



500 FINANCIAL SURVEILLANCE REPORT 2017





The Financial Surveillance Division (FSD) of the Central Bank of Seychelles (hereinafter, the Bank) publishes, annually, a report which highlights the regulation and supervision of the financial sector of Seychelles. As per section 48(2) of the Central Bank of Seychelles Act, 2004 as amended (CBSA), *“the Bank may publish regular reports on issues related to monetary policy, financial stability or any other matter within its competence..... on its activities in the preceding year and on the achievement of its objectives set out in section 4”*.

This report is primarily directed towards the financial sector and other individuals so as to provide them with an insight into the endeavours undertaken by the Bank to promote a financial system that is sound as well as inclusive and equitable towards all participants.

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CBS VISION

By 2018, to be a model central bank in the region, delivering price stability and financial system soundness through professionals who are competent, committed and uphold high ethical standards, so as to support economic growth and development

CBS MISSION

To contribute towards the sustainable economic growth and development of Seychelles through monetary policy and maintenance of a sound financial system.



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

The other objectives of the Bank are -

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

CBS OBJECTIVES



GOVERNOR'S STATEMENT

I have the pleasure of presenting the first edition of the Financial Surveillance Report of the Central Bank of Seychelles. This report supersedes the Financial Services Supervision Report - first issued with respect to the year 2008 - following the implementation of a modified 'Twin Peaks' model within the Bank. The aim of the report is to provide the public with an insight into the endeavours undertaken by the Bank to promote a financial system that is sound as well as inclusive and equitable towards all participants.

The year 2017 bore testament to continued resilience in the banking system with banks in general being adequately capitalised, liquid and managing their foreign currency exposure in line with prudential requirements. This was against the backdrop of an evolving monetary policy framework with the implementation of the interest rate corridor and an economy growing by over 5.0%, largely on the back of healthy performance of the services sector.

In reinforcing the robustness of the financial system, the Bank pursued the strengthening of its regulatory and supervisory frameworks through alignment with international standards such as Basel II and III. Inter-agency co-operation also plays an important role in the Bank's supervisory approach. This was cemented in November 2017 with the signing of a Memorandum of Understanding (MoU) with the Public Enterprise Monitoring Commission (PEMC) on the exchange of information relating to financial institutions categorised as state-owned enterprises.

The overarching mission of the Bank is to contribute towards sustainable economic growth and development in delivering its objectives. Increasing access to finance is an important component to achieving this and a flourishing financial leasing industry will narrow financing gaps. In collaboration with the International Finance Corporation (IFC) and the Seychelles Investment Board (SIB), the first financial leasing forum was held in April 2017 in a bid to spur its development and support funding needs.

In parallel, the Bank moved forward with the execution of its strategic plan and the Financial Sector Development Implementation Plan (FSDIP) which equally advocate enhancing financial literacy and consumer protection. It was thus particularly befitting for the Bank to co-host the Alliance for Financial Inclusion (AFI)'s 13th Consumer Empowerment and Market Conduct (CEMC) and 8th SME Finance (SMEF) Working Group Meetings in March 2017.

Additionally, the Bank pledged its commitments to AFI's Maya Declaration on financial inclusion. As concrete steps under the FSDIP, the Bank and the Financial Services

Authority (FSA) embarked on the development of a financial consumer protection law. This will complement the National Financial Education Strategy that was jointly launched in December 2017. The FSDIP also proposes the introduction of new financial services and products to broaden and deepen the financial sector. Further advancement was realised with the Board of the Bank approving the consultancy-produced policy and strategy for Islamic banking and finance which will be tabled to the Cabinet of Ministers in 2018.

International compliance remained entrenched in the Bank's engagements as it involves institutions under its purview and in recognition of its bearing on the financial system. Notable progress was achieved during 2017 with the first reporting and exchange of information under the Organisation for Economic Co-operation and Development's Common Reporting Standard. Other positive developments included the finalisation of the National Risk Assessment (NRA) as the country geared up for its second Mutual Evaluation against the Financial Action Task Force (FATF) Recommendations. This was conducted during the second half of the year by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) with the report expected to be finalised later in 2018.

The significance of these assessments cannot be understated as the de-risking phenomenon was highlighted as a recurring risk to financial stability throughout the year by the Financial Stability Committee. Given the magnitude of its implications, the Cabinet of Ministers was notified and approved a series of measures to alleviate and mitigate its impact. Collectively with relevant stakeholders, these measures have and will continue to be put into action as the Bank sustains its endeavours on multiple fronts in order to promote soundness in the financial system in 2018 and beyond.

Ms Caroline Abel
Governor



FOREWORD BY THE HEAD OF FINANCIAL SURVEILLANCE DIVISION

In May 2017, the regulatory and supervisory approach of the Bank was transformed with the adoption of an internalised and modified 'Twin Peaks' model. This was accommodated through the restructuring of the Financial Services Supervision Division (FSSD) and the Payment Systems Oversight Division (PSOD) which were previously responsible for the regulation and supervision of institutions under the Bank's ambit and oversight of payments systems.

The FSD emerged as the 'peak' charged with promoting a sound financial system through prudential supervision of institutions and oversight of payment systems at the micro and macro level, as it also incorporated the Financial Stability Section (FSS). As its counterpart and second 'peak' in this arrangement, the role of the Financial Inclusion and Market Conduct Division (FIMCD) is to contribute towards enhancing financial inclusion, market conduct and competition in the financial sector of Seychelles. In housing the prudential supervision and financial inclusion and market conduct functions in separate divisions, the Bank has better positioned itself to promoting a financial system that is not only sound but also open and imbued with fair practices towards consumers.

At the same time, a robust regulatory and supervisory structure on its own cannot guarantee the continuous development of the financial sector. It is human capital that will underpin these frameworks and will be an instrumental component in driving growth in the private sector and the financial system as a whole. Addressing the local capacity shortage in the industry is a key priority for the Bank and several initiatives were undertaken with private and public stakeholders alike. In March 2017, a bank-wide internship programme began for students pursuing finance-related courses on Government scholarships. The programme reflects the end result of successful discussions with the Agency for National Human Resource Development (ANHRD) and the industry. On its side, the Bank was nominated to the Board of the Faculty of Business and Sustainable Development of the University of Seychelles (Unisey). Through this avenue, the Bank can provide its expertise and frontline experience of the financial sector to make the academic output more reflective of current and future needs. Despite these inroads made, it is important for the private sector to make its own contribution. The Seychelles Bankers Association (SBA) responded favourably and is expected to spearhead the development of a training plan for its members.

In the supervisory space, the Bank retained its drive for compliance to international standards. This has increasingly been brought to the fore in the anti-money laundering and counter financing of terrorism (AML/

CFT) domain, particularly in the wake of the de-risking developments. The finalisation of the NRA will prove beneficial in this regard by efficiently allocating authorities' resources to mitigating identified money laundering and terrorist financing (ML/TF) risks in the country on a risk-based approach. This is in line with the first FATF Recommendation and correspondingly provided a valuable preparatory exercise for the Mutual Evaluation. In addition, with the full support of the Cabinet of Ministers, the high-level Committee for de-risking and loss of correspondent banking was established as part of the approved series of measures. The Committee comprises of representatives from the Bank, the then Ministry of Finance, Trade and Economic Planning¹, Department of Foreign Affairs, FSA, Financial Intelligence Unit (FIU), Registration Division, Office of the Attorney General, Seychelles International Financial Services Association (SIFSA) and SBA. It represents a united front on the part of stakeholders and will be responsible for implementing the Cabinet-endorsed recommendations. Accordingly, as one of the approved measures, a delegation from the Bank and FSA met with regulators and correspondent banks in New York and several European countries in September/October 2017. These engagements served to convey Seychelles' commitment to shore up its AML/CFT framework and to attain a more comprehensive understanding of the subject of de-risking.

As evidenced by ongoing developments such as de-risking, the nature of the regulatory and supervisory landscape is seldom static and ever evolving. The Bank is conscious that this necessitates a proactive and vigilant approach and will continue to build on the foundation laid in pursuit of a sound financial system.

Mr Naadir Hassan
Head of Financial Surveillance Division

¹ In 2018, this changed to the Ministry of Finance, Trade, Investment and Economic Planning (MFTIEP). Accordingly, this new title will henceforth be used throughout the report.

CHAPTER 1

OVERVIEW



1.0 Introduction

The Financial Surveillance Report continues the work of its predecessor, the Financial Services Supervision Report, in promoting transparency through the dissemination of information within the financial system and to the public at large. The report emphasises on the structure of the financial sector and the financial position of institutions under the purview of the Bank juxtaposed with developments in the regulatory and supervisory landscape in 2017. This is explored against the background of the macroeconomic setting, current affairs and topical issues, and the roles and functions of FSD and FIMCD extending to their regional and international engagements. The following paragraphs give a summary of the main developments that have occurred in these areas.

1.1 Structure of the Financial Sector

The regulated and supervised population of institutions saw entrants and exits from the system during the year under review. As at end December 2017, the number of licensed banks was reduced to 10 by way of 1 surrender of banking licence. In contrast, there were two non-bank credit institutions (NBCIs) as well as a sole credit union, consistent with 2016. The total number of bureaux de change (BDCs) increased to 27 and the aggregate number of licensed payment service providers (PSPs) remained at 15. This reflects the licensing of 3 additional BDCs and 1 PSP whereas 1 company had its BDC licence revoked and another chose to surrender both its PSP and BDC licence in 2017. The ownership structure of banks remained largely unchanged from the previous year and there was no expansion in the sector's branch network.

1.2 Developments in the Domestic Financial Sector

In terms of private sector-driven endeavours, SBA released an updated Code of Banking Practice and a Customer Due Diligence (CDD) Customer Guide. The Code of Banking Practice aims to foster good relationships between the industry and customers whilst the latter is an educational tool on the purpose and requirements of CDD. Alongside these efforts, the Bank continued to implement its initiatives to modernise the national payment system, augment financial inclusion and create conducive regulatory frameworks to cater for new products and services in the financial sector. The Bank commissioned a diagnostic study for the establishment of a payment switch system in the country and as a joint-venture with FSA, launched the National Financial Education Strategy in December 2017. In addition, the consultancy-derived policy and strategy for Islamic banking and finance was accepted by the Board of the Bank with investment banking and private banking as other proposed projects in the pipeline.

1.3 Macroeconomic Conditions

The global economy was on the road to recovery as the International Monetary Fund (IMF) estimated an increase in economic growth to 3.6% from 3.2% in 2016. Oil

prices remained relatively weak during the year and were driven down by several factors, such as better-than-expected US shale output. Prices are expected to rise in 2018 following the Organisation of the Petroleum Exporting Countries' (OPEC) announcement in May 2017 to prolong oil production cuts until March 2018. This suggests inflationary pressures on the horizon for non-oil exporting countries. External conditions however, had no significant adverse impact at a national level. Domestic economic growth surpassed 5.0% and prices were generally 3.5% higher than in 2016. The Bank maintained a tight monetary policy stance in the first half of the year as threats to domestic price stability were viewed to be more prominent. The interest rate corridor came into operation in June 2017 and monetary policy was loosened in the remaining six months of the year to boost economic growth. On the fiscal side, total public debt decreased to 62% of GDP and the fiscal accounts registered a primary surplus equivalent to 3.1% of GDP. In terms of accumulation of international reserves, by the year-end, gross reserves level was able to cover 4.2 months of the country's import requirements and net international reserves exceeded its target of US\$391 million to settle at US\$424 million.

1.4 Financial Sector Performance

Banks' total assets grew to R19,659 million in 2017 from R17,618 million in 2016, with increases in loans and advances and external assets accounting for most of this growth. Loans and advances rose by R769 million consistent with the adopted monetary policy stance which produced a relatively lowered interest rate environment and boosted demand. The banking sector was yet again profitable although net profit after tax for the sector declined by 15% to reach R384 million in 2017. Notwithstanding the decrease in the industry-wide capital adequacy ratio (CAR) from 27% to 24%, the banking system remained sufficiently capitalised. The sector-average liquid assets to total liabilities ratio climbed by 3% and stood at 57% at the end of the year. Moreover, banks were satisfactorily managing their foreign currency exposure. The sector's total long position and total short position to capital ratio was calculated at 6.43% and 5.60%, respectively at end December 2017. With respect to the Seychelles Credit Union (SCU), the Development Bank of Seychelles (DBS) and the Housing Finance Company Limited (HFC), a combined net profit of R35 million was registered, an increase of R10.2 million from 2016. BDCs also recorded a better performance than in the previous year as net profit after tax rose by R10.8 million in 2017.

1.5 Developments in the Supervisory Framework

Elevating the regulatory and supervisory architecture continues to be a focal point of the Bank. The main development was the issuance of a Guideline on the Operation of Automated Teller Machines, Point of Sale Terminals and the Acquiring and Issuing of Payment Cards. Additionally, two circulars on eligible collateral to be used in credit provisioning and the self-attestation pertaining to the SWIFT customer security programme



were released to relevant institutions in 2017. Several pieces of legislation such as the Financial Institutions Act, 2004, as amended (FIA) and the National Payment System Act, 2014 (NPSA) were reviewed during the course of the year to be further enhanced and aligned with international standards. The necessary revisions to these two Acts are anticipated to be effected in 2019. Similarly, the Bank laid the groundwork for prospective legislations such as the e-money regulations and the financial consumer protection law, which is being jointly developed by the Bank and FSA.

1.6 Regional & International Developments and Initiatives

The Bank participated in a multitude of regional and international initiatives which targeted a range of areas such as financial inclusion policy, de-risking, implementation of Basel II and III, and capacity building. Amongst its more prominent regional contributions, the Bank represented the country in the Project Team tasked with carrying out a survey on de-risking in the ESAAMLG region following a resolution from the ESAAMLG Council of Ministers in 2016. The Project Team was co-chaired by Angola and Seychelles, and included Kenya, South Africa, Zambia and Zimbabwe. The survey was conducted in 2016 and the report was later finalised and adopted by the ESAAMLG Council of Ministers in 2017. In addition, the Bank's most visible international engagements included its co-hosting of AFI's 13th CEMC and 8th SMEF Working Group Meetings in March 2017.

1.7 Issues and Challenges

De-risking and loss of correspondent banking, threat to cybersecurity and the local skills shortage are among the issues and challenges faced in the financial sector. During the year under review, the Bank and relevant stakeholders stepped up their efforts to address these matters. This included, inter alia, the development of cybersecurity guidelines for institutions within the remit of the Bank; SBA undertaking a training plan for its members; and the establishment of a high-level Committee on de-risking and loss of correspondent banking responsible for implementing mitigating measures.

CHAPTER 2

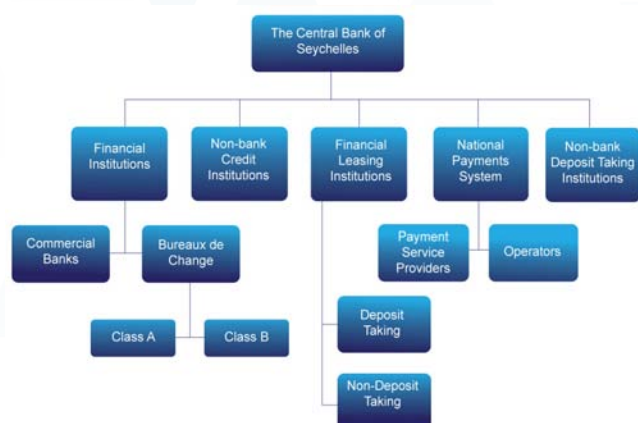
STRUCTURE OF THE FINANCIAL SECTOR



2.0 Central Bank of Seychelles: The Regulator and Supervisor

The CBSA, FIA, Financial Leasing Act (FLA), and NPSA grant regulatory and supervisory authority to the Bank. Section 4(2)(b) of the CBSA stipulates that one of the main objectives of the Bank is to promote a sound financial system. This objective is articulated within the Bank's strategic plan for 2014-2018. Ultimately, the Bank has to ensure financial stability such that the financial system can adequately support economic growth. These are addressed throughout the functions of FSD within the Bank. Chart 1 below illustrates the Bank's supervisory portfolio as at December 2017.

Chart 1: The Bank's Supervisory Portfolio at at December 2017



2.1 Supervisory Structure and Function

Consequent to the internal reorganisation within the Bank in May 2017, FSSD and PSOD were restructured into the FSD and FIMCD. This was as a consequence of the Bank aiming to enhance efficiency, management, and focus in the oversight and supervision of its sectoral institutions. Moreover, in line with the 'Twin Peaks' model, the co-ordination and co-operation role over the 'Twin Peaks' was assigned to the Financial Surveillance, Development and Integrity Committee (FSDIC). FSDIC is a high-level body responsible to oversee the functioning and co-ordination between FSD and FIMCD so as to ensure financial stability and financial development in the country.

2.1.1 Financial Inclusion & Market Conduct Division

FIMCD's primary role is to contribute towards the development and implementation of strategies for enhancing financial inclusion, market conduct and competition in the financial sector of Seychelles. The division comprises of:

- Financial Inclusion Section:** Has the primary aim of promoting and supporting the advancement of the concept of financial inclusion which is to ensure access to financial services regardless of income level, and the effective and appropriate use of financial services.
- Market Conduct Section:** Has the primary aim to establish a strong financial consumer protection framework to prevent possible violations of market conduct rules and help consumers benefit

from well-informed decisions about how best to manage and use financial services. The function of the Section aims to instil trust in consumer products and services of the financial sector.

2.1.2 Financial Surveillance Division

FSD's mandate is stipulated under section 4(2)(b) of the CBSA, which is to promote a sound financial system through the effective supervision and oversight of supervised entities (that is, banking institutions, NBCIs, BDCs, financial leasing companies, credit unions, PSPs, and FMIs) at both the micro and macro level. Moreover, the main functions of FSD entails:

- Research and formulation of policies, laws, and regulations for the prudential regulation of supervised entities;
- Offsite and onsite surveillance of supervised entities;
- Licensing and authorisation of institutions; and
- Stability of the financial sector at a macro level.

Further to the above, FSD is divided administratively into three respective sections which although separate, are linked in terms of objectives and purpose. Table 1 below provides a summary of the functions of each of the three sections and Chart 2 provides an illustration of FSD's organisational structure.

