.

The Settlement and Accounting Section which is referred to as back office has as its core function to ensure that the final stages of all reserve management transactions are effectively concluded. This entails satisfying the requirements for settlement processes across counterparties, as well as effectively accounting for the transactions in the Bank's records.

6.3.1 Open Market Operations

In 2019, the Bank continued to conduct OMO twice per week with the aim of managing the level of liquidity in the system. However, with the change from reserve money targeting to an interest rate-based framework, the objective was to steer shorter-term interest rates around the MPR. The DAAs were the only monetary policy instrument used to absorb excess liquidity and these were with the use of the 7-day, 1-month, and 2-month maturities. The total volume of DAA issuance for the year amounted to R36,286 million which was an increase of 8.8 per cent from R33,358 million reported in 2018. The lowest and highest stock of DAA recorded were R300

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29 A framework for dealing with DSIBs to mitigate their impact on the financial system and overall economy in the event of failure.
million and R1,904 million, respectively. At the end of the year under review, the DAA stock closed at R873 million. Consistent with the rise in issuance, the cost of interventions increased by R31 million to stand at R63 million. This was mainly attributed to the introduction of the 1-month and 2-month maturities early in the year coupled with higher interest rates compared to 2018.

6.3.2 Standing Facilities

An increase in the total number of placements in SDF was recorded in 2019, more specifically from 302 in 2018 to 445 in 2019. In value terms, the SDF placements increased by 4.0 per cent from R22,604 million in 2018 to R23,504 million in 2019. The higher interest rate on the overnight deposit facility from 2.00 per cent end-2018 to 2.50 per cent throughout Q1 to Q3 2019 provided added incentive for ODCs to place their funds overnight\(^{30}\) in the facility.

With regards to SCF, only 1 request amounting to R175 million was made during the year under review, compared to 6 requests with total value of R405 million in the previous year. The number of requests remained higher for SDF placements, in light of the excess liquidity in the banking system. The submission for SDF and SCF was facilitated through the online portal, and more sensitisation was done through market intelligence exercises conducted throughout the year with the ODCs.

**Table 6.1: Standing Facility Placements during 2019**

<table>
<thead>
<tr>
<th>Standing Deposit Facility (SDF)</th>
<th>Standing Credit Facility (SCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(SCR million)</td>
</tr>
<tr>
<td>Q1</td>
<td>Amount</td>
</tr>
<tr>
<td>Q2</td>
<td>2,866</td>
</tr>
<tr>
<td>Q3</td>
<td>5,254</td>
</tr>
<tr>
<td>Q4</td>
<td>6,345</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,504</td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.3.3 Management of Government Securities

FMD is responsible for administering the issuances and management of securities on behalf of government. As has been the case in past years, government continued to support the Bank with the withdrawal of excess liquidity from the banking system through the issuance of securities for monetary policy purposes.

6.3.3.1 Treasury Bills

The frequency of T-bills auctions decreased to once per week in 2019 compared to two auctions per week in 2018. The total volume of issuances for fiscal and monetary policy purposes in 2019 amounted to R4,888 million and R1,370 million respectively. In effect, the outstanding stock of T-bills for monetary policy purposes decreased by

\(^{30}\) A downward shift in interest rate on SDF to 2.00 per cent was pronounced in Q4 2019
R712 million (50 per cent) from R1,416 million in 2018 to R704 million in 2019. Conversely, the outstanding stock of T-bills for fiscal purposes increased by R745 million (34 per cent) from R2,219 million in 2018 to R2,964 million in 2019. As at the end of 2019, the interest rate on 91-day T-bills had decreased while that on 182-day and 365-day tenors increased from 5.48 per cent to 5.63 per cent and 5.89 per cent to 6.29 per cent respectively.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-day</td>
<td>5.31%</td>
<td>5.22%</td>
</tr>
<tr>
<td>182-day</td>
<td>5.48%</td>
<td>5.63%</td>
</tr>
<tr>
<td>365-day</td>
<td>5.89%</td>
<td>6.29%</td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.3.3.2 Treasury and government-guaranteed Bonds

The Bank administered the issuance of two DBS bonds and one Treasury bond (T-bond) during the year under review. The two DBS bonds, guaranteed by government, were issued in April for R50 million each with the interest rates and tenors at 6.00 per cent for 3 years and 6.50 per cent for 5 years. The T-Bond – named the 1770 Bond – was issued in July for monetary policy purposes. The issuance amount, interest rate and tenor of the Bond was R200 million, 7.00 per cent and 7-years, respectively. With regards to redemptions, a total of R300 million worth of T-bonds matured in 2019. This consisted of the 5.5 per cent 5-year R250 million T-bond issued for monetary policy purposes in 2014 and the 6.5 per cent 3-year R50 million DBS bond issued in 2016. At the end of the review period, the outstanding stock of bonds for monetary policy and fiscal purposes stood at R500 million and R350 million compared to R550 million and R300 million recorded in 2018. To note, the stock of bonds for fiscal purposes included bonds that are guaranteed by government, namely DBS bonds.

6.3.3.3 Central Bank’s Holdings of T-Bills

The Bank continued to roll-over its holdings of T-bills upon maturity throughout the year under review. To this end, the Bank maintained its holdings of T-Bills with a total of R1,185 million being R747 million and R438 million in the 182-day and 365-day tenors, respectively.

6.3.3.4 Management of External Reserves

The Bank is mandated to manage the country’s international reserves in accordance with the Central Bank of Seychelles Act, 2004, as amended.

Management of reserves involves the process of ensuring that the country has an adequate level of readily available foreign exchange at all times to meet a range of macroeconomic objectives. In the context of Seychelles, these objectives include support for the domestic monetary and foreign exchange policies, settlement of foreign currency debts and other operational requirements as well as a buffer for balance of payments shocks in times of economic crisis, national disasters or other emergencies.

The Investment Policy, which is approved by the Board, guides the management of the international reserves by specifying the objectives and risk limits for the investment of the reserves which are translated from the abovementioned macro-level rationales. In order of precedence, the first investment objective is capital
preservation; ensuring that the investment strategies and activities engaged in, do not erode the international reserves level and involve prudent management of associated risk. Secondly, guaranteeing the liquidity of the reserves, which implies that reserves should be readily available to cover any of the abovementioned rationales. The third and final objective is return generation, whereby the reserves may be geared to provide income to further sustain the rationales for maintaining reserves.

Similar to 2018, the currency composition of the international reserves was heavily weighted in the US dollar, in view of the continued political and economic uncertainties in the global financial market. Throughout the year under review, the composition of the US dollar averaged 95 per cent. This was necessary to preserve the capital of the international reserves against the potential volatilities in the currency market as well as to maintain a sustainable level of income.

Through its effective strategies in reserves management, the Bank achieved notable growth in GIR for the year 2019. GIR closed at US$580 million which was the highest position attained in the last five years and followed a year-on-year growth of 5.8 per cent. The quantitative performance criteria of international reserves is measured by way of the NIR target. For the last quarter of 2019, the NIR target was set at US$403 million, however, the actual outcome stood at US$430 million which exceeded the target by US$27 million.

The notable growth in GIR level was strongly supported by increased participation from ODCs in the FEA, though which a total of US$65 million was purchased from the market in 2019 compared to US$22 million in the preceding year. As part of its strategy in accumulating reserves, the Bank maintained a cautious move, so that the domestic foreign exchange market remained stable. Additionally, inflows for the government project loans, grants and other receipts, contributed to the growth in the GIR level.

In regards to return generation, a similar trend was noticeable during 2019 where the overall return on the reserves increased by 40 per cent from US$10 million in 2018 to US$14 million. Notwithstanding the strong performance in terms of return generation, 2019 was a challenging year considering the various cuts in interest rates effected by the Federal Reserve Bank (Fed) on interest bearing products, which eventually yielded low returns on the reserves management activities of the Bank. Nonetheless, through tactical investment strategies to re-distribute investments, returns from the various portfolios of the Bank were optimised.

6.4 Banking Services Division

The Banking Services Division (BSD) is responsible for domestic and foreign banking, currency and numismatics, and the financial reporting functions of the Bank. BSD is organised into two sections; the Banking and Financial Reporting Section and the Currency and Numismatics Section.

6.4.1 Banking and Financial Reporting Section

The Banking and Financial Reporting Section is divided into three Units, namely the Foreign Banking Operations (FBO), Domestic Banking Operations (DBO) and Financial Reporting (FR) Units. The FBO and DBO Units mainly function in operational capacities as banker to and manager of customers’ accounts held with the Bank, as well as managing the Bank’s internal accounts and accounting processes. In addition, DBO Unit functions as operator
of the domestic payment system platforms. Conversely, coordination of the Bank’s annual budget preparation process, budget monitoring and the preparation of the financial statements fall under the responsibility of the FR Unit.

6.4.1.1 Foreign Banking Operations
The FBO Unit is responsible for the management of the foreign currency denominated accounts held by the Bank on behalf of government, commercial banks and other financial institutions. It is also responsible for the accounting of all foreign currency related transactions affecting these customers’ accounts and the Bank’s administrative and operational activities, with the exception of reserves management transactions. Moreover, the Unit also administers the IMF accounts’ movements in respect of repurchases related to the country’s arrangement with the Fund.

6.4.1.1.1 Correspondent Banking Relationship
The FBO Unit continued to maintain good working relationships with its correspondent banks, namely Federal Reserve Bank of New York, Bank of England, Banque de France, JP Morgan Chase and Crown Agents Bank. The Unit also explored and where possible made use of new opportunities for processing exotic currency payments through its correspondent banks, where these had previously been done through the local commercial banks. During the year, the FBO Unit subscribed to e-banking services offered by some of its correspondent banks which facilitated the status review of payment instructions and the verification of account balances on a real time basis. These provided opportunities to improve efficiency and operational workflow.

6.4.1.1.2 SADC RTGS System - Integrated Regional Electronic Settlement System
The Bank maintained the SADC RTGS platform for processing ZAR-denominated payment instructions across the SADC region in 2019. The fourth quarter of 2019 had the highest average total number of settled transactions, representing an 11 per cent increase compared to the same period in 2018. In terms of value, the highest average value of settled transactions was recorded in the third quarter, amounting to ZAR4.1 million, which translated into an increase of 53 per cent compared to the same period in 2018. However, a general decrease of 7.7 per cent was observed in the total value of settled transactions in 2019 compared to 2018.
Table 6.3: Total number and value of settled SADC RTGS transactions

<table>
<thead>
<tr>
<th>Month</th>
<th>Total number of settled transactions</th>
<th>Total value of settled transactions (ZAR '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>January</td>
<td>76</td>
<td>83</td>
</tr>
<tr>
<td>February</td>
<td>57</td>
<td>37</td>
</tr>
<tr>
<td>March</td>
<td>53</td>
<td>72</td>
</tr>
<tr>
<td>April</td>
<td>74</td>
<td>95</td>
</tr>
<tr>
<td>May</td>
<td>64</td>
<td>56</td>
</tr>
<tr>
<td>June</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>July</td>
<td>64</td>
<td>98</td>
</tr>
<tr>
<td>August</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>September</td>
<td>46</td>
<td>60</td>
</tr>
<tr>
<td>October</td>
<td>70</td>
<td>85</td>
</tr>
<tr>
<td>November</td>
<td>57</td>
<td>45</td>
</tr>
<tr>
<td>December</td>
<td>64</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td>713</td>
<td>802</td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.4.1.1.3 SWIFT Sanctions Screening Solution and Payments Security Control

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) Sanctions Screening Solution was maintained as part of the Bank’s effort to adhere to best practices in transaction processing. The automatic screening of the Bank’s financial transactions against international sanctions lists and flagging of any suspicious activities was extended to include domestic currency transactions in addition to foreign currency-denominated ones. The system provides real-time monitoring and decision-making for transactions deemed to be potential threats, or in violation of the 30 international sanctions lists, which include the US OFAC list, UN Sanctions list and EU countries embargoes. This AML/CFT screening tool is just one of the many initiatives that the Bank is currently working on to further improve its internal process of transaction screening and to become more proactive in adhering to the international standards for AML/CFT compliance.

In addition, the Bank has been undergoing self-attestation against the SWIFT Customer Security Controls Framework to further enhance the cybersecurity resilience aspect of its systems. As part of this exercise, the Bank started the process of acquiring the SWIFT Secure Payments System, which will allow for an additional layer of monitoring of users’ activity and payment flows on the SWIFT platform. It is anticipated that the process will be completed in the first half of 2020.

6.4.1.2 Domestic Banking Operations

The DBO Unit manages and processes transactions relating to the local currency denominated accounts of the Bank and those of the Bank’s customers. It is also responsible for providing back office settlement and accounting.

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31 The Office of Foreign Assets Control is a financial intelligence and enforcement agency of the U.S. Treasury Department.
services to FMD for financial transactions relating to OMOs and issuance of government securities that are administered by the Bank.

In addition to its role as a participant and the primary settlement agent, the DBO Unit operates and maintains the payment systems infrastructure that are under the responsibility of the Bank. The systems include the ECC, SWIFT-based CBSITS and SEFT systems. As part of its mandate as operator, the Unit provides technical support to the systems’ participants with the assistance of TSD on the technical aspects relating to information technology. The DBO Unit also acts as the project owner for the implementation of all projects linked to the development of these systems and other similar local payments and settlement systems.

6.4.1.2.1 Changes to Participants in SEFT and ECC Systems

In line with the rules governing the ECC and SEFT payment system platforms, the DBO Unit ensured that the necessary was done to register or terminate participants in the two payment system platforms as and when required. At the end of March, in view of the closure of Habib Bank Limited branch in Seychelles after 43 years in operation, it was removed as a participant from the platforms. On the other hand, SBM Bank (Seychelles) Limited, which started operations in August, was added as a new participant to the systems.

6.4.1.2.2 PFMI Self-Assessment

The DBO Unit, with the assistance of a consultant and FSD, conducted a self-assessment on the payment systems infrastructure under its mandate as the operator. This self-assessment was done against the PFMI's issued in April 2012 by the Bank for International Settlements’ Committee on Payments and Market Infrastructures (CPMI) and the Technical Committee of the IOSCO. This is a set of 24 principles to be followed to manage market risk and covers areas such as governance, diverse aspects of risk, efficiency and communication procedures and standards. The exercise assessed the observance of the principles in relation to the infrastructures following which a set of recommendations was made for the Bank’s consideration and adoption.

6.4.1.2.3 SEFT System

Usage of the SEFT system remained high in 2019 as evidenced by the number of transactions routed through it by all participants, which included the Bank, commercial banks and SCU. With the availability of the SEFT customer interface, at the end of 2019, work was ongoing with the Department of Information Communications Technology (DICT) to on-board government ministries and agencies on the government e-Services Gateway. The SEFT system will be used to facilitate the online payment processing capabilities for e-services offered.

6.4.1.3 Financial Reporting Unit

The Unit is responsible for the preparation of management accounts and financial statements, which include the monthly and annual statements of financial position published in the Official Gazette. The Unit also coordinates the preparation of the Bank’s annual budget based on input from the different Divisions and Units. Moreover, daily, monthly and quarterly income and expenditure reports are presented to Senior Management. Periodic reports on the budget and financial performance are also presented to Senior Management as well as to the Board. The Unit also monitors the Bank’s recurrent and capital budget performances as well as prepares and analyses other financial reports. In addition, the Unit conducts assessments on the impact of new financial reporting
standards on the Bank’s reporting requirements and coordinates the preparation for their adoption and implementation. The Bank’s financial statements are prepared annually in accordance with IFRS and the CBS Act, 2004, as amended. These are audited by the Office of the Auditor General, with the assistance of an independent external auditor. For 2019, the external auditor remained unchanged, with Deloitte Touche Tohmatsu Limited (Deloitte) from South Africa taking up the audit work for the second year.

During the year, the Bank also extended its contract with PricewaterhouseCoopers Advisory (Ltd) (Mauritius) to April 2020 to continue providing expert assistance to the Bank for the implementation of IFRS 9 – Financial Instruments.

6.4.2 Currency and Numismatics Section
The Currency and Numismatics Section is responsible for the issuance and management of local currency. It also manages the issue and sale of numismatics items such as commemorative gold and silver coins and coin packs produced by the Bank.

6.4.2.1 Management of Local Currency
As part of its mandate under the CBS Act, 2004, as amended, the Bank through its Currency and Numismatics Section, continued to supply local currency to the banking system in the form of banknotes and coins and to withdraw those that were soiled or unusable, to help maintain high quality of currency in circulation.

6.4.2.2 Issuance of Banknotes
The Bank issued approximately 1.2 million pieces of fresh banknotes into circulation in 2019. The table below provides the breakdown in terms of denomination and the total value of issuance.

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Number of Pieces ('000)</th>
<th>Value in R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>R500</td>
<td>88</td>
<td>44</td>
</tr>
<tr>
<td>R100</td>
<td>150</td>
<td>15</td>
</tr>
<tr>
<td>R50</td>
<td>240</td>
<td>12</td>
</tr>
<tr>
<td>R25</td>
<td>720</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,198</strong></td>
<td><strong>89</strong></td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.4.2.3 Destruction of Soiled and Mutilated Banknotes
In its ongoing endeavour to help maintain high quality of currency in circulation, soiled and mutilated banknotes were continuously removed from circulation and set aside for destruction. The year saw a total of approximately 860,000 pieces of banknotes destroyed in R500, R100, R50, R25 and R10 denominations. These banknotes were from the previous series, which have been demonetised. That is, no banknotes of the current series issued under the theme Seychelles’ Unique Biodiversity – the Backbone of our Economy – were destroyed. The destruction exercises took place mainly during the fourth quarter of 2019 and were conducted under strict compliance to the Bank’s Banknote Destruction Policy and Procedures.
Table 6.5: Destruction of Soiled and Mutilated Banknotes (2019)

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Number of Pieces (’000)</th>
<th>Value in R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>R500</td>
<td>42</td>
<td>21</td>
</tr>
<tr>
<td>R100</td>
<td>730</td>
<td>73</td>
</tr>
<tr>
<td>R50</td>
<td>40</td>
<td>2</td>
</tr>
<tr>
<td>R25</td>
<td>28</td>
<td>0.7</td>
</tr>
<tr>
<td>R10</td>
<td>20</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>860</strong></td>
<td><strong>96.9</strong></td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.4.2.4 Demonetisation

Demonetisation is the act of withdrawing the legal tender status of a currency by the issuing authority and once demonetised, the currency is no longer accepted as a means of payment or settlement for goods and services. Following the introduction of the new currency series in December 2016, the banknotes from the previous series were subsequently demonetised by February 2018. Nonetheless, all coins previously issued remained as legal tender and thus, co-circulated alongside the current series.

Below is the tabulation of the denominations withdrawn from circulation as at end 2019. This is based on the value of the five denominations that were in circulation on December 05, 2016; the date on which the new family of banknotes and coins was first issued.

Table 6.6: Demonetised Banknotes

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Balance of previous banknotes in circulation as at December 04, 2016 (R million)</th>
<th>Previous series banknotes withdrawn from circulation from December 05, 2016 to December 31, 2019 (R million)</th>
<th>% withdrawn from circulation as at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R500</td>
<td>785</td>
<td>777</td>
<td>99</td>
</tr>
<tr>
<td>R100</td>
<td>205</td>
<td>158</td>
<td>77</td>
</tr>
<tr>
<td>R50</td>
<td>29</td>
<td>21</td>
<td>72</td>
</tr>
<tr>
<td>R25</td>
<td>20</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>R10</td>
<td>25</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,064</strong></td>
<td><strong>974</strong></td>
<td><strong>92</strong></td>
</tr>
</tbody>
</table>

Source: Central Bank of Seychelles

6.4.2.5 Numismatic Items

During the year under review, the Bank maintained its stance on suspending the sale of fresh uncirculated banknotes and coins to collectors as it was in the process of revising its policies and procedures relating to this activity. Nonetheless, certain collectible items which include commemorative coins, the uncirculated coin pack of the old series and the currency booklet remained on sale. Moreover, the Bank entered into new agreements to expand its range of commemorative coins available for sale on the international markets and from which the Bank receives royalty payments. The Bank also collaborated with the National Preparatory Committee tasked with
organising activities to commemorate 250 years since the first settlement in Seychelles, to issue two coins to mark the occasion.

6.4.2.5.1 New agreements to issue commemorative coins
New agreements were signed with Münzhandelsgesellschaft mbH & Co. KG Deutsche Münze (MDM) to issue a variety of coins of different sizes and metal contents to commemorate various events or themes of interest to numismatics’ collectors worldwide. The following coin projects were agreed on:

i. History of Seafaring – ‘Mercedes’
   The ‘Mercedes’ coin forms part of the commemorative coin series entitled the ‘History of Seafaring’. The coin, which is made of Ag925 silver, measures 38.61mm in diameter, weighs 12g and has a maximum mintage of 7,500 pieces. As the main motif on the reverse of the coin is the image of the ship ‘Mercedes’ sailing. Also depicted, on the same side of the coin, are birds flying close by the ship, the word ‘MERCEDES’ and the year ‘2019’. The obverse of the coin has the Coat of Arms of the Republic of Seychelles along with the face value of R5.

ii. Silver Coins Limited 2020 – Sega Dance
   As part of the Silver Coins Limited 2020 series, the Bank opted for the traditional Sega dance of Seychelles as the theme for the coin. The reverse of the coin depicts a Sega dancer in Seychelles’ traditional clothing and the words ‘Silver Coins Limited Sega Dance’, ‘1/10 ounce fine silver .999’ and the year ‘2020’. The obverse depicts a R5 face value and the Coat of Arms of the Republic of Seychelles. The coin has a maximum mintage of 20,000 pieces, made of proof-like Ag999 silver, weighs 3.11g and is 28mm in diameter.

iii. Titanium Coins – Aldabra Giant Tortoise 2020
   The ‘Aldabra Giant Tortoise’ coin, part of MDM’s Titanium Coins series, is made of Ti990 turquoise anodised Ti265 Titanium. The coin features an Aldabra giant tortoise as the main motif, along with a coconut tree, flowers and a butterfly against an island background. The words ‘Aldabra Giant Tortoise 2020’ are inscribed at the bottom. The obverse features the Coat of Arms of the Republic of Seychelles and R5 as the face value. The coin has a maximum mintage of 5,000 pieces, a diameter of 36.1mm and weighs approximately 10g.

iv. Titanium Coins – Shipbuilding
   Another coin produced in the Titanium Coins series is the ‘Shipbuilding’ coin, which is made of Ti990 light blue anodised Ti075 Titanium. The reverse of the coin depicts a ship hull in dry dock in the centre, along with a depth gauge with measurements written in metres and an anchor chain on its left. The word ‘Shipbuilding’ as well as the year ‘2020’ are also shown on the reverse. The obverse features the Coat of Arms of the Republic of Seychelles and R5 as the face value. The coin has a maximum mintage of 7,500 pieces, a diameter of 36.1mm and weighs approximately 10g.
v. Titanium Coins – Electroplating technology
The ‘Electroplating technology’ coin is made of Ti990 light green anodised Ti140 Titanium and forms part of the Titanium Coins series. On the reverse of the coin, the motif is depicting the electroplating process represented by screws and contrasting wave lines, along with the positive and negative pole symbols. The year ‘2020’ is also shown on its reverse. The obverse features the Coat of Arms of the Republic of Seychelles and a R5 face value. The coin has a maximum mintage of 7,500 pieces, a diameter of 36.1mm and weighs approximately 10g.

6.4.2.5.2 Special coin issue to commemorate 250 Years of Settlement in Seychelles
As highlighted earlier, the Bank also facilitated the issuance of two commemorative coins – a gold and a silver coin – to commemorate the 250th anniversary of the first settlement in Seychelles. The project was initiated by the National Preparatory Committee and was inspired by a painting done by Her Excellency Mrs. Francesca Alexandra Azaïs, Ambassador of the Sovereign Order of Malta based in Seychelles. The coins were designed by Mr. Derick Baccus. The reverse of the coins depicts the ‘Telemaque’ – the ship that disembarked the 28 people on Ste Anne island in 1770 – along with the words ‘250 Years’ and the dates ‘1770-2020’. The obverse depicts a R25 face value and the Coat of Arms of the Republic of Seychelles. The two coins each have a maximum mintage of 2,500 pieces. The silver coin is made of Ag999 silver, weighs 31.1g and is 38.61mm in diameter whereas the gold coin is made of Au999.9 gold, weighing 0.5g and is 11mm in diameter.

6.4.2.6 Counterfeit banknote detection seminar
From October 7 – 10, the Currency and Numismatics Section in collaboration with its partner De La Rue – a UK-based company that manufactures security printed products including legal tender banknotes – hosted a multi-stakeholder seminar at the Bank on banknotes counterfeiting. The banknotes that the sessions focused on were mainly the Seychelles Rupee, US dollar, euro and Pound Sterling.

The seminar saw the participation of relevant stakeholders which included the commercial banks, Seychelles Credit Union, bureaux de change and the police amongst others. The participants had the opportunity to discuss and enhance their knowledge on different topics around the subject matter, which included global and local trends in banknote counterfeiting, availability of new technologies to detect counterfeit banknotes, public awareness, procedures to follow when faced with counterfeiters and difficulties relating to investigation of counterfeiting activities amongst others.

6.5 Financial Inclusion and Market Conduct Division
The primary role of the Financial Inclusion and Market Conduct Division (FIMCD) is to develop and implement strategies for enhancing financial inclusion and market conduct of entities under the supervisory purview of the Bank, in Seychelles. Consequently, the Division comprises the Financial Inclusion and Market Conduct Sections.

6.5.1 Financial Inclusion Section
The Financial Inclusion Section has the primary aim of supporting the advancement of financial inclusion which is to ensure access to quality and affordable financial services.
6.5.1.1 Modernisation of the NPS
In line with government’s agenda to further digitise the local economy, the Bank continued to engage with the relevant stakeholders to implement payment infrastructures that would be responsive to the needs and challenges of the country. Consequently, the Bank has prioritised the need to enhance its core banking system which is a critical element in the modernisation of the national payment technological infrastructure and the development of both retail and wholesale payments.

Whilst the core banking project is a medium-term project, in the interim, the Bank intensified efforts to finalise an action plan to support and allow market players in further developing and promoting the use of digital channels for payments. This complements the initiatives being undertaken to address deficiencies that disincentivise businesses and the public in general to use digital financial services. In this context, a comprehensive action plan is being devised aimed at addressing primarily the issue of convenience, affordability and reliability, that are deemed key elements to incentivise the use of digital channels for payments. This action plan will be executed over the course of the next three years.

6.5.1.2 National Financial Education Strategy
The Bank has taken further steps in bringing financial education to the community, whereby in 2019, it intensified its efforts to collaborate with key stakeholders and other partners in that endeavour. This has been particularly noticeable through the active participation of the financial education secretariat at national events such as the Inner Island Business and Financial Education Fair on La Digue as part of the activities to mark the 2019 National Day Celebrations. Businesses and the general public were given the opportunity to broaden their knowledge on the linkages between financial literacy and becoming self-sufficient so that they can achieve financial stability.

The Bank also customised financial education programmes based on interest from the general public. Notably, the Bank was invited by Seychelles Petroleum Company (SEYPEC) to conduct an awareness session where the programme centred around the basis of how the economy functions, the importance of planning one’s finances, including the aspect of saving and budgeting, as well as opportunities for investment in T-bills and Bonds. Likewise, given the agenda to digitise the economy and the increase in the likelihood of cyber-attacks, the Bank deemed it appropriate to deliver awareness programmes on cybercrimes. It is argued that in order to deter cybercrime, knowledge is key and therefore, educating consumers of the various types of cybercrimes is the first line of defence against such attacks. As part of its awareness programme on the subject matter, the Bank hosted a symposium with the theme ‘Navigating Cybersecurity Risks in the Digital Revolution’ with the intention of pursuing further digital financial literacy programmes during the course of 2020 with guest speaker Dr Majid A. Malaika, from the IMF.

Other activities undertaken during the year 2019 as part of the financial education initiatives included:

- financial education messages on SPTC buses on Mahe and Praslin as well as imprinted financial education messages on “stored value” SPTC bus cards to raise awareness to the public about saving, budgeting and investment opportunities among other aspects of financial education;
- financial education talks to Beau Vallon Primary school students;
• encouraging the youth to learn about money matters during the Global Money week, with emphasis on financial awareness campaign; and

• participation in the Fraud Awareness week in collaboration with the Interbank Fraud Forum to raise awareness and educate the public about different financial fraud related matters which included mass communication to all government staff about tips on fraud prevention.

6.5.1.3 Financial Technologies

The emergence of the innovative technologies in the financial services sector has greatly impacted the manner in which financial service providers conduct business, how consumers transact and in general, the impact of financial technologies on the future of finance. Taking this into consideration, the Ministry responsible for Finance, CBS and FSA in collaboration with the World Bank and the AFI organised a workshop themed “Building a Fintech Platform for Seychelles – Opportunities and Challenges” early in 2019. The workshop had as objective to bring together key stakeholders within and outside Seychelles, aimed at identifying possible ways to leverage on Fintech to improve access and facilitate the broader digital transformation of the Seychelles economy. The outcome of the workshop will subsequently be used in the formulation of a National Fintech Strategy that will serve as national “blue print” in regards to the adoption of Fintech in the country.

Given the endeavour to formulate the abovementioned strategy, the Bank has established an internal working group, namely the Innovative Digital Financial Services Working Group, comprising of champions from the various Divisions and Units across the Bank. The working group serves as a forum to lead the formulation and implementation of the National Fintech Strategy, taking into consideration the development of innovative technologies – both nationally and internationally – and their impact on the national financial system.

6.5.1.4 Credit Information System

As provided for under the Credit Information System Regulations (2012), later amended in 2014, the Bank is mandated to collect and disseminate credit information of debtors through a Credit Information System (CIS).

The Bank introduced and has been managing the CIS since 2012. Since then, recommendations have been made to improve the current system, particularly as regards to enhancing the legal framework so as to make provisions for a more efficient, safe, and reliable system as well as for broadening the scope for collection and dissemination of credit information. The Bank and DICT in collaboration with the World Bank have been working to improve the CIS and legal framework that will make provision for the collection of credit information from a wider set of data providers, including credit granting institutions not regulated by the Bank.

Given that the design of the new system has taken more time than anticipated, the World Bank continued to collaborate with the Bank through the RAS with anticipation of concluding the project by the end of 2020.

6.5.1.5 Membership under the Alliance for Financial Inclusion

Having been a member since 2014, the Bank remained an active member of the AFI network. AFI is an organisation that has as its ultimate objective to empower members and policymakers in bringing quality financial
services to every citizen, for which the Bank is committed in ensuring that the public gets access to convenient, affordable, reliable, efficient and safe financial services.

In this context, the initiatives undertaken within the AFI network during 2019 emphasised on reshaping the future of financial inclusion through innovation whereby digital financial services and innovation can expand the scope and reach of financial services, and are essential to closing the remaining gaps in financial inclusion. It was further emphasised that the increasing pace and complexity of innovation and adoption of digital technologies in the financial sector also require a change of policy and regulatory approaches.

Additionally, the subject of climate change and green finance has been an important agenda item discussed within the AFI network in 2019. It was pointed out that given the potential for climate change to deepen poverty particularly in Africa, the relevant authorities should ensure that there are adequate policies addressing climate change and green financing in support of climate change adaptation. Given that this area is a relatively new concept and seeing that Seychelles is already being affected by climate change, the Bank and AFI have started discussions on possible areas of collaboration to address the issue, taking advantage of the experience and expertise of the AFI network.

As part of AFI membership, the Bank forms part of the Digital Financial Services (DFS) Working Group, Consumer Empowerment and Market Conduct (CEMC) Working Group, SME Finance (SMEF) Working Group and the Pacific Island Regional Initiative (PIRI) as detailed below –

1. The DFS Working Group provides a platform for policy makers to engage in discussions concerning regulatory issues over digital financial services. It aims to create an enabling policy and regulatory environment for transformational DFS at national levels.

2. CEMC Working Group is a platform for policymakers to discuss policy and regulatory issues related to their consumer empowerment initiatives and market conduct regulations. This is with the objective to develop and share a common understanding of lessons learned and cost-effective tools to promote their adoption.

3. SMEF Working Group functions with the sole aim of creating a unique forum for financial policy makers to discuss, innovate and create smart policies that can facilitate small and medium enterprises’ access to formal financial services.

4. PIRI is a regional initiative of AFI Pacific island member states with the ultimate objective of addressing the unique constraints to financial inclusion in the Pacific. PIRI is also the forum whereby members are provided with the opportunity to leverage on peers’ knowledge and expertise, while working toward ensuring financial services are widely accessed throughout the region. In view of similar challenges faced by PIRI members and the Bank’s commitment towards PIRI initiatives, the Bank’s membership was extended to officially become the 8th member of the PIRI during the AFI Global Policy Forum which was held in September 2019 in Kigali, Rwanda.
To reiterate its pledge towards the valuable work being undertaken within the AFI network, the Bank made further commitments under the Maya Declaration, which is a statement of common principles regarding the development of financial inclusion by members of AFI. The Bank pronounced itself on two new commitments in addition to the three that were made in 2017.

Below is a summary and the status of the commitments made thus far:

**Table 6.7: Maya Commitments**

<table>
<thead>
<tr>
<th>Policy Area of Maya Commitment</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Strategy on Financial Education</td>
<td>Formulate a national strategy on financial education by December 2017.</td>
<td>Completed in December 2017</td>
</tr>
<tr>
<td>Digital Financial Services</td>
<td>Issue regulations relating to mobile financial services and promote cross-border remittances through mobile payments by December 2018.</td>
<td>Ongoing: The Regulations are expected to be gazetted by the end of the first half of 2020.</td>
</tr>
<tr>
<td>Financial Education</td>
<td>To empower youth through ongoing work on financial education for youth in schools as well as financial education and entrepreneurial skills aimed at young entrepreneurs and submit annual progress report.</td>
<td>Ongoing exercise within the ambit of the National Strategy on Financial Education.</td>
</tr>
<tr>
<td>Gender Inclusive Finance/Disaggregated Data</td>
<td>To collect sex-disaggregated data by December 2020 to quantify the gender gap and identify barriers to financial inclusion for women and youth, and formulate an action plan on the most value-added Fintech innovations to meet their needs based on the economic activities that they are more active in.</td>
<td>Ongoing exercise: The enhanced financial inclusion return would feed into the overall statistical framework of the Bank.</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Seychelles*

### 6.5.2 Market Conduct Section

Market Conduct Supervision governs the manner in which financial service providers design their financial services or products and how they manage the relationship with their consumers and other key players in the financial services space. It serves to enhance institutional frameworks, and protect the public from unfair market practices by setting minimum standards, market monitoring, on-site examinations and complaints handling.
6.5.2.1 Financial Consumer Protection Law

Given the Bank’s agenda to move towards a cash-lite society through the plan to digitise the economy and the complexity of financial services that will arise out of the latter as well as increased cybercrimes, financial consumer protection has become more critical. The Bank and the FSA therefore continued their pursuit in promulgating a Financial Consumer Protection legislation that will promote equitable and fair treatment of consumers, through increased transparency, promotion of responsible lending, prevention of over-indebtedness and a more efficient complaint handling process.

Throughout 2019, the Bank worked in close collaboration with the Office of the Attorney General to finalise the Financial Consumer Protection Bill whereby pertinent issues touching on the powers being granted to the Competent Authorities which also include FSA, coverage of the International Corporate Service Providers, the appeals process and debt collection practices were discussed. The Bill is expected to be finalised by the first quarter of 2020, after which it will go through the White Paper stage for targeted enactment before end of 2020.

6.5.2.2 Survey on Merchant Acceptance of Payment Cards

Payment cards, specifically debit cards have been on the increase since its introduction, with the number of cards in circulation reaching 80,634 as at December. This represented a rise of 9.1 per cent from end-2018. Despite the Bank’s vision to move the public towards more electronic means of payment, as at end December, the value of transactions on Point of Sales (POS) machines remained lower at R333,354 million as compared to the use of debit cards on ATMs which stood at R495,943 million. Factors impeding on the use of debit cards on POS machines are the emplacement of a minimum-purchase ranging from R50 to R500, and the passing of merchant commission to customers.

In support of the modernisation plan for the national payment system and in pursuit of understanding the payment cards and POS landscape, as well as the challenges being faced by merchants, the Bank undertook a survey amongst 71 merchants on Mahe, Praslin and La Digue. The primary target were retail merchants based in the districts. However, other merchants such as those in the food industry, travel agency, electronics, furniture, taxi services and auto spare parts were also approached.

Whilst merchants claimed that they were hesitant to use this service due to high bank fees, the adoption of POS machines and acceptance of card payments seem to be driven by consumer demand. With the process of accepting card payments being burdened by inefficiencies in part due to a lack of understanding of the full potential of the service, rigorous reconciliation processes, more notably in the case of low value transactions and misconceptions which lead to malpractices, it was evident that much needs to be done to tackle merchant education and to streamline their business processes. A comprehensive diagnostic of the payments landscape will also be required as network issues affect the reliability of the service, leading to decreased consumer confidence in digital payments.
This survey was a first step in understanding merchant perspective. In 2020, the Bank will also be working closely with the banking community to better understand their challenges, in order to establish a road map which can bridge the gaps between these two key players in the payments value chain for the ultimate benefit of consumers.

6.5.2.3 Complaint Handling

In 2019, the number of complaints lodged at commercial banks stood at 2,260 cases, which was an increase of 42 per cent from 2018. The majority of complaints received was in relation to debit card use, with the cause being blocked card for fraud attempts and unauthorised transactions, as well as multiple debits when a single transaction is effected. Out of these cases, 1,608 were upheld over this period.

With regard to complaints lodged at the Bank, there was a total of 35, most of which were loan-related. The complainants were disputing the non-approval of their loan applications, default payments and miscommunication regarding loan repayments. In addition, less than 10 complaints were attended to in relation to unauthorised transactions as a result of banking system issues or cases where the complainant failed to keep their personal identification number (PIN) secure.

6.6 Technical Services Division (TSD)

There has been and there continue to be significant advances in technology, requiring the Bank, like other central banks, to be forward-looking. Policies have to be adapted to take into account technological changes, and there needs to be careful assessment and adoption of appropriate technology that will allow the institution to better deliver on its functions, while also anticipating potential risks.

TSD is responsible for the governance of the Bank’s information systems as well as the strategic use of information, communication and network technology.

TSD performs these core functions:

- **Network Support**: Ensuring effective management of server and network systems hardware and software, as well as securing and protecting the Bank’s Information Technology (IT) infrastructure and data against attacks from viruses, cybercriminals and other threats.
- **Desktop Support**: Effectively manage desktop and laptop PCs, mobile devices, their hardware, associated peripherals, operating systems and all generic software installed on them, collectively referred to as desktop systems.
- **Business Applications Support**: Managing the Bank’s core business applications including payment systems applications, key spreadsheets and databases, collectively referred to as banking systems, as well as the development of new applications for the Bank depending on the required level of expertise.
- **IT Governance**: Supporting effective governance of enterprise IT and coordinating best practices adoption of IT functions across the Bank.

Throughout 2019, TSD continued to provide adequate IT infrastructure and support IT-related services, enabling effective communication and collaboration between staff, clients and other stakeholders. The Division also
implemented several projects in keeping up with its responsibility of ensuring that the Bank’s functions and operations were effectively and efficiently enhanced.

To allow the Bank to better cope with its growing IT needs and considering the continuous increase in cybersecurity risks, a major project was undertaken in June to upgrade the network infrastructure. The upgrade was aimed at providing greater flexibility and efficiency, high security standards, network scalability and visibility, high availability, and robust data backup.

The implementation of a new email archive solution was another major project, providing for more effective management of and access to archived emails. This will bring many benefits, including the eventual reduction of email storage requirements and boosting user productivity while accessing email on mobile or desktop. Additionally, this solution will enhance security and reduce the risk of corruption and deletion of emails.

TSD also collaborated with Divisions and Units within the Bank to help optimise or automate some of their operations or processes. Some of these collaborations include:

- The online scholarship portal revealed at the launch of the 2020 edition of the Guy Morel High Achievement Scholarship, which was held in October. The portal provides easy access to all information about the scholarship and makes it possible for candidates to complete and submit their application online, allowing them to upload the relevant documents. The online scholarship portal also facilitates the monitoring of the application process as the Human Resources Division is automatically notified of new applications.

- The upgrade of the Portfolio Analytics Tool (PAT2) used by FMD to enhance the system, particularly the accounting and SWIFT modules. Additionally, two staff from the Business Application team attended training to better understand the functionalities of the upgraded version and provide the necessary support.

- The upgrade of the Axway service to the latest version to ensure compliance with strict guidelines on the technology used for SWIFT transfers. This provided a boost to the security of the payment channels.

- Improving the performance of the fixed asset management system used by the Administration Division (AD) and TSD, including addressing discrepancies identified, through a conversion project which saw the migration of data from the application that was running on a Firebird database to a Microsoft SQL server database. This has consequently improved the efficiency and speed of the system.

- Expansion of TSD’s service desk system to accommodate the Legal Unit. A separate account and the necessary request forms were customised to allow for the submission of service requests requiring the assistance of the Unit, similar to the way requests are submitted for IT support for assistance from TSD. This will make it possible for the Unit to keep track of requests logged through this application, and was deemed a more cost-effective solution instead of procuring a separate application that does a similar job.
• Completion of the first phase of a project to develop a statistical framework application to address challenges encountered by Divisions within the Bank dealing with submission and reconciliation of returns from supervised entities. The application is being designed to automate the submission of all returns, and feature additional options for collecting data and real-time reporting, thus improving the processes of the relevant Divisions. The second phase of the project is underway and planned to be completed by the end of 2020. The Bank and financial institutions are expected to see improvements in the supervisory process as a result of this project.

Aside from ensuring the restoration of IT-related services at the earliest in any eventuality, business continuity is equally important for the Bank. On that aspect, to ensure the availability of the SEFT system’s customer platform, 2019 saw the installation of a web server at the Disaster Recovery (DR) site. This will ensure that there is no downtime in the event of any service interruption at the main site.

In the area of IT governance, quarterly awareness through email was initiated to assist in enhancing the knowledge of staff and Board members on IT governance itself, and how this is helping to add value to the Bank.

The Board also approved the IT Incident Management Policy and Procedure in November. The implementation of the policy aims to improve the level of technical support provided across the Bank. It clearly outlines and standardises the process of handling IT incidents, from when it is reported to when it is resolved, including user awareness, if required, as a preventive measure to limit future occurrence of the same incident. The Policy and its accompanying Procedure apply to all staff, Board members, as well as any third-party who are given access to the Bank’s network and IT assets.

The Governance of Enterprise IT (GEIT) Communications guidelines was also presented to the Board. The document has been formulated as part of TSD’s efforts to improve communication within the Bank on areas such as progress and significant milestones of ongoing projects as well as general IT information. The document clearly outlines the recommended format of communication for each targeted audience, which may be extended to external parties. It also sets out who is responsible for drafting and sending out the communication, as well as the timeline.

In June, the Board also gave its approval to a new Website Update Policy and its accompanying Procedure developed by TSD, with the collaboration of the Communications Unit. The policy has been designed to standardise the website update process, and ensure that the posting of new content is done in a manner that guarantees consistency, high standard, and upholds the professionalism and credibility of the institution at all times.

6.7 Administration Division

AD is tasked with providing general administrative, logistical and project management support services to the Bank. Strategically, there is an ongoing exercise for AD to review its processes and make use of technology so as to be more efficient in its service delivery. A key component of this undertaking entails updating the AD Policies
and Procedures. To this regard, a Framework for Building Maintenance and Repair was approved by the Board in 2019, and there is ongoing work to update other relevant policies and procedures over the next two years.

As part of the Division’s undertaking to ensure that the Bank provides a conducive working environment, an audit of the central aircon system was carried out in 2019. Hence, the procurement process for a firm to provide servicing, upgrade and repair of the aircon system is expected to be initiated in the first quarter of 2020 and the project is to be undertaken over the next two years.

In line with the decision to demolish and rebuild the Annex Building, preparation of the methodology to be applied for the demolition of the said building was developed by an appointed Engineer in the final quarter of 2019. The process for the Bank to procure the services of an experienced Class (1) building contractor to carry out the demolition works will be initiated in January 2020. Furthermore, work towards reconstruction of the Annex Building will start in the third quarter of 2020 and completion is expected to be in the final quarter of 2021. Noting that reconstruction of the Annex Building will create additional office space, an exercise to review the scope and magnitude of the Bel Eau project32 was carried out in 2019.

The implementation stage of a project towards modernisation of the Bank’s archiving infrastructure and management system which began in quarter three of 2018 continued throughout 2019. Moreover, another phase was added to the project which aimed at facilitating the digital conversion of physical documents that were still in the domain of the respective Division/Unit of the Bank. It is anticipated that this exercise as well as other outstanding deliverables such as staff training and drafting of procedures will be completed during the second quarter of 2020.

Other activities related to project management during the year included:

- New CIS – Despite a substantial delay, the project resumed at the beginning of the fourth quarter of 2019, with the engagement of DICT to develop the application and provide support. At the end of the year, user-testing of the application was effected and this activity will continue in 2020.
- SEFT Phase II – The project achieved the milestone of soft Go-Live in May. Henceforth, the Bank was facilitating the engagement of government and commercial banks to determine e-payment solutions for some services offered.
- e-HRIS – Following the process which was launched in the second quarter of 2018 to procure the services for e-HRIS solution for the Bank, the contract was awarded to Space95. Implementation of the project began in the first quarter of 2019 and during the year, the software development and deployment were completed. Testing of the application is planned to start in the first quarter of 2020 and it is anticipated that the project will be completed in the same quarter.

32 The proposed Bel Eau Site was meant to cater for a more modern Disaster Recovery (DR) facility and also provide additional office space.
6.8 Human Resources Division

The Human Resources Division (HRD) is responsible for the strategic utilisation of employees and maximising capability and performance while guiding and supporting employees to evolve knowledge into applied skills. In 2019, the Division strived to deliver its functions to a high standard with the aim of streamlining its key HR processes and reviewing its staff welfare benefits in meeting its strategic objectives.

Whilst 5 personnel left the services of the Bank during the year (of which 4 resigned and 1 retired), 3 new employees joined, bringing the headcount to 194 as at the end of December. In addition, there were employee movements which resulted from promotions and internal transfers.

The Bank recognises that employee welfare occupies an increasingly central role in the strategic initiatives and that employees are the strategic assets that provide an institution with a competitive edge. As such, the Bank embarked on a comprehensive review of its performance reward, employee benefits and welfare packages to ensure it remains competitive whilst ensuring the sustainability of budget implications.

Furthermore, in line with HRD’s initiative to streamline its processes with the aim to improve its service delivery, the Division introduced the online leave management process and employee viewing of their loans through the online portal. The introduction of the online system has helped in eliminating administrative paperwork and repeated queries from employees.

Moreover, with the current demands on central banking and as part of its succession planning, it was deemed necessary that the Bank stays focused on the development of its future leaders whereby their managerial and leadership skills are developed further to remain abreast with new developments. As such, an Executive Development Programme was launched in December with the aim to prepare second and third-line managers who strive for professional and personal growth, who are committed to make a difference, want to enhance their knowledge in management to excel in their career and reach their full potential. Additionally, a ‘Guideline on Mentorship’ was introduced as a framework for mentoring to be undertaken by more senior staff, to better guide this engagement. In line with the Bank’s focus to improve employee behaviour and morale, an online mini survey on culture and behaviour was launched through an independent online survey platform. Additionally, monthly themes and quotes based on the Bank’s Values were shared with employees via the intranet platform, and Senior Management’s messages were aired live through the PA system on specific values.

In the spirit of promoting continuous learning and development of its employees, the Bank offered opportunities for staff to attend short courses locally and internationally with the purpose of building both technical and functional capabilities. There were various overseas technical courses offered mainly from institutions such as the African Training Institute (ATI), AFRITAC South, IMF, AFI, SADC, Gerzensee-Study Center, Switzerland, the U.S Federal Reserve Bank, Koenig Solutions, CAIM and RAMP, to name but a few. Additionally, employees were given the opportunity to attend in-house soft skills training conducted throughout the year to enhance specific skills required in the delivery of their duties. These were conducted by staff and other local service providers. Furthermore, employees from Banking Services, Financial Markets, Technical Services and Internal Audit Divisions attended a
five day in-house ‘SWIFT’ training. Three employees proceeded on long term studies in 2019 and one employee was awarded an internal competitive scholarship in ‘Anti-Money Laundering and Counter-Terrorist Financing’.

In March, the Bank awarded two external recipients the ‘Guy Morel High Achievement Scholarship’ for an undergraduate degree in Business Management with specialisation in Finance Management and a Postgraduate degree in Forensic Accounting. Subsequently, in October, the Bank launched the opening of the online application process for the 2020 cohort, whereby once again two scholarships are on offer; one for undergraduate degree in the following priority fields of study – Economics, Finance, Banking, Accounting, or Law; and postgraduate degree in either Fintech, Financial Law, Financial Journalism, Taxation and Customs Management and AML & Compliance.

6.9 Internal Audit Division

The Internal Audit Division (IAD) continued to provide independent, objective assurance and consulting services designed to add value and improve the Bank’s operations. IAD assisted the Bank in accomplishing its objectives by bringing in a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls environment and governance processes. The Division was guided by the Multi-Year Audit Plan 2019-2021, which is essentially a rolling plan and informed by the commitment of the Bank to deliver on its mandate. The audit team follows a risk-based internal auditing methodology in performing audits with emphasis on high risk areas.

The last external quality assurance assessment of the IAD was conducted in 2018, for which most of the recommendations are ongoing and generally involve the methodology being followed by IAD and how the staff perform their work. For the year under review, IAD conducted quality assurance reviews on two completed audits.

Throughout the year, IAD continued to provide assurance on the Bank’s operations to the Board and management. In addition to the specified assignments indicated in the audit plan, the Division conducted assignments at the request of senior management as well as performed verification exercises to ensure the vault balances and cashier’s hand balance are complete and have been properly recorded. Agreed management actions were followed-up and progress was reported to the Audit and Risk Committee (ARC) quarterly.

During the year, IAD met with ARC more often than on a quarterly basis and received support and guidance from the Committee. As a result, this improved the governance of the Bank and increased the productivity of IAD.
6.10 Governance
Mindful of the pivotal role it plays in the domestic economy, the Bank has over the years strengthened its governance structure.

6.10.1 Governor's Office
6.10.1.1 Legal Unit
The Legal Unit’s primary role is the identification and mitigation of legal risk in the operation and management of the Bank. Legal support is provided in the form of legal opinions and advice, contract reviews and other legal services. At the end of 2019, the Unit consisted of four staff including two qualified attorneys-at-law. Some of the Unit’s major activities for 2019 are described below:

Litigation
At the beginning of 2019, there was one legal proceeding pending against the Bank, namely Intershore Banking Corporation Ltd (IBC) vs CBS (MA 127/2018). Judgment in the case was given against the Bank on May 29. The case was an appeal to the Supreme Court against a decision of the Bank to refuse IBC a banking licence in 2013. The Bank’s decision to request updated information from IBC following the judgment has resulted in IBC filing an application for judicial review against the Bank in late 2019.