Table 1: Summary of FSD's Sections

Financial Regulation	Micro Prudential Supervision	Financial Stability
Formulate, analyse and review legislations, associated regulations, circulars, guidelines and directives governing financial institutions in relation to banks, other financial institutions and payment systems	Evaluate and analyse prudential returns and Financial Soundness Indicators for the Banks' sectoral institutions	Financial Market Infrastructure oversight and risk analysis
Process applications for administrators and external auditors for financial institutions supervised by Central Bank	Ensure adherence and compliance with the legislative framework, prudential regulations and other relevant directives	Review the impact of the financial sector from a macro-economic perspective
Process licensing for banks, bureaux de change, financial leasing companies, and payment system providers	Conduct onsite examination of supervised entities	Assess the economy as a whole through returns gathered and stress test to analyse the effect on these institutions and the sector
Administer prudential regulations aimed at ensuring the financial soundness of supervised entities, as well as any other legislations furthering this mandate	Perform stress test of supervised entities at a micro level	Compilation of reports and submission of analyses to the Financial Stability Committee
Research, develop and formulate policy papers which effectively address regulatory and supervisory matters, legislative requirements, as well as improvements in procedures	Ensure accurate and timely submissions of statutory returns	

Chart 2: FSD's Organisational Structure





2.1.2.1 Financial Regulation

The Financial Regulation Section within FSD is tasked with ensuring that only sound institutions are licensed to enter the financial system. Additionally, this unit strives to ensure that the legislative framework governing the financial system is up-to-date and in line with international best practices. Post-licensing, institutions are subject to approvals for requests that they have to submit with respect to the appointment of administrators or auditors, amongst others.

2.1.2.2 Micro Prudential Supervision Section (MPSS)

MPSS is responsible for the offsite and onsite surveillance of licensed entities under the Bank's supervisory ambit. The team consists of analysts that conduct the offsite monitoring of institutions under their portfolio. The analyst is also the lead examiner when conducting onsite examination of licensed entities.

As regards to reporting, supervised entities are required to submit periodic prudential returns relating to bank supervision matters as well as payment services oversight to MPSS. This allows for ongoing offsite monitoring of their financial position and performance. Essentially, offsite reviews allow for the detection of areas of concern and ensuring that corrective measures are taken in a timely manner. Monitoring of supervised entities are carried out through desk reviews so as to ensure compliance with prudential requirements. In addition, the analysts monitor major or adverse trends which they clarify with supervised entities. These trends also act as a signal for emerging risks which can trigger onsite examination for further scrutiny or other remedial action in accordance with legislations issued by the Bank.

2.1.2.3 Financial Stability Section (FSS)

Financial stability is a condition whereby the financial system – banks, insurance companies and other financial intermediaries – can withstand shocks without major disruption. The importance of financial stability has become more appreciated as the breadth and scope of Seychelles' financial sector has been expanding. Said expansion necessitates greater emphasis on ensuring that the financial system can withstand adverse domestic and external shocks.

Given that the regulatory scope over the financial sector spans beyond merely the Bank, a Financial Stability Committee (FSC) was set up in March 2016 as the national body with the mandate of ensuring in as much as possible, that the necessary conditions exist to foster and maintain financial stability within the domestic economy. This Committee, which is an advisory body, comprises of the:

- Governor of the Bank as the Chair;
- Principal Secretary for Finance²;
- Chief Executive Officer of FSA; and
- Director of FIU.

² As for 2018, this changed to the Secretary of State for MFTIEP.

It provides a forum where members discuss pertinent risk factors, on the basis of which optimal combined response(s) to mitigate the build-up of excessive risks can be determined. Thus, this requires close co-ordination and co-operation amongst FSC members. The FSC is supported by the FSS which is based within FSD.

During the course of 2017, the FSC met four times. Discussions focused upon potential risk areas as well as mitigating measures, wherever possible. Furthermore, a key issue during the course of 2017 remained the area of de-risking³ and the impact such has been having upon banks in Seychelles in regards to correspondent banking pressures. In collaboration with FSA, the Bank conducted an in-depth research into this matter. This included a roadshow aimed at better understanding the subject from the perspective of the foreign regulatory authorities and international banks that provide correspondent banking facilities to banks in Seychelles. Owing to the matter's national significance, the support of the Cabinet of Ministers was sought for the implementation of a set of recommendations to address weaknesses in order to ensure that Seychelles is not perceived as a high risk jurisdiction. The relevant authorities must thus remain committed to this goal and ensure that financial entities under their regulatory purview operate at or above international standards. These are more long-term measures to ensure the sustainable development of the country's financial sector, and whose benefits will span beyond merely addressing the country's perceived riskiness.

With the aim of further consolidating powers and responsibilities in relation to the element of financial stability, preliminary research is currently underway in regards to the best means to further foster close collaboration with the various stakeholders. This may be, for instance, through the establishment of a dedicated legal framework to encapsulate the responsibility, mandate, and objectives, as well as to clarify and empower all relevant stakeholders in the attainment of a sound and stable financial system.

2.2 The Financial Sector

The Bank regulates and supervises commercial banks, BDCs, NBCIs, PSPs, credit unions, financial leasing companies, and FMIs. As at December 31, 2017, Seychelles' financial sector comprised of the Bank, FSA and FIU as the regulatory authorities, 1 credit union, 2 NBCIs, 10 banking institutions⁴, 15 PSPs⁵, and 27 BDCs⁶. Out of the 10 banking institutions 8 were privately owned and the Government of Seychelles had majority ownership in the other 2 institutions. All of the 8 privately

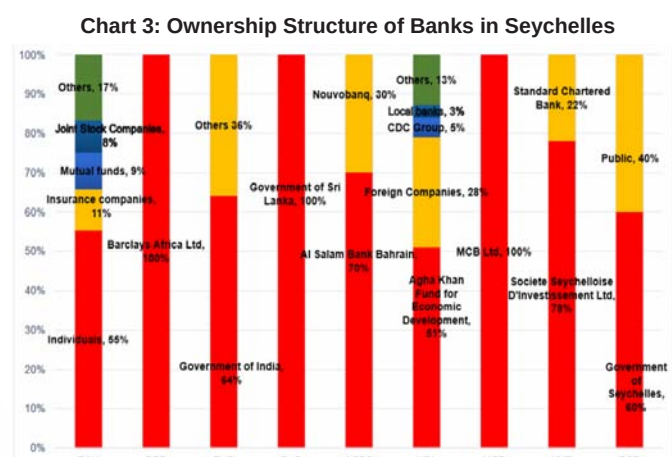
³ Correspondent banks, through which domestic banks route their international transactions, have increasingly been closing off their relationships with several banks across the globe, thus, rendering the latter incapable of effecting their international transactions. This trend stems from the increasing cost being incurred by these correspondent banks in undertaking the required investigations (commonly referred to as due diligence) prior to processing transactions. Failure on the part of correspondent banks to undertake the appropriate due diligence has resulted in the imposition of numerous fines from various regulators across the globe. The issue of de-risking is compounded for smaller banks, from which correspondent banks derive a very small portion of their revenue in relation to the extent of due diligence required.

⁵ One was yet to start operation at the end of December 2017.

⁶ 14 Class A BDC and 1 e-money service provider – Airtel Mobile Commerce (Seychelles) Ltd.

⁶ 14 Class A and 13 Class B.

owned banking institutions were foreign-owned (with 2 having minority of the shareholders being domiciled in Seychelles). This is illustrated on Chart 3.



During the year under review, the Bank licensed 2 new Class B⁷ BDC licenses, 1 Class A⁸ BDC license, and 1 PSP license. Moreover, 1 BDC surrendered both its Class A and PSP licenses during the year whilst the Bank revoked the license of 1 Class B BDC. Additionally, the Bank set aside its decision to revoke the licenses of another Class A BDC following appeal made by the aggrieved BDC. During the course of the year, the Bank also directed 1 BDC to cease all money remittance services in light of breaches of applicable laws. Accordingly, this brought the total number of Class A BDCs to 14 and 13 Class B BDCs. As regards to the count of PSP license holders, as at the end of 2017, this was 15.

As at the end of December 2017, 9 banks were in operation despite having 10 licensed banks in total. This is in view that SBM Bank (Seychelles) Limited is yet to commence operations since being licensed in December 2016, and the United Helvetic Bank (UHB) Limited having surrendered its banking license in July 2017.

2.3 Regulatory Framework

FSD is responsible for administering several legislations on behalf of the Bank in promoting a sound financial system.

Financial institutions (FIs), defined as banks and BDCs, are principally governed by the FIA whilst the FLA makes provisions for the Bank to license, regulate and monitor financial leasing institutions. With the coming into force of the NPSA in 2014, the regulatory and oversight scope of the Bank was extended to the national payment system, inclusive of PSPs and operators of payment, clearing and settlement systems. Moreover, the operations of credit unions are subject to the Credit Union Act, 2009, with the Bank designated as the regulatory authority under the Act.

In addition, the Bank has been assigned with certain oversight responsibility over the Development Bank of Seychelles (DBS) and the Housing Finance Company Limited (HFC). These two institutions are expected to observe specific provisions of the FIA. In the case of DBS, its activities are primarily subject to the Development Bank of Seychelles Decree whereas the Companies Ordinance, 1972 is the main body of law governing HFC.

The majority of supervised institutions are incorporated or registered under the Companies Ordinance, 1972 and are captured under its ambit, unless exempted from certain provisions by law. Likewise, DBS is a body corporate established by a statute, and credit unions may be established by an Order published in the Gazette by the Minister responsible for Finance.

Table 2 illustrates the main enabling legislations for supervised institutions.

Table 2: Enabling Legislations for Supervised Institution

Institutions	Main Legislation
Banks	FIA
BDC (Class A and Class B)	FIA
Payment Service Providers	NPSA
Operators of Payment, Clearing and Settlement Systems	NPSA
Financial Leasing Institutions	FLA
Credit Unions	Credit Union Act, 2009

Pursuant to the restructuring of FSSD and PSOD, the following regulations are now administered by FIMCD, in line with its mandate:

- Financial Institutions (Complaint Handling) Regulations, 2008
- Financial Institutions (Bank Charges and Fees) Regulations, 2013, as amended
- Central Bank of Seychelles (Credit Information System) Regulations, 2012, as amended

2.4 The Banking Sector

The licensed banks along with their commencement history are shown in Table 3.

Table 3: Licensed banks in Seychelles

Bank Name	Inception/Establishment
Barclays Bank of Seychelles (BBS)	1959
Habib Bank Limited (HBL)	1976
Bank of Baroda (BoB)	1978
Mauritius Commercial Bank (MCB)	2003 and took over assets of Banque Francaise Commercial Ocean Indien which was established in 1978
Seychelles Commercial Bank (SCB)	1981 as Seychelles Savings Bank, and rebranded in 2016 as Seychelles Commercial Bank
Nouvobanq (NVB)	1991, named as Seychelles International Mercantile Banking Corporation (S.I.M.B.C.), but trading as NVB
Al Salam Bank Seychelles (ASBS)	2008 as BMIO, and rebranded as Al Salam Bank in 2016
Bank Al Habib Limited (BAHL)	2014
Bank of Ceylon (BoC)	2014
SBM Bank (Seychelles) Limited (SBM)	Licensed in 2016 but yet to start operation in 2017

⁷ Licensed to buy and sell foreign currency in the form of notes, coins, and traveler's cheques only.

⁸ Licensed to buy and sell foreign currency in the form of notes, coins, and traveler's cheques and also engage in money transmission.

Banks in Seychelles operate under a single licensing regime. Under this framework banks may segment their activities between those that give rise to 'foreign sourced income', termed Segment 1, and all other banking activities, termed Segment 2. Table 4 below highlights the difference between the 2 segments.

Table 4: Single License Regime

	Segment 1	Segment 2
Segmentation	<p>1. Assets will generally consist of placements with and advances to foreign FIs, parents or overseas correspondents, investments in foreign securities, stocks or debt instruments as well as claims on "non-resident persons" or entities incorporated or registered in Seychelles which have personal and economic relations or place of effective management outside Seychelles</p> <p>2. Liabilities will normally arise from deposits made by and borrowings from "non-resident persons" or entities incorporated or registered in Seychelles which have personal and economic relations or place of effective management outside Seychelles. These liabilities must be used exclusively to fund assets that generate "foreign sourced income".</p>	<p>1. Essentially consist of transactions with persons or entities that do not generate "foreign sourced income". Banks conducting Segment 2 business are also at liberty to finance domestic transactions from "non-resident persons" funds.</p>
Accounting and Control System	1. "Foreign sourced income" are subjected to a tax rate of 3%.	1. Tax rate of 33%.

Table 5 below shows the distribution of the banking institutions' branches across the three main Islands of Seychelles, namely, Mahe, Praslin and La Digue. During 2017, no additional branches were opened by any banking institution. Therefore, ending December 2017, there was a total of 29 branches which is consistent with 2016 data. It should be noted that during 2017, Nouvobanq changed the location of its Head Office from State House Avenue to the newly built Head Office building, Nouvobanq House, which is along the Francis Rachel Street. Likewise, Al Salam Bank Seychelles relocated from Capital City Building along Independence Avenue to Maison Esplanade along Francis Rachel Street.

Table 5: Branch Networks

Bank Name	Mahe	Praslin	La Digue	Total
Al Salam Bank Seychelles Ltd	1	0	0	1
Bank Al Habib	1	0	0	1
Bank of Baroda	1	0	0	1
Bank of Ceylon	1	0	0	1
Barclays Bank (Seychelles) Ltd	5	2	1	8
Habib Bank Ltd	1	0	0	1
Mauritius Commercial Bank	4	2	1	7
Nouvobanq	2	1	1	4
Seychelles Commercial Bank	3	1	1	5

2.4.2 Payment Cards, Automated Teller Machine (ATM) and Point of Sale (POS) Terminal

The use of cards as a means of payment have been on the continued uptake since their introduction as members of the public are now becoming more receptive towards innovative means of payment. As at the end of December 2017, the total number of debit and credit cards in circulation stood at 84,702 and 4,887 respectively. With regards to ATMs, during 2017, 5 new ATMs were installed, bringing the total number of ATMs countrywide

to 57. When looking at transactions conducted on ATMs, a total of 2,996,823 transactions were effected for a total value of R4,029 million. As for POS Terminals, a total of 459 new terminals had been deployed during the year under review bringing the total number to 3,002. The total volume of transactions amounted to 2,681,405 in 2017 with the peak recorded during the month of December. In value terms, a total of R5,144 million was recorded in 2017 with an average of R428 million per month.

CHAPTER 3

DEVELOPMENTS IN THE DOMESTIC FINANCIAL SECTOR



3.0 Introduction

Seychelles' domestic financial sector continued to grow in terms of inclusiveness, efficiency and stability on the backdrop of legal, regulatory, and supervisory reforms and initiatives. This growth supports the continuous efforts by the Government of Seychelles and key stakeholders for a vibrant and local competitive financial sector in line with the FSDIP.

3.1 Financial Inclusion and Policy Developments

3.1.1 Credit Information System (CIS)

The CIS, established by virtue of the Central Bank of Seychelles (Credit Information System) Regulations, 2012, is a system designed for the purpose of collecting accurate and up-to-date credit information of debtors. This information is uploaded to the system via a web-portal that is accessed by authorised personnel from credit granting institutions regulated by the Bank. In May 2017, following restructuration within the Bank, FIMCD was mandated to operate the CIS.

Work in 2017 progressed in order to further improve on the current CIS system as per the recommendations of the FSDIP. The aim is to enhance the system so as to make it more efficient, safe, reliable, and to broaden the information captured to credit granting entities not being regulated by the Bank as well as other institutions that offer services that affect the credit worthiness of individuals and business. This calls for review of existing local laws and the introduction of a new legal framework for CIS. This reform will also allow FIs to make better informed decisions and mitigate credit and systemic risks.

Since 2014, the Department of Information and Communication Technology (DICT) and the Bank, have embarked on a project to design a new CIS system. The system will be equipped with a Quality Assurance module which will validate all information being uploaded on CIS with respective public records so as to enhance the accuracy of information. Furthermore, the core banking or recording system of participating institutions will generate XML files that can be uploaded directly on CIS, thus reducing human intervention. Discussions between DICT and the Bank have since been ongoing so as to finalise the new CIS system which is expected to go live by the end of 2018.

3.1.2 Real Time Gross Settlement system / automated Clearing House coupled with a Central Securities Depository

The Bank and FSA, with funding from the African Development Bank (AfDB), commissioned a feasibility study for the establishment of a Real Time Gross Settlement system (RTGS) and a Central Securities Depository (CSD). RTGS is a platform where the transfer of money and securities takes place between banks on a real time and gross basis. On the other hand, CSD is a system that provides a facility to hold securities in electronic accounts, thereby eliminating the risks currently being faced in

transferring physical paper certificates. Both studies were conducted in 2016 and the report identified that an RTGS and a CSD would be highly desirable in the country. Furthermore, as part of the various studies undertaken, it was also recommended that the Bank also look into the viability of implementing an Automated Transfer System (ATS). ATS is a system comprising of an RTGS for the settlement of high value payments and an Automated Clearing House (ACH) for the clearing of low value payments.

Subsequently, in 2017, discussions were held on how such systems can serve to better manage systemic risks in the financial sector and provide for easier liquidity management to ease monetary policy implementation. Likewise, this further contributes toward the development of the national payment system. It is in this regard that the Bank is undertaking further diagnosis on the subject matter, such that a position can be taken in 2018 for implementation in 2019.

3.1.3 National Payment Switch

The Bank in collaboration with SBA are looking into the possibility of implementing a national payment switch system in order to modernise Seychelles' National Payment System. This shall broaden the scope of innovative payments schemes in the country and reduce paper instruments as a means for payment. This infrastructure is envisaged to locally route rupee-denominated financial transactions undertaken by instruments (such as debit cards) to a central point (the switch) for settlements to be done locally instead of being routed through international networks like VISA. It is to be noted that, this initiative is also part of the deliverables of the FSDIP. It is within this context that, in November 2017, the Bank commissioned a diagnostic study for the establishment of a payment switch system in Seychelles which is to be completed in February 2018.

3.1.4 National Financial Education Strategy

One priority of the FSDIP is the introduction and implementation of a financial education strategy. With funding from AfDB, the Bank and FSA commissioned a Financial Literacy Baseline survey in 2016 and the development of the National Financial Education Strategy (NFES) in 2017. The NFES was launched on December 13, 2017 with a 3-year implementation plan after which another baseline survey will be undertaken so as to measure the impact of same. The strategy will be targeting 4 segments, namely, adults in the formal work place, Micro, Small and Medium Enterprises (MSMEs), youths, and the socially and financially vulnerable. The strategy is a living document and it is updated as and when required.