Legislative Projects
The Legal Unit worked closely with relevant Divisions on their legislative projects. Staff of the Unit provided input on proposed amendments to the FIA 2004 and the proposed Financial Consumer Protection legislation. In addition, the Unit continued internal consultations with respect to new amendments to the CBS Act (2004).

SADC Legal Subcommittee
Staff of the Unit attended the SADC Legal Subcommittee meeting in Lusaka, Zambia in July. The meeting was updated on the status of the Bank’s progress towards domesticating various SADC Legal Subcommittee initiatives including, the SADC Central Bank model law and the Cooling-Off Guidelines for Central Bank Governors.

External Legal Counsel
To assist the Legal Unit in discharging its functions, the Bank issued an RFP for external legal counsel in August. The RFP was issued to selected law firms and attorneys-at-law and in December, Georges & Co Attorneys was retained as external legal counsel for the Bank for a period of two years. The services of the law firm will be in addition to that already being provided by the Attorney General’s Office.

6.10.1.2 Risk Management Unit
The Risk Management Unit (RMU) is responsible for the overall monitoring of bank-wide risks as set out in its Risk Management Framework (RMF) approved by the Board in 2017. These risks are in nature strategic, operational, financial or reputational. The Unit also comprises of the Business Continuity Management function as part of the wider risk management landscape. RMU also works in close collaboration with other Divisions/Units as part of the Bank’s governance functions.
6.10.1.2.1 Enterprise Risk Management

On a yearly basis, RMU drives the risk assessment process whereby all Divisions/Units identify risks attached to their processes and adopt appropriate internal controls to negate or mitigate these risks. These are recorded in a bank-wide risk register that is discussed and agreed on by members of the Risk Management Committee (RMC). The register is further endorsed by the ARC as well as the Board.

In terms of further operational risk monitoring, RMU also gathers risk issues/events on a regular basis across the Bank for which the respective Division/Unit takes ownership and decides on appropriate treatment. Every two months, risk champions meet to discuss new and existing risks. These risks are also brought to RMC as well as the ARC meetings held every quarter for discussion, updates and further resolutions as required. As part of the general risk awareness in 2019, and consistent with the Unit’s effort to continually improve on the Bank’s risk culture, risk management slides were displayed as screensavers on all workstations for a period of six weeks from July to August.

In addition to the above, the Unit also worked with the other Divisions/Units to update their process flow charts which is a tool used to identify risks attached to processes. The Unit contributed to sections 38 and 39 (Financial Risk Management), of the yearly financial statement and worked closely with IAD on risk-based matters, as it has also expanded its scope to other risk-based functions of the Bank. On an international front, the Unit is also part of the International Operational Risk Working Group (IORWG) which is a network of central bankers sharing global risk management best practices.

After two years since it was formalised, the Unit reviewed its Enterprise Risk Management Framework. The framework has been aligned with the new International Organisation for Standardisation (ISO) 31000:2018 and will be submitted for endorsement in Q1, 2020.

6.10.1.2.2 Business Continuity Management

Business Continuity is the strategic and tactical capability of an organisation to plan for and respond to incidents and business disruptions in order to ensure continued operation at an acceptable predefined level, whereas, the Business Continuity Management is a holistic management process that identifies potential threats to an organisation and the impacts to business operations.

A Business Continuity Management System (BCMS) Framework is in place for building organisational resilience with the capability to continue providing services to key stakeholders, preserve relationships with key suppliers, safeguarding the Bank’s reputation, maintain staff safety and ensure job security.

In March/April, a consultancy firm, Business As Usual (BAU), was contracted to evaluate the existing BCMS Framework to include cybersecurity threats in the context of business continuity whilst aligning the framework to meet the requirements of ISO 22301 standard. This framework was developed since 2010. The consultancy also conducted training sessions to enhance the capacity of staff to implement the framework. BAU provided the Bank with its findings and recommendations which will be implemented through a roadmap. The roadmap comprises
of ISO guidelines that has been populated with the relevant information whilst the evaluated Framework will be submitted for endorsement in Q1, 2020.

6.10.1.2.2 Risk Management Committee
The RMC is established by the Board of Directors of the Bank to assist the Board in overseeing the implementation of the Enterprise Risk Management Framework for the risks faced by the Bank. RMC ensures that risks are being effectively managed and provide updates to the ARC through RMU. Furthermore, RMC serves as oversight with respect to Information Security and Business Continuity Management. The Committee is also primarily responsible for reviewing strategies, guidelines and policies for BCMS prior to Board approval. The RMC also serves as a discussion and advisory platform for risk-based matters such as the risk elements of other policies and guidelines for Divisions/Units of the Bank.

6.10.1.3 Communications Unit
Communications is expected to become a strategic tool at the Bank, in view of the need for increased transparency in the communication of policies – namely the monetary policy stance – as well as higher public, media and stakeholder expectation for more accountability. In this light, the main function of the Communications Unit is to coordinate internal and external communication, in line with central banking principles worldwide. The Unit also plays a key role in ensuring the Bank’s move towards enhancing financial awareness, as well as increased stakeholder and public engagement.

The Unit falls directly under the Governor’s Secretariat and its tasks generally include:

- Managing and coordinating the overall internal and external communications, in line with the Bank's communication strategy.
- Managing the public image of the Bank and protecting its reputation.
- Managing the press office - draft or assist in finalising and reviewing press releases for publication; monitor national and international press for Bank-related news; handle press enquiries; assist in organising press interviews and other media-related events.
- Reviewing the communication strategy on a regular basis, drafting and advising on communication activities on topical and crisis issues.
- Overseeing the content of the Bank's website and other online profiles, ensuring information is clear, accurate and up-to-date.
- Producing or help to develop articles, videos and other awareness materials.
- Receiving, documenting and responding to request for information in accordance to the Access to Information Act, 2018.

The year was another eventful one for the Bank in terms of engagement with the public and other stakeholders. The Unit was involved throughout and mainly coordinated press-related matters including interviews, press releases, advertising, speeches and intervention points, as well as content creation. Some of the key events included:
- The Fintech Seychelles Workshop in May, organised by the Bank in collaboration with local stakeholders, namely MoFTIEP, FSA, with the support of AFI and the World Bank Group. This laid the foundation for the elaboration of a national Fintech strategy, which is in the process of being developed.
- The Regional Workshop on Risk-Based Supervision for Digital Financial Services, Money or Value Transfer Service, Money Remittances and Bureaux de Change Sectors in May, organised by the Bank in collaboration with ESAAMLG.
- The Bank’s participation in the Inner Islands Business and Financial Education Fair on La Digue in June, as part of activities to commemorate the National Day.
- Collaboration with the Seychelles Bankers Association (SBA) and Financial Intelligence Unit (FIU) to roll out activities for Fraud Awareness Week in November, which culminated in an Anti-Fraud Expo.
- The Bank’s Symposium themed ‘Navigating Cybersecurity Risks in the Digital Revolution’ in November, to commemorate the 41st Anniversary of the Central Bank.

Furthermore, the Unit collaborated with the HR Division on conceptualising and organising the launch of the 2020 Edition of the Guy Morel High Achievement Scholarship, held in October. This was a public event where interested individuals had the opportunity to interact with staff from the Bank as well as from the FIU and the Seychelles Revenue Commission (SRC), based on the subjects of study which will be available for the 2020 Scholarship. The Unit also coordinated the press event held earlier in the year, in March, where the first 2 Guy Morel High Achievement Scholarship awardees were presented with their scholarship.

In line with the growing demands for creating awareness and to enhance communication of the Bank’s objectives and policy pronouncements, as well as to increase the general public’s awareness and understanding of the Bank’s role in the economy, the process for procurement, through an RFP for Filming, Short Production and Photography of the Bank’s events and other related activities was launched in March, led by the Unit. As a result, the Bank signed a contract with the National Information Services Agency (NISA) for provision of photography services as well as with Creative Media and Events (CME) for the production of short videos.

In terms of awareness, the Unit also assisted various Divisions and Units in the Bank with the finalisation and publication of various articles and notices in the two daily newspapers, mainly related to financial education, financial stability, as well as various actions being taken by the Bank with regards to financial institutions under its purview. The Unit was also part of the review process of reports that are published, notably the first edition of the Board Secretary Report in June, as well as the annual Financial Surveillance and Financial Stability reports in July.

Among the Unit’s collaborative efforts with events or initiatives involving external stakeholders, the Communications Officers responded to an invitation to contribute ideas for the launching of the National Vision 2033 and National Development Strategy 2019-2023. The team was also involved in coordinating press-related matters pertaining to the issuance of two DBS Bonds in April and another bond for government, named Bond 1770, in July.
With regards to access to information, following guidance from the Information Commission, the Bank reviewed its nomination of the two officers of the Communications Unit as the Information Officers for the Bank, and subsequently, one of the officers was designated as the Information Officer for the Bank as published in the Official Gazette of December 10, in accordance with the Access to Information Act, 2018.

The year also saw the wrapping up of a year-long calendar of activities to mark the 40th Anniversary of the Bank, with the final activity being the launching of the Commemorative Book. The Unit was part of the committee which coordinated the activity and also handled press-related matters including photography coverage, writing and dissemination of press releases.

6.10.1.4 Compliance Unit
In January, the Board approved for the establishment of a Compliance Unit, taking into consideration the Bank’s Risk Appetite Statement of October 2017 that states the Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements. The Unit reports to ARC and is responsible for identifying compliance risk, working in consultation with the Divisions and Units to determine and monitor the effectiveness of controls, address compliance matters as they arise and provide guidance to the Bank on regulatory requirements.

Since becoming operational in April, the Unit has prepared the policy and framework to formalise its mandate and to emphasise the commitment of the Bank (i) for compliance to both the spirit and the letter of the regulatory requirements and (ii) to always act with skill, care and diligence, that are crucial for maintaining the trust and confidence of stakeholders.

The Unit has also engaged with Divisions and other Units of the Bank to gain a better understanding of their processes and to identify compliance risk in operations. Consequently, the Unit has participated in discussions on upcoming projects and reviewed some of the Bank’s critical engagements with service providers. The Unit also prepared an AML policy for the Bank and guidelines for processing payments to formalise the procedures and ensure adherence to national and international requirements. The Unit has throughout worked in collaboration with the risk management and legal functions to ensure efficient use of resources.

6.10.2 Internal Committees
6.10.2.1 Investment Committee
IC has the responsibility to take decisions relating to international reserves management in line with the approved Investment Policy and Investment Guidelines. This role is undertaken through formulation of policies, guidelines and procedures to align reserves management activities. Another important function of IC is to ensure that financial and operational risks that will have an impact on reserves management activities are properly identified and mitigated. Members of the Committee include the Second Deputy Governor (SDG) as the Chairperson, the First Deputy Governor (FDG) and Heads of the Research and Statistics, Financial Surveillance, Banking Services and Financial Markets Divisions.
As scheduled, the Committee met for its monthly meetings and in addition, seven ad-hoc meetings were conducted during the year. In line with continued effort to ensure efficiency and effectiveness of the Committee, the TOR was reviewed and approved by the Board in October. The main change entailed the designation of the role of Chairperson in the absence of the appointed Chairperson to ensure continuity.

As part of its functions, IC reviewed the Strategic Asset Allocation (SAA) in October, which is the process of determining the optimal diversification of the portfolios relating to management of the international reserves. Notable changes to the SAA included an allocation to Sovereign, Supranational and Agency securities which is part of the enhanced indexation strategy implemented in December. In view of this, the Investment Policy for reserve management activities was reviewed and approved in December, with the consent of the Board to delegate all issuer approvals for the purpose of the enhanced indexation to IC.

A two-day High-Level Investment Forum was conducted in December with the collaboration of the World Bank, through RAMP with the participation of the ex-Deputy Governor of the Bank of Jamaica, with the participation of the Board as well as IC members. The topics that were highlighted in the seminar revolved around themes such as governance, risk management and the global financial markets.

6.10.2.2 Monetary Policy Technical Committee (MPTC)

MPTC, as established by the Board, has the mandate to primarily consider, advise, and make critical decisions on issues relating to the formulation and implementation of monetary policy. As per the TOR approved by the Board, the FDG is the nominated Chairperson of the Committee. Other representatives of the Committee include SDG and the Heads of five Divisions, namely, BSD, FIMCD, FMD, FSD, and RSD.

During the year, the Committee held a total of twelve meetings, which were scheduled on the second Wednesday of every month. In addition, three ad-hoc meetings were organised to address pressing matters that arose within the period. During 2019, the discussions of the Committee focused mostly on the implementation of monetary policy. The discussions included, but were not limited to, the monetary policy stance of the Bank, the stability of short-term interest rates within the interest rate corridor relative to the MPR, and the development of the inter-bank markets. Furthermore, the Committee discussed and assessed the issuances of government securities as part of the Bank’s mandate as an agent to government.

6.10.3 Board of Directors

Throughout 2019 the Board remained committed to addressing recommendations made in the previous year’s Board evaluation, which were monitored and acted upon. For instance, the revised Board Charter was adopted, the Board Retreat was held and more emphasis was put on development initiatives for the members. Moreover, the Board introduced a governance awareness plan which aims to promote good governance practices amongst staff and better inform the public about the Board’s affairs. An example of this was the publication of the first Board
Secretary Report, with the aim of enhancing transparency by providing more insight of Board's activities and meetings.

Compared to the previous year, Board members observed improvements in the submission of Board documents and there were more strategic discussions at Board meetings, especially as some administrative functions had been delegated to Management. For instance, there was a reduction of matters to do with Appointment of Administrators of Financial Institutions, in view that the more straightforward appointments were dealt with by Management.

The Board was consistent in carrying out another Board Evaluation for 2019 and concluded that the meetings were well organised, although they remained quite long. The members felt that they were encouraged to be open and discuss matters freely, and there was high participation throughout the year whereby members made special effort to attend and contribute in all meetings and most Bank-related activities even through conferencing facilities.

On the other hand, Board members highlighted areas for improvement such as addressing changes; in development of technology or the central banking environment, and time management at Board meetings especially when considering work that is very technical in nature. There were other identified areas which are still work in progress, such as review and strengthening of the ARC and HRC charters which are near finalisation. The Board will be monitoring the outstanding action points from the 2019 evaluation with bi-annual updates on progress made, facilitated by the Board Secretary.

6.10.3.1 Board Meetings
The Board usually meets monthly but should not have less than 8 meetings per year. In 2019, the Board held 17 meetings, including 16 normal scheduled Board meetings. Among those, there were the quarterly Monetary Policy discussions/decisions and Financial Stability Presentations. In addition, the Board held 1 extraordinary Board meeting to attend to urgent matters.

Throughout the year, the Board attended to approximately 153 agenda items, with the majority relating to divisional functions, key projects, reports or specific Bank assignments.

During the course of 2019, the Board received reports spanning from various functions, which included the CBS Annual Report 2018, the Annual Reserve Management Report, the Annual Risk Assessment Report, the Annual Financial Surveillance and Financial Stability reports, Board Committee Reports and the FIU Annual Report.

The Board was also kept updated on various matters through quarterly reports such as in the area of domestic money market, international reserves management, middle office reports, and updates on IFRS 9 implementation at commercial banks, to name a few.

In addition, the Board discussed and approved various matters around the Bank’s policies, strategies, planning and budget allocation. This included the Cybersecurity Guidelines, update on the implementation of the National Financial Education Strategy, Procurement Plan, and the Quality Assurance and Improvement Programme Policy.
A significant amount of the Board’s time was also allocated to discussions on Monetary Policy stance and Financial Stability issues.

Furthermore, the Board examined key legislative areas for amendments or proposal for new regulations such as the Electronic money regulations, and allocated resources for the recruitment of a Legislative Drafter to spearhead the drafting of the new AML/CFT legislation. The Board also discussed cross-cutting issues such as de-risking, AML/CFT and progress in the implementation of recommendations from the Seychelles Mutual Evaluation and National Risk Assessment, as well as approved key policies to formalise and strengthen the internal AML/CFT framework.

6.10.3.2 Audit and Risk Committee
The main purpose of the ARC is to assist the Board in fulfilling its oversight responsibilities of the financial reporting process, the systems of risk management and internal control, as well as the audit process (both internal and external). The Committee’s activities are guided by the ARC Charter whereby ARC makes recommendations to the Board for further review and approval where applicable and reports on how it discharges its responsibilities.

The ARC comprises of 3 Non-Executive Board Members, the Chairman – Professor William Ogara, Mr Bertrand Rassool and Mr Errol Dias. During the year under review, ARC held 9 meetings in which it reviewed, approved and provided guidance on the work done by the IAD, RMU and Compliance Unit on specific assignments which included the revised Internal Audit Charter, the Multi-year Audit Plan for 2019-2021, the Internal Audit Quality Assurance and Improvement Programme Policy and the work plan for the Compliance Unit.

Furthermore, ARC received several reports such as the Risk Assessment reports, and the Internal Audit Annual Report for 2018 amongst others. ARC also considered the Financial Statements of the Bank for the year 2018 and the budget for 2020 to which the members submitted their recommendations as well as concerns to the Board.

ARC was kept abreast of the Bank’s risk appetite and its management.

ARC recommended the External Audit scope of work and audit fees for both audit and non-audit services to the Board for approval. Additionally, the Committee discussed extensively on the Bank’s strategy for modernisation and the way forward vis-à-vis the Core Banking System. They also had the opportunity to meet with the Bank’s officers along with representatives of the Auditor General’s Office.

Going forward, ARC will reassess its work plan to ensure that the meetings are strategic and aligned with the deliverables of IAD, RMU and the Compliance Unit. During 2019, the ARC Charter was reviewed considering the fast-changing context of central banking realities within Seychelles and the IMF Safeguards recommendations. The proposed amendments to the ARC Charter will be finalised in the first quarter of 2020.

6.10.3.3 Human Resources Committee (HRC)
The purpose of the HRC is to set the over-arching principles and parameters of strategic people management across the organisation.
The HRC is guided by the HRC TOR and comprises of 2 Non-Executive Board members, the Chairman - Mr Errol Dias and Dr Sherley Marie. The Committee met 5 times in 2019 compared to 2018 whereby HRC met on 2 occasions, noting that due to the changes in Board appointment there was no quorum for HRC for the 2nd and 3rd quarters of 2018.

For the year under review, HRC discharged its responsibilities by considering and providing guidance on the Guy Morel High Achievement Scholarship and the Performance Management System especially with the revision of the Bank’s Competency Framework. Additionally, HRC considered key documents determining staff’s development, benefits and conduct. This was through the presentation about the Executive Development Programme targeting 29 employees of the Bank and a Mentoring Guideline to support their development in the initiative. Furthermore, the Code of Conduct was revised to include a form designed for relationships declarations.

Going forward, the HRC’s role will be strengthened through the introduction of the HRC Charter replacing the HRC TOR. This will in effect allow for more strategic outlook and reporting of the Committee on employee issues and training of Board Directors in particular. HRC will also evaluate the Committee’s performance against the aforementioned charter.

### 6.11 Appreciation

The Board and Management of the Central Bank wish to express their appreciation to all staff members of the Bank for their valuable contributions and absolute commitment to the operation of the institution. The Bank’s staff members have continued to discharge their responsibilities in a professional, ethical and exemplary manner as befitting a central monetary institution and in doing so further assisted the Bank to attain its statutory objectives, amongst other things. On this note, the Board and Management look forward to another successful year ahead.
CENTRAL BANK OF SEYCHELLES

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Management’s commentary on the audited financial statements
for the year ended December 31, 2019

The audited financial statements of the Central Bank of Seychelles for the year ended December 31, 2019 are were approved and signed by the Board on March 23, 2020. The Auditor General certified and signed the financial statements on March 25, 2020 following the audit review by the external auditors, Deloitte Touche Tohmatsu Limited (South Africa). These financial statements have been prepared in accordance with the CBS Act, 2004 as amended and are in line with the International Financial Reporting Standards (IFRS). The financial statements comprise of the following primary statements; the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, as well as the statement of distribution. In addition, the notes to the financial statements are also included.

The Bank’s financial statements for 2019 have been audited by the Bank’s external auditors, Deloitte Touche Tohmatsu Limited (South Africa), on behalf of the Auditor General as per Section 47(3) of the CBS Act, 2004 as amended. Deloitte Touche Tohmatsu Limited (South Africa) has been appointed for a period of five years, subject to annual reviews, and 2019 is their second year of audit assignment with the Bank. In the external auditors’ opinion these financial statements give a true and fair view of the financial position, the financial performance and the cash flows of the Bank, which are in line with IFRS and in accordance with the CBS Act, 2004 as amended.

The presentation of the figures in the statement of financial position is consistent with the prior year and shows all foreign and local currency comparative figures for the year 2018 and 2019. For the year 2019, total assets stood at R9,624 million, total liabilities were R8,744 million and total equity stood at R880 million. Total value of foreign currency assets increased from R7,733 million as at the end of 2018 to R8,214 million as at the end of 2019, which is an increase of approximately 6.2 per cent. This increase was partly based on the efforts of the Bank in its strategic objective to continue its prudent foreign reserves accumulation based on opportunities in the market, coupled with the impact of Government receipts and the slight depreciation of the domestic currency against the US dollar. The total foreign assets as at December 31, 2019 after adjusting for expected credit loss comprised of R4,444 million as cash and cash equivalents with short-term maturities, R746 million as other balances and placements with maturities of more than three months, and R3,024 million as financial assets at fair value through profit or loss. The latter represents an aggregate of funds with the Bank’s external fund managers, investments in shares as well as US dollar treasury securities and money market funds being managed internally.

The statement of profit or loss and other comprehensive income shows a total comprehensive income of R54 million for the year 2019. This is made up of R22 million as actual operating loss as well as other non-distributable earnings in the form of unrealised revaluation gains arising from foreign currency
monetary assets and liabilities at R25 million, unrealised gains on fair valuation of financial assets at fair value through profit or loss at R45 million and actuarial gains amounting to R6.3 million. The revaluation gains recorded are a direct result of the overall slight depreciation of the Rupee vis-à-vis the US dollar and are treated as unrealised gains and do not form part of the computation of distributable earnings to the government. In addition, the effects of the actuarial gains on the employee benefit obligations are treated as other comprehensive income and these do not form part of distributable earnings but are accumulated under actuarial reserve. Prior years’ unrealised gains and losses on financial assets at fair value through profit or loss are only considered for distribution upon disposal of these assets in the following year. For the year 2019, these net realised gains amounted to R1 million. Prior year’s unrealised gains and losses are included in the Bank’s computation of distributable earnings amounting to negative R21 million for the year 2019 prior to distribution or offsetting against General reserve as required.

The Bank’s actual operating profit or loss and distributable earnings for the year 2019 were made up primarily of interest income, interest expense, fees and commission, staff costs, policy costs, financial stability costs, expected credit loss on financial assets as well as other income and expenses. The primary contributor to total revenue of R292 million was interest income with a total of R187 million, representing 64 per cent of the total revenue of the Bank. Interest earned from the Bank’s deposits with other banks was the main source of interest income, with the Bank earning interest at more favourable rates offered from counterparties. The Bank also earned interest amounting to R73 million on its holdings of Government securities recorded as interest on investment securities. By contrast, interest expense increased from R33 million in 2018 to R65 million in 2019 mainly due to a higher volume of transactions in respect of the Deposit Action Arrangement (DAA) monetary policy instrument. It is to be noted that the bulk of the Bank’s monetary policy cost was incurred through the DAA monetary policy instrument.

In terms of non-interest income, a slight decrease of R1 million observed in fees and commission income, from R28 million in 2018 to R27 million in 2019 which represents fairly a similar trend in volume of foreign payments and receipts in all currencies (USD, EUR, GBP and ZAR) despite the ever-present correspondent banking challenges. An aggregate fair value gain of R54 million representing the accrued interest on financial assets measured at fair value through profit or loss also contributed positively to the non-interest income for the year 2019.

On the expenditure side, staff related costs increased from R105 million in 2018 to R121 million in 2019 due to the continuous implementation of retirement benefits and the career management framework whereby employees are remunerated accordingly as part of the talent management and retention strategy. The ongoing review in terms of remuneration levels, performance reward structures, responsibilities, opportunities and developmental challenges in the current changing economic environment being faced by the financial sector is subjected to a number of constraints and challenges directly related to consistently attract and retain high calibre employees with specific and scarce skills set. Policy costs, which is directly linked to the Bank’s objective of prudently accumulating foreign reserves increased from R4.2 million in 2018 to R10 million in 2019. This was as a result of the Bank’s
active monitoring of the domestic foreign exchange market throughout the year and availing of opportunities that existed for the Bank to prudently accumulate international reserves. An increase in gross international reserves from US$549 million, equivalent to 3.8 months of imports, to US$580 million, also equivalent to 3.8 months of imports was observed, predominantly influenced by reserves accumulated through the foreign exchange auctions. To note, the equivalent number of months of imports was the same in 2019 and 2018 in view of the increased level of imports in 2019 compared to 2018. The Bank incurred financial stability costs of R12 million due to the Bank’s commitment to ensure that the domestic financial system develops in line with international expectations and remains resilient towards the threat of loss of correspondent relationships by assisting the local banking sector to maintain back-up correspondent banking services and to review the Banks’ AML/CFT policies. In view of the dynamic developments in this area the Bank is constantly reassessing its position and strategies.

On the equity side, the current aggregate balance under authorised capital and General reserve of the Bank, which stood at 5.2 per cent, fell short of the minimum 10 per cent of total monetary liabilities required at the end of every year. Total monetary liabilities increased from R4,651 million in 2018 to R5,437 million in 2019. However, for the year 2019, the distributable earnings was less than zero and as per section 16(3) of the CBS Act, 2004 as amended, which states; “where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve ”, the negative distributable earnings of R21 million were offset against the General reserve causing it to drop to from 3.2 per cent to 2.8 per cent of total monetary liabilities. The Bank had no distributable earnings for 2019, as such, no funds have been paid to the Government Consolidated Fund as dividends for the year and no transfers were made to build up authorised capital and General reserve.

The full set of the Bank’s audited financial statements and detailed explanatory notes prepared for the year ended December 31, 2019 are shown overleaf.
CENTRAL BANK OF SEYCHELLES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019
# CENTRAL BANK OF SEYCHELLES

## FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2019*

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPINION OF THE AUDITOR GENERAL</td>
<td>2 – 4</td>
</tr>
<tr>
<td>STATEMENT OF FINANCIAL POSITION</td>
<td>5</td>
</tr>
<tr>
<td>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</td>
<td>6</td>
</tr>
<tr>
<td>STATEMENT OF DISTRIBUTION</td>
<td>7</td>
</tr>
<tr>
<td>STATEMENT OF CHANGES IN EQUITY</td>
<td>8</td>
</tr>
<tr>
<td>STATEMENT OF CASH FLOWS</td>
<td>9</td>
</tr>
<tr>
<td>NOTES TO THE FINANCIAL STATEMENTS</td>
<td>10 – 88</td>
</tr>
</tbody>
</table>
OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CENTRAL BANK OF SEYCHELLES FOR THE YEAR ENDED 31ST DECEMBER 2019

Opinion

The accompanying financial statements set out on pages 5 to 88, which comprise of the statement of financial position as at 31st December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Deloitte & Touche (South Africa) auditors appointed under Section 19 of the Auditor General Act, 2010 read with Section 47(3) of the Central Bank of Seychelles Act, 2004 (as amended). As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, 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,

(a) proper accounting records have been kept by the Bank as far as it appears from examination of those records; and

(b) the financial statements on pages 5 to 88 give a true and fair view of the financial position of the Bank as at 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Central Bank of Seychelles Act, 2004 (as amended).

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 Bank in accordance with the INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles, 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.
Other Information

The Board of Directors is responsible for the other information which comprises the information included in the annual report. The other information does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed on the other information that was obtained prior to the date of the audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibility of the Board of Directors of the Bank for the Financial Statements

The Board of Directors 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 Central Bank of Seychelles Act, 2004, (as amended) and for such internal control as Board of Directors 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 of Directors is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in accordance with Part IV of the Central Bank of Seychelles Act 2004, (as amended).

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 the Central Bank of Seychelles Act, 2004 (as amended). 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 that 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 Bank’s internal control;
• evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
• concludes on the appropriateness of the Board of Directors’ 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 Bank’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 auditor’s report. However, future unforeseeable events or conditions may cause the Bank 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;
• obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Bank to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion;
• communicates with directors 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.

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

Gamini Herath  
Auditor General  
25 March 2020  
Victoria, Seychelles
### Central Bank of Seychelles

**Statement of Financial Position**

**As at 31 December 2019**

<table>
<thead>
<tr>
<th>Note</th>
<th>Foreign currency SCR’000</th>
<th>Local currency SCR’000</th>
<th>Total SCR’000</th>
<th>Foreign currency SCR’000</th>
<th>Local currency SCR’000</th>
<th>Total SCR’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7</td>
<td>4,443,838</td>
<td>-</td>
<td>4,443,838</td>
<td>4,952,541</td>
<td>-</td>
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<tr>
<td>Other balances and placements</td>
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<td>746,482</td>
<td>-</td>
<td>746,482</td>
<td>1,190,559</td>
<td>-</td>
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<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>9</td>
<td>3,023,720</td>
<td>-</td>
<td>3,023,720</td>
<td>1,590,342</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities</td>
<td>10</td>
<td>-</td>
<td>1,195,094</td>
<td>1,195,094</td>
<td>-</td>
<td>1,195,567</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>11</td>
<td>-</td>
<td>45,344</td>
<td>45,344</td>
<td>-</td>
<td>39,007</td>
</tr>
<tr>
<td>Other assets</td>
<td>12</td>
<td>-</td>
<td>45,324</td>
<td>45,324</td>
<td>-</td>
<td>75,976</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>14</td>
<td>-</td>
<td>98,904</td>
<td>98,904</td>
<td>-</td>
<td>90,959</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>15</td>
<td>-</td>
<td>2,212</td>
<td>2,212</td>
<td>-</td>
<td>3,727</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,214,040</td>
<td>1,410,285</td>
<td>9,624,325</td>
<td>7,733,442</td>
<td>1,438,358</td>
<td>9,169,800</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency in circulation</td>
<td>16</td>
<td>-</td>
<td>1,510,295</td>
<td>1,510,295</td>
<td>-</td>
<td>1,373,111</td>
</tr>
<tr>
<td>Deposits from Government</td>
<td>17</td>
<td>721,349</td>
<td>1,975,141</td>
<td>2,696,490</td>
<td>580,981</td>
<td>2,402,009</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>18</td>
<td>1,071,831</td>
<td>1,858,735</td>
<td>2,930,566</td>
<td>985,596</td>
<td>1,320,697</td>
</tr>
<tr>
<td>Deposits from other financial institutions</td>
<td>19</td>
<td>-</td>
<td>78,249</td>
<td>78,249</td>
<td>-</td>
<td>90,898</td>
</tr>
<tr>
<td>Other deposits</td>
<td>20</td>
<td>13,658</td>
<td>35,254</td>
<td>48,912</td>
<td>5,709</td>
<td>32,658</td>
</tr>
<tr>
<td>Open Market Operations</td>
<td>21</td>
<td>-</td>
<td>875,329</td>
<td>875,329</td>
<td>-</td>
<td>846,528</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>22</td>
<td>-</td>
<td>57,433</td>
<td>57,433</td>
<td>-</td>
<td>58,581</td>
</tr>
<tr>
<td>International Monetary Fund obligations</td>
<td>23</td>
<td>545,335</td>
<td>1,125</td>
<td>546,460</td>
<td>644,828</td>
<td>1,158</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,352,173</td>
<td>6,391,561</td>
<td>8,743,734</td>
<td>2,217,114</td>
<td>6,125,640</td>
<td>8,342,754</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised capital</td>
<td>24</td>
<td>-</td>
<td>130,227</td>
<td>130,227</td>
<td>-</td>
<td>130,227</td>
</tr>
<tr>
<td>General reserve</td>
<td>24</td>
<td>-</td>
<td>153,437</td>
<td>153,437</td>
<td>-</td>
<td>174,839</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>25</td>
<td>-</td>
<td>593,768</td>
<td>593,768</td>
<td>-</td>
<td>525,144</td>
</tr>
<tr>
<td>Actuarial reserve</td>
<td>26</td>
<td>-</td>
<td>3,159</td>
<td>3,159</td>
<td>-</td>
<td>(3,164)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>880,591</td>
<td>880,591</td>
<td>-</td>
<td>827,046</td>
<td>827,046</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,352,173</td>
<td>7,272,152</td>
<td>9,624,325</td>
<td>2,217,114</td>
<td>6,952,686</td>
<td>9,169,800</td>
</tr>
</tbody>
</table>

These financial statements were approved and authorised for issue on 23 March 2020 by the undersigned:

C. Abel  
Governor

C. Edmond  
First Deputy Governor

E. Dias  
Director

B. Rassool  
Director

W. Ogara  
Director

S. Marie  
Director

The notes on pages 10 to 88 form an integral part of these financial statements.
## CENTRAL BANK OF SEYCHELLES

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 DECEMBER 2019**

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Interest income</td>
<td>27</td>
<td>186,672</td>
</tr>
<tr>
<td>Interest expense</td>
<td>28</td>
<td>(64,659)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td></td>
<td>122,013</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>29</td>
<td>27,128</td>
</tr>
<tr>
<td>Other income</td>
<td>30</td>
<td>4,334</td>
</tr>
<tr>
<td>Gains arising from dealings in foreign currency transactions</td>
<td>31</td>
<td>3,999</td>
</tr>
<tr>
<td>Gains arising from fair valuation of financial assets at fair value through profit or loss</td>
<td>31</td>
<td>110,157</td>
</tr>
<tr>
<td>Gains arising from revaluation of foreign currency monetary assets and liabilities</td>
<td>31</td>
<td>24,705</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td>292,336</td>
</tr>
<tr>
<td>Staff costs</td>
<td>32</td>
<td>(121,052)</td>
</tr>
<tr>
<td>Currency expenses</td>
<td>33</td>
<td>(10,634)</td>
</tr>
<tr>
<td>Impairment loss on property and equipment</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>14</td>
<td>(9,809)</td>
</tr>
<tr>
<td>Amortisation charge</td>
<td>15</td>
<td>(1,515)</td>
</tr>
<tr>
<td>Professional charges</td>
<td>34</td>
<td>(11,561)</td>
</tr>
<tr>
<td>International Monetary Fund (“IMF”) charges</td>
<td>35</td>
<td>(10,534)</td>
</tr>
<tr>
<td>Policy costs</td>
<td>36</td>
<td>(10,159)</td>
</tr>
<tr>
<td>Financial stability costs</td>
<td>37</td>
<td>(12,032)</td>
</tr>
<tr>
<td>Expected credit loss on financial assets</td>
<td>35</td>
<td>1,277</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>36</td>
<td>(20,833)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>37</td>
<td>(38,262)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>47,222</td>
</tr>
</tbody>
</table>

### Other comprehensive income

<table>
<thead>
<tr>
<th>Items that will never be reclassified to profit or loss</th>
<th>22(a)</th>
<th>6,323</th>
<th>(203)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gains/(losses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,323</td>
<td>(203)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that are or may be reclassified to profit or loss</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>6,323</td>
<td>(203)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>53,545</td>
<td>80,618</td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 10 to 88 form an integral part of these financial statements.
CENTRAL BANK OF SEYCHELLES

STATEMENT OF DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>53,545</td>
<td>80,618</td>
</tr>
</tbody>
</table>

Adjusted as follows:
Realised gains/(losses) transferred to/(from) revaluation reserve | 1,025       | (5,349)    |
Unrealised gains transferred to revaluation reserve              | (69,649)   | (88,786)   |
Expected credit loss opening adjustments as at 1 January          | -          | (3,928)    |
Actuarial (gains)/losses as per IAS 19                           | (6,323)    | 203        |

Distributable earnings                                          | (21,402)   | (17,242)   |

Amount distributed

Distributed as specified by the Central Bank of Seychelles Act, 2004 as amended

Transfer from General reserve                                   | (21,402)   | (17,242)   |
                                                                  | (21,402)   | (17,242)   |

The above information has been compiled from information contained in the statement of changes in equity as set out on page 8 and does not form part of the primary statements.

The notes on pages 10 to 88 form an integral part of these financial statements.
### CENTRAL BANK OF SEYCHELLES

#### STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2019**

<table>
<thead>
<tr>
<th>Authorised Capital SCR' 000</th>
<th>General Reserve SCR' 000</th>
<th>Revaluation Reserve SCR' 000</th>
<th>Actuarial Reserve SCR' 000</th>
<th>Retained Earnings SCR' 000</th>
<th>Total Equity SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130,227</td>
<td>192,081</td>
<td>431,009</td>
<td>(2,961)</td>
<td>(3,928)</td>
<td>746,428</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from revaluation reserve (realised losses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to revaluation reserve (unrealised gains)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from General reserve</td>
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<tr>
<td><strong>At 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130,227</td>
<td>174,839</td>
<td>525,144</td>
<td>(3,164)</td>
<td></td>
<td>827,046</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to revaluation reserve (realised gains)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to revaluation reserve (unrealised gains)</td>
<td></td>
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<tr>
<td>Transfer from General reserve</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130,227</td>
<td>153,437</td>
<td>593,766</td>
<td>3,159</td>
<td></td>
<td>880,591</td>
</tr>
</tbody>
</table>

The notes on pages 10 to 88 form an integral part of these financial statements.
### CENTRAL BANK OF SEYCHELLES

**STATEMENT OF CASH FLOWS**

*FOR THE YEAR ENDED 31 DECEMBER 2019*

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow) from operating activities</strong></td>
<td>38</td>
<td>176,716</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from other balances and placements</td>
<td>448,025</td>
<td>2,376,369</td>
</tr>
<tr>
<td>Payments for acquisition of financial assets at fair value through profit or loss</td>
<td>(3,689,609)</td>
<td>(1,971,320)</td>
</tr>
<tr>
<td>Proceeds from sale of financial assets at fair value through profit or loss</td>
<td>1,931,890</td>
<td>1,758,649</td>
</tr>
<tr>
<td>Payments for currency replacement</td>
<td>13</td>
<td>(2,493)</td>
</tr>
<tr>
<td>Payments for acquisition of property and equipment</td>
<td>14</td>
<td>(8,151)</td>
</tr>
<tr>
<td>Payments for acquisition of intangible assets</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment</td>
<td>63</td>
<td>1</td>
</tr>
<tr>
<td>Interest received</td>
<td></td>
<td>163,528</td>
</tr>
<tr>
<td><strong>Net cash (used in)/from investing activities</strong></td>
<td></td>
<td>(1,156,747)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid to Government Consolidated Fund</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash and cash equivalents</strong></td>
<td>(980,031)</td>
<td>2,244,804</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>4,952,541</td>
<td>2,465,123</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>471,328</td>
<td>242,614</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td>7</td>
<td>4,443,838</td>
</tr>
</tbody>
</table>

The notes on pages 10 to 88 form an integral part of these financial statements.
1. GENERAL INFORMATION

The Central Bank of Seychelles (the “Bank”) is established and domiciled in the Republic of Seychelles. The address of its registered office is Independence Avenue, Victoria, Mahé, Seychelles. The Bank is established by statute under Section 3 of the CBS Act, 2004 as amended, hereafter referred to as the CBS Act. Section 3 of the CBS Act states; “there is hereby established the Central Bank of Seychelles which shall be a body corporate with perpetual succession and a common seal.”

The financial statements for the year ended 31 December 2019 have been approved for issue by the Board of Directors on 23 March 2020. Neither the Bank nor the Government has the power to amend the financial statements after issue.

The primary objective of the Bank is to promote domestic price stability.

The other objectives of the Bank are:

• to advise the Government on banking, monetary and financial matters, including the monetary implications of proposed fiscal policies, credit policies and operations of the Government; and
• to promote a sound financial system.

2. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Bank has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Bank has adopted the following new standard and amendments to standards with a date of initial application of 1 January 2019.

<table>
<thead>
<tr>
<th>Standard/Amendment</th>
<th>Date of Initial Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 16 Leases</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>Amendments to IAS 19 Plan Amendment, Curtailment or Settlement</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>Amendments to IFRS 9 Prepayment Features with Negative Compensation</td>
<td>1 January 2019</td>
</tr>
</tbody>
</table>

The new IFRS 16 standard and amendments to IAS 19 and IFRS 9 did not have a significant impact on the financial statements of the Bank for the year ended 31 December 2019.
3. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied 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.

3.1 **Basis of preparation**

In accordance with Section 45(2) of the CBS Act, the financial statements of the Bank shall be maintained at all times in conformity with the applicable law, if any, and an internationally recognised financial reporting framework.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the CBS Act.

The disclosures on risks from financial instruments are presented in the financial risk management disclosures contained in Note 41.

The financial statements comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, as well as the statement of distribution in accordance with the CBS Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which are reviewed and updated as and when required. It also requires management to exercise its judgement in the process of applying the Bank’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions for the year are appropriate and that the Bank’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.2 **Foreign currency translation**

(a) **Functional and presentation currency**

Items included in the Bank’s financial statements are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). The financial statements are presented in Seychelles Rupees ("SCR"), rounded to the nearest thousand, which is the Bank’s functional and presentation currency.

(b) **Transactions and balances**

Transactions denominated in foreign currencies are translated into SCR and recorded at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into SCR at the closing exchange rates ruling on the reporting date.
3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Foreign currency translation (continued)**

(b) **Transactions and balances (continued)**

Foreign exchange differences resulting from the settlement of foreign currency transactions and
from the translation at year end closing exchange rates of monetary assets and liabilities
denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and
losses recognised in profit or loss are presented net.

Unrealised foreign exchange gains and losses are transferred from retained earnings to revaluation
reserve, in accordance with the CBS Act as these are not allowed for distribution.

The exchange rate of the SCR is determined by the market and the rates applied on all foreign
currency transactions are the weighted average trading exchange rates of authorised dealers
which include banks and bureau de change, except for the IMF Special Drawing Rights (“XDR”)
rate which applies the international market rate. The XDR is defined in terms of a basket of
currencies. Its value is determined as the weighted sum of exchange rates of the five major
currencies (Euro, Japanese Yen, British Pound Sterling, United States Dollar and Chinese Yuan
Renminbi). For accounting purposes, XDR is treated as a foreign currency.

The following rates of exchange were applied:

<table>
<thead>
<tr>
<th>Currency</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF Special Drawing Rights</td>
<td>XDR 1 = SCR 19.4867</td>
<td>XDR 1 = SCR 19.5011</td>
</tr>
<tr>
<td>United States Dollar</td>
<td>USD 1 = SCR 14.0922</td>
<td>USD 1 = SCR 14.0215</td>
</tr>
<tr>
<td>British Pound Sterling</td>
<td>GBP 1 = SCR 18.4435</td>
<td>GBP 1 = SCR 17.7277</td>
</tr>
<tr>
<td>Euro</td>
<td>EUR 1 = SCR 15.7357</td>
<td>EUR 1 = SCR 16.0596</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>AUD 1 = SCR 9.8984</td>
<td>AUD 1 = SCR 9.8753</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>CAD 1 = SCR 10.8580</td>
<td>CAD 1 = SCR 10.2918</td>
</tr>
<tr>
<td>South African Rand</td>
<td>ZAR 1 = SCR 0.9831</td>
<td>ZAR 1 = SCR 0.9679</td>
</tr>
<tr>
<td>Chinese Yuan Renminbi</td>
<td>CNY 1 = SCR 2.0236</td>
<td>CNY 1 = SCR 2.0387</td>
</tr>
</tbody>
</table>

3.3 **Financial instruments**

A financial instrument is defined as any contract that gives rise to both a financial asset of one
entity and a financial liability or equity instrument of another entity. The Bank recognises all
financial instruments on its statement of financial position when it becomes a party to the
contractual provision of the instrument.

(a) **Initial recognition of financial assets and liabilities**

Financial assets and financial liabilities are recognised when the entity becomes a party to the
contractual provisions of the instrument. Regular way purchases and sales of financial assets are
recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Initial recognition of financial assets and liabilities (continued)

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(b) Classification and subsequent measurement of financial assets

Up to 31 December 2019, the Bank classified its financial assets into one of the following categories:

- as loans and receivables; or
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

All financial liabilities were measured at amortised cost.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and measured subsequently at amortised cost using the effective interest method. Interest on financial assets is recognised in profit or loss and is reported as ‘interest income’.

The Bank uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets, consisting of investment securities, that are transferred to a third party but do not qualify for de-recognition remain within investment securities but disclosed as “pledged as collateral”, if the transferee has the right to sell or re-pledge them.

(ii) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises of financial assets designated at fair value through profit or loss. These are initially recognised at fair value, with transaction costs recognised in profit or loss and subsequently measured at fair value. Interest on financial assets is recognised in profit or loss and is reported as gains arising from fair valuation of financial assets at fair value through profit or loss. Dividend income is recognised in profit or loss on the date on which the right to receive payment is established.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(b) Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at fair value through profit or loss (continued)

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- at amortised cost; or
- at fair value through profit or loss (“FVTPL”).

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and Government bonds. Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model

The business model reflects how the Bank manages its assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and how risks are assessed and managed.

Solely Payments of Principal and Interest (“SPPI”) test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the “SPPI” test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(b) Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Solely Payments of Principal and Interest (“SPPI”) test (continued)

The Bank reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

- **Amortised cost**

  Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss (“ECL”) allowance recognised and measured as described in Note 3.3(c). Interest income from these financial assets is included in interest income using the effective interest method.

  The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

  The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

  When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

- **Fair value through profit or loss**

  Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (“FVOCI”) are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented in profit or loss within gains arising from fair valuation of financial assets at fair value through profit or loss in the period in which it arises.
3.3 Financial instruments (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity instruments at FVTPL. Dividends, when representing a return on such investments, continue to be recognised in profit or loss under ‘other income’ when the Bank's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the ‘gains arising from fair valuation of financial assets at fair value through profit or loss’ line in profit or loss.

(c) Impairment

Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated. At 31 December 2019, the Bank did not have any financial assets measured at FVOCI (2018 – Nil).

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(d) Classification and subsequent measurement of financial liabilities

All the financial liabilities are measured at amortised cost under IFRS 9. The Bank recognises all its financial liabilities initially at the value of the consideration received for those liabilities, excluding transaction costs and subsequently measures them at amortised cost.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(e) De-recognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards of ownership have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Repurchase agreements

In the course of its financial market operations, the Bank may engage in repurchase agreements involving investment securities.

Securities sold and contracted for repurchase under reverse repurchase agreements (“reverse repos”) remain classified as investment securities and are disclosed as pledged assets, when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterpart obligation to repurchase the securities is reported in the statement of financial position as part of the Open Market Operations and carried at amortised cost. Securities purchased under agreements to resell (“repos”) are recorded as loans and advances. The difference between the sale and repurchase price is treated as interest and accrued over the term of the agreements using the effective interest method.

3.5 Balances with International Monetary Fund (“IMF”)

(a) Receivables

Deposits with the IMF are included in cash and cash equivalents and represent the membership quota of the Seychelles with the IMF. Holdings of Special Drawing Rights relates to the amounts with the IMF that are available for day-to-day operations of the Bank.

Reserve tranche position is the extent to which the IMF's holdings of a member's currency are less than the member's quota. This excludes holdings obtained by members through the use of IMF credit. Also excluded are holdings in the IMF number two account that are less than one tenth of one percent quota. The reserve tranche position is part of the member country's external reserves.

(b) Liabilities

Borrowings from the IMF are financial liabilities held by the Bank on behalf of the Government of Seychelles, denominated in XDR and are included under the IMF obligations in the statement of financial position. Borrowings from the general resources of the IMF bear interest at rates set by the IMF twice weekly and are repayable according to the agreed repayment schedules. The interest rate amounted to 0.74 percent per annum as at 31 December 2019 (2018 – 1.10 percent per annum).

All borrowings from the IMF are guaranteed by promissory notes which are issued by the Government and are payable on demand.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or another financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.
3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.6 **Impairment of financial assets (continued)**

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument’s fair value using an observable market price.

Impairment charges relating to loans and advances are classified in “impairment charges” in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

3.7 **Impairment of non-financial assets**

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the assets’ recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other groups of assets.

The ‘recoverable amount’ of a group of assets is the greater of its value in use and its fair value less costs to sell. ‘Value in use’ is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the group of assets.

An impairment loss is recognised if the carrying amount of a group of assets exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of the assets allocated within the group of assets on a pro rata basis.

An impairment loss in respect of non-financial assets is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.8 **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's operations.

3.9 **Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including foreign currency notes, balances held with banks abroad, holdings of IMF Special Drawing Rights and Reserve tranche with IMF. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10 **Other balances and placements**

Other balances and placements comprise balances with more than three months' maturity from the date of acquisition, including deposits held with banks abroad. These are medium to long-term deposits that are classified as and are carried at amortised cost.

These are initially measured at fair value plus incremental direct transaction costs, and subsequently accounted for at amortised cost.

3.11 **Financial assets at fair value through profit or loss**

Financial assets at FVTPL represent investments in money market funds, securities, equity shares and funds outsourced to Fund Managers and comprise of medium to long-term deposits, securities and bonds, held for investment purposes. These have been designated at FVTPL with the changes in fair value recognised immediately in profit or loss.

3.12 **Other assets**

Other assets are made up of cheques held for clearing and settlement after the reporting date, items due but not yet received, prepaid employee benefits, currency and other prepayments made by the Bank as well as settlement receivables. These are measured at their carrying amounts and are subject to impairment and ECL (see Note 12).

3.13 **Currency replacement costs**

Currency banknote printing and coin minting costs incurred are deferred and are charged to profit or loss. Useful lives are currently estimated to be 5 years but this is reviewed at least annually. Unamortised costs of purchased banknotes and coins in issue is included in currency replacement costs in the statement of financial position. Fully amortised costs of past replacements are treated as disposals and derecognised.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(b) Subsequent costs

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

(c) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings: 25 – 50 years;
- Office furniture and fittings: 2 – 10 years;
- Office machine and equipment: 4 years;
- Motor vehicles: 5 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(d) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. As at reporting date the impairment loss recognised was Nil (2018 – SCR 4.3 million). As at the end of the financial year 2019, the annex building still remains impaired and is yet to be demolished (see Note 45.1).
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 **Leases**

(a) The Bank as lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Bank does not have any leases with lease terms longer than 12 months or leases of low value assets.

(b) The Bank as lessor

The Bank enters into lease agreements as a lessor with respect to portions of its buildings. Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.16 **Intangible assets**

Intangible assets comprise computer software licences which are recognised at cost less accumulated amortisation and any accumulated impairment losses. The computer software has a definite useful life and is amortised using the straight-line method over its useful economic life.
3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.16 **Intangible assets (continued)**

At the end of each reporting period, intangible assets are reviewed for indicators of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Bank chooses to use the cost model for the measurement after recognition.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.17 **Currency in circulation**

Currency in circulation represents money released to the public for circulation in the form of banknotes and coins measured at face value. This represents an un-serviced liability of the Bank and is recorded in the statement of financial position.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Currency in circulation (continued)

When banknotes and coins are returned to the Bank by the commercial banks, Seychelles Credit Union (“SCU”), Government entities and the general public, they are removed from currency in circulation. Depending on their condition or legal tender status, they are either sent for destruction or held for re-issue.