3.1.5 Government Payments

With the FSDIP recognising a number of weaknesses in government payments and social security benefit payments, the Bank sought consultancy services to

conduct a diagnostic study based on the World Bank's General Guidelines for the Development of Government Payment Programmes. The purpose of the study was to assess the infrastructure of government payments and payments from public financial resources in Seychelles in order to ensure that these are managed and effected in a sound, efficient, reliable and transparent manner.

The study resulted in a strategy and roadmap to which certain recommendations have been partially addressed. Nonetheless, the Bank has reviewed the work plan for the implementation of the recommendations in 2018.

3.1.6 Strategy for Increasing e-Payments

As highlighted in the National Payment System Vision and Strategy 2020, cash remains one of the most utilised payment instrument in Seychelles. Additionally, the increased use of electronic payments has been identified within the document as a strategic focus area with emphasis on improving the ability of payment system users to make and receive payments in a safe, convenient, timely and affordable manner. Consequently, work is underway to draft a strategy for increasing the use of e-payments to provide guidance on effective means of creating disincentives for cash and cheque use, whilst also incentivising e-payment modes. This strategy will be drafted in consultation with the National Payment Task Force working group which was set-up in 2017 to specifically address the low use of e-payment facilities. Discussions with and the participation of various stakeholders is anticipated to bolster the contents of the strategy and to ensure early buy in from key stakeholders.

3.1.7 Remittance Market

In 2016, the Bank commissioned a study on the remittance market. The objective was to conduct an assessment of the in-bound and out-bound remittance markets on the basis of the World Bank's Committee on Payment and Settlement System's (WB/CPSS) General Principles for International Remittance Services. The focus was to improve the market for remittance services including the regulatory framework for remittance, greater transparency, consumer protection, and governance framework. Consequently, findings of the study are being leveraged against ongoing developments in the legal framework for their implementation. A roadmap for implementation of the recommendations is expected to be completed by June 2018.

3.2 Upcoming Products and Services

3.2.1 Islamic Banking and Finance

Islamic banking/finance, also known as Sharia-compliant finance, is an alternative means of financing based on Shariah Law. The main principles of Islamic finance include the prohibition of interest and gambling, the avoidance of uncertainty and speculation, and prohibition from trading in certain activities. An example of Islamic finance is for an Islamic bank to not lend funds to customers with interest but co-invest

in Shariah-compliant projects where the Islamic bank and customer will share the profits and risks of the venture. It is to be noted that Islamic finance should not be viewed solely from the religious perspective as it offers benefits to both Muslims and non-Muslims. On this note, Islamic finance could assist in achieving greater financial inclusion and increased competition in an economy, for instance, Muslims currently abstaining from engaging in conventional banking in view of being non-compliant to Shariah principles. Moreover, Islamic finance can also assist in reducing the impact of harmful products and practices in the society, seeing that its governing principles forbid transactions that support activities such as usury (interest), gambling and speculation. Another benefit of Islamic finance is that it promotes stability in investments which are approached with a slower, insightful decision-making process in comparison to conventional finance. Ultimately, Islamic finance contributes to accelerated economic development and this is testament to larger economies like the United Kingdom and Malaysia, amongst others.

Further to the outcome of the feasibility study undertaken in 2015 and the strategy and policy formulated in 2016, the Bank is working jointly with other stakeholders to develop and put in place an enabling environment for introducing Islamic finance in the country. Several national legislations have been identified which would necessitate amendments so as to ensure that Islamic banking products are legally accepted/recognised as well as avoiding regulatory arbitrage and ensuring a level playing field amongst FIs. It is also being proposed for the Bank to adopt a unified core set of banking laws and regulations covering both Islamic banks and conventional banks. This has the advantage of circumventing duplication of legal provisions that are equally important for both types of institutions. It is expected for the policy and strategy paper to be presented to Cabinet in mid-2018 for approval after which legislative changes and policies/framework shall be devised, as well as capacity building sessions conducted for regulators.

3.2.2 Private Banking

The Bank is exploring the possibility of introducing private banking in the financial services sector as recommended in the FSDIP. In its simplest terms, private banking refers to a suite of services offered by a bank to high net worth individuals (HNWI) designed to grow wealth. Moreover, private banking can be defined as "the business of offering banking, financial services and products to high-net-worth customers including, but not limited to, an all-inclusive money-management relationship"⁹. Likewise, the major benefit derived by customers that engage with a private bank is the provision of personalised services by an individual account manager. The account manager is designated to the client and provides wealth management strategies

⁹ Definition from Banking Act of Bank of Mauritius.

and other financial services that are customised to the customers' needs. Other benefits include:

- **High level of services:** Private banking customers are guaranteed high level of services at all times. This is because these customers have large deposits and are affluent in status. As such, they are unique compared to traditional bank customers. Private banking customers have different expectations of common banking services. Therefore, they require exceptionally high and consistent levels of quality service. HNWI are better informed and less loyal to banking institutions. As a result, they are more likely to terminate a banking relationship if the services they receive decline or are not satisfactory
- **Privacy and one-on-one service:** Private banks normally provide highly confidential services to their customers. This is mostly achieved by having a personalised account manager. The assignment of an account manager to handle a client's assets allows the client to have access to a mid-level or upper management official without having to go through the customer relations staff first.
- **Discounted services:** HNWI allow banks to have access to considerable assets that they would not have access to if they were not private banks. As an incentive to keep HNWI, private banks tend to reward their clients by providing certain services at discounted rates.
- **High returns for banks and clients:** Private banks tend to earn high returns and also provide high returns to their customers. This is due to the fact that they devote quality resources for the management of accounts of HNWI. Private banks need to be competitive otherwise clients are forced to switch banks.

It is expected that the policy paper will be presented to the Cabinet of Ministers for approval in 2018. Thereafter, necessary alterations to relevant legislations will be undertaken along with devising policies/framework.

3.2.3 Investment Banking

Research shows that there is no precise definition for investment banking – it differs from one jurisdiction to another. Nonetheless, a common understanding is consented whereby the term investment banking is distinguished by the activities that institutions undertake in order to assist customers in raising capital through underwriting or acting as customers' agent in the issuance of securities (or both). Besides that, investment banks also aid their customers with mergers and acquisitions and offer ancillary services like trading of derivatives and equity, market making, and fixed income instruments, commodities, and currencies (FICC services).

Moreover, investment banking is identified by the type of activities that is performed, namely:

1. **Traditional Investment Banking:** Includes underwriting services (assist customers in

raising capital on financial markets) and advisory services (assist in transactions such as, mergers and acquisitions, and debt restructuring).

1. **Trading and Brokerage:** Involves the sale and purchase of securities by using either the bank's money (proprietary trading) or on behalf of customers (brokerage).
2. **Asset Management:** Generally, consists of managing customers' money through traditional asset management (mutual funds) and alternative asset management (real estate funds, hedge funds, private equity fund and others).

Furthermore, unlike commercial banks, investment banks do not undertake deposit-taking activities. As such, the regulatory framework being proposed for capital market activities will delineate the separation of same from commercial banking activities. Investment banks play a crucial role in any economy, such as:

- **Capital Development:** In contemporary economies, both the government and large companies rely on investment banks to raise funds. Investment banks match those selling securities with investors. This is known as 'adding liquidity' to a market. By matching buyers with sellers, financial development becomes more efficient and businesses grow more quickly.

It is anticipated that the policy paper will be presented to the Cabinet of Ministers for approval in 2018. Thereafter, necessary alterations to relevant legislations will be undertaken along with devising policies/framework.

3.3 SBA Customer Due Diligence Customer Guide

In an effort to raise awareness, SBA issued a customer guide on customer due diligence (CDD) in August 2017. This was developed in consultation with the Bank, FIU, FSA and SIFSA. The conduct of CDD by reporting entities such as FIs is at the heart of preventing the financial system from being used as a conduit for money laundering and terrorist financing activities. This requirement is in line with the Anti-Money Laundering Act, 2006, as amended, Anti-Money Laundering Regulations, 2012, Prevention of Terrorism Act, 2004 and international standards. Customers, be it natural persons, partnerships, trusts, companies and other legal entities, play their part by being mindful, understanding and co-operative with this process. If FIs, including banks, are unable to apply CDD measures in accordance with the law, they are legally obligated to:

- Limit their services;
- Not establish a business relationship with the customer;
- Terminate any existing business relationship with the customer.

Broadly speaking, CDD involves:

1. Identifying the customer and verifying the customer's identity using reliable and independent sources of information.

2. Identifying the beneficial owner and taking reasonable measures, on a risk-sensitive basis, to verify their identity. For legal entities, partnerships and trusts, this includes understanding its ownership and control structure.
3. Obtaining information on the purpose and intended nature of the business relationship, and to establish details of the business of the customer and beneficial owner such that the reporting entity can identify:
 - i. complex or unusual large transactions;
 - ii. unusual patterns of transactions which have no apparent economic or visible lawful purpose; or
 - iii. any other activity which may be, by its nature, likely to be related to money laundering, financing of terrorism or other criminal conduct.
4. Taking reasonable measures to ascertain the purpose, origin and ultimate destination of a one-off transaction and funds transferred as part of a business relationship.

These measures are performed on existing customers at appropriate times on a risk-sensitive basis. Likewise, FIs enforce CDD measures when establishing a business relationship, carrying out a one-off transaction, on reasonable suspicion of ML/TF or other criminal conduct and when there are doubts on the veracity or adequacy of obtained customer identification or verification information. Along the same line, FIs continuously monitor business relationships. This entails keeping up-to-date records of information to conduct CDD and scrutinising transactions in order to ensure consistency with the FI's knowledge of the customer, business, risk profile and their source of funds.

In meeting their CDD obligations, customers can reap benefits such as mitigating the risk of identity theft. They can be protected from financial losses resulting from unauthorised or fraudulent transactions as flagged by the FI for being inconsistent with their profile. SBA's customer guide outlines the purpose, applicability and requirements of CDD across its members in a simple and straightforward manner and is a welcome contribution in support of the national AML/CFT framework.

3.4 SBA Code of Banking Practice

In November 2017, SBA launched the revised and updated edition of the Code of Banking Practice (hereafter referred to as 'the Code'). The Code sets out standards of ethics and fairness, of disclosure and conduct, and of general good banking practice that banks commit to observe in their dealings with their potential customers. This Code serves to assist customers in understanding how banks are expected to behave towards them. Furthermore, the Code firmly asserts the need for banks to comply with published and applicable legislations, rules, and supervisory requirements, especially those relating to banking, market conduct and consumer protection. Therefore, as per the Code, banks will:

- Ensure that clear information is available in respect of all services and products;

- Ensure that advertising/promotional literature is clear and not misleading;
- Provide necessary assistance to help customers choose a service or product appropriate to their needs and understand the basic implications of the service or product chosen;
- Explain to customers how their account(s) work;
- Help customers monitor their accounts by sending regular statements to them, keeping them informed about changes in interest rates and terms and conditions that apply to their accounts;
- Provide reliable, accurate, safe, and secure banking and payments systems and services;
- Ensure that the products and services offered are based solely on commercial principles;
- Ensure that no discrimination against customers on any basis not permitted by law;
- Treat all personal information of customers as private and confidential;
- Consider each application for a financial service on its merits and act quickly and effectively;
- Inform customers about complaints procedures and handle customers' complaints speedily;
- Act on written instructions only after a customer's signature has been verified, or where the nature of the process indicates (for instance, ATM, telephone/internet transactions, and other forms of electronic banking);
- Make every effort to ensure that customers' records are kept accurately and up-to-date;
- Ensure to never unfairly discriminate against customers on the grounds of marital status, gender, age, religion, or race;
- Take reasonable measures to attend to the needs of persons with disabilities;
- Give customers five clear working days' notice of any change in the bank's normal business hours if possible, and inform customers wherever banks propose to transact business on a public holiday;
- Provide information on relevant fees and charges for services and products; and
- Publicise and display the Code of Banking Practice at their premises (including branches) and on their website, and make available a copy on request.

3.5 Sustainable Development Goals (SDGs)

Adopted in late 2015, the United Nations SDGs require the assistance of the financial services sector in order to attain the SDGs by 2030¹⁰. The 17 Goals comprise of various economic, environmental and social issues, inclusive of economic growth, energy, gender equality, and poverty. In this light, the financial services sector¹¹ in Seychelles has a significant role to play in the promotion of sustainable development and the funding of the objectives of the SDGs. Since the adoption of the SDGs in 2015, Seychelles' financial services sector has explored what these SDGs mean to them as per the below:

¹⁰ It is estimated that the attainment of the goals will cost between US\$90 trillion - US\$120 trillion.
¹¹ Commercial banks, credit granting institutions.

3.5.1 Goal 4: Quality Education

The financial services sector has taken on-board the initiative of ensuring that individuals have access to quality education, access to professional and personal development opportunities, and improving Seychelles' financial capability. In March 2017, all banks commenced offering internships to students who are pursuing higher education in finance-related courses on Government of Seychelles scholarship. Likewise, the Bank was chosen to be part of the Board of the Faculty of Business and Sustainability Development of UniSey. Such endeavours provide the Bank with the opportunity to offer its experience and expertise of the financial services sector to students. Moreover, in order to further enhance the skills set of the financial services sector, members of SBA opened consultations with the Guy Morel Institute so as to consider the possibility of offering tailor-made courses for the financial sector – this is expected to come into effect in 2018. Ultimately, these initiatives aim to enhance the technical knowledge and skills set of Seychelles' labour force in the financial services sector. Additionally, the Bank and FSA officially launched NFES in December 2017 which is anticipated to address the challenges/weaknesses identified in the development of the financial services sector. This shall improve the levels of financial capability of the Seychellois, thereby facilitating further deepening of the financial sector, financial sector stability, accumulation of assets, and over the long-term, economic growth. Ultimately, these initiatives aim to achieve two of the targets under Goal 4, namely;

- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs and entrepreneurship.
- By 2030, ensure that all acquire the knowledge and skills needed to promote sustainable development including, among others, through education for sustainable development and sustainable lifestyle, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.

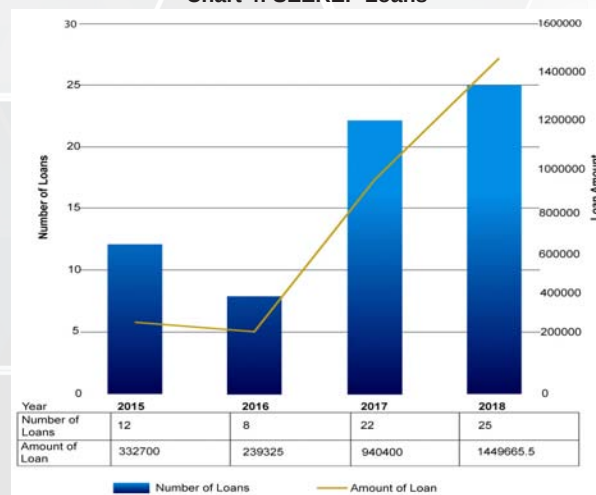
3.5.2 Goal 7: Affordable and Clean Energy

The Seychelles Energy Efficiency and Renewable Energy Programme (SEEREP), officially launched on January 1, 2014, is an initiative of the Government of Seychelles, supported by the International Finance Corporation (IFC) - the private sector investment arm of the World Bank Group. The key objective of this programme is to promote the adoption of energy-efficient home appliances, efficient lights, energy saving devices such as solar water heaters, and renewable energy technologies (RETs) in the domestic residential sector, made accessible to the public through affordable financing from institutions in the financial services sector. Since the inception of the programme, a number of institutions have taken on board the

programme through the signing of a MoU with MFTIEP¹². A new MoU was signed in June 2016 after amendments were made to the original MoU, as a result of new policy decisions made by MFTIEP. As per Chart 4 at the end of December 2017, a total of 66 loans were disbursed at a total amount of R2,962,090.50 since the launch of the programme. Besides that, from 2015 to 2017 both the number and amount of loans recorded substantial increases of 68% and 83.49% respectively. As such, these initiatives aim to achieve one of the targets under Goal 7, specifically:

- By 2030, ensure universal access to affordable, reliable and modern energy services.

Chart 4: SEEREP Loans



3.5.3 Goal 17: Partnerships for the Goals

In 2014, the Bank joined AFI as a principal member in an effort to take a more proactive role apropos financial inclusion. Additionally, the AFI network provides the Bank with the platform to improve financial inclusion in Seychelles, particularly vis-à-vis issues in relation to consumer protection and financial education. As such, being part of the AFI network as well as being a member of three working groups (notably SMEF, DFS, and CEMC), enables the Bank to make certain commitments under the Maya Declaration¹³ in order to support the initiative of improving financial inclusion in Seychelles. Further, the Bank recognised that there is a greater need in ensuring that the population comprehends their rights and responsibilities when utilising financial services, and also the setting up of an effective consumer protection framework. This will ensure that the imbalance of powers between FIs and consumers are addressed. Ultimately, these initiatives aim to achieve two of the targets under Goal 17, that is;

- Mobilise additional financial resources for developing countries from multiple sources; and
- Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation.

¹² An initial MoU was signed in January 2014 by 6 commercial banks. BOC and SCU signed a separate MoU, respectively, in May 2014 so as to participate in the scheme.

¹³ A statement of common principles regarding the development of financial inclusion policy regulatory institutions during AFI's Global Policy Forum (GPF) in Mexico.

3.6 Employment Trend

In 2017 the number of employees within the banking sector totalled 742 compared to 698 in 2016. The majority of employees in the banking sector are Seychellois which represents around 95.6% of the total number of employees as illustrated in Table 6 below.