3.18 Deposits

(a) Deposits from Government and banks

Deposits held by the Bank, whether SCR or foreign currency deposits are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position.

As at the reporting date, Government deposits and commercial banks’ demand deposits were earning no interest (see Notes 17 and 18). Both deposits that are denominated in SCR are not normally allowed to be overdrawn. In the event of an overdraft on the Government general account denominated in SCR, the Bank in accordance with Section 40(1) of the CBS Act may grant temporary short-term advances as per the limit approved by the Board of Directors annually in line with Section 40(2) of the CBS Act. The approved limit was **SCR 100.0 million** in 2019 (2018 – **SCR 100.0 million**) and these advances are charged at the applicable interest rates which is the latest average 91-day Government treasury bill rate plus a margin of 50 basis points (0.50 percent per annum).

In the event that commercial banks cannot meet daily settlement of payments and the minimum reserve requirement in SCR, the banks are expected to make use of the inter-bank market in the first instance. In the event that they fail to obtain the required funds to meet their payment and settlement obligations, they will then be able to request short-term advances from the Bank through the form of the Standing Credit Facility (“SCF”) which is an overnight collateralised lending facility. The applicable interest rates on SCF ranged from **8.00 percent** to **8.50 percent** per annum for the year 2019 (2018 – **8.0 percent per annum**).

Foreign currency deposit accounts are not allowed to be overdrawn and are revalued to reflect the market exchange rate at the reporting date.

(b) Deposits from other financial institutions

Deposits held from other financial institutions are SCR demand deposits and are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position. As at the reporting date, these non-commercial banks’ demand deposits from the SCU, the Seychelles Pension Fund (“SPF”) and the Development Bank of Seychelles were earning no interest (see Note 19).
3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.18 **Deposits (continued)**

(b) Deposits from other financial institutions (continued)

These deposits are not normally allowed to be overdrawn, however in the event of an overdraft on the demand deposit account of SCU only, the Bank will grant temporary short-term advances in the form of the SCF outlined in (a) above.

(c) Other deposits

These other deposits comprise mainly of local and foreign currency denominated abandoned properties, unclaimed funds and special (project funds) deposits. Apart from the special (project funds) deposits which earn a fixed interest of 2.0 percent per annum every six months on the daily balance, all other deposits are non-interest bearing. These deposits are not allowed to be overdrawn and are payable on demand.

3.19 **Other liabilities**

Other liabilities are made up primarily of provisions for employee benefits (gratuities, compensation, termination and post-employment benefits), items due and yet to be paid, cheques issued, income received in advance and other payables.

3.20 **Employee benefits**

(a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(b) Defined benefit plan – Compensation

The Bank’s defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and this is usually dependent on one or more factors such as age, years of service and compensation rate.

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 Government 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.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 **Employee benefits (continued)**

(b) Defined benefit plan – Compensation (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited immediately to other comprehensive income in actuarial reserve in the case of the defined benefit plan and are charged or credited to profit or loss in the case of other long-term employee benefits. Past service costs are recognised immediately in profit or loss.

(c) Other long-term employee benefits – New gratuity (Retirement benefits)

The Bank provides for the payment of retirement benefit to long serving employees. As at the end of 2019 permanent employees of the Bank on continuous contract who have accumulated a minimum of 20 years of continuous service are entitled to a retirement benefit upon retirement or resignation. The amount provided for every year is based on the discounted present value of the future obligations attributable to all employees of the Bank except for key management personnel who are not entitled to this benefit.

Both types of employee benefits, compensation and the new gratuity have 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 benefit obligation at the reporting date less fair value of plan assets.

(d) Other long-term employee benefits – End of term gratuity

The Bank provides for a payment of end of term gratuity to certain key management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor, at the end of their contracts. The amount provisioned every year is based on the discounted present value of future obligations attributable to the completed years of service.

(e) Other post-employment benefits

As from 2018, the Bank provides for a one-off payment to certain key management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor, upon ceasing to hold office, in view that they are restricted from seeking employment within the domestic financial system for a period of twelve months immediately after they cease to hold office. The amount provisioned every year is based on the discounted present value of this future obligation attributable to the completed years of service.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement age, or whenever an employee accepts voluntary redundancy in exchange to these benefits.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits (continued)

(g) Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient amount to pay all employees the benefits relating to employee service in the current and prior period. The Bank contributes towards one defined contribution plan. This contribution goes to the SPF in accordance with the SPF Act. Payments to SPF are charged as an expense as they fall due. As from 01 January 2019, the Bank no longer contributes towards the Swiss Life Pension in view its employees were no longer eligible to participate in this pension plan. All obligations related to the Swiss Life Pension plan has been settled in full as at the date of reporting.

Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

3.21 Provisions

Provisions for restructuring costs and legal claims are recognised when; the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation based on the current market assessment of the time value of money and risks specific to the obligation.

3.22 Authorised capital and General reserve

The statutory capital (which comprises the authorised capital and General reserve) of the Bank was established by the CBS Act. The Bank maintains the General reserve to provide for events which are contingent and non-foreseeable, including covering losses from exceptionally large falls in the market value of its holdings of domestic and foreign securities that cannot be absorbed by its other resources. The initial authorised capital of the Bank was SCR 1.0 million and thereafter it shall be built to 3.33 percent of monetary liabilities by transferring from retained earnings. All capital stock of the Bank as and when issued shall be for the sole account of the Government and shall not be transferable or subject to encumbrances. As per CBS Act, all authorised capital shall be deemed to be fully paid up.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revaluation reserve

The Bank also holds Revaluation Reserve Accounts. These comprise of unrealised gains and losses arising from changes in the revaluation of the Bank’s assets and liabilities including financial assets held at FVTPL denominated in foreign currencies. This is as a result of alterations of parity of the SCR which are credited or charged to profit or loss and are subsequently transferred to the Revaluation Reserve Account, in accordance with Sections 45(5) and 45(6) of the CBS Act.

3.24 Actuarial reserve

The Bank holds an actuarial reserve in which cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are transferred.

3.25 Interest income and expense

Interest income and interest expense are recognised in profit or loss for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the net carrying amount of these instruments.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.26 Fees and commission income

Commission on foreign exchange dealings are recognised on the dates of transactions. Fees and commissions are generally recognised in profit or loss on an accrual basis when the service has been provided.

3.27 International Monetary Fund (“IMF”) charges

Charges incurred for IMF membership and on the facilities from the IMF are recognised in profit or loss on an accrual basis for the period in which the charges relate.
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Policy costs
Policy expenses are incurred on foreign currency dealings relating to policy decisions vis-à-vis purchases and sales as part of the foreign reserves management activities. These costs are recognised in profit or loss on the dates of the transactions.

3.29 Administrative expenses
The costs of maintaining the premises and providing support services to the Bank are recognised in profit or loss on an accrual basis for the period in which the expenses relate.

3.30 Gains and losses from financial assets at fair value through profit or loss
Net gain or loss from financial assets at fair value through profit or loss includes all realised and unrealised fair value changes on securities sold short and foreign exchange differences. Net realised gain or loss from financial assets at fair value through profit or loss is calculated using the average cost method.

3.31 Distributable earnings
Under Section 16(2) of the CBS Act, the Bank is required to transfer a percentage or all of its distributable earnings to the Government Consolidated Fund on the basis described in Note 6 of the financial statements.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out overleaf. The Bank does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated.

At the date of authorisation of the financial statements for the year ended 31 December 2019, the Bank has evaluated the standards and interpretations that were in issue but not yet effective and have listed overleaf the ones that are deemed applicable to the operations of the Bank and may have a possible impact on the financial statements:
4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

<table>
<thead>
<tr>
<th>Standard/Interpretation</th>
<th>Effective date</th>
<th>Periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 1 and IAS 8</td>
<td>Definition of Material</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>Amendments to IAS 1</td>
<td>Classification of Liabilities as Current or Non-Current</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>Revised Conceptual Framework for Financial Reporting</td>
<td>Amendments to References to the Conceptual Framework in IFRS</td>
<td>1 January 2020</td>
</tr>
</tbody>
</table>

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

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Bank is currently assessing the potential impact on the financial statements resulting the adoption of the amendments to IAS 1 and IAS 18 (Definition of Material).

4.2 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The Bank is currently assessing the potential impact on the financial statements resulting from the adoption of the amendments to IAS 1 (Classification of Liabilities as Current or Non-Current).
4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

4.3 Amendments to References to the Conceptual Framework in IFRS

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The adoption of this standard is not expected to have a significant impact on the Bank’s accounting policies.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank’s financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management’s judgement, which necessarily have to be made in the course of preparing the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The following estimates were made by management:

5.1 Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of default and the resulting losses).
5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

5.1 *Measurement of the ECL allowance (continued)*

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 41, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 41.

5.2 *Employee benefits*

The present value of the employee benefits, consisting of gratuity, compensation and retirement benefits, depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

The main assumption used in determining the net cost or income for employee benefits is the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent 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 liability.

5.3 *Termination and post-employment benefits*

The present value of both termination and post-employment benefits depends on assumption of an appropriate discount rate. The Bank determines the appropriate discount rate at the date of making the provision.
5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.3 Termination and post-employment benefits (continued)

This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the termination benefit obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent 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 liability. The Bank also considers expected rate of increase in remuneration and this is estimated from the expected rate of inflation.

Other key assumptions for the employee benefits obligations are based on current market conditions.

The carrying amount of the defined benefit obligations at 31 December 2019 is SCR 15.3 million (2018 – SCR 18.7 million). Details of the defined benefit obligation is disclosed in Note 22(a).

The financial assumptions used for purposes of these calculations are as follows:

- Discount rate: 7.0 percent per annum (2018 – 7.0 percent per annum)
- Salary increase rate: 3.5 percent per annum (2018 – 5.0 percent per annum)

It has been assumed that all employees will opt for retirement on reaching the age of 63.

No allowance has been made for withdrawal from service or pre-retirement mortality as the benefits payable in such circumstances are not materially significant and the turnover ratio for cases other than death, retirement or dismissal is low.

5.4 Determination of fair value

Information about assumptions and estimation uncertainties relating to the determination of fair value of financial instruments is included in Note 42.
6. **TRANSFER TO GOVERNMENT CONSOLIDATED FUND**

Transfer to the Government Consolidated Fund has been carried out in accordance with Section 16(2) of the CBS Act.

Movements during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 SCR' 000</th>
<th>2018 SCR' 000</th>
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<tbody>
<tr>
<td>At 1 January</td>
<td>-</td>
<td>602</td>
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<tr>
<td>Paid to</td>
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<td>Government</td>
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<td>Consolidated</td>
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<tr>
<td>Fund</td>
<td></td>
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<tr>
<td>At 31 December</td>
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</table>

Central Bank of Seychelles Act, 2004 as amended.

Section 16 of the CBS Act requires that the distributable earnings of the Bank be calculated as follows:

a) net profit, less an amount equal to the total amount of unrealised gains, included in the net profit; and

b) by adding to the amount remaining after applying paragraph (a), the total amount of unrealised gains, if those unrealised gains, included in the net profit of a previous year, are realised; and

c) by the retention of the unrealised revaluation losses to the extent that they exceed any balance in the relevant Revaluation Reserve Account.

Where the Bank has distributable earnings for any financial year, 50 percent of those earnings shall be distributed in the following priority to the statutory capital until:

a) authorised capital reaches 3.33 percent of monetary liabilities; and

b) the General reserve reaches 6.67 percent of monetary liabilities.

Provided that any residual distributable earnings remaining after a distribution in paragraphs (a) and (b) shall be transferred to the Consolidated Fund.

Where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve.
### 7. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Balances held abroad and foreign currency notes</td>
<td>4,303,833</td>
<td>4,802,831</td>
</tr>
<tr>
<td>Provision for ECL on Balances held abroad</td>
<td>(117)</td>
<td>(223)</td>
</tr>
<tr>
<td>Holdings of Special Drawing Rights</td>
<td>71,373</td>
<td>81,135</td>
</tr>
<tr>
<td>Reserve tranche with IMF (see Note 17)</td>
<td>68,755</td>
<td>68,805</td>
</tr>
<tr>
<td>Provision for ECL on holdings of Special Drawing Rights and Reserve tranche with IMF</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>--------------</strong></td>
<td><strong>--------------</strong></td>
<td></td>
</tr>
<tr>
<td><strong>4,443,838</strong></td>
<td><strong>4,952,541</strong></td>
<td></td>
</tr>
</tbody>
</table>

Current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
</tbody>
</table>

Included in cash and cash equivalents are pledged and encumbered balances held abroad equivalent to **SCR 1,661.5 million** and **SCR 63.0 million** respectively (2018 – **SCR 1,436.9 million** and **SCR 60.9 million**). These represent funds held by the Bank on behalf of Government and earmarked for the purpose of developing projects by the Government and Government related entities and funds earmarked as foreign currency minimum reserve requirements of local banks or other pledges and contingent liabilities.

The Reserve tranche with IMF is held on behalf of the Government and is not available for use by the Bank (see Note 17).

### 8. OTHER BALANCES AND PLACEMENTS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Other balances and placements held abroad</td>
<td>746,490</td>
<td>1,190,589</td>
</tr>
<tr>
<td>Provision for ECL on other balances and placements</td>
<td>(8)</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>--------------</strong></td>
<td><strong>--------------</strong></td>
<td></td>
</tr>
<tr>
<td><strong>746,482</strong></td>
<td><strong>1,190,559</strong></td>
<td></td>
</tr>
</tbody>
</table>

Current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
</tbody>
</table>
9. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 SCR’ 000</th>
<th>2018 SCR’ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through profit or loss – fund manager’s investments</td>
<td>1,809,606</td>
<td>348,193</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss – investments in shares</td>
<td>36,479</td>
<td>31,628</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss – investments in money market funds</td>
<td>147,323</td>
<td>143,332</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss – others</td>
<td>1,030,312</td>
<td>1,067,189</td>
</tr>
<tr>
<td></td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>3,023,720</td>
<td>1,590,342</td>
</tr>
<tr>
<td><strong>Total Current</strong></td>
<td>155,918</td>
<td>278,552</td>
</tr>
<tr>
<td><strong>Total Non-current</strong></td>
<td>2,867,802</td>
<td>1,311,790</td>
</tr>
<tr>
<td></td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>3,023,720</td>
<td>1,590,342</td>
</tr>
</tbody>
</table>

The financial assets at FVTPL comprise of underlying investments in treasury bills, notes and bonds from funds outsourced to fund managers, namely Crown Agents Investment Management ("CAIM") and the World Bank under the Reserves Advisory and Management Partnership ("RAMP"), investment in shares with the African Export-Import Bank ("Afreximbank"), investments in money market funds as well as funds being managed by the Bank.

10. **INVESTMENT SECURITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 SCR’ 000</th>
<th>2018 SCR’ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Government treasury bills</td>
<td>1,197,550</td>
<td>1,198,122</td>
</tr>
<tr>
<td>Provision for ECL on investment in Government treasury bills</td>
<td>(2,456)</td>
<td>(2,555)</td>
</tr>
<tr>
<td></td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>1,195,094</td>
<td>1,195,567</td>
</tr>
<tr>
<td><strong>Total Current</strong></td>
<td>1,195,094</td>
<td>1,195,567</td>
</tr>
</tbody>
</table>

For the year 2019, the Bank’s holding of Government treasury bills as at the reporting date carried interest rates as follows: **5.59 percent** to **5.71 percent** per annum for 182-day treasury bills (2018 – 5.48 percent to 5.63 percent) and **5.83 percent** to **6.70 percent** per annum for the 365-day treasury bills (2018 – 6.38 percent to 7.22 percent).

*Securities pledged as collateral*

As at the reporting date, the balance under repurchase agreements was **Nil** (2018 – Nil) and as such the amount of Government treasury bills pledged as collateral was **Nil** (2018 – Nil).
11. LOANS AND ADVANCES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Staff loans</td>
<td>45,531</td>
<td>39,735</td>
</tr>
<tr>
<td>Provision for ECL on</td>
<td>(187)</td>
<td>(728)</td>
</tr>
<tr>
<td>staff loans</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td>45,344</td>
<td>39,007</td>
</tr>
</tbody>
</table>

The Bank grants loans to its employees at preferential rates. The loans are initially recognised at fair value, based on the market interest rates and the difference between the fair value on initial recognition and the loans proceeds is accounted for as prepaid employee benefits and is amortised over the lower of the life of the loan or the remaining working lives of employees. The loans are subsequently measured at amortised cost, using the effective interest method, with the effective interest being the market rate of interest of the type of loan at the initial recognition date.

12. OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Cheques held for clearing (including for the ECC)</td>
<td>89</td>
<td>59</td>
</tr>
<tr>
<td>Items due and not yet received</td>
<td>6,826</td>
<td>20,908</td>
</tr>
<tr>
<td>Prepaid employee benefit</td>
<td>27,410</td>
<td>23,752</td>
</tr>
<tr>
<td>Currency prepayments</td>
<td>7,238</td>
<td>5,984</td>
</tr>
<tr>
<td>Settlement receivables for SEFT</td>
<td>331</td>
<td>11,990</td>
</tr>
<tr>
<td>Others</td>
<td>3,446</td>
<td>13,807</td>
</tr>
<tr>
<td>Provision for ECL on other assets – stage 3</td>
<td>(16)</td>
<td>(524)</td>
</tr>
<tr>
<td></td>
<td>45,324</td>
<td>75,976</td>
</tr>
</tbody>
</table>

Seychelles Electronic Funds Transfer (SEFT) is a domestic currency electronic funds transfer system operated and used by the Bank which facilitates funds transfers between all commercial banks, the Bank and SCU.

The Electronic Cheque Clearing (ECC) is a domestic currency electronic cheque clearing system operated and used by the Bank which facilitates same day cheque clearing and electronic cheque image exchange between all commercial banks, the Bank and SCU.
13. CURRENCY REPLACEMENT COSTS

Cost

Balance as at 1 January 2018 51,069
Additions 10,604
Disposals (11,564)

Balance as at 31 December 2018 50,109
Additions 2,493
Disposals (1,343)

Balance as at 31 December 2019 51,259

Accumulated amortisation

Balance as at 1 January 2018 18,221
Amortisation charge 12,330
Disposals (11,564)

Balance as at 31 December 2018 18,987
Amortisation charge 10,208
Disposals (1,343)

Balance as at 31 December 2019 27,852

Carrying amounts

31 December 2018 31,122

31 December 2019 23,407

Disposals relate to fully amortised costs derecognised.
## PROPERTY AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Land SCR' 000</th>
<th>Buildings SCR' 000</th>
<th>Buildings (Work in progress) SCR' 000</th>
<th>Office furniture and fittings SCR' 000</th>
<th>Office machine and equipment SCR' 000</th>
<th>Motor vehicles SCR' 000</th>
<th>Total SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>5,617</td>
<td>86,061</td>
<td>-</td>
<td>17,410</td>
<td>21,673</td>
<td>2,489</td>
<td>133,250</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>2,859</td>
<td>-</td>
<td>4,515</td>
<td>9,767</td>
<td>1,255</td>
<td>18,396</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(42)</td>
<td>-</td>
<td>-</td>
<td>(42)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>-</td>
<td>(6,358)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,358)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td><strong>5,617</strong></td>
<td><strong>82,562</strong></td>
<td><strong>9,661</strong></td>
<td><strong>21,883</strong></td>
<td><strong>31,440</strong></td>
<td><strong>2,489</strong></td>
<td><strong>145,246</strong></td>
</tr>
<tr>
<td>Transfer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>579</td>
<td>3,484</td>
<td>1,095</td>
<td>2,115</td>
<td>878</td>
<td>8,151</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>(162)</td>
<td>(635)</td>
<td>-</td>
<td>-</td>
<td>(797)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2019</strong></td>
<td><strong>5,617</strong></td>
<td><strong>83,141</strong></td>
<td><strong>13,145</strong></td>
<td><strong>22,816</strong></td>
<td><strong>32,920</strong></td>
<td><strong>4,622</strong></td>
<td><strong>162,261</strong></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>-</td>
<td>21,060</td>
<td>-</td>
<td>10,861</td>
<td>16,078</td>
<td>1,228</td>
<td>49,227</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>-</td>
<td>1,796</td>
<td>-</td>
<td>2,507</td>
<td>2,690</td>
<td>209</td>
<td>7,202</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(39)</td>
<td>-</td>
<td>-</td>
<td>(39)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>-</td>
<td>(2,103)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,103)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td>-</td>
<td><strong>20,753</strong></td>
<td>-</td>
<td><strong>13,329</strong></td>
<td><strong>18,768</strong></td>
<td><strong>1,437</strong></td>
<td><strong>54,287</strong></td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>-</td>
<td>1,830</td>
<td>-</td>
<td>3,001</td>
<td>4,621</td>
<td>357</td>
<td>9,809</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>(116)</td>
<td>(623)</td>
<td>-</td>
<td>-</td>
<td>(739)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2019</strong></td>
<td>-</td>
<td><strong>22,583</strong></td>
<td>-</td>
<td><strong>16,214</strong></td>
<td><strong>22,766</strong></td>
<td><strong>1,794</strong></td>
<td><strong>63,357</strong></td>
</tr>
<tr>
<td>Carrying amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2018</td>
<td>5,617</td>
<td>61,809</td>
<td>-</td>
<td>8,554</td>
<td>12,672</td>
<td>2,307</td>
<td>90,959</td>
</tr>
<tr>
<td>31 December 2019</td>
<td>5,617</td>
<td>60,558</td>
<td>13,145</td>
<td>6,602</td>
<td>10,154</td>
<td>2,828</td>
<td>98,904</td>
</tr>
</tbody>
</table>
15. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>25,558</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>2,570</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2018</td>
<td>28,128</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>28,128</td>
<td></td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>22,875</td>
<td></td>
</tr>
<tr>
<td>Amortisation charge</td>
<td>1,526</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2018</td>
<td>24,401</td>
<td></td>
</tr>
<tr>
<td>Amortisation charge</td>
<td>1,515</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>25,916</td>
<td></td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>3,727</td>
<td></td>
</tr>
<tr>
<td>31 December 2019</td>
<td>2,212</td>
<td></td>
</tr>
</tbody>
</table>

16. CURRENCY IN CIRCULATION

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banknotes issued</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>2019</td>
<td>1,432,493</td>
<td>1,303,510</td>
</tr>
<tr>
<td>2018</td>
<td>77,802</td>
<td>69,601</td>
</tr>
<tr>
<td></td>
<td>1,510,295</td>
<td>1,373,111</td>
</tr>
<tr>
<td>Coins issued</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td></td>
<td>1,510,295</td>
<td>1,373,111</td>
</tr>
</tbody>
</table>

Movements were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>1,373,111</td>
<td>1,328,255</td>
</tr>
<tr>
<td>Total deposits by commercial banks and SCU for the year</td>
<td>(1,947,690)</td>
<td>(1,991,678)</td>
</tr>
<tr>
<td>Total withdrawals by commercial banks and SCU for the year</td>
<td>2,138,399</td>
<td>2,016,899</td>
</tr>
<tr>
<td>Net (deposits)/withdrawals by the Bank for the year</td>
<td>(53,525)</td>
<td>19,635</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>1,510,295</td>
<td>1,373,111</td>
</tr>
</tbody>
</table>

Banknotes and coins in circulation are shown at face value.
### 17. Deposits from Government

<table>
<thead>
<tr>
<th>Deposits from Government</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Rupee deposits</td>
<td>1,975,141</td>
<td>2,402,009</td>
</tr>
<tr>
<td>Government foreign exchange deposits (project accounts)</td>
<td>641,143</td>
<td>502,512</td>
</tr>
<tr>
<td>Government deposits with IMF (see Note 7)</td>
<td>68,755</td>
<td>68,805</td>
</tr>
<tr>
<td>Central Bank of Seychelles blocked foreign exchange deposits</td>
<td>11,451</td>
<td>9,664</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,696,490</strong></td>
<td><strong>2,982,990</strong></td>
</tr>
</tbody>
</table>

Government foreign exchange deposits (project accounts) represent amounts deposited by the Government at the Bank and have been earmarked for specific local projects to be undertaken by the Government. These deposits are denominated in foreign currencies and are non-interest bearing.

### 18. Deposits from Banks

<table>
<thead>
<tr>
<th>Deposits from Banks</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>1,835,734</td>
<td>1,215,697</td>
</tr>
<tr>
<td>Foreign currency minimum reserve requirement</td>
<td>1,071,831</td>
<td>985,596</td>
</tr>
<tr>
<td>Standing deposit facility</td>
<td>23,001</td>
<td>105,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,930,566</strong></td>
<td><strong>2,306,293</strong></td>
</tr>
</tbody>
</table>

#### 18.1 Demand deposits

Commercial banks hold demand deposit accounts with the Bank to facilitate settlement of inter-bank transactions. Furthermore, as per regulations issued under the CBS Act, they are required to maintain a minimum statutory reserve amount which is adjusted on the basis of the monetary policy stance as approved by the Board of Directors. In 2019, the minimum statutory reserves requirement was maintained at **13.0 percent** (2018 – 13.0 percent) on each commercial bank’s customers’ Rupee deposits (held as demand, savings and time deposits held by residents, excluding inter-bank deposits). The remuneration on the total minimum statutory reserves remained at zero percent.