Table 6: Employment Trend in Seychelles' Banking Sector

	2015		2016		2017	
	Local	Expatriates	Local	Expatriates	Local	Expatriates
BBS	196	9	212	11	229	8
MCB	161	5	164	4	181	5
NVB	127	4	126	4	137	4
SCB	103	0	108	1	108	1
ASBS	13	1	17	1	16	2
BoB	15	3	17	3	18	3
HBL	11	2	11	2	10	2
BoC	8	3	10	4	11	4
BAHL	0	3	0	3	0	3
TOTAL	634	30	665	33	710	32
	664		698		742	

3.6.1 Trainings

As elaborated in the FSDIP, the significance of continuously providing training to employees within the financial sector is an overarching objective. This needs to be formalised into a coherent vision towards creating an educational programme to support long term development of employees. Nonetheless, banks, NBCIs, and BDCs ensured that staff were given the opportunity to develop their knowledge and understanding through a series of trainings during 2017. Trainings attended were in the following areas:

- Accounting – ACCA, foundations in accounting, MSc with Professional Accountancy
- Finance
- Customer Services
- AML/CFT
- IFRS 9
- Telephone etiquette
- Self-development courses, like team building, IT Security, fire & safety
- Overseas official missions
- Supervisory Skills
- General Management
- Human Resources
- Risk Management
- Business Administration (BSc, MSc)
- Professional development programs
- Basel.

Evidently, a number of and various types of training were provided by the aforementioned institutions in 2017 for their respective staff. As seen in Table 7 below, at the end of December 2017, a total of 3,843 trainings were provided.

Table 7: Number of Trainings for 2017

Year	Number of Trainings
2017	3843

3.7 Complaints Statistics

3.7.1 Complaints Lodged at Financial Institutions

As proclaimed under the Financial Institutions (Complaints Handling) Regulations, 2008, "complaint refers to any expression of dissatisfaction or concern about a service or product provided by a financial institution". This regulation requires FIs to have in place, effective and transparent procedures for complaints resolution.

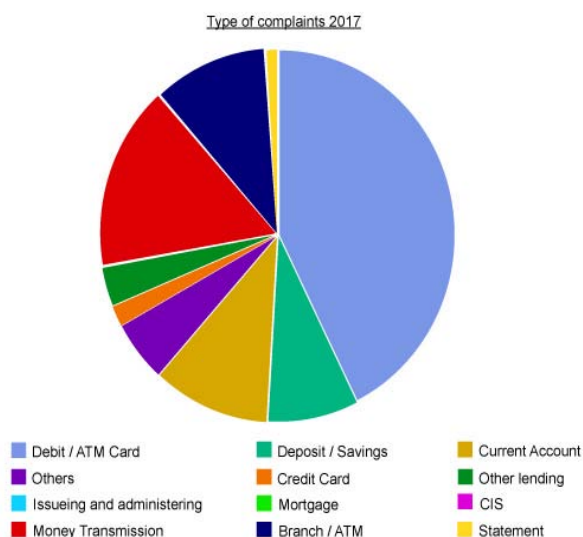
The aforementioned Regulation provides consumers with two avenues for complaints redress, that is, complaints which are lodged at commercial banks directly, and those which are lodged at the Bank. After seeking redress with the FIs, if a complainant is not satisfied with the response provided by the institution or if there is no resolution after 21 days, then, the Bank can take up the complaint in line with the Financial Institutions (Complaint Handling) Regulations, 2008.

The abovementioned Regulation also provides that FIs submit statistics on complaints received and dealt with through the complaints return which is submitted on a semi-annual basis. This return provides information on the nature of complaints relating to private or commercial clients as well as the number of complaints closed during the reporting period.

Table 8: Complaints Lodged at Banks (2015-2017)

Complaints lodged at Banks	2015	2016	2017
Current Account	69	95	119
Deposit/Savings	52	36	61
Other Liabilities	0	0	0
Credit Card	12	20	23
Debit Card/ATM Card	225	393	583
Mortgages	4	3	4
Other Lending	42	28	53
Foreign Currency Transaction	0	3	0
Issue and Administering means of Payment	5	0	3
Safekeeping and Administration of Valuables	2	0	2
Credit Information System	164	262	190
Statements	33	56	123
Money transmission services	78	24	64
Branch/ATM	692	943	1,234

As illustrated in Table 8 above, in 2017, 1,234 complaints were lodged at banks compared to 934 in 2016 and 692 in 2015. This represents an increase of 32.1% in 2017 compared to 2016, and an increase of 34.9% compared to 2015 figures. The three-year trend shows that complaints are increasing. Likewise, the above Table shows the demographic of complaints statistics recorded from banks which is further illustrated in Chart 5.

Chart 5: Nature of Complaints Lodged at Banks in 2017


Most complaints (583 out of 1,234) were in relation to payment matters such as issues with debit card or ATM card. Money transmission complaints along with debit and ATM cards complaints amounted to 773 in total. This meant that 62% of complaints lodged at banks for the year 2017 were due to payment systems issues. Issues with debit cards/ATM Cards and money transmission services were also the most common reasons as to why complaints were lodged for 2016.

It is within this context that the Bank and FSA are currently working on enacting a financial consumer protection law to address certain challenges faced in the local financial sector by giving the aforementioned authorities the explicit mandate to enforce financial consumer protection measures. The Financial Consumer Protection Law will promote equitable and fair treatment of consumers, increased transparency, responsible lending, the prevention of over-indebtedness, responsible pricing, appropriate products, data privacy and complaint resolution.

3.7.2 Complaints Lodged at the Bank

As mentioned in Section 3.7.1, the other medium whereby complainants can seek redress after having lodged their complaints at their respective institution is at the Bank. Table 9 illustrates statistics recorded to that regard for 2017. Complaints lodged at the Bank pertain to those against commercial banks and BDCs. In 2017, the number of complaints amounted to 40 compared to 36 in 2016 and 39 in 2015. The majority of complaints relates to payment issues such as delayed fund transfers and unauthorised transactions on clients' accounts, amongst others. All complaints received in 2017 were resolved in the same year.

Table 9: Complaints Lodged at the Bank

2017	Number of Complaints
CIS	3
Loan	8
Cheque Clearing	3
Unauthorised Withdrawal / Transfer	9
Access funds on 3 rd party account / Account opening change/closure	6
Customer Service	2
Branch/ ATM	1
other	8
Total	40

3.8 Abandoned Property

In accordance with section 59 of the FIA, the Bank continued to administer abandoned property from commercial banks in 2017. Abandoned property are clients' funds or other property with banks for which there have been no transactions or written correspondence by or from the client for a period of at least 10 years.

Apart from a non-interest bearing Seychelles Rupees (SCR) account for the maintenance of abandoned property, the Bank also maintains accounts denominated in US dollar (USD), Euro (EUR), and Great Britain Pound (GBP) for abandoned funds. Abandoned funds denominated in any other currencies apart from those listed above, are converted by banks into one of these three currencies prior to the transfer of funds to the Bank. Table 10 below shows movements and year end balances in the abandoned property accounts maintained by the Bank for the year ending 2017.

Table 10: Abandoned Property

	SCR	USD	EUR	GBP
Opening Balance in 2017	16,119,121.19	557,577.49	25,677.48	7,438.15
Transferred to the Bank in 2017	5,861,587.24	8,853.49	816.40	326.28
Refunded to banks in 2017	(165,761.49)	(366,201.91)	-	-
Closing Balance	21,814,946.94	200,229.07	26,493.88	7,764.43

3.9 CIS

The CIS, set up in 2012, has been proven over the years to be a very useful tool for all participating FIs such as banks, HFC, SCU, and DBS. The system assists lending institutions in assessing the credit worthiness and indebtedness of clients prior to being granted credit facilities.

As per Table 11, the Bank recorded a decrease of 15.99% in 2017 in comparison to the previous year, reversing the increasing trend in the number of inquiries from previous years.



Table 11: CIS Inquiries (2014-2017)

Year Ending	Inquiries
2014	22,638
2015	26,970
2016	32,666
2017	27,443

CHAPTER 4

MACROECONOMIC CONDITIONS

4.0 External Developments

In 2017, there was an upswing in economic activity as asserted by many analysts. This was substantiated by the IMF which estimated that the global economy had grown by 3.6% compared to 3.2% in 2016. This performance was primarily supported by accelerating growth in Europe, Japan, China and the United States (US).

As the economic recovery gathered pace, there was considerable improvement in financial conditions with minimum turmoil expected, in sharp contrast to the upheavals experienced as a result of the 2008 global financial crisis. Monetary policy was also normalising in the US with these developments, implying a general mood of improved confidence. The IMF nevertheless cautioned that with growth remaining sluggish in a number of countries, global recovery may not be sustainable despite strengthening in the baseline outlook. Many countries continued to face a less than desirable medium term outlook. Likewise, inflation remains below target with weak wage growth in many countries and most developed economies. This state of affairs suggests that global economic recovery was incomplete.

In the commodity markets, oil price movements were in the spotlight with relatively weak prices persisting despite an uptick. The downward pressure on oil prices was primarily driven by strong recoveries in the output of countries such as Libya and Nigeria coupled with the US shale industry surpassing production expectations. Another contributing factor was the Organisation of the Petroleum Exporting Countries' consistently high volume of exports although it had announced in May that supply curbs will be extended into the first quarter of 2018. Given this market signal, oil prices are expected to rise in 2018.

Whilst rising oil prices are a boon to oil-exporting countries, it suggests increased inflationary pressures in others which will depend on the extent of the oil price increase. Notwithstanding, there were no significant concerns over inflation in most economies by the end of 2017 with the IMF anticipating inflation to rise only gradually toward central bank targets in advanced economies.

4.1 Domestic Economic Developments

At the country-level, the external economic environment had no major adverse impact on the domestic economy despite some level of uncertainty internationally. As such, the key industry dependent on external conditions, namely the services sector, enjoyed yet another buoyant performance which largely bolstered economic growth, exceeding 5.0% in 2017.

Initially, the year began on a relatively slow pace together with a fair degree of uncertainty which was in part related to developments in the political sphere. For the first time in the country's history, the National Assembly had not approved the total budget for the incoming financial year, being 2017, by the end of the preceding year as discussions were

still ongoing. Unmistakably, the economy was adjusting to this new political setting in which the opposition holds the majority in the Assembly. This was nonetheless taken positively by many analysts from the perspective of promoting greater government transparency and accountability.

Economic sentiment was marred by some business and consumer dissatisfaction on how the economy was running, especially in relation to the general quality of services in the public sector. There were calls to tackle the rising cost of living and for public institutions to discharge their mandates more effectively. In the private sector, there were concerns on potential policy changes that may negatively impact businesses whilst others drew attention to the high operating costs. In general, the business community identified tough competition from imported substitutes and difficulty in obtaining productive local workers as two common challenges. The use of foreign labour thus continued to expand across more segments of the economy because of the skills mismatch in the local labour market. For most cases, this was seen as a requirement in spite of the associated foreign exchange outflows and additional demand pressure through remittances. Statistics from the National Bureau of Statistics (NBS) showed on average, a labour force participation rate of 70.5% and an unemployment rate of 3.9% for the year 2017. Breaking down this figure, the average unemployment rate for the male population and the female population was 3.9% and 4.0% respectively.

Nevertheless, the services sector achieved another upbeat performance which had a positive knock-on effect on other segments of the economy. Annual visitor arrivals grew by 15% in comparison to 2016 setting a new record. European visitors continued to form the bulk of tourists along with their counterparts from emerging markets such as Asia and the Middle East. This achievement was boosted by greater air connectivity despite the national air carrier curtailing its flights as other servicing airlines increased their carrying capacity and new players were flying the Seychelles route. Industry stakeholders were also rewarded by their sustained marketing campaigns which played an important role in this feat. The sector's earnings directly contributed an estimated US\$483 million to the country's foreign exchange inflows. This represents an increase of 17% from the previous year although some stakeholders maintained that tourism yields remain below its maximum potential.

For the foreign exchange market, these positive and larger inflows were a welcome development with demand higher compared to 2016. This stemmed from several factors such as the overall rise in disposable income, growth in outward remittances of workers, and the increased number of residents travelling overseas in 2017. The growth in demand outstripped the increase in supply resulting in the depreciation in the average value of the rupee against the two main traded currencies, the US

dollar and euro. The latter currency was also appreciating internationally and this contributed to the loss in value of the rupee against it. Conversely, the rupee appreciated against the GBP which continued to recuperate from losses suffered in the aftermath of Brexit.

In the context of price developments, NBS reported increased inflationary pressures for the year under review compared to 2016. Prices had generally risen by 3.5% by the end of 2017 in contrast with the same period of 2016 as per the Consumer Price Index. The second-round effects of the weakened domestic currency and revisions in excise tax on fuel, tobacco and alcohol were the main contributing factors. The tax revisions were introduced to recover revenue losses resulting from certain policy measures implemented to address income inequality and poverty. These actions were regarded as crucial in maintaining fiscal discipline if the government is to remain committed to achieving debt sustainability in the medium term.

As threats to domestic price stability were seen to be more pronounced in the first half of the year, monetary policy remained tight during this period in conformity with the Bank's short-to-medium term view on inflation. In June, an updated evaluation showed modest inflationary pressures for the last six months of the year and an economy performing below its capacity. Accordingly, the Bank adopted a looser monetary policy stance in the second half of 2017 to stimulate economic activity. Concurrently, the interest rate corridor came into operation. This revision to the monetary policy framework will provide for a more effective mechanism for the transmission of monetary policy, particularly in terms of conveying clearer guidance on short-term interest rates. Hence, as well as setting a reserve money target, effective June, the Board of the Bank approved the interest rates applicable on the Standing Deposit Facility (SDF) and the Standing Credit Facility (SCF) that form the floor and ceiling of the corridor at 1.0% and 6.0%, respectively. Regardless of this looser stance, the Bank continued to be vigilant against price developments as the rupee's depreciation is strongly correlated with inflation.

Subsequently, there was an overall drop in interest rates consistent with the adopted monetary policy stance. The effective average lending rate fell from 12.42% in 2016 to 12.05% and the savings rate declined from 2.92% in 2016 to 2.37%. Thus, the interest rate spread¹⁴ rose from 9.50% to 9.68%. Despite this increase, the relatively lowered interest rate environment lifted the demand for loans and spurred an expansion in domestic assets of the banking sector and liquidity in the system. By the end of the year, total outstanding credit disbursed to the private sector by banks and the SCU was 18% higher compared to 2016. The larger part of these loans was directed towards financing consumption goods with the share allocated to private households making up 22% of this outstanding sum.

The growth in credit triggered a greater demand for foreign goods and services due to the economy's heavy dependence on imports. Consequently, the current account deficit deteriorated by US\$8.3 million compared to 2016 and was equivalent to 20% of GDP based on estimated values. Bearing in mind the country's vulnerability as a small, open island state, the Bank further strengthened the economy's external position with respect to its ability to weather external shocks through continued accumulation of international reserves. Gross international reserves hit US\$545 million from US\$523 million in 2016 in part through opportunistic purchases from the foreign exchange market. In its most recent assessments, the IMF indicated that an "adequate" level has already been attained and by end-2017, gross reserves level corresponded to 4.2 months of import cover. Additionally, net international reserves surpassed its target by US\$33 million to reach US\$424 million at the end of the year.

Fiscal-wise, the 2017 budget theme, "Inclusive Development – Opportunities for All" drove key decisions in this area as increasing the collection of taxes and widening the revenue streams remained vital for fiscal consolidation. Several additional measures were announced to address anxieties over the cost of living, mainly through tax reduction on selected items. On a similar note, the implementation of the Progressive Income Tax system was postponed for completion in June 2018. The fiscal accounts registered a primary surplus equivalent to 3.1% of GDP and slightly bested the forecasted 3.0% of GDP. This was as a result of total expenditure being lower than the planned amount and was in line with the government's aim to maintain fiscal discipline in further supporting its debt reduction strategy. Moreover, total public debt further declined by 2.6% of GDP to 62% of GDP during the year. A substantial portion of domestic debt included Treasury bills¹⁵ issued for mopping up excess liquidity from the system under the umbrella of monetary and fiscal policy co-ordination. Nonetheless, the target to reduce overall public debt to 50% of GDP by 2020 was moved to 2021 to provide for greater fiscal space and to support new infrastructure investments.

During the year, authorities continued their journey in reforming the economy. In this regard, the Executive Board of the IMF agreed to a 3-year Policy Coordination Instrument (PCI) arrangement following a request by Seychelles and the completion of the 3-year Extended Fund Facility (EFF) arrangement. First introduced in December 2009, the EFF focused on a number of important structural reforms which have generally been accomplished with success. Even so, additional structural reforms are required to further enhance the resilience of the economy which continued to be susceptible to external shocks. As such, authorities believed that continuing

¹⁵ Government securities issued for the purpose of absorbing excess liquidity are not used for the financing of government spending but are held as deposits until maturity. Therefore, whilst such instruments increase domestic debt on a gross basis, they have no net effect on overall public debt.

¹⁴ The interest rate spread refers to the difference between the lending and savings rates.



these engagements with the IMF will provide greater benefits for the country, principally in the form of oversight, discipline and advice. As a step in this direction, the PCI is a new, non-financing tool designed to offer assistance in formulating and implementing macroeconomic policy packages with close monitoring of progress.

CHAPTER 5

FINANCIAL SECTOR PERFORMANCE

5.1 The Banking Sector

5.1.1 Assets, Liabilities and Equity Capital

The banking sector's total assets recorded a growth of R2,041 million from 2016 to 2017 (compared to an increase of R844 million from 2015 to 2016), most of which was recorded in loans and advances and external assets. For the first half of 2017, the Bank tightened its monetary policy stance whilst it adopted a cautious loose monetary policy stance as from July 2017 until the end of the year. Of note, the former stance taken was in view of inflationary risks that was anticipated at the beginning of the year which could essentially be detrimental to domestic price stability. These inflationary impulses were primarily associated with domestic factors, namely the impact of fiscal policies introduced as counter-balancing measures following policies implemented in 2016 to address income inequality and poverty level. Despite the stance taken in the beginning of 2017, an influx was also recorded in the banking sector's loans and advances in that period. In the second half of 2017, the Bank adopted a cautious loosening monetary policy stance to boost economic activity. Again, further growths were observed in loans and advances at the end of 2017.

Growth in total assets were funded by deposit liabilities, this being the main form of borrowing. The other source of funds came from equity capital which grew by R227 million due to net profit after tax made by the banking sector.

As regards to total liabilities, this came primarily from deposit liabilities. Most of the stated liability were denominated in local currency by the end of 2017. Chart 6 illustrates the trend in the industry's total assets, total liabilities and total equity capital from 2013 to 2017.

Chart 6: Total Assets, Total Liabilities and Total Equity Capital



5.1.1.1 Total Assets

Total assets grew by R2,041 million from 2016 to stand at R19,659 million in 2017. As such, the growth in the industry's total assets for the year under review followed a similar trend to that of the previous year.

The year-on-year growth shows that the banking sector's assets increased by 12% in 2017 compared to 5.0% in the previous year. This was attributed to an increase of R769 million in loans and

advances and R586 million in external assets¹⁶.

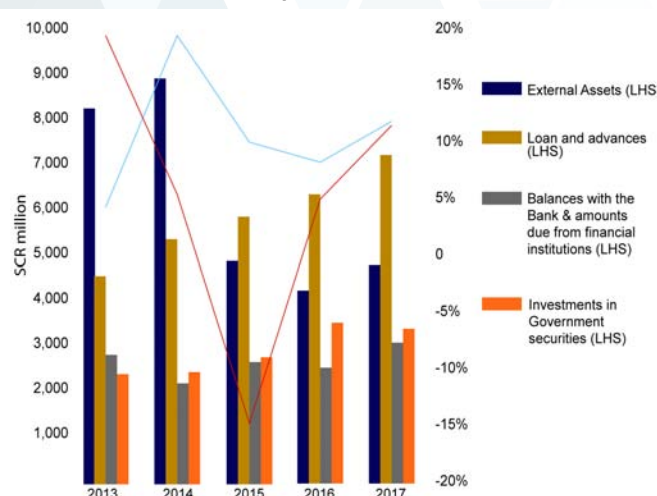
The composition of the industry's total assets is illustrated in Chart 7. Loans and advances remained as the largest portion of the banking sector's total assets in 2017. This amounted to R7,101 million as at December 31, 2017, representing 36% of the industry's total assets, followed by 'external assets' at 25% and 'investments in Government securities' at 17%. 'Balances with the Bank and amounts due from financial institutions' and 'other assets'¹⁷ constituted of 16% and 5.9% respectively.

A rise was also recorded in the banking sector's total loans and advances, whereby a growth of R769 million was observed. The rise in this asset was due to the increase in demands for loans and relatively lower interest rate offered by banks in 2017. Similarly, all other components of the industry's total assets observed an increasing trend, notably 'external assets', 'balances with the Bank and amounts due from financial institutions' and 'other assets' which increased by R586 million, R528 million and R152 million respectively from 2016 to 2017.

The second largest component of total banking sector assets in 2017 was 'external assets' which accounted for 25% of the banking sector's total assets as at December 31, 2017. External assets grew by R586 million during the year under review. To note, 'balances due from financial institutions abroad' was the main driver of this increase. This item increased by R1,802 million in 2017. However, the effect was mitigated by a decline in securities and other investments of R1,260 million. The movement in the banking sector's asset components are discussed further in subsequent sections.

Chart 7 illustrates the breakdown of banks' total assets from 2013 to 2017.

Chart 7: Composition of Total Assets



¹⁶ Includes balances due from financial institutions abroad, securities, foreign currency (notes and coins), foreign bills purchased and discounted and other investments in foreign currency.

¹⁷ Cash in hand, Deferred tax asset, Fixed assets and Other assets.

5.1.1.1.1 External Assets¹⁸

The banking sector's total external assets recorded a growth of 14% (R586 million) from 2016 to settle at R4,880 million in the year under review. The growth in external assets was mainly attributed to the increase in 'Balances due from financial institution abroad', followed by 'other external assets'¹⁹ with an increase of R1,802 million (75%) and R44 million (26%) respectively. However, the above growth was mitigated by a decline recorded specifically in 'Securities and Other investments' which dropped by R1,260 million representing a decline of 73%.

Charts 8 and 9 illustrate the breakdown of external asset.

Chart 8: Breakdown of External Assets

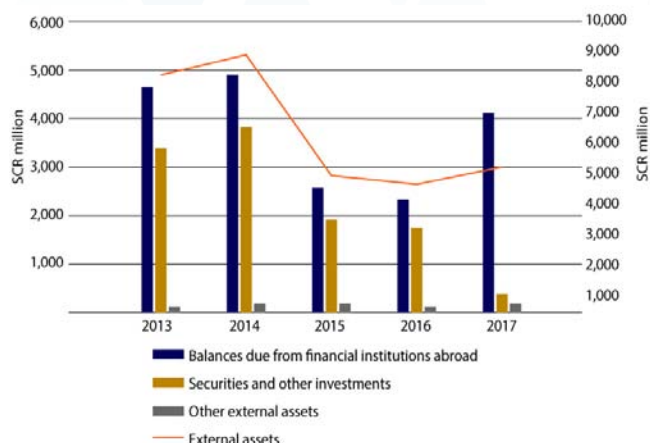
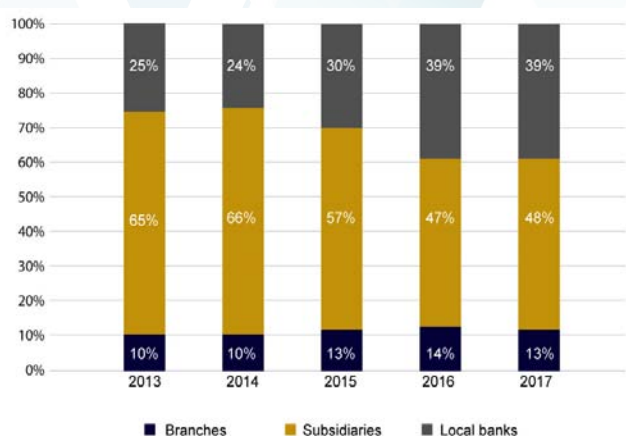


Chart 9: Breakdown of External Assets



5.1.1.1.2 Loans and Advances²⁰

Loans and advances remained on an increasing trend during the review period. This may have been driven by the revisions made in 2016 regarding the minimum salary increase and the first phase of the progressive income tax. Consequently, more disposable income was available to the public, thereby propelling some individuals and companies to borrow more. In addition, with the loose monetary policy stance taken in the third quarter of 2017, this stimulated credit growth as banks had ample liquidity to invest as loans and advances. Furthermore, in addition to new loans disbursed during 2017, banks also had facilities which have been approved but were yet to be disbursed. This was reported as off-balance sheet as at December 2016.

These undrawn facilities amounted to R1,002 million and materialised in 2017.

At the end of 2017, loans and advances stood at R7,101 million and was the main component of the banking sector's total assets. It grew by R769 million, which represented a 12% increase from 2016. In terms of subsidiaries and branches of foreign banks, these accounted for 57% (R4,063 million) and 5% (R339 million) respectively of the industry's total loans and advances during the year 2017.

Chart 10 shows the trend and breakdown of loans and advances over a five-year horizon.

Chart 10: Breakdown of Loans and Advances

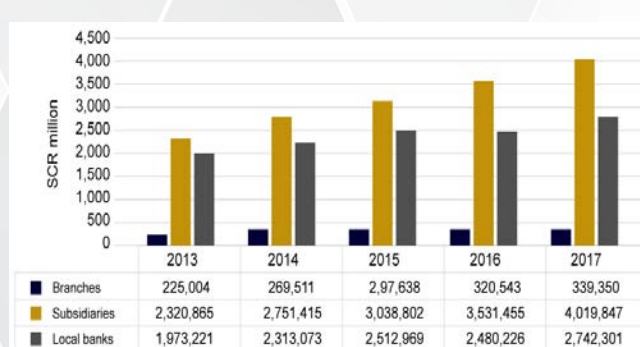
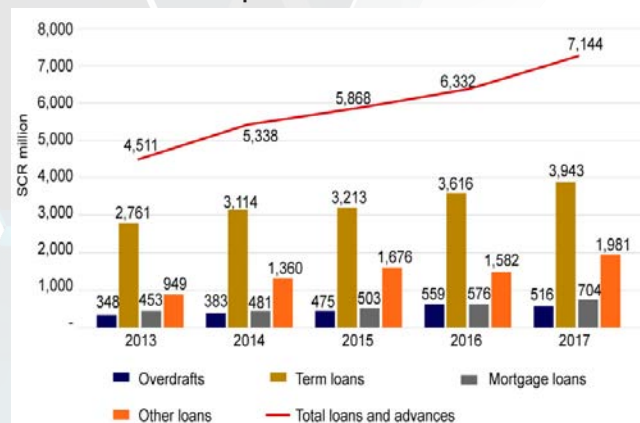


Chart 11: Components of Loans and Advances



As can be seen from Chart 11 above, the main component of the industry's total loans and advances for the year 2017 was term loans. This amounted to R3,943 million representing 62% of the industry's loan portfolio. From 2016 to 2017, a growth of R327 million, representing 9.0%, was observed in term loans. The second largest portion of loans and advances comprised of 'other loans'²¹. From 2016 to 2017, this item grew by US\$29 million (equivalent to R400 million²²), which accounted for an increase of 25%. At the end of the review period, 'other loans' stood at US\$143 million (equivalent to R1,981 million). This represented 31% of the industry's total loans and advances portfolio. Thirdly the increase in the industry's total loans and advances resulted from mortgage loans.

¹⁸ Figures are based on audited figures.

¹⁹ Deposits denominated in foreign currency and foreign bill purchased.

²⁰ Figures are based on audited figures.

²¹ Consist of loans denominated in foreign currency.

²² 1US\$=13.8256 SCR as at December 31, 2017.

This rose by R129 million, signifying an increase of 22% from 2016. At the end of 2017, this item amounted to R704 million, representing 11% of the industry's total loans and advances.

In relation to overdrafts, this declined by R43 million (7.7%) during the period under review. At the end of 2017 overdrafts made up of 8.2% of the industry's total loans and advances, amounting to R516 million.

5.1.1.1.3 Balances with the Bank and Amounts due from Financial Institutions

At the end of December 2017, 'Balances with the Bank and amounts due from financial institutions in Seychelles' stood at R3,088 million, representing 16% of the banking sector's total assets. This share of the industry's asset base is a slight improvement (1.2%) from the previous year.

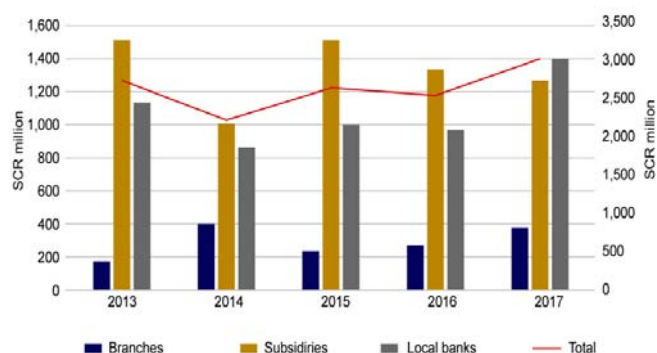
In absolute terms, an increase of R528 million was observed in 'Balances with the Bank and amounts due from financial institutions in Seychelles' from 2016. The growth was driven by 'Balances with the Bank', more specifically in the Minimum Reserve Requirement (MRR). Presently, banks are required to hold as MRR 13% of residents' deposits denominated in local and foreign currency. During 2017, a rise was recorded in deposits which subsequently led to additional MRR being maintained.

Being a major component of 'Balances with the Bank', the growth in MRR drove the increase in the said item. At the end of 2017, the MRR on deposits liabilities denominated in SCR stood at R1,174 million whilst the MRR on USD and EUR deposit liabilities amounted to US\$38 million and EUR19 million, respectively. This is an increase from 2016, where MRR on deposits liabilities denominated in SCR stood at R1,033 million, whilst that on USD and EUR deposit liabilities equalled US\$35 million and EUR16 million, respectively.

During the year under review, banks also made use of the Standing Deposit Facility offered by the Bank. This is an overnight deposit held with the Bank which essentially allows institutions to earn interest on the overnight excess reserves placed at the Bank. At the end of December 2017, the balance of the facility amounted to R125 million.

Another noteworthy component of Balances with the Bank, is banks' investment in Deposit Auction Arrangement (DAA). At the end of 2017 the outstanding balance of DAA amounted to R690 million, compared to R588 million in 2016. The increase of such also contributed to the rise in Balances with the Bank.

Chart 12: Balances with the Bank and Amounts due from Financial Institutions in Seychelles



As observed from Chart 12, there was a shift in the holdings of Balances with the Bank and amounts due from financial institutions in Seychelles from 2016 to 2017. At the end of 2017, local banks held 46% of the component, compared to 38% in the previous year, on account of their higher investment in DAA.

5.1.1.1.4 Investment in Government Securities

In 2017, an overall increase of R5.9 million was observed in Investments in Government Securities compared to R646 million in 2016. The increase was mostly attributed to the issuance of Treasury Bills (T-bills), for both fiscal needs and monetary policy purposes, with movements in the yields influenced by changes in liquidity level and hence the prevailing monetary policy stance. T-bills increased by R66 million, during the year under review. On average, the yield on the 91-day, 182-day and 365-day T-bills for 2017 was 3.06%, 4.79%, and 5.33% respectively. This was lower than that for the end of 2016 which stood at 6.05%, 7.11% and 7.33% on the same maturities.

With regards to Treasury bonds, during the year, 3 Government bonds were issued which amounted to R350 million. A 3-year Treasury bond also matured during 2017 which caused the Treasury bonds to decline by R34 million.

At the end of the review period, investment in Government securities stood at R3,429 million and was the third largest component of the sector's total assets. In terms of riskiness, these assets are assigned a risk weight of 0%, representing the lowest risk investment.

Chart 13 illustrates the breakdown in government securities.

Chart 13: Breakdown in Government Securities

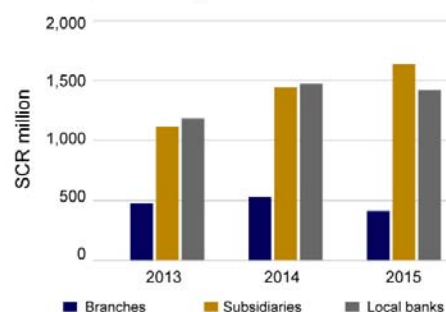
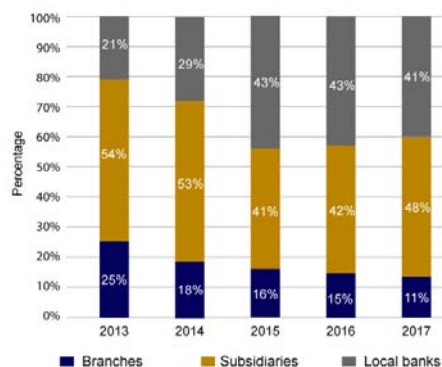
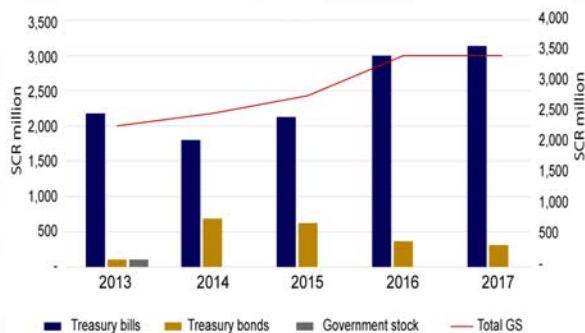
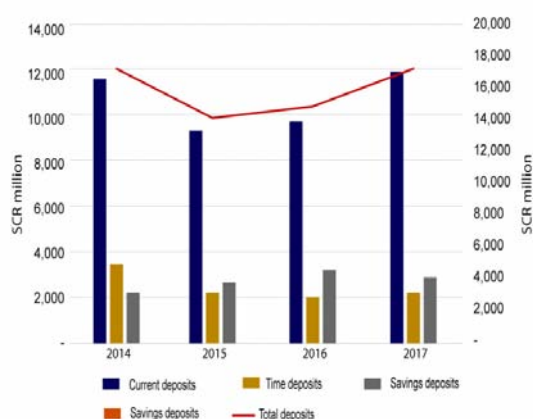
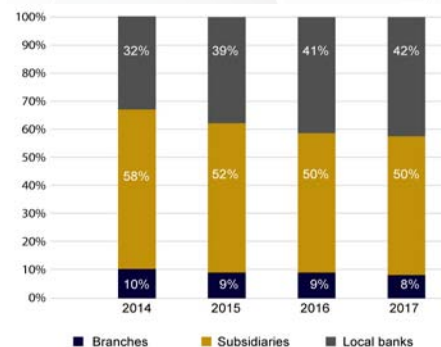
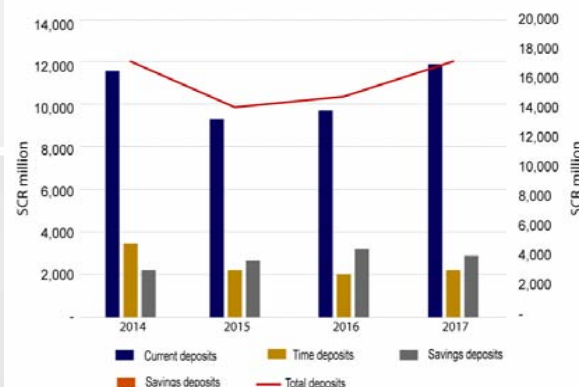


Chart 13: Breakdown in Government Securities


5.1.1.2 Total Liabilities

Similar to the preceding years, the industry's total liabilities remained as the main source of funding for investments in total assets. During 2017, the total value of the industry's liabilities generated 84% of its total assets whilst equity capital accounted for only 11%. As at the end of the year under review, total liabilities stood at R17,580 million, out of which deposit liabilities accounted for R16,851 million, constituting 96% of the total amount. No major shift was observed in the allotment of deposit liabilities to total liabilities during the year under review, indicating that maturity transformation²³ remained the primary activity undertaken by the banking sector.

Chart 14 illustrates the proportion of total liabilities allocated to branches, subsidiaries and local banks in Seychelles. To note, the distribution remained fairly similar to that of the preceding years, with subsidiaries being the major driver of total liabilities at 50%. This was followed by local banks (42%) and the smallest portion held by branches (8%).

Chart 14: Banking Sector's Total Liabilities

Chart 15: Composition of Total Liabilities


The increase in total liabilities was, however, curtailed by an attrition in 'other liabilities' by R331 million. To note, this was primarily driven by one bank.

5.1.1.3 Equity Capital

Similar to the previous year, equity capital increased by R227 million to settle at R2,080 million at the end of 2017. This compared to a growth of R102 million in 2016. The increase was largely attributed to the net profit after tax of the banking sector amounting to R384 million. Of note, the remittance of dividends effected by banks decreased the amount transferred to retained earnings. A significant increase was observed in the industry's share capital. This item stood at R401 million at the end of 2017, attributed to the injection of capital effected by two banks. Other components of equity capital comprising of statutory reserve fund and 'other reserves' observed an increase of R3.7 million and R13 million, respectively.