#### 18.2 Foreign currency Minimum Reserve Requirement

All commercial banks are required to maintain a minimum level of statutory reserves of their foreign currency by way of minimum deposits with the Bank.
18. DEPOSITS FROM BANKS (CONTINUED)

18.2 Foreign currency Minimum Reserve Requirement (continued)

In 2019 the minimum deposit was maintained at **13.0 percent** (2018 – 13.0 percent) on each commercial bank’s customers’ foreign currency deposits (held as demand, savings and time deposits held by residents excluding foreign currency deposits held by non-residents). Since its introduction in April 2009 up to the end of 2019 the Bank has not paid any interest on foreign currency minimum statutory reserves requirement.

18.3 Standing deposit facility

All commercial banks and SCU can place their excess funds into overnight deposits with the Bank for remuneration, upon request, at a predetermined rate which is set by the Bank. This facility has been offered by the Bank since August 2014. As of June 2017, the interest rate corridor mechanism was adopted, whereby the Board of Directors also approves the interest rates applicable on the Standing deposit facility that is consistent with the Bank’s monetary policy stance. The rates are subject to change following the periodic monetary policy discussions and review by the Board of Directors.

19. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Demand deposit</td>
<td>78,249</td>
<td>90,898</td>
</tr>
<tr>
<td>Current</td>
<td>78,249</td>
<td>90,898</td>
</tr>
</tbody>
</table>

Other financial institutions hold demand deposit accounts with the Bank to facilitate external transactions. These deposits are non-interest bearing and repayable on demand. SCU which forms part of other financial institutions is also required by the Bank to maintain minimum statutory reserves requirement at **13.0 percent** for the year 2019 (2018 – 13.0 percent), similarly to all commercial banks (see Note 18.1).
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. OTHER DEPOSITS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
</tr>
<tr>
<td>Special deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abandoned properties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Local currency</td>
<td>29,105</td>
<td>28,142</td>
</tr>
<tr>
<td>– Foreign currency</td>
<td>13,647</td>
<td>5,698</td>
</tr>
<tr>
<td>Unclaimed funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Local currency</td>
<td>471</td>
<td>588</td>
</tr>
<tr>
<td>– Foreign currency</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>3,737</td>
<td>2,027</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>48,912</td>
<td>38,367</td>
</tr>
</tbody>
</table>

As per the Financial Institutions Act 2004 ("FIA"), as amended, commercial banks are required to publish and report to the Bank abandoned accounts or other properties, namely contents of safe deposit boxes, for which no transaction has been made for at least 10 years. In the 11th year, unclaimed properties are transferred to the Bank. Funds transferred to the Bank are maintained in non-interest-bearing accounts whilst content of safe deposit boxes are kept in the Bank’s vault. These abandoned properties are refundable to the clients on demand.

In line with section 8(1) of schedule 5 of the FIA which states that unclaimed funds which are not subject to other provisions of FIA shall, on the direction of the Bank, be transferred to a special account with the Bank. As at the reporting date, the Bank holds **SCR 0.47 million** (2018 – SCR 0.59 million) in the domestic currency and **SCR 0.01 million** (2018 – SCR 0.01 million) in foreign currencies, namely US Dollars and Euros as unclaimed funds following the winding down of a commercial bank.

21. OPEN MARKET OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
</tr>
<tr>
<td>Deposit Auction Arrangement</td>
<td>875,329</td>
<td>846,528</td>
</tr>
<tr>
<td>Current</td>
<td>875,329</td>
<td>846,528</td>
</tr>
</tbody>
</table>

The Deposit Auction Arrangement ("DAA") is a liquidity management tool used by the Bank for Open Market Operations. It is made available by the Bank to the commercial banks and SCU for better liquidity management by both parties. The Bank uses the instrument to mop up excess liquidity in the system whilst the commercial banks and SCU use it as a convenient means for them to invest their excess reserves and earn a return. The maturities offered ranges from two (2) days to three hundred and sixty-five (365) days.
21. OPEN MARKET OPERATIONS (CONTINUED)

Commercial banks and SCU are called to state the amount of funds they would like to bid and their respective bid interest rates in any of the maturities on offer. Each maturity on offer is fixed by the Bank and it is up to the Bank to decide on whether to accept or reject any bid as guided by the Monetary Policy Rate (“MPR”) which is the rate approved by the Board of Directors in line with the Bank’s monetary stance following each periodic monetary policy discussions.

At the reporting date, an amount of **SCR 875.3 million** was held by the Bank with maturity periods of 7 days (SCR 236.1 million), 28 days (SCR 194.3 million), 56 days (SCR 234.0 million) and 63 days (SCR 210.9 million). For 2018, the corresponding figure stood at SCR 846.5 million with maturity period of 7 days (SCR 600.5 million) and 28 days (SCR 246.0 million).

22. OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for staff gratuities – contractual</td>
<td>14,241</td>
<td>11,453</td>
</tr>
<tr>
<td>Provision for staff compensation – continuous (Note 22(a))</td>
<td>11,319</td>
<td>14,326</td>
</tr>
<tr>
<td>Provision for termination benefits</td>
<td>3,711</td>
<td>3,145</td>
</tr>
<tr>
<td>Provision for post-employment benefits</td>
<td>9,569</td>
<td>6,970</td>
</tr>
<tr>
<td>Items due and not yet paid</td>
<td>9,881</td>
<td>16,863</td>
</tr>
<tr>
<td>Local currency cheques issued</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,020</td>
<td>1,151</td>
</tr>
<tr>
<td>Income received in advance</td>
<td>3,088</td>
<td>3,049</td>
</tr>
<tr>
<td>Others</td>
<td>1,404</td>
<td>1,424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,433</strong></td>
<td><strong>58,581</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>33,337</td>
<td>35,192</td>
</tr>
<tr>
<td>Non-current</td>
<td>24,096</td>
<td>23,389</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,433</strong></td>
<td><strong>58,581</strong></td>
</tr>
</tbody>
</table>

As at the reporting date, all permanent employees were on contracts which are considered continuous in nature whilst key management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor are on fixed term contracts. Continuous employment refers to a permanent employment with no pre-determined end date.
22. OTHER LIABILITIES (CONTINUED)

(a) Employee Benefit Obligations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of obligation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>18,749</td>
<td>16,224</td>
<td>14,326</td>
<td>12,404</td>
<td>4,423</td>
<td>3,820</td>
</tr>
<tr>
<td>Included in profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>1,812</td>
<td>1,709</td>
<td>1,394</td>
<td>1,321</td>
<td>418</td>
<td>388</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,289</td>
<td>1,122</td>
<td>979</td>
<td>855</td>
<td>310</td>
<td>267</td>
</tr>
<tr>
<td>Past service cost</td>
<td>584</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>584</td>
<td>-</td>
</tr>
<tr>
<td>Included in OCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gains)/losses arising from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Financial assumptions</td>
<td>(5,684)</td>
<td>-</td>
<td>(4,254)</td>
<td>-</td>
<td>(1,430)</td>
<td>-</td>
</tr>
<tr>
<td>- Experience adjustment</td>
<td>(639)</td>
<td>203</td>
<td>(442)</td>
<td>145</td>
<td>(197)</td>
<td>58</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions paid</td>
<td>(770)</td>
<td>(509)</td>
<td>(684)</td>
<td>(399)</td>
<td>(86)</td>
<td>(110)</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>15,341</td>
<td>18,749</td>
<td>11,319</td>
<td>14,326</td>
<td>4,022</td>
<td>4,423</td>
</tr>
<tr>
<td>Represented by:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability – Compensation</td>
<td>15,341</td>
<td>18,749</td>
<td>11,319</td>
<td>14,326</td>
<td>4,022</td>
<td>4,423</td>
</tr>
<tr>
<td>Net defined benefit liability – New gratuity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expected employer contribution</td>
<td>(328)</td>
<td>(113)</td>
<td>(328)</td>
<td>(113)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Discount rate</td>
<td>-</td>
<td>-</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Future salary increases</td>
<td>-</td>
<td>-</td>
<td>3.5%</td>
<td>5.0%</td>
<td>3.5%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

The Bank does not have any plan assets as the employee benefit relates to unfunded obligation in relation to compensation and gratuities.
22. OTHER LIABILITIES (CONTINUED)

(a) Employee Benefit Obligations (continued)

Compensation plan
All employees of the Bank, except for key management personnel, are entitled to compensation for their years of continuous service at retirement or upon leaving the services of the Bank. Provisions for this compensation cost are made on an annual basis for every year completed by the employee and payments are made immediately after the last day of service. The Bank has recognised a net liability of SCR **11.3 million** for this compensation plan as at 31 December 2019 (2018 – SCR 14.3 million).

New gratuity plan (Retirement benefit plan)
The Bank provides for a payment of ex-gratia retirement benefit to permanent employees reaching a minimum period of continuous service. This criterion was revised in 2019 from a minimum period of 25 years applied in previous years to 20 years of continuous service upon retirement or resignation. The Bank has recognised a net liability of SCR **4.0 million** for this new gratuity plan (retirement benefit) as at 31 December 2019 (2018 – SCR 4.4 million).

Funding
The Bank provides for the compensation, gratuity and retirement benefit costs for its permanent employees on an accrual basis and expenses the accrued amount in the financial year in which the service is rendered.

Duration
At 31 December 2019, the weighted-average duration of the defined benefit obligation is **17 years** for the compensation plan and **18 years** for the retirement benefit plan (2018 – **19 years** for the compensation plan and **19 years** for the retirement benefit plan).

(b) Sensitivity analysis
Possible reasonable changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown overleaf.

<table>
<thead>
<tr>
<th></th>
<th>Compensation plan</th>
<th>New gratuity plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase SCR' 000</td>
<td>Decrease SCR' 000</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1% increase)</td>
<td>-</td>
<td>1,739</td>
</tr>
<tr>
<td>Discount rate</td>
<td>2,191</td>
<td>-</td>
</tr>
<tr>
<td>(1% decrease)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1% increase)</td>
<td>-</td>
<td>2,403</td>
</tr>
<tr>
<td>Discount rate</td>
<td>3,061</td>
<td>-</td>
</tr>
<tr>
<td>(1% decrease)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22. OTHER LIABILITIES (CONTINUED)
(b) Sensitivity analysis (continued)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The sensitivity analysis has been carried out by recalculating the present value of obligations at end of each period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

23. INTERNATIONAL MONETARY FUND OBLIGATIONS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Extended Fund Facility</td>
<td>383,937</td>
<td>483,311</td>
</tr>
<tr>
<td>Allocation of Special Drawing Rights</td>
<td>161,398</td>
<td>161,517</td>
</tr>
<tr>
<td>IMF no. 1 account</td>
<td>1,108</td>
<td>1,141</td>
</tr>
<tr>
<td>IMF no. 2 account</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>546,460</td>
<td>645,986</td>
</tr>
<tr>
<td>Current</td>
<td>98,104</td>
<td>96,672</td>
</tr>
<tr>
<td>Non-current</td>
<td>448,356</td>
<td>549,314</td>
</tr>
<tr>
<td></td>
<td>546,460</td>
<td>645,986</td>
</tr>
</tbody>
</table>

Seychelles became a member of the IMF on 30 June 1977 and was initially assigned a quota of XDR 1.0 million. The quota allocation determines the financial and organisational relation with the IMF. Subsequent increases in quota subscription were effected over the years which have brought the quota subscription to **XDR 22.9 million** (2018 – XDR 22.9 million). The portion payable in SCR is paid by way of non-negotiable, non-interest-bearing promissory notes issued by the Government in favour of the IMF, which are payable on demand. These promissory notes are lodged with the Bank acting as custodian for the IMF.

Seychelles continues to maintain the following balance sheet accounts with the IMF under heading IMF Obligations: IMF Purchases Outstanding account, SDR Allocation account, IMF no.1 account and IMF no. 2 account. Other balance sheet accounts classified under cash and cash equivalents include: SDR Holdings account and Reserve Tranche account, both denominated in XDR. Seychelles also holds an off balance sheet balance called the IMF Securities account backed by Government issued promissory notes amounting to **SCR 755.0 million** as at the reporting date (2018 – SCR 878.5 million). SDR Allocations are subject to charges while SDR holdings earn interest on a quarterly basis.
23. INTERNATIONAL MONETARY FUND OBLIGATIONS (CONTINUED)

In June 2017 the Government successfully completed a three-year Extended Fund Facility ("EFF") which was the second EFF program that the Seychelles had with the IMF under its reform initiatives. Total repayments made throughout the year 2019 under the EFF amounted to XDR 5.08 million (2018 – XDR 4.54 million). As at 31 December 2019, the outstanding repurchase amount relating to the EFF stood at XDR 19.7 million (2018 – XDR 24.78 million). These repayments will continue until December 2025.

In December 2017, the Government’s request for a new macroeconomic and structural reform program which would be supported by a Policy Coordination Instrument (PCI) was approved. This non-financing program, which demonstrates the commitment on the part of the Government, is a continuation of the implementation of its structural reform agenda. This three-year program, which is now in its third and final year, is expected to safeguard macroeconomic stability and debt sustainability whilst promoting sustainable and inclusive growth.

The Bank revalues the IMF accounts in its statement of financial position in accordance with the practices of the IMF’s Treasury Department. In general, the revaluation is effected annually on 30 April and whenever the Fund makes use of SCR in accordance with the IMF designated plan. For accounting purposes, the IMF accounts have been revalued using exchange rates as at the reporting date.

The repayment terms for the purchases outstanding are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 XDR' 000</th>
<th>2019 SCR' 000</th>
<th>2018 XDR' 000</th>
<th>2018 SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3 years</td>
<td>12,746</td>
<td>248,383</td>
<td>14,123</td>
<td>275,431</td>
</tr>
<tr>
<td>Over 3 years</td>
<td>6,956</td>
<td>135,554</td>
<td>10,660</td>
<td>207,880</td>
</tr>
<tr>
<td>Total</td>
<td>19,702</td>
<td>383,937</td>
<td>24,783</td>
<td>483,311</td>
</tr>
</tbody>
</table>

The Bank revalues the IMF accounts in its statement of financial position in accordance with the practices of the IMF’s Treasury Department. In general, the revaluation is effected annually on 30 April and whenever the Fund makes use of SCR in accordance with the IMF designated plan. For accounting purposes, the IMF accounts have been revalued using exchange rates as at the reporting date.
24. STATUTORY CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised capital</td>
<td>130,227</td>
<td>130,227</td>
</tr>
<tr>
<td>General reserve</td>
<td>153,437</td>
<td>174,839</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>283,664</strong></td>
<td><strong>305,066</strong></td>
</tr>
</tbody>
</table>

As per Section 14 of the CBS Act, the initial authorised capital of the Bank shall be SCR 1.0 million and accumulate as per the distributable earnings under Section 16 of the CBS Act (see Note 6). The statutory capital of the Bank shall accumulate until it reaches 10.0 percent of monetary liabilities of which 3.33 percent shall relate to authorised capital and the remaining 6.67 percent shall relate to General reserve.

As at the reporting date the statutory capital of the Bank stood at **5.21 percent** of total monetary liabilities (2018 – 6.56 percent). As at the reporting date the authorised capital was fully paid up.

As indicated in Note 6, where the Bank has distributable earnings for any financial year, 50 percent of those distributable earnings shall be distributed to authorised capital and General reserve, subject to the limits stated therein. However, where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve. For the year 2019, the bank recorded negative distributable earnings amounting to SCR **21.4 million** (2018 – SCR 17.2 million) which was offset against General reserve and the transfer made to authorised capital was **Nil** (2018 – **Nil**).

Following the above, the authorised capital and General reserve stand at **2.39 percent** (2018 – 2.80 percent) and **2.82 percent** (2018 – 3.76 percent) of monetary liabilities, respectively.

Where the General reserve accumulates a balance of less than zero, the Government shall within 30 days of publication of the annual accounts, recapitalise the Bank by transferring marketable securities to the ownership of the Bank to restore the General reserve to zero. For the year 2019, no recapitalisation was required (2018 – **Nil**).

25. REVALUATION RESERVE

Unrealised gains and losses arising from changes in the valuation of the Bank's assets and liabilities and fair valuation of financial assets at fair value through profit or loss denominated in foreign currencies and other units of account as a result of alterations of parity of the Seychelles Rupee have been credited or charged to profit or loss and subsequently transferred to the Revaluation Reserve Account in accordance with Section 45(5) and 45(6) of the CBS Act. Revaluation gains and losses do not form part of distributable earnings and are offset against Revaluation Reserve Account. The total revaluation reserve for the year 2019 amounted to **SCR 593.8 million** (2018 – SCR 525.1 million).
26. **ACTUARIAL RESERVE**

As a result of the adoption of IAS 19 (Revised), the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited immediately to other comprehensive income and the accumulated gains and losses form part of the actuarial reserve. Actuarial gains and losses do not form part of distributable earnings and are accumulated in Actuarial reserve. The total Actuarial reserve for the year 2019 amounts to a positive reserve of **SCR 3.16 million** (2018 – negative reserve of SCR 3.16 million).

27. **INTEREST INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Interest on investment securities</td>
<td>72,972</td>
<td>65,707</td>
</tr>
<tr>
<td>Interest on deposits with banks</td>
<td>108,932</td>
<td>120,178</td>
</tr>
<tr>
<td>Interest on advances to staff and local banks</td>
<td>4,768</td>
<td>4,076</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>186,672</strong></td>
<td><strong>189,961</strong></td>
</tr>
</tbody>
</table>

28. **INTEREST EXPENSE**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Interest on Deposit Auction Arrangement</td>
<td>62,647</td>
<td>31,578</td>
</tr>
<tr>
<td>Other interests</td>
<td>2,012</td>
<td>1,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64,659</strong></td>
<td><strong>32,995</strong></td>
</tr>
</tbody>
</table>

29. **FEES AND COMMISSION INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Commission income</td>
<td>21,253</td>
<td>21,360</td>
</tr>
<tr>
<td>Licence fees – Financial institutions</td>
<td>5,632</td>
<td>5,699</td>
</tr>
<tr>
<td>Licence fees – Payment service providers</td>
<td>105</td>
<td>50</td>
</tr>
<tr>
<td>Others</td>
<td>138</td>
<td>946</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27,128</strong></td>
<td><strong>28,055</strong></td>
</tr>
</tbody>
</table>
### 30. OTHER INCOME

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent and contribution for building maintenance</td>
<td>303</td>
<td>450</td>
</tr>
<tr>
<td>Contributions received for participation in SEFT and ECC</td>
<td>2,093</td>
<td>2,589</td>
</tr>
<tr>
<td>Others</td>
<td>1,938</td>
<td>2,043</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,334</td>
<td>5,082</td>
</tr>
</tbody>
</table>

All commercial banks and SCU as participants in the SEFT and ECC systems contribute annually to the two systems based on their previous year’s average usage levels.

### 31. GAINS AND LOSSES ARISING FROM FOREIGN CURRENCY TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains arising from dealings in foreign currency transactions – realised</td>
<td>3,999</td>
<td>4,146</td>
</tr>
<tr>
<td>Gains arising from dealings in foreign currency transactions – unrealised</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Gains arising from fair value of financial assets at fair value through profit or loss – realised</td>
<td>65,213</td>
<td>15,589</td>
</tr>
<tr>
<td>Gains arising from fair value of financial assets at fair value through profit or loss – unrealised</td>
<td>44,944</td>
<td>34,140</td>
</tr>
<tr>
<td>Gains arising from revaluation of foreign currency monetary assets and liabilities – unrealised</td>
<td>24,705</td>
<td>54,645</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>138,861</td>
<td>108,521</td>
</tr>
</tbody>
</table>

### 32. STAFF COSTS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and allowances</td>
<td>76,909</td>
<td>68,357</td>
</tr>
<tr>
<td>Staff training and development</td>
<td>15,338</td>
<td>13,528</td>
</tr>
<tr>
<td>Gratuity costs</td>
<td>15,117</td>
<td>11,624</td>
</tr>
<tr>
<td>Compensation costs</td>
<td>2,563</td>
<td>2,292</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>1,369</td>
<td>226</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>4,331</td>
<td>3,706</td>
</tr>
<tr>
<td>Other staff costs</td>
<td>5,425</td>
<td>5,305</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>121,052</td>
<td>105,038</td>
</tr>
</tbody>
</table>

### 33. CURRENCY EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banknotes and coins expense</td>
<td>426</td>
<td>383</td>
</tr>
<tr>
<td>Amortisation of currency replacement costs (Note 13)</td>
<td>10,208</td>
<td>12,330</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,634</td>
<td>12,713</td>
</tr>
</tbody>
</table>
### 34. PROFESSIONAL CHARGES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable to auditor:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Statutory audit (including disbursements)</td>
<td>1,611</td>
<td>1,449</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>7,255</td>
<td>5,452</td>
</tr>
<tr>
<td>Legal fees</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>Directors fees and allowances</td>
<td>975</td>
<td>903</td>
</tr>
<tr>
<td>Others</td>
<td>1,648</td>
<td>1,677</td>
</tr>
<tr>
<td></td>
<td><strong>11,561</strong></td>
<td><strong>9,561</strong></td>
</tr>
</tbody>
</table>

### 35. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (gains)/losses from expected credit loss on Balances held abroad</td>
<td>(106)</td>
<td>165</td>
</tr>
<tr>
<td>Net gains from expected credit loss on holdings of Special Drawing Rights and Reserve tranche with IMF</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Net gains from expected credit loss on other balances and placements held abroad</td>
<td>(22)</td>
<td>(73)</td>
</tr>
<tr>
<td>Net (gains)/losses from expected credit loss on investment in Government treasury bills</td>
<td>(99)</td>
<td>12</td>
</tr>
<tr>
<td>Net (gains)/losses from expected credit loss on staff loans</td>
<td>(541)</td>
<td>117</td>
</tr>
<tr>
<td>Net gains from expected credit loss on staff loans – stage 3</td>
<td>(508)</td>
<td>(81)</td>
</tr>
<tr>
<td></td>
<td><strong>(1,277)</strong></td>
<td><strong>139</strong></td>
</tr>
</tbody>
</table>

### 36. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities costs</td>
<td>2,428</td>
<td>2,110</td>
</tr>
<tr>
<td>Upkeep of premises and equipment</td>
<td>5,134</td>
<td>4,417</td>
</tr>
<tr>
<td>Insurance costs</td>
<td>4,994</td>
<td>4,030</td>
</tr>
<tr>
<td>Archiving costs</td>
<td>2,184</td>
<td>1,503</td>
</tr>
<tr>
<td>Security expenses</td>
<td>2,803</td>
<td>3,039</td>
</tr>
<tr>
<td>Others</td>
<td>3,290</td>
<td>3,301</td>
</tr>
<tr>
<td></td>
<td><strong>20,833</strong></td>
<td><strong>18,400</strong></td>
</tr>
</tbody>
</table>
37. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upkeep of intangible assets</td>
<td>13,251</td>
<td>10,618</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>5,451</td>
<td>5,245</td>
</tr>
<tr>
<td>Reserve management fees</td>
<td>5,362</td>
<td>2,696</td>
</tr>
<tr>
<td>Reimbursable Advisory Services</td>
<td>3,948</td>
<td>-</td>
</tr>
<tr>
<td>Membership fees and contributions</td>
<td>3,529</td>
<td>4,977</td>
</tr>
<tr>
<td>SWIFT costs</td>
<td>1,466</td>
<td>1,404</td>
</tr>
<tr>
<td>Others</td>
<td>5,255</td>
<td>7,064</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,262</strong></td>
<td><strong>32,004</strong></td>
</tr>
</tbody>
</table>

38. NET CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>47,222</td>
<td>80,821</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Interest income</td>
<td>(186,672)</td>
<td>(189,961)</td>
</tr>
<tr>
<td>- Interest expense</td>
<td>64,659</td>
<td>32,995</td>
</tr>
<tr>
<td>- Impairment loss on property and equipment</td>
<td>-</td>
<td>4,255</td>
</tr>
<tr>
<td>- Depreciation and amortisation charges</td>
<td>11,324</td>
<td>8,728</td>
</tr>
<tr>
<td>- Amortisation of currency replacement costs</td>
<td>10,208</td>
<td>12,330</td>
</tr>
<tr>
<td>- Prepaid employee benefits</td>
<td>2,770</td>
<td>2,266</td>
</tr>
<tr>
<td>- Expected credit loss on financial assets</td>
<td>(1,277)</td>
<td>139</td>
</tr>
<tr>
<td>- Loss/(profit) on disposal of property and equipment</td>
<td>(4)</td>
<td>2</td>
</tr>
<tr>
<td>- Unrealised fair valuation and exchange gains</td>
<td>(66,938)</td>
<td>(81,510)</td>
</tr>
<tr>
<td>- Realised fair valuation and exchange gains</td>
<td>(65,213)</td>
<td>(15,589)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(183,921)</td>
<td>(145,524)</td>
</tr>
</tbody>
</table>

Changes in:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Loans and advances</td>
<td>(6,337)</td>
<td>(3,763)</td>
</tr>
<tr>
<td>- Other assets</td>
<td>30,652</td>
<td>(5,166)</td>
</tr>
<tr>
<td>- Currency in circulation</td>
<td>137,184</td>
<td>44,856</td>
</tr>
<tr>
<td>- Deposits</td>
<td>335,669</td>
<td>12,145</td>
</tr>
<tr>
<td>- Open Market Operations</td>
<td>28,000</td>
<td>140,000</td>
</tr>
<tr>
<td>- Other liabilities</td>
<td>(4,094)</td>
<td>5,485</td>
</tr>
<tr>
<td>- Provisions for employee benefits</td>
<td>2,946</td>
<td>(10)</td>
</tr>
<tr>
<td>- International Monetary Fund obligations</td>
<td>(99,526)</td>
<td>(95,989)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash from/(used in) operating activities | 240,573 | (47,966) |

Interest paid

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(63,857)</td>
<td>(31,703)</td>
<td></td>
</tr>
</tbody>
</table>

Net cash inflow/(outflow) from operating activities | 176,716 | (79,669) |
39. RELATED PARTY TRANSACTIONS

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include Government and key management personnel, consisting of members of the Board of Directors. Unless stated, all transactions with related parties take place at arm’s length.