5.1.2 Capital Adequacy²⁴

As per Regulation 4(1) of the Financial Institutions (Capital Adequacy) Regulations, 2010, banks are required to maintain a minimum paid-up capital of R20 million. Additionally, Regulation 5 states that banks' minimum Capital Adequacy Ratio (CAR) should not be less than 12% whilst the core capital ratio should not be less than 6%. During the year under review all banks were in accordance with these requirements.

The industry's CAR and core capital ratio demonstrated a downward trend from 2016 to 2017. The former decreased from 27% to 24% whilst the latter dropped from 20% to 18%. The fall in the ratios were mainly due to a rise in the industry's risk-weighted assets

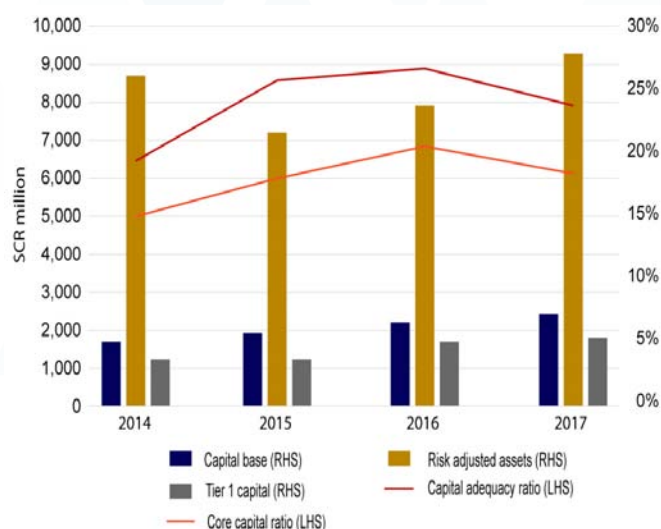
²³ The process of financing long-term assets with short-term liabilities.

²⁴ Figures for this section are based on unaudited figures for the year under review.

from R7,876 million in 2016 to R9,327 million in 2017. This exceeded the increase of 5% in regulatory capital which grew from R2,094 million to R2,194 million. In regards to regulatory Tier 1 capital, this also increased by 5% from R1,613 million in 2016 to R1,688 million in 2017.

From 2016 to 2017, the industry's net tangible capitalisation ratio declined marginally from 12% to 11%, mainly accredited to higher growth in total assets by R2,124 million in 2017. Chart 16 below shows the capital ratios maintained by the industry from December 2014 to December 2017.

Chart 16: Capital Adequacy Indicators



5.1.2.1 Capital Base²⁵

Table 12 shows the trend in capital base (Tier 1 and Tier 2 Capital), total risk-adjusted assets, risk-weighted assets and capital adequacy ratio of the banking industry from December 2015 to December 2017. The industry's regulatory capital increased by 5%, from R2,094 million in 2016 to R2,194 million in 2017. The main element of capital base, namely Tier 1 capital²⁶, registered an increase of 5% (R76 million), driven by the growth in retained earnings. As for Tier 2 capital²⁷, this increased by 5% (R24 million), representing 23% of the industry's capital base. This was due to growth observed in net profit after tax in 2017. Compared to the previous year, this represented a drop of 11% amounting to R58 million which was largely attributed to dividend payment made by a bank.

Table 12: Components of CAR (December 2015 - December 2017)

Figures are in SCR'000	2015	2016	2017
Tier 1 capital	1,328,030	1,612,524	1,688,448
Tier 2 capital	539,536	481,584	506,013
Total regulatory capital (capital base) (A)	1,867,566	2,094,108	2,194,462
Total risk-adjusted assets (B)	7,335,935	7,875,753	9,327,406
Risk-weighted assets on-balance sheet assets	5,963,503	6,398,415	7,652,748
Risk-weighted assets off-balance sheet assets	142,075	158,914	237,281
Capital adequacy ratio (A/B)	25%	27%	24%

²⁵ Also known as regulatory capital.

²⁶ Tier 1 capital primarily comprises of equity and disclosed reserves and has the highest capacity to absorb losses.

²⁷ Tier 2 capital comprises of year to date net profit after tax, hybrid capital instruments, subordinated debt and general provisions.

5.1.2.2 Total Risk-Adjusted Assets

Risk-adjusted assets recorded a growth of 18% from R7,876 million to R9,327 million over the review period. The increment was driven by the rise of R1,254 million in total on-balance sheet risk-weighted assets, which exceeded the growth of R435 million recorded in 2016. On the other hand, off-balance sheet risk-weighted assets increased by R78 million.

Significant increase was observed in the banks' assets classified in the 50% and 100% bucket. Assets within the 100% risk band increased from 9% to 21% from 2016 to 2017. This represents the bulk of total risk-weighted assets at 88%, which mostly denotes claims on private sector and 'other assets'. On the other hand, assets in the 50% risk-weight band rose from 7% to 29% as a result of an increase in the industry's mortgage loans, driven by two foreign owned banks. The percentage of assets in the 20% category increased from 2% to 8%.

Risk-weighted assets for credit risk represents the largest component of the banking sector's total risk-weighted assets, accounting for 85% of the total. Growth of R119 million was also observed in the operational risk-weighted assets representing 15% of total risk-adjusted assets. The growth relates to higher gross income noted in the industry during the review period.

5.1.3 Asset Quality²⁸

The assessment of a FI's asset quality reflects the efficacy of its credit risk management and its recovery environment. This would in turn provide an indication on the financial viability and profitability of the institution.

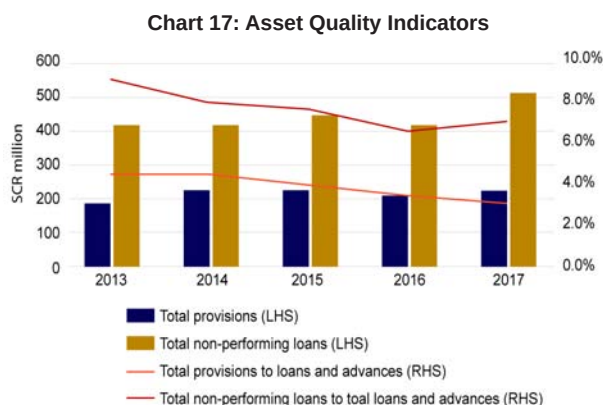
Asset quality indicators classify the assessment of an institution's credit management into five categories as per the Financial Institutions (Credit Classification and Provisioning) Regulations 2010, as amended. Provisions are required to be made for the five categories of Pass, Special Mention, Substandard, Doubtful and Loss. These provisioning requirements are illustrated in Table 13 below.

Table 13: Criteria for Credit Classification and Provisioning

Classification	Minimum criteria for classification in each category	Minimum percentage of provisions
(i) Special Mention	A credit which is 30 to 89 days past-due	5%
(ii) Substandard	A credit which is 90 to 179 days past-due	25%
(iii) Doubtful	A credit which is 180 to 364 days past-due	50%
(iv) Loss	A credit which is 365 days past-due or more	100%

²⁸ Figures for this section are based on unaudited figures.

Chart 17 illustrates some asset quality indicators of the banking sector from the years 2013 to 2017.



As indicated in Chart 17 above, the industry's Non-Performing Loans (NPLs) regained its increasing trend during 2017. This followed from a decrease recorded in the previous year which caused a slight anomaly in the trend when one major facility was written-off. However, during 2017, facilities of two major banks were relegated to the Non-Performing category. This resulted in an increase of R79 million, bringing the total NPLs at the end of the year to R507 million.

As at the end of 2017, loans classified in the substandard, doubtful and loss categories represented 30%, 17% and 53% respectively of total NPLs²⁹. The sector-wise distribution of NPLs is shown in Table 14.

The increase in NPLs resulted in an ensuing rise in the industry's total provisions³⁰. During 2017, total provisions rose by R11 million to settle at R222 million. To note that out of the total NPLs of R222 million made for 2017, specific provisions accounted for R161 million. At the end of the year, all banks were adhering to the minimum provisioning requirements as set out in the Financial Institutions (Credit Classification and Provisioning) Regulations 2010, as amended.

The ratio of total NPLs to total loans and advances increased to 7.1 per cent whilst total provisions to loans advances recorded a nominal decrease of 0.2 percentage points to settle at 3.1% by the end of 2017.

In 2017, FSD introduced a new classification of sectorial distribution of loans. New sectors and subsectors were added with the aim of obtaining more granular information. The sectorial distribution of NPLs was also modified as a consequence of the changes in classification. In light that the changes were effected from 2017, there is no comparative analysis to the previous years.

Table 14: Sectoral Distribution of NPLs

Figures are in SCR'000	2017	
Agriculture & horticulture	398	0.09%
Art & Entertainment	11,483	2.55%
Building and Construction	10,232	2.27%
Commercial Development	15,274	3.39%
Cottage industries	1,472	0.33%
Education	35	0.01%
Financial institutions	0	0.00%
Fishing	3,090	0.69%
Government	61,885	13.75%
Health	152,424	33.86%
Manufacturing	867	0.19%
Mortgage loans	1,275	0.28%
Non Profit Institutions	0	0.00%
Others	11,437	2.54%
Private household	40,941	9.10%
Professional, Scientific & Technical Services	673	0.15%
Real estate	0	0.00%
Residential Development	8,381	1.86%
Telecommunications, Computer & Information	106	0.02%
Tourism	101,611	22.58%
of which small hotel	11,155	2.48%
of which large hotel	60,075	13.35%
of which guest house	2,045	0.45%
Trade	21,963	4.88%
Transport	6,553	1.46%
Total NPLs	450,100	

As illustrated, the industry's NPLs in 2017 were mostly concentrated in the health and tourism sector.

Table 15: Sectoral Distribution of Loans

Figures are in SCR'000	2017	
Agriculture & horticulture	93,633	1.31%
Art & Entertainment	54,305	0.76%
Building and Construction	537,559	7.52%
Commercial Development	163,025	2.28%
Cottage industries	34,715	0.49%
Education	25,230	0.35%
Financial institutions	400,668	5.61%
Fishing	43,724	0.61%
Government	587,917	8.23%
Health	157,171	2.20%
Manufacturing	189,970	2.66%
Mortgage loans	781,103	10.93%
Non Profit Institutions	225	0.00%
Others	256,851	3.59%
Private household	981,291	13.73%
Professional, Scientific & Technical Services	22,867	0.32%
Real estate	557,649	7.80%
Residential Development	67,581	0.95%
Telecommunications, Computer & Information	60,187	0.84%
Tourism	1,103,382	15.44%
of which small hotel	70,982	0.99%
of which large hotel	646,550	9.05%
of which guest house	215,838	3.02%
Trade	775,518	10.85%
Transport	250,837	3.51%

Loans to the tourism sector and to private household sector continue to make up the major proportion of the industry's loan portfolio. This trend is consistent with the development in the domestic economy. The rise in visitors' arrival spurred the growth in the tourism sector whilst the rise in the level of disposable income coupled with the introduction of progressive income tax system in the recent years, has contributed to the increase in loans by individuals for private consumption. The category "Mortgage loans" accounted for a 10.93% share of total loans which is an increase in proportion compared to the previous years. The rise in this sector is partially attributed to the higher disposable income as well as the reduction in interest rates applicable on mortgage loans by some banks.

²⁹ Compared to 15%, 20% and 65% in 2016 for loans in the substandard, doubtful and loss categories respectively.

³⁰ Includes general provision and specific provision.

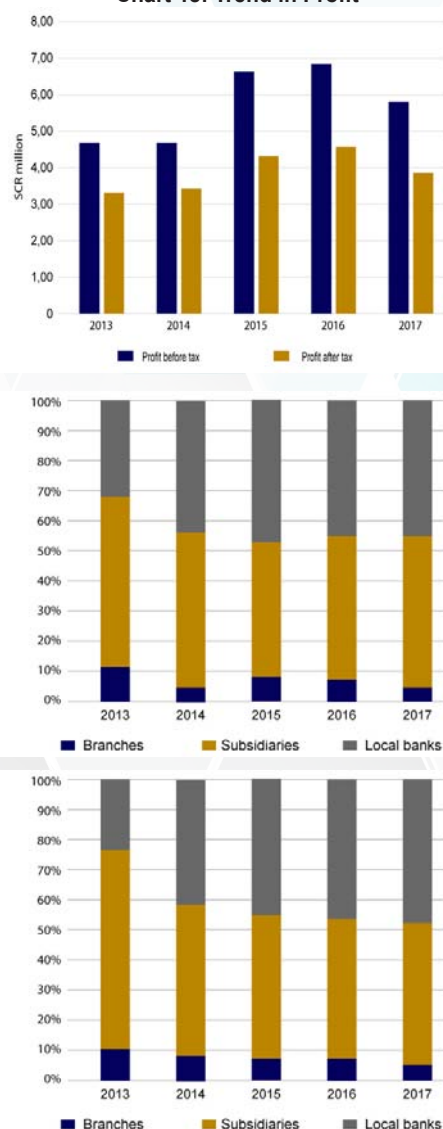
5.1.4 Earnings³¹

5.1.4.1 Levels and Trends of Profitability

For 2017, the industry remained profitable although a decline was noted in profit compared to 2016. A net profit after tax of R384 million was recorded for 2017, representing a decrease of 15% in comparison to 2016. Similarly, in the review period, the profit before tax declined by R80 million to settle at R579 million. The lower net profit after tax in 2017 was driven by higher expenses incurred during the year. On a year-on-year basis, total expenses increased by R131 million. Staff costs and other operating costs were the main contributing factors for the increase. To note, total income earned in 2017 were higher than that of 2016, however, this was not enough to cover for the higher expenses.

As illustrated in Chart 18, the proportion of profit remained fairly similar to that of 2016 with local banks holding 48% of total net profit after tax whilst subsidiaries recorded 46% of same.

Chart 18: Trend in Profit



5.1.4.2 Composition of Income and Expenses

The industry's total income grew by R37 million to settle at R1,454 million in 2017, compared to R1,418 million recorded in 2016. The growth was accredited mainly to an increase of R60 million in total non-interest income whilst total interest income declined from 2016 to 2017. Based on unaudited financial statements, the rise in total non-interest income was driven by higher income earned on mainly 'fees, commission and charges' and 'profit on foreign exchange dealings'. Essentially, movement in these components of income were driven by changes in a bank's fees and charges associated with the volume of services rendered to its customers. As mentioned earlier, total expenses rose by R131 million for the period under review compared to R57 million recorded in 2016. As per the unaudited financial statements, the main contributors for the rise were increases in salaries and allowances, occupancy expenses and Head Office charges. In addition, interest expense mainly from savings and deposits also contributed to the increase in total expenses.

Table 16: Breakdown in Profitability

Figures are in SCR'000	2015	2016	2017	% Growth or Decline	% Growth or Decline
				2016	2017
Interest Income	876,956	939,570	916,105	7.1%	-2.5%
Interest Expense	103,715	136,684	157,766	32%	15%
Net Interest Income	773,240	802,886	758,339	3.8%	-5.5%
Non-Interest Income	478,844	478,280	538,359	-0.1%	13%
Non-Interest Expense	557,958	581,730	691,777	4.3%	19%
Total Income	1,355,800	1,417,850	1,454,464	4.6%	2.6%
Total Expense	661,673	718,414	849,543	8.6%	18%
Net Profit Before Tax	656,816	659,389	579,151	0.4%	-12%
Net Profit After Tax	428,604	449,839	384,492	5.0%	-15%

Table 17 below shows the banking sector's earnings ratios from 2015 to 2017. Based on the table, it can be observed that average yield on loans and advances declined by 0.9 percentage points from 2016 to 2017 whilst average cost of deposits remained similar to that of 2016.

On the other hand, the industry's return on assets and return on equity declined in 2017 and these were driven by the lower profitability earned in the review period. Average yield on T-bills and CBS instruments, fell by 0.4 percentage points and 0.3 percentage points respectively. To note that movements in the yields were influenced by changes in liquidity level and hence the prevailing monetary policy stance.

Table 17: Earnings Ratio (Unaudited Figures)

	2015	2016	2017
Return on assets	3.9%	3.9%	3.2%
Return on equity	36%	33%	29%
Average yield on loans and advances	9.4%	10%	9.1%
Average cost of deposits	0.9%	1.0%	1.0%
Average yield on T-Bills	8.0%	6.5%	6.1%
Average yield on CBS instruments	2.3%	4.6%	4.3%

³¹ Figures for this section are based on audited figures unless otherwise stated.

5.1.5 Liquidity³²

5.1.5.1 Composition of Liquid Assets and Liquidity Ratios

The banking sector's liquidity indicators observed an increase during 2017 due to a growth in liquid assets, specifically placements with other banks which grew by R1,896 million.

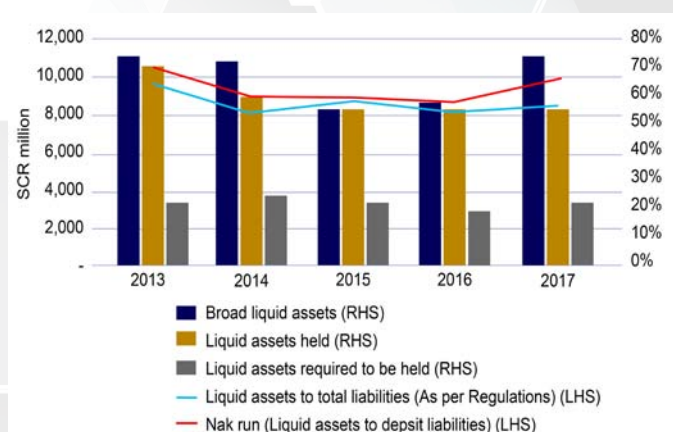
Analysis of the components of broad liquid assets³³ shows that placements with other banks, balances with the Bank, cash on hand and government securities, grew by R2,491 million on aggregate to stand at R11,015 million. Correspondingly, a significant growth of R2,482 million was observed in the industry's core liquid assets³⁴ compared to the preceding year. The rise in liquid assets was due to a R1,426 million increase in checkable deposits.

The required liquid assets held grew by 11% from R3,117 million as at December 2016 to R3,446 million as at December 2017.

The industry's liquid assets³⁵ to total liabilities ratio observed a growth of 3.0 percentage points to settle at 57 per cent at the end of the year 2017. This shows that the industry's liquid assets could match 57 per cent of its total liabilities at the end of the review period. Furthermore, all banks remained above the prudential limit³⁶ during the year under review.

Another liquidity indicator assessed by FSD is the bank run ratio, which represents the capacity of a bank to match its deposits with liquid assets in the event of a bank run. The ratio for the industry increased from 58% in 2016 to 68% in 2017. Chart 19 illustrates the trend in liquidity indicators over the review period.

Chart 19: Trend in Statutory Liquid Assets & Other Liquidity Indicators



³² Liquidity is the ability to fund asset growth as well as meet financial obligations as they fall due. Inability to meet such requirements will therefore give rise to liquidity risk to the financial institutions. Figures in this section are based on unaudited figures.

³³ Includes cash on hand, balances held with the Bank excluding MRR, deposits with other banks and Government securities.

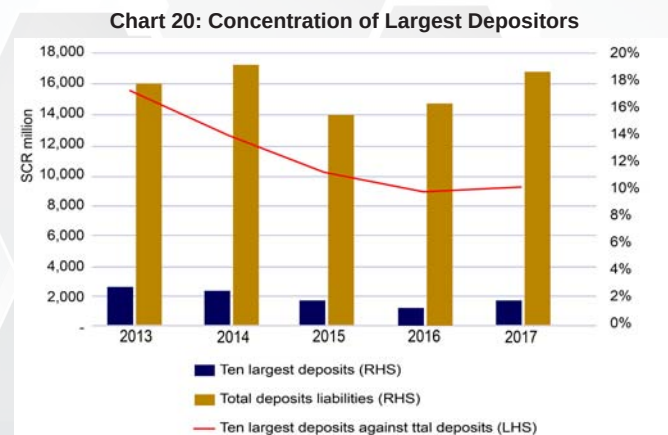
³⁴ Includes cash on hand, balances held with the Bank and deposits with other banks.

³⁵ Liquid assets used for the statutory ratio includes a component that is not part of broad liquid assets, namely securities and other investments.

³⁶ This is in line with the Financial Institutions (Liquidity Risk Management) Regulations, 2009 which stipulates that a bank shall maintain liquid assets in an amount which shall not, as a daily average each month, be less than 20 per cent of the bank's total liabilities.

5.1.5.2 Concentration of Ten Largest Deposits

Chart 20 shows the banking sector's deposits received from the ten largest depositors as a percentage of total deposits liabilities, accordingly, this provides an indication of funding concentration. This ratio increased from 9.9% to 10.2% from 2016 to 2017. In absolute amount, this represented a growth of R251 million, driven by a growth in state owned commercial public enterprise³⁷ deposits.



5.1.6 Sensitivity to Market Risk³⁸

Banks in Seychelles are exposed to market risk as a result of their core business activities being related to financial intermediation, that is, accepting funds (deposit) and making loans and other investments with those funds. The Financial Institutions (Foreign Currency Exposure) Regulations, 2009 as amended, is currently the only regulatory requirement with regards to market risk.

The aforementioned Regulations require banks to maintain a total long position and total short position to capital ratio of 30%, respectively, with the aim of managing banks' exposure to exchange rate risk. For the first three quarters of the year under review, one bank was in contravention with the said Regulations. This was a situation which was carried forward from 2016, where the bank was given a specific timeframe to address the breach. This deadline was met and all banks were in compliance with the abovementioned Regulations by the last quarter of 2017.

Overall, foreign currency risks have been assessed to be low to moderate for banks in Seychelles. Most banks, as a practice to mitigate their foreign exchange risk, match their liabilities to their assets denominated in the same currency.

Table 18: Foreign Currency Position

Figures are in SCR'000	2013	2014	2015	2016	2017
Net USD position	142,464	114,601	46,930	46,567	37,804
Net EUR position	6,329	23,820	(4,066)	(25,632)	(26,956)
Net GBP position	4,410	(2,129)	(8,407)	(2,420)	(1,763)
Net position in other currencies	(3,421)	5,632	342	4,423	21,437

³⁷ These are government owned organisations responsible for the delivery of both commercial and social objectives. The services offered range from electricity, water, roads, seaports, fuel supply, transport and aviation.

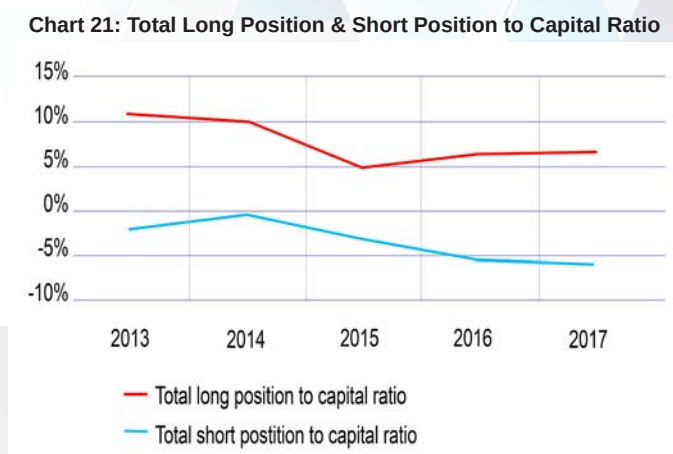
³⁸ Figures used for this section are based on unaudited figures.

At the end of 2017, the industry's total long position and total short position to capital ratio stood at 6.43% and 5.60%, respectively. As observed from Chart 21 below, compared to the previous year, no significant movements were observed in the individual ratios for 2017. The industry's long position to capital ratio increased by 0.2 percentage points, whilst the short position to capital ratio declined by 0.5 percentage points from 2016 to 2017.

In regards to interest rate risk, the Bank does not currently have any regulatory requirements for such risk. However, banks' exposure to interest rate risk are monitored through a specified return submitted to the Bank. Moreover, as part of their risk management process, banks are encouraged to conduct analyses to assess the extent to which they are exposed to the risk and to determine ways to mitigate same. In addition, banks typically have variable interest rate clauses in their loan agreements in order to manage interest rate movements.

With the upcoming Basel II implementation, banks will be required to calculate a capital charge for the foreign currency risk. Furthermore, they will be required to have a system in place to measure interest rate in the banking book. This measurement process should include all material interest rate positions of the bank and consider all relevant repricing and maturity data.

Chart 21 illustrates the trend in the aforementioned ratios over the review period.



5.2 Non-bank Financial Institutions

Non-bank financial institutions under the regulatory supervision of the Bank consist of SCU, DBS, HFC and BDCs.

During 2017, with the exception of HFC which recorded a slight decline in its loan portfolio, the non-bank financial institutions experienced steady growths in their asset base, loan portfolio and capital.

On an aggregate basis, the non-bank financial institutions recorded a higher net profit in 2017. This item increased by R10.2 million from R24.8 to R35 million over the review period. Similarly, BDCs recorded a higher net profit in 2017, increasing by R10.1 million in comparison to 2016.

5.2.1 Seychelles Credit Union

During 2017, the asset base of SCU increased by R66 million to settle at R372 million. The increase was due to an expansion of 20% in the institution's loan portfolio. This item settled at R241 million, possibly triggered by a revision in the minimum salary and changes in the income tax regime in Seychelles. The increase in income led to a rise in the borrowing capacity of the members of SCU. The introduction of new loan products by SCU in the recent year also aided in the expansion of the institution's loan portfolio.

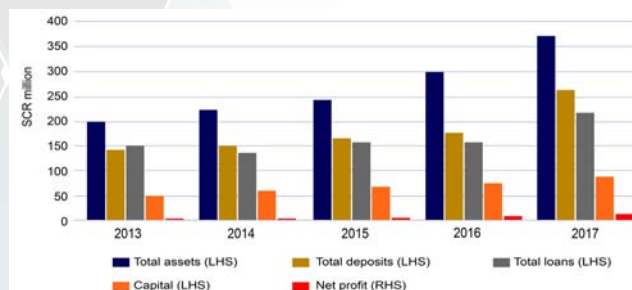
The deposit base of SCU increased significantly in 2017, settling at R268 million at the end of the year from R215 million in 2016. The main contributor for this growth was savings deposits, which rose from R210 million in 2016 to R248 million in 2017.

In regards to SCU's capital, this increased by R12 million to stand at R90 million during the year under review. This increase was driven by the rise in ownership shares, current unadjusted/unaudited profit and general reserve amounting to R7.8 million, 2.7 million and R1.4 million, respectively.

The institution reported a net profit after tax of R8.0 million for the year 2017, representing a rise of R3.2 million in comparison to 2016. The increase was as a result of an increase in interest income on loans.

Chart 22 illustrates SCU's indicators over the review period.

Chart 22: SCU's Indicators



5.2.2 Development Bank of Seychelles

DBS' total assets grew by R178 million or 19% from 2016 to stand at R1,107 million at the end of 2017. Although still positive, the growth observed in the review period was less than the 31% rise in 2016. Similar to the preceding years, the increase in DBS' total assets was driven by the expansion of its loan portfolio which rose by R148 million during 2017. Increases were also noted in other components of DBS' assets, including balances held with local banks and other assets, which also contributed to the growth in DBS' asset base, albeit to a lesser extent.

Loans and advances, which is the main component of DBS' total assets, rose from R761 million in 2016 to R909 million in 2017. This increase in loans was mostly driven by loans granted under the Small Medium Enterprise loan scheme which grew by R118 million during the year. Loans extended under this scheme remained the largest contributor of DBS' total loan portfolio with a share of 54%. Under the DBS' loan scheme, loans to the tourism sector was the prominent sector, representing 13% of the total loans and advances in 2017. This was followed closely by loans granted to the building and construction sector with a share of 11%. To note, of the two sectors, the building and construction sector observed the most growth during the year 2017.

In regards to the institution's debt borrowings, this climbed at a slower pace compared to 2016. The item grew by 0.5% in 2017 compared to 71% in 2016, which was due to the bank contracting only one loan facility to the amount of R42 million in the year 2017. The other reason for the slowdown in debt borrowings was the issuance of a 6.0% three-year bond in August 2017, amounting to R150 million.

In regards to the institution's debt borrowings, this climbed at a slower pace compared to 2016. The item grew by 0.5% in 2017 compared to 71% in 2016, which was due to the bank contracting only one loan facility to the amount of R42 million in the year 2017.

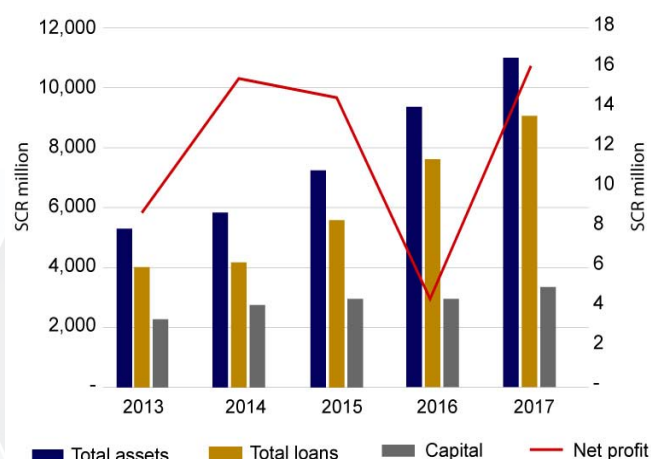
The other reason for the slowdown in debt borrowings was the issuance of a 6.0% three-year bond in August 2017, amounting to R150 million.

DBS' capital registered a growth of R16 million (5.3%) in 2017, to stand at R316 million at year end. The rise in capital is wholly attributable to the profit generated for the year.

As mentioned above, DBS recorded a net profit of R16 million in the year 2017, an increase of R11 million from the previous year. The main contributor to the institution's profit was interest income earned on loans and advances which grew by R17 million. This rise in revenue was in turn attributed to the increase in the volume of DBS' loan portfolio. To recap, in 2016 there was a considerable rise in the institution's interest expense on account of higher borrowings.

Chart 23 illustrates DBS' indicators over the review period.

Chart 23: DBS' Indicators



5.2.3 Housing Finance Company Limited

HFC's total assets recorded a growth of 2.4% from R627 million in 2016 to R642 million in 2017. This increase was mainly driven by an increase in the institution's cash and bank balances relating to cash collection in terms of client repayment which increased from R43 million in 2016 to R65 million in 2017.

The institution's main business activity throughout the year under review was issuance of loans and advances, which was one of the main components of its total assets. This item declined slightly by 0.9% from R571 million in 2016 to R565 million in 2017. The drop was attributed to the fewer loans disbursed by the company during the year, as the institution was focusing on replenishing its cash reserves.

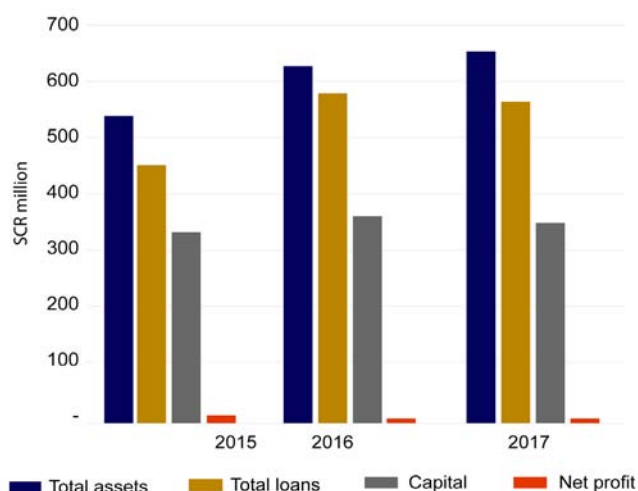
Similar to total loans and advances, the institution's borrowings, which is the main contributor to its liabilities, decreased by R12.1 million representing an 8.4% decrease compared to the growth of R39 million recorded in 2016. The drop observed in this item was mainly attributed to the repayment of its borrowings from a bank in Seychelles effected during the year.

The capital of HFC registered a slight growth of 0.2% from R361 million in 2016 to R362 million in 2017. This was driven by the institution's retained earnings which increased by R11 million to settle at R47 million at the end of 2017. Capital reserves, which is the major component of capital, declined from R270 million in 2016 to R257 million in 2017. The drop in the reserve pertains to movement in cash grants effected during the year.

With regards to the financial performance, the institution's net profit recorded a drop of 28.2% from R15 million in 2016 to R11 million in 2017. The lessening in profits was mainly attributed to a decline noted in other income.

Chart 24 illustrates HFC's indicators over the review period.

Chart 24: HFC's Indicators

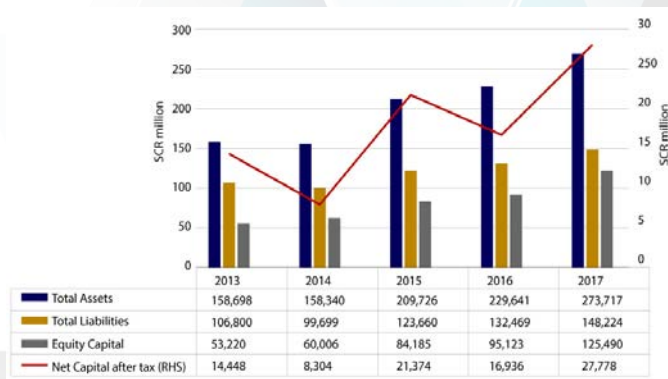


5.2.4 Bureaux de Change

In 2017, the financial position and financial performance of BDCs remained similar to that of 2016. Total assets increased by R44 million from R230 million in 2016 to R274 million in 2017. Equity capital grew by R30 million from R95 million in 2016 to R125 million in 2017, and profit after tax increased by R10.8 million. At the end of 2017, the total number of both Class A and Class B BDCs in operation stood at 27 of which 14 are Class A and the remaining are Class B.

Chart 25 illustrates BDC's indicators over the review period.

Chart 25: BDCs' Indicators



CHAPTER 6

DEVELOPMENTS IN THE SUPERVISORY FRAMEWORK



6.0 Introduction

In line with its mandate, the Bank remains committed in ensuring that its supervisory framework contributes effectively to promoting safety, soundness, and stability of the financial system and that developments are made in line with international best practices. As such, the Bank continued to enhance the quality of its supervisory framework in 2017. Likewise, FSD's work is guided by approaches and principles set by standard setting bodies like the Basel Committee for Banking Supervision (BCBS) and World Council of Credit Unions (WoCCU³⁹). In as much as the standards are relevant and can be adopted and adapted to the local context, FSD heeds international best practices towards the objective of bolstering the regulatory and supervisory framework and ensuring the soundness and stability of the financial system. In this regard, the Bank undertook several key reforms, including;

- The offsite and onsite supervision functions of the Bank which is responsible for the prudential offsite and onsite surveillance of licensed entities were merged and renamed as MPSS in May 2017. The merging of the two functions promotes the effective risk-based supervision of institutions.
- MPSS worked on enhancing the returns submitted by banks to make them more granular, and the information collected fits in a revised rating system, that is, the CARMELS⁴⁰ rating system. The components of the said system represent Capital Adequacy, Asset Quality, Risk Management, Management, Earnings, Liquidity, and Systems and Controls. This rating system is more risk-sensitive than the previous rating system utilised – CAMELS⁴¹. The former is used to guide for onsite examination of FIs as CARMELS capture more qualitative and quantitative parameters than the former rating system. Moreover, the CARMELS rating system also covers AML/CFT aspects in comparison to the CAMELS rating system.
- In November 2017, the Bank requested for a consultant on the implementation of Risk Based Supervision (RBS). The principal aim of the consultancy is to further develop the RBS framework at the Bank including the capacity of the Bank's staff in implementing RBS. The consultant is expected for 2018, and it is further expected that the exercise will build on and enhance existing practices such that Pillar II of Basel II will be integrated within the RBS framework. Two circulars were also issued by the Bank: One for the self-attestation of SWIFT Customer Security Program by all banks; and one for an amendment pertaining to the definition of eligible collateral for the Bank's sectoral institutions under the Credit Classification and Provisioning Regulations 2010 as amended. The former will ensure that

banks secure and protect their environments such that a more secure financial ecosystem can be fostered, whilst the latter makes provision for 50% of the net realisable value of land and buildings, motor vehicles, and sea vessels to be eligible for deductions.