As banker to the Government, the following are transactions entered into:

- Banking services;
- Foreign exchange transactions;
- Payment and settlement facility;
- Investment in Government Securities; and
- Agent to the Government in raising domestic debt.

Material transactions with the Government are as follows:

39.1 Foreign Exchange Transactions

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of foreign currency</td>
<td>611,621</td>
<td>1,184,989</td>
</tr>
<tr>
<td>Sale of foreign currency</td>
<td>1,218,838</td>
<td>1,035,810</td>
</tr>
</tbody>
</table>

The Bank, in its capacity as fiscal agent to the Government in raising domestic debt, executes auctions, carries out back office operations, promotes the development of financial markets and works towards improving trading and settlement infrastructure.

39.2 Investment in Government Securities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>182-day treasury bills</td>
<td>747,053</td>
<td>747,053</td>
</tr>
<tr>
<td>365-day treasury bills</td>
<td>438,000</td>
<td>438,000</td>
</tr>
<tr>
<td>Total face value</td>
<td>1,185,053</td>
<td>1,185,053</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>12,497</td>
<td>13,069</td>
</tr>
<tr>
<td>Total Investment in Government Securities</td>
<td>1,197,550</td>
<td>1,198,122</td>
</tr>
</tbody>
</table>

Other transactions with the Government consist of receipts and payments in SCR made on behalf of the Government.
39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Investment in Government Securities (continued)
Outstanding balances from the Government consist of investment securities whilst outstanding balances to the Government consist of deposits from as disclosed in the financial statements and corresponding notes.

39.3 Deposits from Government
The deposits from Government as at 31 December 2019 are disclosed in Note 17.

39.4 Key Management Personnel
Key management personnel comprises the Governor, First Deputy Governor, Second Deputy Governor and the Non-Executive Board members. The latter are considered to be part of the key management personnel as they have the authority and responsibility for planning, directing and controlling the activities of the Bank.

The aggregate remuneration provided for and paid to key management personnel comprised:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and allowances</td>
<td>4,644</td>
<td>4,413</td>
</tr>
<tr>
<td>Gratuity costs</td>
<td>2,591</td>
<td>1,817</td>
</tr>
<tr>
<td>Car benefits</td>
<td>360</td>
<td>198</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>3,001</td>
<td>3,161</td>
</tr>
<tr>
<td>Others</td>
<td>304</td>
<td>280</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,900</td>
<td>9,869</td>
</tr>
</tbody>
</table>

Movements in loans to key management personnel are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>-</td>
<td>928</td>
</tr>
<tr>
<td>Total repayments</td>
<td>-</td>
<td>(928)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Loans to key management personnel are approved and disbursed as per the Bank’s loan policy. In 2019, there were no loans disbursed to key management personnel and the outstanding loan balance was Nil (2018 - Nil). In accordance with Section 44(1) of the CBS Act no loans are granted to Non-Executive Board members.
Commitments not otherwise provided for in the financial statements and which existed at 31 December 2019 are as follows:

40.1 Capital subscription in Afreximbank

The Bank has a commitment to pay on call USD 0.87 million (2018 – USD 0.79 million) of nominal share value for capital subscription in Afreximbank. This amount has not been accounted for as a liability in the financial statements due to the unknown factor of the time and expected value of the shares to be called up. Furthermore, during the year the Bank has applied part of its accumulated dividend earnings towards the acquisition of additional shares in Afreximbank.

40.2 Advances made to the Government (included in Note 3.18(a))

The Bank is mandated under Section 40(1) of the CBS Act, 2004 as amended to grant temporary advances in SCR to the Government in respect of temporary deficiencies of revenue. For the year 2019, no advances were made to the Government (2018 – Nil). The overall borrowing limit for the year 2019 of SCR 1.29 billion (2018 – SCR 1.29 billion) comprised of investment securities of SCR 1.19 billion (2018 – SCR 1.19 billion) and the approved borrowing limit of SCR 100.0 million (2018 - SCR 100.0 million) on short-term advances to the Government to meet any revenue shortfall. This overall borrowing limit stood at 16.0 percent (2018 – 18.0 percent) of the previous year’s total Government revenue.

40.3 Employee loans approved but not yet disbursed

The Bank has a loans policy under which it disburses loans for its staff at a preferential rate. For the year 2019, staff loans approved but not yet disbursed amounted to SCR 3.2 million (2018 – SCR 3.8 million). Employees shall be eligible for loans under the loans policy if they have worked with the Bank for a continuous period of at least 2 years from the date of appointment. All loans are disbursed in full in one instalment except for loans for personal residential housing which are disbursed in a minimum of three instalments and in the case of loans for further education whereby the amount of the loan shall be drawn in annual instalments.

40.4 Emergency Lending Facility

The Bank has an emergency liquidity support facility primarily aimed at preventing severe and persistent short-term liquidity problems in a bid to safeguard banks from insolvency events and to avoid bank runs. As at year end 2019, the total lending under this facility was Nil (2018 – Nil). Access to this facility requires banks to provide adequate and sufficient collateral.
41. FINANCIAL RISK MANAGEMENT

The Bank’s risks are principally attributed to its functional obligations. The Bank is exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

41.1 Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The Bank’s exposure to market risk comes in the form of general and specific market fluctuations which affects the investments in interest bearing and foreign currency denominated financial instruments. Further to that, the exposure to market risk is generated from both trading and asset/liability management activities. The measures taken by the Bank to manage such risk are disclosed below:

(a) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed as follows:

- **Foreign reserve interest rate risk management**

  Interest rate risk increases or reduces the total return on the portfolio which consists mainly of demand and short-term deposits and is measured by daily calculation of the weighted average portfolio duration of the foreign exchange reserves as prescribed in the Bank’s Investment Policy and Guidelines. Limits are set on interest rate risk with the aim of avoiding reporting losses as a result of market valuation changes over a one year reporting period.

- **Domestic market operations interest rate risk**

  The Bank’s exposure to domestic market interest rate risk arises from its domestic market operations which are short-term in nature. These may include standing deposit and credit facilities, deposit and credit auctions, short-term repurchase and reverse repurchase agreements with banks and investment in Government treasury bills. The Bank cannot eliminate domestic market interest rate risk as it is a function of its monetary policy.
41. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

41.1  *Market risk (continued)*

(a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

<table>
<thead>
<tr>
<th>Demand and up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Non-interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
</tr>
</tbody>
</table>

As at 31 December 2019

**Financial assets**

- Cash and cash equivalents: 3,341,074
- Other balances and placements: -746,482
- Financial assets at fair value through profit or loss: -155,918
- Investment securities: 1,195,094
- Loans and advances: 274

**Total financial assets**: 3,341,348

**Financial liabilities**

- Currency in circulation: -1,510,295
- Deposits from Government: -2,696,490
- Deposits from banks: -2,930,566
- Deposits from other financial institutions: -78,249
- Other deposits: -48,912
- Open Market Operations: 651,907
- International Monetary Fund obligations: 6,126

**Total financial liabilities**: 658,033

**Net financial position**: 2,683,315

---

1 Though Investment securities mature within 12 months, it is the intention of the Bank to hold the asset to perpetuity.
### Financial Risk Management (continued)

#### Market risk (continued)

##### (a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

<table>
<thead>
<tr>
<th></th>
<th>Demand and up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Non-interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
</tr>
</tbody>
</table>

As at 31 December 2018

**Financial assets**

Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>SCR’ 000</th>
<th>174,579</th>
<th>899,684</th>
<th>11,368,300</th>
<th>174,960</th>
<th>1,190,559</th>
</tr>
</thead>
</table>

Other balances and placements

<table>
<thead>
<tr>
<th></th>
<th>290,875</th>
<th>287,552</th>
<th>1,136,830</th>
<th>174,960</th>
<th>-</th>
<th>1,590,342</th>
</tr>
</thead>
</table>

Financial assets at fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>200</th>
<th>402</th>
<th>2,366</th>
<th>12,060</th>
<th>23,653</th>
<th>326</th>
<th>39,007</th>
</tr>
</thead>
</table>

Investment securities

<table>
<thead>
<tr>
<th></th>
<th>2</th>
<th>1,195,567</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>1,195,567</th>
</tr>
</thead>
</table>

Loans and advances

<table>
<thead>
<tr>
<th></th>
<th>200</th>
<th>402</th>
<th>2,366</th>
<th>12,060</th>
<th>23,653</th>
<th>326</th>
<th>39,007</th>
</tr>
</thead>
</table>

**Total financial assets**

<table>
<thead>
<tr>
<th></th>
<th>5,059,616</th>
<th>174,981</th>
<th>2,376,169</th>
<th>1,148,890</th>
<th>198,613</th>
<th>9,747</th>
<th>8,968,016</th>
</tr>
</thead>
</table>

**Financial liabilities**

Currency in circulation

<table>
<thead>
<tr>
<th></th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>1,373,111</th>
</tr>
</thead>
</table>

Deposits from Government

<table>
<thead>
<tr>
<th></th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>2,982,990</th>
</tr>
</thead>
</table>

Deposits from banks

<table>
<thead>
<tr>
<th></th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>2,306,293</th>
</tr>
</thead>
</table>

Deposits from other financial institutions

<table>
<thead>
<tr>
<th></th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>90,898</th>
</tr>
</thead>
</table>

Other deposits

<table>
<thead>
<tr>
<th></th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>38,367</th>
</tr>
</thead>
</table>

Open Market Operations

<table>
<thead>
<tr>
<th></th>
<th>846,528</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>846,528</th>
</tr>
</thead>
</table>

International Monetary Fund obligations

<table>
<thead>
<tr>
<th></th>
<th>6,163</th>
<th>3,575</th>
<th>86,934</th>
<th>339,970</th>
<th>209,344</th>
<th>-</th>
<th>645,986</th>
</tr>
</thead>
</table>

**Total financial liabilities**

<table>
<thead>
<tr>
<th></th>
<th>852,691</th>
<th>3,575</th>
<th>86,934</th>
<th>339,970</th>
<th>209,344</th>
<th>6,791,659</th>
<th>8,284,173</th>
</tr>
</thead>
</table>

**Net financial position**

<table>
<thead>
<tr>
<th></th>
<th>4,206,925</th>
<th>171,406</th>
<th>2,289,235</th>
<th>808,920</th>
<th>(10,731)</th>
<th>(6,781,912)</th>
<th>683,843</th>
</tr>
</thead>
</table>
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Market risk (continued)

(a) Interest rate risk (continued)

Sensitivity to interest rate risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank’s financial assets and liabilities in relation to changes in interest rates.

<table>
<thead>
<tr>
<th>Impact of:</th>
<th>Total gain/(loss) impacting equity</th>
<th>Total gain/(loss) impacting equity</th>
<th>Total gain/(loss) impacting profit or loss</th>
<th>Total gain/(loss) impacting profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 SCR’ 000</td>
<td>2018 SCR’ 000</td>
<td>2019 SCR’ 000</td>
<td>2018 SCR’ 000</td>
</tr>
<tr>
<td>An increase of 100 basis points in the domestic market interest rates</td>
<td>226</td>
<td>248</td>
<td>452</td>
<td>496</td>
</tr>
<tr>
<td>A decrease of 100 basis points in the domestic market interest rates</td>
<td>(226)</td>
<td>(248)</td>
<td>(452)</td>
<td>(496)</td>
</tr>
<tr>
<td>An increase of 100 basis points in the market interest rates for foreign currencies</td>
<td>122</td>
<td>136</td>
<td>243</td>
<td>272</td>
</tr>
<tr>
<td>A decrease of 100 basis points in the market interest rates for foreign currencies</td>
<td>(122)</td>
<td>(136)</td>
<td>(243)</td>
<td>(272)</td>
</tr>
</tbody>
</table>

The Bank’s exposure to interest rate risk might remain unchanged on both its local and foreign financial assets, despite the Guidelines for the latter allowing for a more active approach and the former being solely inclusive of Government treasury bills in the Bank’s portfolio of securities.

(b) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Market risk (continued)

(b) Currency risk (continued)

The Bank’s foreign reserve management function requires it to operate internationally and assume exposures to changes in prices of one currency against another, notably on its financial position and cash flows primarily with respect to the United States Dollar, the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar, South African Rand, Chinese Yuan Renminbi and IMF Special Drawing Rights. Nonetheless, the Bank attempts to manage currency risk to some extent through its determination of the benchmark currency composition whereby in certain circumstances the Bank might limit its holding of a particular currency which is seen to be extremely volatile or risky. This approach has been adopted on the basis that hedging against currency risk is not being done at present. Exchange gains and losses arising from the revaluation of assets and liabilities denominated in foreign currencies are recognised in profit or loss and are transferred to the Revaluation Reserve Account in accordance with Section 16 of the CBS Act.
41. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

41.1 *Market risk (continued)*

(b) Currency risk (continued)

The table below discloses the financial assets and financial liabilities by concentration of currency risk.

<table>
<thead>
<tr>
<th>EUR SCR' 000</th>
<th>USD SCR' 000</th>
<th>GBP SCR' 000</th>
<th>XDR SCR' 000</th>
<th>CAD SCR' 000</th>
<th>AUD SCR' 000</th>
<th>ZAR SCR' 000</th>
<th>CNY SCR' 000</th>
<th>TOTAL SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
<td>As at 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Financial assets**
- Other Balances and placements: - SCR 746,482 SCR - SCR - SCR - SCR - SCR - SCR 746,482 SCR
- Financial assets at fair value through profit or loss: - SCR 3,023,720 SCR - SCR - SCR - SCR - SCR - SCR 3,023,720 SCR
- Investment securities: - SCR - SCR - SCR - SCR 1,195,094 SCR - SCR - SCR - SCR 1,195,094 SCR
- Loans and advances: - SCR - SCR - SCR - SCR 45,344 SCR - SCR - SCR - SCR 45,344 SCR

**Total financial assets**: 87,895 SCR 7,634,378 SCR 137,219 SCR 140,122 SCR 1,240,438 SCR 27 SCR 56 SCR 3,702 SCR 210,642 SCR 9,454,478 SCR

**Financial liabilities**
- Currency in circulation: - SCR - SCR - SCR - SCR 1,510,295 SCR - SCR - SCR - SCR 1,510,295 SCR
- Deposits from Government: 331,616 SCR 320,910 SCR 68 SCR 68,755 SCR 1,975,141 SCR - SCR - SCR - SCR 2,696,490 SCR
- Deposits from banks: 449,835 SCR 621,996 SCR - SCR - SCR 1,858,735 SCR - SCR - SCR - SCR 2,930,566 SCR
- Deposits from other financial institutions: - SCR - SCR - SCR - SCR 78,249 SCR - SCR - SCR - SCR 78,249 SCR
- Other deposits: 600 SCR 12,643 SCR 415 SCR - SCR 35,254 SCR - SCR - SCR - SCR 48,912 SCR
- Open Market Operations: - SCR - SCR - SCR - SCR - SCR 875,329 SCR - SCR - SCR - SCR 875,329 SCR
- International Monetary Fund obligations: - SCR - SCR - SCR - SCR 545,335 SCR - SCR - SCR - SCR 546,460 SCR

**Total financial liabilities**: 782,051 SCR 955,549 SCR 483 SCR 614,090 SCR 6,334,128 SCR - SCR - SCR - SCR 8,686,301 SCR

**Net financial position**: (694,156) SCR 6,678,828 SCR 136,736 SCR (473,968) SCR (5,093,690) SCR 27 SCR 56 SCR 3,702 SCR 210,642 SCR 768,177 SCR

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CENTRAL BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Market risk (continued)

(b) Currency risk (continued)

The table below discloses the financial assets and financial liabilities by concentration of currency risk.

<table>
<thead>
<tr>
<th>EUR</th>
<th>USD</th>
<th>GBP</th>
<th>XDR</th>
<th>SCR</th>
<th>CAD</th>
<th>AUD</th>
<th>ZAR</th>
<th>CNY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
<td>________</td>
</tr>
</tbody>
</table>
| As at 31 December 2018
| Financial assets
| Cash and cash equivalents | 100,870 | 4,452,983 | 36,684 | 149,934 | - | 26 | 55 | 4,974 | 207,015 | 4,952,541 |
| Other Balances and placements | - | 1,190,559 | - | - | - | - | - | - | - | 1,190,559 |
| Financial assets at fair value through profit or loss | - | 1,590,342 | - | - | - | - | - | - | - | 1,590,342 |
| Investment securities | - | - | - | 1,195,567 | - | - | - | - | - | 1,195,567 |
| Loans and advances | - | - | - | 39,007 | - | - | - | - | - | 39,007 |
| Total financial assets | 100,870 | 7,233,884 | 36,684 | 149,934 | 1,234,574 | 26 | 55 | 4,974 | 207,015 | 8,968,016 |
| Financial liabilities
| Currency in circulation | - | - | - | - | 1,373,111 | - | - | - | - | 1,373,111 |
| Deposits from Government | 156,744 | 354,513 | 918 | 68,806 | 2,402,009 | - | - | - | - | 2,982,990 |
| Deposits from banks | 354,105 | 631,491 | - | - | 1,320,697 | - | - | - | - | 2,306,293 |
| Deposits from other financial institutions | - | - | - | - | 90,898 | - | - | - | - | 90,898 |
| Other deposits | 472 | 5,037 | 200 | - | 32,658 | - | - | - | - | 38,367 |
| Open Market Operations | - | - | - | - | 846,528 | - | - | - | - | 846,528 |
| International Monetary Fund obligations | - | - | - | 644,828 | 1,158 | - | - | - | - | 645,986 |
| Total financial liabilities | 511,321 | 991,041 | 1,118 | 713,634 | 6,067,059 | - | - | - | - | 8,284,173 |
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Market risk (continued)

(b) Currency risk (continued)

Sensitivity to currency risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank’s financial assets and liabilities in relation to changes in foreign exchange rates.

<table>
<thead>
<tr>
<th>Impact on equity</th>
<th>Impact on profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 SCR’ 000</td>
</tr>
<tr>
<td>Impact of:</td>
<td></td>
</tr>
<tr>
<td>An appreciation of 5% in the value of the Seychelles Rupee against all other currencies</td>
<td>293,093</td>
</tr>
<tr>
<td>A depreciation of 5% in the value of the Seychelles Rupee against all other currencies</td>
<td>(293,093)</td>
</tr>
</tbody>
</table>

Adherence to its Investment Policy and Guidelines implies that the Bank will continue to be exposed to foreign currency risk. Nonetheless, the Bank’s foreign currency risk is limited by its investment in cash and cash equivalents, short-term investment and financial assets at fair value through profit or loss.

(c) Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is assisted by external fund managers in its strategy to maximise investment returns. All assets managed by fund managers and all buy and sell decisions are approved by same in compliance with the agreement which reflects compliance to the Investment Policy and Guidelines.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1  Market risk (continued)

(c) Other price risk (continued)

Other price risks stemming from the money market fund and foreign treasury securities portfolio are generally managed according to parameters stipulated within the Investment Policy and Guidelines. However, since the money market fund is not a standalone eligible asset class as stipulated in the Investment Policy and Guidelines, it was expressly authorised by the Board of Directors. Therefore, the management of associated risks is conducted with reference made to the underlying assets making up the fund. In addition, the nature of the fund requires that consideration is also given to tolerable risk thresholds related to external asset management.

Sensitivity to price risk

The table below presents the sensitivity analysis of the Bank’s financial assets and liabilities in relation to changes in market price.

<table>
<thead>
<tr>
<th>Impact on equity</th>
<th>Impact on profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
</tbody>
</table>

Impact of:

An increase of 5% in the market price of foreign investments

151,186  79,517  151,186  79,517

A decrease of 5% in the market price of foreign investments

(151,186) (79,517) (151,186) (79,517)

The Bank’s foreign price risk is limited by its investment in financial assets classified as financial assets at fair value through profit or loss.

41.2  Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk also arises from loans and advances. Staff loans are managed by the Bank under the ambit of the staff loans policy which is approved by the Board. Depending on the staff loans category, appropriate security or collateral is taken in order to limit the impact of any potential default event. It is to be noted that whilst the staff is still employed with the Bank the risk of default is very unlikely in view that loan repayments are taken directly from salary and other dues which ensures that all loans remain fully serviced.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement

The Bank’s maximum exposure is reflected in the carrying amount of financial assets in the statement of financial position.

The Bank’s investments in short-term deposit instruments coupled with institutions of acceptable credit worthiness allows it to manage its credit risk effectively. As such, the Bank is not exposed to significant credit risk, which is the risk that its counterparts will be unable to fulfil their contractual obligations.

Credit risk related to the placement of deposits with international commercial banks, including correspondent banks, is guided by credit ratings obtained from Standard and Poor’s, Moody’s Investors Services, or Fitch Ratings. To be eligible for deposits, including holdings on correspondent account, the international bank must be rated investment grade and above.

To limit credit risk, no more than 35 percent of reserves are invested in claims on international commercial banks with a minimum credit rating of ‘A-’. Reflecting uncertainties regarding banks, the maturity of international commercial banks deposits should not exceed 6 months.

The exposure to credit risk in the local markets is limited due to the largest amount of domestic financial assets in the Bank’s portfolio being Government securities which carries sovereign risk. Furthermore, given that the Bank is the regulatory authority for banks, any investment and transactions with them such as reverse repurchase agreements and foreign exchange swaps will be treated as low risk as such transactions are secured.

The following table presents the Bank’s financial assets based on Standard and Poor’s, Fitch and Moody’s credit rating of the issuer. ‘AAA’ is the rating used for identification of highly reliable international financial institutions. This rating indicates that the entity has an extremely strong capacity to pay interest and principal. ‘AA’ is a high-grade rating and ‘A’ is an upper-medium grade rating, indicating a very strong capacity to pay interest and principal, respectively. ‘BBB’ is the lowest investment grade rating, indicating an adequate capacity to pay interest and principal. Ratings lower than ‘AAA’ can be modified by ‘+’ or ‘−’ signs to indicate relative standing within the major categories. ‘N/R’ indicates the entity has not been rated by any of the above-mentioned rating agencies.
## 41. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Amount SCR’ 000</th>
<th>% of Financial Assets</th>
<th>Amount SCR’ 000</th>
<th>% of Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td>2019</td>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Demand deposits</td>
<td>AAA</td>
<td>-</td>
<td>0.00%</td>
<td>439,273</td>
</tr>
<tr>
<td></td>
<td>AA+</td>
<td>684,737</td>
<td>7.24%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>AA</td>
<td>94,420</td>
<td>1.00%</td>
<td>280,964</td>
</tr>
<tr>
<td></td>
<td>AA-</td>
<td>370,343</td>
<td>3.92%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>A+</td>
<td>20,985</td>
<td>0.22%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>477,275</td>
<td>5.05%</td>
<td>819,405</td>
</tr>
<tr>
<td></td>
<td>A-</td>
<td>371,233</td>
<td>3.93%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>BBB-</td>
<td>-</td>
<td>0.00%</td>
<td>4,974</td>
</tr>
<tr>
<td></td>
<td>BB+</td>
<td>3,701</td>
<td>0.04%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>BB</td>
<td>18,340</td>
<td>0.19%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>N/R</td>
<td>2,252,684</td>
<td>23.83%</td>
<td>3,248,060</td>
</tr>
<tr>
<td>– SDR holdings and reserve tranche</td>
<td>N/R</td>
<td>140,122</td>
<td>1.48%</td>
<td>149,933</td>
</tr>
<tr>
<td>– Foreign currency cash</td>
<td>AA</td>
<td>498</td>
<td>0.005%</td>
<td>338</td>
</tr>
<tr>
<td></td>
<td>No risk</td>
<td>9,500</td>
<td>0.10%</td>
<td>9,594</td>
</tr>
<tr>
<td>Other balances and placements</td>
<td>AA</td>
<td>-</td>
<td>0.00%</td>
<td>175,094</td>
</tr>
<tr>
<td></td>
<td>N/R</td>
<td>746,482</td>
<td>7.895%</td>
<td>1,015,465</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>AAA</td>
<td>2,741,560</td>
<td>29.00%</td>
<td>1,267,091</td>
</tr>
<tr>
<td></td>
<td>AA+</td>
<td>57,094</td>
<td>0.60%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>AA</td>
<td>-</td>
<td>0.00%</td>
<td>148,291</td>
</tr>
<tr>
<td></td>
<td>AA-</td>
<td>41,264</td>
<td>0.44%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>BBB+</td>
<td>-</td>
<td>0.00%</td>
<td>143,332</td>
</tr>
<tr>
<td></td>
<td>BBB</td>
<td>147,323</td>
<td>1.56%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>N/R</td>
<td>36,479</td>
<td>0.38%</td>
<td>31,628</td>
</tr>
<tr>
<td>Investment in Government securities</td>
<td>BB</td>
<td>1,195,094</td>
<td>12.64%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>BB-</td>
<td>-</td>
<td>0.00%</td>
<td>1,195,567</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>N/R</td>
<td>45,344</td>
<td>0.48%</td>
<td>39,007</td>
</tr>
</tbody>
</table>

| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Total** | 9,454,478 | 100.00% | 8,968,016 | 100.00% |


41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

Balances with other banks and financial institutions, including other central banks
The Bank uses external credit risk ratings that reflect its assessment of the probability of default of individual and sovereign counterparties. The credit grades are calibrated such that the risk of default increases at each higher risk grade.

Staff loans
After the date of initial recognition, for staff loans, the default event is determined as the staff leaving the Bank, having loans and not settled within 6 months as per stated policy.

Expected credit loss measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to Note 41.2 for a description of how the Bank determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 41.2 for a description of how the Bank defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 41.2 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 41.2 includes an explanation of how the Bank has incorporated this in its ECL models.

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to Note 41.2).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

**Significant increase in credit risk (SICR)**

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

**Quantitative criteria**

The remaining lifetime PD at the reporting date has increased, compared to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

Balances with other banks and financial institutions, including other central banks: This is determined by a change/downgrade in external rating and depending on the original rating more than one may be needed to trigger a SICR transfer. Many of these exposures are short-term so it should be noted that the ratings changes required to trigger SICR would have to happen in a very short-timeframe.

Investment Securities will follow a similar approach to other counterparty exposures above. This is a longer-term exposure and the effect to moving to a lifetime ECL would be significant.

**Qualitative criteria**

The assessment of SICR incorporates forward-looking information in so far as the external ratings are constructed to reflect macro-economic outlook and impact.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 90 days past due on its contractual payments.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended 31st December 2019.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower has failed to meet contractual obligations on repayment being either 90 days in arrears or in the case of staff lending has left the Bank and failed to meet contractual requirement on settling the outstanding loan.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower’s financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Bank’s expected loss calculations.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
41.1 Credit risk (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a ‘credit conversion factor’ which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank’s recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PDs, EADs and LGDs. These assumptions vary by product type. Refer to the note overleaf for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed on a quarterly basis or upon new parameters being released by the ratings agencies.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information on the corporate and sovereign exposures derived through the external rating and outlook.

On staff lending the data is very sparse and does not practically lend itself to macroeconomic modelling without undue cost and effort. A Pluto-Tasche adjustment is applied to the staff loan parameters to allow for volatility and prudence.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management overlays can also be applied where justified, as approved by RMC.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- The level of rating downgrade needed to trigger SICR on corporate and sovereign exposure and invoke a lifetime ECL calculation. Depending on the rating at origination, a downgrade of 1, 2 or 3+ notches is required to trigger a significant increase in credit risk and set using the ratings PD ranges.

- The adoption of an LGD of 45 percent on corporate and sovereign exposures. Recent industry research has shown this LGD to range between 13 percent and 73 percent with an average in the range of 35 per cent to 45 percent. Applying the LGD at the upper end of the range as a sensitivity has an ECL impact of SCR 1.61 million (2018 – SCR 1.75 million)

- The benchmarking and assumptions used in the setting the ECL parameters for staff lending given the low loan volumes and very limited default history. This has been offset by invoking a Pluto-Tasche calculation to set some upper confidence limits. Additional information will need to be gathered and incorporated over time.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

**Grouping of instruments for losses measured on a collective basis**

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Bank. The characteristics and any supplementary data used to determine groupings are outlined below:

**Loss allowance**

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

The following table explain the changes in the loss allowance between the beginning and the end of the year:

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td>Total SCR' 000</td>
<td>Total SCR' 000</td>
</tr>
<tr>
<td>SCR'000</td>
<td>SCR'000</td>
<td>SCR'000</td>
<td>SCR'000</td>
<td>SCR'000</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2019</td>
<td>3,543</td>
<td>-</td>
<td>524</td>
<td>4,067</td>
</tr>
</tbody>
</table>

Movements with P&L impact

<table>
<thead>
<tr>
<th>Modification of contractual cash flows of financial assets</th>
<th>(769)</th>
<th>-</th>
<th>(508)</th>
<th>(1,277)</th>
<th>139</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss allowance</td>
<td>2,774</td>
<td>-</td>
<td>16</td>
<td>2,790</td>
<td>4,067</td>
</tr>
</tbody>
</table>

There were no transfers between stages during the year.

Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (a) ceasing enforcement activity and (b) where the Bank’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was Nil (2018 – Nil). The Bank will seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(a) Credit risk measurement (continued)

**Exposure to Credit Risk**

Maximum exposure to credit risk — Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts of financial assets below also represent the Bank’s maximum exposure to credit risk on these assets.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stage 1 (12-month ECL)</td>
<td>Stage 2 (Lifetime ECL)</td>
</tr>
<tr>
<td></td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Investment grade</td>
<td>6,378,502</td>
<td>-</td>
</tr>
<tr>
<td>Standard monitoring</td>
<td>48,729</td>
<td>-</td>
</tr>
<tr>
<td>Default</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross carrying amount</strong></td>
<td><strong>6,427,231</strong></td>
<td><strong>39</strong></td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(2,774)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td><strong>6,424,457</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

There were no transfers between stages during the year.

Collateral and other credit enhancements

The Bank has collateral for certain categories of staff loans in the form of guarantees, charges, property and pledge of insurance.
CENTRAL BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (continued)

(b) Concentration of risk – Geographical sectors

The table below breaks down the Bank’s main credit exposure at the carrying amounts, as categorised by geographical region as of 31 December 2019. Exposures have been allocated by region of the country of domicile of the relevant counterparties.

<table>
<thead>
<tr>
<th>Geographical Sector</th>
<th>Europe</th>
<th>US</th>
<th>Seychelles</th>
<th>Asia</th>
<th>Middle East</th>
<th>Africa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,752,952</td>
<td>830,067</td>
<td>9,500</td>
<td>476,688</td>
<td>370,929</td>
<td>3,702</td>
<td>4,443,838</td>
</tr>
<tr>
<td>Other balances and placements</td>
<td>746,482</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>746,482</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>279,601</td>
<td>2,707,641</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,478</td>
<td>3,023,720</td>
</tr>
<tr>
<td>Investment securities</td>
<td>-</td>
<td>-</td>
<td>1,195,094</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,195,094</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>-</td>
<td>-</td>
<td>45,344</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45,344</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>3,779,035</td>
<td>3,537,708</td>
<td>1,249,938</td>
<td>476,688</td>
<td>370,929</td>
<td>40,180</td>
<td>9,454,478</td>
</tr>
</tbody>
</table>

At 31 December 2018

<table>
<thead>
<tr>
<th>Geographical Sector</th>
<th>Europe</th>
<th>US</th>
<th>Seychelles</th>
<th>Asia</th>
<th>Middle East</th>
<th>Africa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td>SCR’ 000</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,562,044</td>
<td>589,207</td>
<td>9,594</td>
<td>412,827</td>
<td>373,895</td>
<td>4,974</td>
<td>4,952,541</td>
</tr>
<tr>
<td>Other balances and placements</td>
<td>1,015,465</td>
<td>-</td>
<td>-</td>
<td>175,094</td>
<td>-</td>
<td>-</td>
<td>1,190,559</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>424,478</td>
<td>1,120,056</td>
<td>-</td>
<td>14,180</td>
<td>-</td>
<td>31,628</td>
<td>1,590,342</td>
</tr>
<tr>
<td>Investment securities</td>
<td>-</td>
<td>-</td>
<td>1,195,567</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,195,567</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>-</td>
<td>-</td>
<td>39,007</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,007</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>5,001,987</td>
<td>1,709,263</td>
<td>1,244,168</td>
<td>602,101</td>
<td>373,895</td>
<td>36,602</td>
<td>8,968,016</td>
</tr>
</tbody>
</table>

As at the reporting date, the Bank did not have any assets that was past due or impaired and has not experienced such situation in the past.
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities. It refers to the possible difficulties in selling (liquidating) large amounts of assets quickly, possibly in a situation where market conditions are also unfavourable, resulting in adverse price movement. As the Bank is the sole issuer of the national currency this channels its liquidity risk towards its foreign currency positions. On that basis, the liquidity of each financial instrument eligible for investment is duly considered by the Bank before an investment is made.

To reduce liquidity risk, the Bank can only invest in instruments under the liquidity tranche that can be liquefied within five business days and preferably same day for the working capital tranche.

(a) Contractual maturity of financial assets and liabilities

The table overleaf analyses the Bank’s financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the maturity table are the undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position which is based on discounted cash flows. Balances due within one month equal their carrying balances, as the impact of discounting is not significant.
CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

41.  FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3  Liquidity risk (continued)

(a)  Contractual maturity of financial assets and liabilities (continued)

<table>
<thead>
<tr>
<th>Demand and</th>
<th>Gross nominal inflow/outflow</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1 month</td>
<td>1 to 3 months</td>
<td>3 to 12 months</td>
</tr>
<tr>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency in circulation</td>
<td>1,510,295</td>
<td>-</td>
</tr>
<tr>
<td>Deposits from Government</td>
<td>2,696,490</td>
<td>-</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>2,930,566</td>
<td>-</td>
</tr>
<tr>
<td>Deposits from other financial institutions</td>
<td>78,249</td>
<td>-</td>
</tr>
<tr>
<td>Other deposits</td>
<td>48,912</td>
<td>-</td>
</tr>
<tr>
<td>Open Market Operations obligations</td>
<td>653,015</td>
<td>224,994</td>
</tr>
<tr>
<td>International Monetary Fund obligations</td>
<td>6,126</td>
<td>5,527</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>7,923,653</td>
<td>230,521</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,351,982</td>
<td>1,096,156</td>
</tr>
<tr>
<td>Other balances and placements</td>
<td>-</td>
<td>749,261</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>701</td>
<td>1,361</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>3,352,683</td>
<td>1,846,798</td>
</tr>
<tr>
<td>Net liquidity gap</td>
<td>4,570,970</td>
<td>(1,616,277)</td>
</tr>
</tbody>
</table>
### 41. Financial Risk Management (continued)

#### 41.3 Liquidity risk (continued)

(a) Contractual maturity of financial assets and liabilities (continued)

<table>
<thead>
<tr>
<th>Demand and Contractual Maturity</th>
<th>Gross nominal inflow/outflow</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1 month</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>1 to 3 months</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>3 to 12 months</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
</tbody>
</table>

At 31 December 2018

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency in circulation</td>
<td>1,373,111</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,373,111)</td>
<td>1,373,111</td>
</tr>
<tr>
<td>Deposits from Government</td>
<td>2,982,990</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,982,990)</td>
<td>2,982,990</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>2,306,293</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,306,293)</td>
<td>2,306,293</td>
</tr>
<tr>
<td>Deposits from other financial institutions</td>
<td>90,898</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(90,898)</td>
<td>90,898</td>
</tr>
<tr>
<td>Other deposits</td>
<td>38,367</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(38,367)</td>
<td>38,367</td>
</tr>
<tr>
<td>Open Market Operations</td>
<td>846,753</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(846,753)</td>
<td>846,528</td>
</tr>
<tr>
<td>International Monetary Fund obligations</td>
<td>6,163</td>
<td>6,407</td>
<td>94,710</td>
<td>365,895</td>
<td>218,827</td>
<td>(692,002)</td>
<td>645,986</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>7,644,575</strong></td>
<td><strong>6,407</strong></td>
<td><strong>94,710</strong></td>
<td><strong>365,895</strong></td>
<td><strong>218,827</strong></td>
<td><strong>(8,330,414)</strong></td>
<td><strong>8,284,173</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>4,785,743</td>
<td>175,767</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,961,510</td>
<td>4,952,541</td>
</tr>
<tr>
<td>Other balances and placements</td>
<td>292,693</td>
<td>-</td>
<td>909,024</td>
<td>-</td>
<td>-</td>
<td>1,201,717</td>
<td>1,190,559</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>279,412</td>
<td>1,143,303</td>
<td>-</td>
<td>1,422,715</td>
<td>1,590,342</td>
</tr>
<tr>
<td>Investment securities</td>
<td>-</td>
<td>-</td>
<td>1,235,175</td>
<td>-</td>
<td>-</td>
<td>1,235,175</td>
<td>1,195,567</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>630</td>
<td>1,256</td>
<td>5,554</td>
<td>28,772</td>
<td>45,153</td>
<td>81,365</td>
<td>39,007</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>5,079,066</strong></td>
<td><strong>177,023</strong></td>
<td><strong>2,429,165</strong></td>
<td><strong>1,172,075</strong></td>
<td><strong>45,153</strong></td>
<td><strong>8,902,482</strong></td>
<td><strong>8,968,016</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net liquidity gap</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
<th>SCR' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,565,509</td>
<td>(170,616)</td>
<td>(2,334,455)</td>
<td>(806,180)</td>
<td>173,674</td>
<td>(572,068)</td>
<td>(683,843)</td>
</tr>
</tbody>
</table>
41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Capital management

The statutory capital of the Bank which comprises the authorised capital and General reserve shall be built up to 10.0 percent of monetary liabilities and can be more in one year should the monetary liabilities decrease. Section 16(2) of the CBS Act states that where the Bank has distributable earnings for any financial year, 50 percent of those earnings shall be distributed in the following priority, to the statutory capital until:

a) authorised capital reaches 3.33 percent of monetary liabilities; and
b) the General reserve reaches 6.67 percent of monetary liabilities.

As at 31 December 2019 statutory capital stood at 5.21 percent of monetary liabilities (2018 – 6.56 percent). In the event of the General reserve accumulates a balance of less than zero, the Government shall within 30 days of publication of the annual accounts, recapitalise the Bank by transferring marketable securities to the ownership of the Bank to restore the General reserve to zero.

41.5 Non-financial risk management

(a) Operational risk management

Operational risk is the risk of direct or indirect loss as a result of inadequate control or failures in internal processes and systems. This also covers activities of employees and external events. The Bank’s typical general risk areas include reputational, strategic, financial, compliance and operational risks. Whilst it is understood that such risks cannot be entirely eliminated and the cost for mitigating these risks may outweigh the potential benefits to the Bank, the Risk Management Committee (“RMC”) is dedicated to try and manage these risks.

As part of the implementation of the Bank’s risk management framework, autonomous checks on the risk issues are carried out by the Risk Management Unit (“RMU”). During the year RMC met on a quarterly basis to discuss the risks identified within the Bank and to put in place controls to mitigate them.
42. **FAIR VALUES OF FINANCIAL INSTRUMENTS**

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### 42.1 Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of investment securities which are not presented on the Bank’s statement of financial position at fair value:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying value</td>
<td>Fair value</td>
<td>Carrying value</td>
<td>Fair value</td>
</tr>
<tr>
<td></td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
<td>SCR' 000</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1,195,094</td>
<td>1,184,093</td>
<td>1,195,567</td>
<td>1,179,789</td>
</tr>
</tbody>
</table>

The fair value of investment securities classified at amortised cost is based on market prices of Government treasury bills as at the reporting date. The fair value of Government treasury bills has been computed using the compounded interest method at interest rates of **5.63 percent** per annum for the 182-day treasury bills (2018 – 5.48 percent per annum) and **6.29 percent** per annum for the 365-day treasury bills (2019 – 5.89 percent per annum). For all other financial assets and liabilities, their carrying amounts are a reasonable approximation of fair value.

### 42.2 Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1**: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- **Level 2**: inputs other than quoted prices included within level 1 that are observables either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
42. **FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

42.2 **Valuation models (continued)**

- **Level 3**: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

42.3 **Accounting classifications and fair values**

The following tables overleaf sets out the fair values of financial instruments measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. The tables also set out the other financial instruments not measured at fair value.
**CENTRAL BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED 31 DECEMBER 2019*

42. **FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

42.3 *Accounting classifications and fair values (continued)*

<table>
<thead>
<tr>
<th>Carrying amount at fair value through profit or loss</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carrying amount</strong></td>
<td><strong>Amortised Cost</strong></td>
</tr>
<tr>
<td><strong>SCR' 000</strong></td>
<td><strong>SCR' 000</strong></td>
</tr>
</tbody>
</table>

**At 31 December 2019**

**Financial assets measured at fair value**

Financial assets at fair value through profit or loss

| **SCR' 000** | **3,023,720** | **-** | **-** | **3,023,720** | **1,030,312** | **1,809,606** | **183,802** | **3,023,720** |
| **---** | **---** | **---** | **---** | **---** | **---** | **---** | **---** | **---** |

**Financial assets not measured at fair value**

| **Cash and cash equivalents** | **-** | **4,443,838** | **-** | **4,443,838** | **-** | **4,443,838** | **-** | **4,443,838** |
| **Other balances and placements** | **-** | **746,482** | **-** | **746,482** | **-** | **746,482** | **-** | **746,482** |
| **Investment securities** | **-** | **1,195,094** | **-** | **1,195,094** | **-** | **1,184,093** | **-** | **1,184,093** |
| **Total assets not measured at fair value** | **-** | **6,430,758** | **-** | **6,430,758** | **-** | **6,374,413** | **-** | **6,374,413** |

**Financial liabilities not measured at fair value**

| **Currency in circulation** | **-** | **-** | **1,510,295** | **1,510,295** | **-** | **-** | **-** | **-** |
| **Deposit from Government** | **-** | **-** | **2,696,490** | **2,696,490** | **-** | **-** | **-** | **-** |
| **Deposit from banks** | **-** | **-** | **2,930,566** | **2,930,566** | **-** | **-** | **-** | **-** |
| **Deposit from other financial institutions** | **-** | **-** | **78,249** | **78,249** | **-** | **-** | **-** | **-** |
| **Other deposits** | **-** | **-** | **48,912** | **48,912** | **-** | **-** | **-** | **-** |
| **Open Markets Operations** | **-** | **-** | **875,329** | **875,329** | **-** | **875,329** | **-** | **875,329** |
| **International Monetary Fund obligations** | **-** | **-** | **546,460** | **546,460** | **-** | **546,460** | **-** | **546,460** |
| **Total liabilities not measured at fair value** | **-** | **-** | **6,686,301** | **6,686,301** | **-** | **1,421,789** | **-** | **1,421,789** |
### 42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### 42.3 Accounting classifications and fair values (continued)

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>At fair value</td>
<td>At Amortised Cost</td>
</tr>
<tr>
<td>through profit or loss</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**At 31 December 2018**

**Financial assets measured at fair value**

Financial assets at fair value through profit or loss:

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Financial assets not measured at fair value**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Currency in circulation**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Deposit from Government**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Deposit from banks**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Deposit from other financial institutions**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Open Markets Operations**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**International Monetary Fund obligations**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Total liabilities not measured at fair value**

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCR '000</td>
<td>SCR '000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Accounting classifications and fair values (continued)

There have been no transfers during the year between levels 1 and 2. A reconciliation of fair value measurements in level 3 is set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Valuation technique</th>
<th>Sensitivity analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in shares</td>
<td>Net asset value of the investee company</td>
<td>The estimated fair value would increase/decrease if the net asset value of the investee company increases/decreases</td>
</tr>
<tr>
<td>with Afreximbank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in money market</td>
<td>Net asset value of the funds</td>
<td>The estimated fair value would increase/decrease if the net asset value of the funds increase/decrease</td>
</tr>
<tr>
<td>funds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Balance as at 1 January:
- Equity Securities (SCR' 000):
  - Balance as at 1 January: 174,960
  - Additions: 54
  - Change in fair value: 8,788
  - Balance as at 31 December: 183,802

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

42.4 Valuation techniques used

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For the other financial instruments, the Bank determines fair values using the valuation technique as per table above:

43. TAXATION

The Bank is exempted from taxation under Section 49 of the CBS Act but is subject to payments of value added tax and makes retention in respect of withholding taxes on services acquired from foreign entities.

44. CURRENCY

The financial statements are presented in Seychelles Rupees and figures are stated in thousands of Seychelles Rupees.
45. EVENTS AFTER THE REPORTING DATE

45.1 Annex building of the Bank

Subsequent to the reporting date, the Bank entered into an agreement with SPF on 24 January 2020, which sets out the terms and conditions on which the Bank shall be compensated for the damages caused to the Bank’s annex building. A consideration of the sum of SCR10.3 million is payable by SPF to the Bank in the year 2020. The Bank has begun the process to demolish the annex building which is expected to be completed during the first half of the year 2020.

45.2 Impact of the ‘COVID-19’ virus outbreak

Subsequent to reporting date, the ‘COVID-19’ virus has impacted the financial markets globally. This may result in a significant impact subsequent to year end on the Bank’s financial instruments recognised on the statement of financial position at 31 December 2019. A reasonable estimate of the potential impact cannot be quantified as at the date the finalisation of these financial statements.

This worldwide pandemic is expected to have adverse effects on the Seychelles’ economy since one of the main pillars, tourism is expected to be affected significantly. The Central Bank expects that in the coming months, it may have to consider a more aggressive adjustment in its monetary policy stance and use other tools available at its disposal, such as the use of the foreign exchange reserves to help reduce the impact that this public health crisis will have on the financial system, the Government and the economy as a whole.
### CBS List of Officers

<table>
<thead>
<tr>
<th>Secretariat</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Caroline Abel</td>
<td>Governor</td>
</tr>
<tr>
<td>Mr Christophe Edmond</td>
<td>First Deputy Governor</td>
</tr>
<tr>
<td>Ms Jenifer Sullivan</td>
<td>Second Deputy Governor</td>
</tr>
<tr>
<td>Mr Jude Woodcock</td>
<td>Chief Information Security Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Communications Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs Marie-Angele Thomas</td>
<td>Communications Officer</td>
</tr>
<tr>
<td>Mrs Sharon Uranie</td>
<td>Communications Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compliance Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Martine Faure</td>
<td>Director</td>
</tr>
<tr>
<td>Mr Collin Appoo</td>
<td>Compliance Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Shannon Jolicoeur</td>
<td>Senior Legal Officer</td>
</tr>
<tr>
<td>Mrs Tanya Thyroomoody</td>
<td>Legal Officer</td>
</tr>
<tr>
<td>Ms Vivienne Confiance</td>
<td>Legal Officer</td>
</tr>
<tr>
<td>Ms Annarose Clarisse</td>
<td>Legal Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal Audit Division</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs Danielle Michaud</td>
<td>Director</td>
</tr>
<tr>
<td>Ms Vanessa Chang-Lam</td>
<td>Internal Auditor</td>
</tr>
<tr>
<td>Ms Juliette Malbrook</td>
<td>Internal Auditor</td>
</tr>
<tr>
<td>Mr Lenin Thyroomoody</td>
<td>Information Systems Auditor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Management Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Laureenda Mathiot</td>
<td>Risk Manager</td>
</tr>
<tr>
<td>Ms Antoinette Bistolet</td>
<td>Risk Officer</td>
</tr>
<tr>
<td>Ms Prisila Laurence</td>
<td>Risk Officer</td>
</tr>
<tr>
<td>Mr Kevin Fabien</td>
<td>Business Continuity Manager</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administration Division</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacant</td>
<td>Head of Division</td>
</tr>
<tr>
<td>Mr Francis Payet</td>
<td>Director</td>
</tr>
<tr>
<td>Ms Nelcie Pierre</td>
<td>Finance and Admin Officer</td>
</tr>
<tr>
<td>Mr Russel Moustache</td>
<td>Building and Project Manager</td>
</tr>
<tr>
<td>Mr Philip Simeon</td>
<td>Security Manager</td>
</tr>
<tr>
<td>Ms Yvonne Legaie</td>
<td>Health and Safety Officer</td>
</tr>
</tbody>
</table>
**Banking Services Division**

Mr Mike Tirant  
Mrs Noemie Gobine  
Mrs Patricia Padayachy  
Mr Govani Valentín  
Mr Terry Adrienne  
Mr Michel Moustache  
Mrs Cynthia Sophola  
Ms Shannon Confiance  
Mr Allen Marie-Therese  
Mrs Jeannette Payet  
Ms Claire Pragassen  
Mr Samuel Chang-Sam  
Mr Charles Ally  
Mr Aubrey Yocette  
Ms Vanessa Bijoux  
Ms Dianne Pillay  
Ms Diane Alvis  
Ms Sabrina Henriette  
Mrs Angelique Korajkar  
Mr Jude Adolphe  
Mr Christopher Rousseau  
Ms Sylvia Woodcock  
Ms Iríanna Aglae  

**Financial Markets Division**

Ms Moyra Alexis  
Mrs Gina Rosette  
Ms Vaithegi Naidu  
Mr Paul Morel  
Mrs Shireen Jumaye-Hoareau  
Ms Aneesha Coopoosamy  
Ms Sheera Philoe  
Ms Jessica Morel  
Mr Ron Bonne  
Ms Vanessa Valentín  
Mr Adolf Nourrice  
Ms Melissa Naiken  
Ms Shirley Mendes  
Ms Marylene Chang-Him  
Ms Elaine Desnousse  
Mr Chris Loizeau  
Ms Sophie Morel  
Mr Fabien Bristol  
Ms Beverly Labiche  
Ms Sumita Zelia
Ms Emma Larue Settlement Officer
Ms Anna Sinon Settlement Officer

Financial Surveillance Division
Mr Naadir Hassan Head of Division
Mr Aaron Leong Pon Director
Mrs Samanta Esparon Senior Financial Surveillance Analyst
Mr Edouard Rose Senior Financial Surveillance Analyst
Ms Daniele Chetty Senior Financial Surveillance Analyst
Ms Joan Lespoir Senior Financial Surveillance Analyst
Ms Shirlee Agricole Financial Surveillance Analyst
Mrs Vivienne Gertrude Financial Surveillance Analyst
Mrs Audrey Pothin Financial Surveillance Analyst
Mr Tyron Scholastique Financial Surveillance Analyst
Ms Rebecca David Financial Surveillance Analyst
Ms Selma Valentin Financial Surveillance Analyst
Ms Sammia Marchesseau Financial Surveillance Analyst
Mrs Nella Souris Financial Surveillance Analyst
Ms Stephanie Pillay Financial Surveillance Analyst
Mrs Charmine Fanchette Financial Surveillance Analyst
Ms Lana Woodcock Financial Surveillance Analyst
Ms Nathalie Violette Financial Surveillance Analyst
Mrs Lynn Commettant Financial Surveillance Analyst
Ms Mikaella Joubert Senior Financial Surveillance Analyst
Mrs Tracy Julienne Financial Surveillance Analyst
Mr Cyril Benoiton Financial Surveillance Analyst
Ms Lanna Jacques Financial Surveillance Analyst
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