- The Bank issued a Guidance Note on the Operation of ATM, POS Terminals and the Acquiring and Issuing of Payment Cards in August 2017. This is to ensure the safe, secure, efficient and effective operation of the national payment system as provided for under section 3(1) of the NPSA, and to promote a sound financial system as provided for under section 4(2)(b) of the CBSA in line with section 43(1) of the NPSA.

The outlined reforms were expected to lead to a more stable, sound and resilient financial services sector. As a consequence, Seychelles' financial services sector is anticipated to continue its upward growth trajectory in the medium- to long-term as the outlined reforms take root.

6.1 Financial Institutions Act 2004 as amended

The FIA was enacted in 2004 following the repeal of the Financial Institutions Act, 1984. Since 2016, work on a new review of the FIA⁴² was initiated as part of the Bank's ongoing efforts to assess its supervisory systems and identify areas for improvement. In 2017, work on the revision of the FIA progressed, and a number of areas are expected to be amended in order to improve the Act. This is in terms of the depth and clarity of existing sections and to also include new sections deemed relevant. These amendments respond to areas that both the Bank and its stakeholders have identified as requiring improvements.

Concurrently, these enhancements aim to incorporate further elements of best practices in line with international developments in the supervisory environment. The main areas that will be amended include licensing of FIs, corporate governance, bank resolution and enforcement powers of the Bank, amongst others. Furthermore, the review considers the possibility of increasing the scope of the Act to include relevant connected matters in respect of supervision of new banking activities that are expected to be introduced in Seychelles. The amended law is expected to be gazetted in 2019.

6.2 National Payment Systems Act 2014

Since promulgation of the NPSA in 2014, several shortcomings have been identified which impeded effective oversight and enforcement measures undertaken by the Bank. Upon administration of the Act, it was observed that there is a need to have the legislation clearer and adequate provisions/scope for administrative sanctions/fines as well as remedial measures to be enforced when necessary. Hence, in an effort to improve the current legislative framework in the

³⁹ A global trade association and development agency of credit unions.

⁴⁰ Capital Adequacy, Asset Quality, Risk Management, Management, Earnings Performance, Liquidity and Fund Management, Systems and Control.

⁴¹ Capital, Asset quality, Management, Earnings, Liquidity, Sensitivity to market risk.

⁴² Some amendments to the FIA were made in 2008, 2009 and 2011 respectively.

area of payment systems and to address these issues, work started in 2017 to review the law. Additionally, improvements to the law shall also encompass recent changes in the supervisory environment to recent changes in the supervisory environment to accelerate payments innovation and progress as well as aligning the current licensing framework with that of the FIA. It is expected that the amended law will be gazetted in 2019.

6.3 Financial Consumer Protection Act

The Bank and FSA initiated work to establish a primary legislation for the protection of financial consumers. The documentation of the policy decision behind the law was done throughout 2017 with the assistance of the World Bank and through consultative sessions with relevant local stakeholders. This was conducted over a 3-month period. Moreover, the policy decision behind the new law draws on the recommendations of the G20/OECD High Level Principles on financial consumer protection, the Model Law for Financial Consumer Protection, and the World Bank's Good Practices on financial consumer protection. Accordingly, the proposed law will promote equitable and fair treatment of consumers, increased transparency, responsible lending, the prevention of over-indebtedness, responsible pricing, appropriate products, data privacy, and efficient complaint resolution.

With the approval of the policy paper for the financial consumer protection legal framework by the Cabinet of Ministers on November 29, 2017, work is expected to continue in 2018 for the drafting of the Bill. Subject to the necessary discussions at the White Paper stage and the approval of the law by the National Assembly, the enactment of the new law is scheduled for mid-2018. Aside from that, further work is envisioned for 2018 inclusive of the implementation of supporting regulations, guidelines, and the signing of Memoranda of Understanding with relevant authorities like the Fair Trading Commission.

6.4 Financial Institutions (Bank Charges and Fees) Regulations 2013

On verification of compliance by banks⁴³ vis-à-vis the Financial Institutions (Bank Charges and Fees) Regulations, 2013 (hereafter referred to as "the Regulations"), the Bank identified numerous weaknesses within the Regulations. Consequently, the Bank undertook a review of the Regulations in consultation with banks and other stakeholders to reinforce consumer protection through the easing of access to financial services information. The amended Regulations is anticipated to be gazetted before the end of the first quarter of 2018. Amongst other changes, and taking into account advancement in technologies, recommended changes relate to:

- the publication of schedule of charges and fees of banks;
- fees applied on loan prepayment on foreign currency denominated loans and ATM withdrawals from non-Seychelles issued debit cards; and

- limits have been placed on loan processing fee for first home buyers and penalty interest rates on default loans.

6.5 CIS

During the year under review, the Bank identified that Participating Institutions⁴⁴ were not providing credit reports to customers that were not applying for credit. As a result, the Bank conducted an assessment of the CIS (Amendment) Regulations 2014, and a Circular with regards to issuing CIS reports to customers was issued on November 28, 2017, to participating institutions so as to ensure that customers' right to information are respected. Additionally, work continued on the development of a specific law for the CIS. This is being done so as to broaden the information captured, thereby enabling the collection of credit information from a wider set of data providers, including credit granting institutions (Small Business Finance Agency) currently not being regulated by the Bank. Furthermore, the World Bank, through a Reimbursable Advisory Service Agreement, provided proposals entailing a legal review of existing laws impacting aspects of credit information. The document provides suggestions regarding laws on credit information and sets the tone for continued discussions on an adequate legal framework for credit information. Intensive discussion is ongoing between the Bank and World Bank for the finalisation of the Advisory Document and the Bank's Policy decisions for improvements in the legal framework – this is expected to be introduced alongside the new CIS system by the end of 2018.

6.6 International Financial Reporting Standards (IFRS) 9 – Financial Instrument

Section 35(1) of the FIA makes provision for FIs to prepare, in respect to that year, financial documents in accordance with an internationally recognised financial reporting framework. Consequently, IFRS 9 Financial Instruments was issued on July 24, 2014 and supersedes the International Accounting Standard (IAS) 39 Financial Instruments: recognition and measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is mandatorily effective for periods beginning on or after January 1, 2018. All banks in Seychelles are currently adopting the IFRS/IAS.

IFRS 9 aids in addressing the shortcoming of the earlier IAS standard which was based on an incurred loss accounting model in comparison to the new expected credit loss (ECL) accounting model. It is anticipated that IFRS 9 will also address some prudential concerns and contribute to financial stability. However, the application of IFRS 9 is likely to have considerable impact on banks as the use of judgement in the ECL assessment and measurement process is necessary. This could possibly affect the consistent application of IFRS 9 across banks, and therefore decreases the

⁴³ Through onsite examinations.

⁴⁴ Institutions under the Bank's regulatory and supervisory purview.

comparability of banks' financial statements.

Furthermore, points of concern for regulators, banks and auditors alike, is the expected increase in provisioning resultant from the implementation of IFRS 9. In Seychelles, the Bank initiated an impact study in October 2017 to examine the implementation process of the standard by banks. Response received from this study will guide policy directions in terms of the formulation and amendment of existing legislations, as well as the issuance of relevant directives by the Bank for IFRS 9.

6.7 E-money Regulation

Throughout 2017, research work was conducted for the issuance of an 'E-money Regulation' which included review of relevant frameworks of other jurisdictions, the SADC Model Law and local legislative provisions. Of note, the NPSA and National Payment Systems (Licensing and Authorisation) Regulation, 2014 (NPSR) makes provisions for e-money services; however, these provisions are not adequate to guard prudence in Seychelles' payments system.

Moreover, the issuance of an E-money Regulation would be in line with Seychelles' Maya Declaration commitment 'to issue regulations relating to mobile financial services and promote cross-border remittances through mobile payments by December 2018'.

The following are certain areas that will need to be addressed in the regulation which is anticipated to be enacted by the third quarter of 2018 so as to align with the Maya Declaration commitment:

- A clear definition of e-money and clarifying that mobile money is a type of e-money;
- Licensing and authorisation requirements;
- Minimum capital requirements;
- Requirements for issuing e-money, including redemption at par, interest or no interest bearing accounts, transaction and balance limits;
- Trust accounts;
- System & controls, technical requirements and interoperability;
- Operational requirements;
- Possibility for cross-border remittance between Seychelles and the SADC region;
- Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT) requirements;
- Dormant account requirements;
- Reporting requirements;
- Appointment of agents and use of distributors;
- Consumer protection requirements – disclosure, complaint handling, privacy and confidentiality; and
- Compliance requirements and penalties.

6.8 Credit Union Rules

The Credit Union Act, 2009 (CUA) provides for regulations and rules to be prescribed in furtherance of certain provisions stipulated therein. These provisions were included in the 2015 amendments to the CUA with

the main objective of enhancing the operations and soundness of the credit union. FSD concentrated on the preparation of three rules during the year under review. These include rules relating to fit and proper requirements for Board and Supervisory Committee members, capital adequacy and foreign currency exposure. It is expected that the rules will be finalised in 2018 further to the consultation process with the credit union, which will also be initiated in 2018. The rules will contribute towards a more thorough regulatory framework for credit union and is ultimately aimed at promoting soundness and protection of the members' interests.

6.8.1 Fit and Proper

The Bank⁴⁵ is required to approve members of the Board and Supervisory Committee of a credit union before these members are elected at an Annual General Meeting (AGM). The manner for obtaining this approval is to be prescribed through the publication of rules by the Bank, as provided for by section 14(3A) of the CUA.

The Board of a credit union is responsible for formulating policies and establishing guidelines for the proper management of a credit union. Also, the Board is expected to manage the affairs of the credit union in line with these policies and guidelines. Contrarily, the Supervisory Committee essentially performs the watchdog functions of an Audit Committee. These functions include ascertaining the Board's and credit union's compliance to the regulatory framework and internal policies, review of internal and external audit reports, and review of the administrative and operational set up of the credit union. It is important that members of the Board and Supervisory Committee possess the appropriate qualities in order to effectively discharge these governance responsibilities.

Correspondingly, the rules that will be issued under the aforementioned section of the CUA will include fit and proper criteria for members of the Board and the Supervisory Committee. These criteria encompass good character, competence, as well as financial soundness. The rules will also take into account that the co-operative principles which guide credit unions require that the nominees be democratically elected by the members. As such, the rules will put in place a process that allows adequate time for due diligence to be conducted by the Bank before the approved nominees are put up for election at the AGM.

6.8.2 Capital Adequacy

Section 48A of the CUA requires that credit unions comply with capital adequacy requirements, including minimum capital and capital to risk-weighted assets, to be prescribed by rules. In developing the appropriate rules, due heed is paid to best practices and recommendations advocated by International Credit Union Regulators' Network (ICURN)⁴⁶ and WoCCU as relevant.

⁴⁵ The Bank is designated as the regulatory authority for the purposes of the CUA by virtue of the Credit Union (Designation of Authority) Notice, 2009
⁴⁶ Promotes good practices for international financial cooperatives supervisors..

In relation to capital adequacy, the aforementioned international organisations promote the accumulation of institutional capital for credit unions. Institutional capital represents the most permanent form of capital for financial cooperatives and mainly consists of retained earnings, general reserves, grants and donations. Where ownership shares are withdrawable, these do not represent permanent capital. In this case, unlike banks, paid-up ownership shares do not form part of institutional capital. This distinct nature of credit union's capital will be considered in the rules on capital adequacy and there will be emphasis on the growth of institutional capital.

6.8.3 Foreign Currency Exposure

Section 5(d) of the CUA states that credit unions may provide such other business activities consistent with the activities of a FI as may be prescribed by regulations. This section was added as part of the 2015 amendments to the CUA with the aim of alleviating the restriction on permissible activities of credit unions that existed hitherto. Given this, SCU's intention to engage in foreign currency activities is addressed subject to the promulgation of enabling regulation and prudential rules. The regulations will thus prescribe the foreign currency activities that credit unions may engage in and may be amended to include other activities as warranted.

Correspondingly, section 48B of the CUA provides for prudential limits to be prescribed for open long and short positions in foreign currency. Foreign currency risk arises as a result of fluctuation in the value of foreign currencies which in turn have implications on the domestic currency value of assets and liabilities denominated in foreign currency. The objective of setting such limits is to mitigate the risk of over-exposure and excessive losses.

6.9 Anti-Money Laundering and the Counter Financing of Terrorism (AML/CFT)

In an effort to enhance Seychelles' compliance to AML/CFT requirements, NRA was initiated in 2016 and the report was finalised in late 2017 whereby numerous deficiencies were highlighted and earmarked to be actioned upon during the coming years. Moreover, the country underwent its second Mutual Evaluation conducted by ESAAMLG during November 2017. The main objective of the exercise was to assess the country's compliance and implementation of the 40 FATF recommendations that aim to combat ML/FT as well as the financing of proliferation of weapons of mass destruction. Furthermore, the Bank received Technical Assistance on AML/CFT in December 2017. As a recommendation from the abovementioned exercises, that is, the NRA, ESAAMLG, and TA mission, a sectoral approach to AML/CFT supervision is to be undertaken by the relevant authorities. Relatively, the Bank will incorporate AML supervision alongside its prudential framework. This is scheduled to be completed before the end of 2018.

6.10 Resolution Framework

The objective of a resolution framework is to allow for the effective resolution of FIs without systemic disruptions to the banking systems and with minimum losses. Schedule 1 to 5 of the FIA lacks certain key attributes in order to achieve this objective. Although the Bank has taken necessary measures to enhance the regulatory and supervisory oversight, particularly in regards to risk governance, significant gaps still exist which need strengthening so as to allow for the effective resolution of FIs. Likewise, following the report of September 2017 by IMF, and the ongoing review of the FIA, a review of the resolution framework was also undertaken. Ultimately, it was observed that a new legislation relative to resolution is required which shall include giving the Bank special resolution regimes, appoint the Bank as Bank Resolution Authority and strengthen its autonomy and prerogatives, amongst others. Therefore, the new legislative framework will serve to empower the Bank to take timely actions in order to resolve a problem bank without endangering the financial sector as a whole.

6.11 Cybersecurity Guidelines

The shift towards the digitalisation of financial services has presented opportunities such as reduced costs and increased efficiencies to the benefit of FIs and consumers alike. At the same time, this greater reliance on technology has not been without its challenges, with cyber-attacks featuring prominently in this state of developments. It has thus become imperative for FIs to properly manage their exposure to cyber-risks. Towards this end, the Bank developed a set of cybersecurity guidelines with the intention of building greater cyber resilience amongst institutions under its regulatory and supervisory ambit. These guidelines have defined several broad areas for achieving this, including the importance of an institution-wide cybersecurity policy and governance framework to take ownership and ensure its effective implementation. Institutions also need to be able to identify, assess and manage their cyber-risks in consideration of technologies adopted, delivery channels and the organisational structure amongst other factors. The conduct of continuous cybersecurity awareness programmes across the institution and its consumer base is another broad element to these guidelines and emphasises the human component in cybersecurity. These requirements will likewise contribute to the safety and soundness of these institutions with industry consultation and implementation of the guidelines scheduled from 2018.

6.12 Financial Leasing

Further to the introduction of the legislative framework for financial leasing in Seychelles in November 2013, the Bank has continuously worked on the regulatory framework and the support structure required to properly develop this industry in Seychelles. 2017 was not an exception. Work progressed on the development of two pieces of additional regulations to set requirements for liquidity risk management and gearing (leverage)



management for companies engaging in the financial leasing business. Liquidity management is crucial in the leasing business particularly for deposit-taking companies. Similarly, warranting a company's capacity to meet its long-term financial commitments and ability to sustain operations indefinitely by managing debt levels with equity is of pertinence. As with other forms of risk, lessors need to develop strategies to ensure that they are protected. To assist lessors in that regard, the proposed regulations are aimed at promoting the development of a framework for liquidity risk management and leverage management in order to reduce the frequency and severity of liquidity and financial problems that may be faced by financial leasing companies. Against this background, in addition to protecting the operational ability of financial leasing companies, the framework concurrently attempts to promote financial stability through the imposition of requirements that would help minimise the potential adverse impact on the financial system and the broader economy. The AG's Office is currently working on the final drafting of the Regulations. Issuance of the Regulations is expected to be in 2018. Going forward the Bank will continue to play a major role in the development of the regulatory and supervisory framework for financial leasing in line with the growth of the industry.

Other developments in this area included the organisation of a financial leasing forum which was held for the first time in Seychelles in April 2017. The forum was organized by the Bank in collaboration with the SIB and the IFC. IFC is a member of the World Bank Group which functions in the capacity of a global developmental institution working with regulatory authorities and the private sector in developing countries, to create markets that open up opportunities for all. Of note, IFC has supported development of Seychelles' leasing framework since its inception. The forum aimed to stimulate lease market development in Seychelles through promotion of financial leasing as an effective and accessible means of finance. The forum provided the opportunity to showcase the potential of Seychelles in terms of investment opportunities that may be reaped through financial leasing. The forum saw the participation of both public and private local participants and international stakeholders echoing the collaboration which is essential to foster an enabling environment for financial leasing to thrive.

Of note, following the first leasing market study in Seychelles that was commissioned by IFC at the request of the Bank and completed in 2016, the findings of the market study were publicly presented in the leasing forum. The market study report recognises several opportunities and encouraging conditions that currently exist in the domestic market that may support the introduction of financial leasing. The report also identifies areas where gaps are present and proposes recommendations to be considered by the main stakeholders to address these gaps. A copy of the market

study report can be accessed on the Bank's website⁴⁷.

6.13 Basel II and III

In 2017, work progressed through the Bank's interaction with the banking sector vis-à-vis the consultation paper and Quantitative Impact Study (QIS) on Pillar I of Basel II⁴⁸. The recommended capital framework takes into account Basel II's standardised approach to credit risk. Likewise, it includes capital charge for foreign currency risk. The aim of the QIS is to gauge the impact of Basel II requirements on the banking sector and to identify areas presenting challenges and where future policy considerations are warranted. By the end of 2017, an analysis of the QIS had been conducted thereby contributing to informing the regulatory reforms apropos Pillar I capital envisaged for 2018. The next step of the project is to implement parallel-run reporting of the capital adequacy returns until the new reporting requirements are included in the regulations in 2018.

Likewise, a request for proposals was issued for consultancy services on implementation of risk-based supervision inclusive of Pillar II of Basel II in 2017. The project is expected to commence during the second quarter of 2018.

Moreover, the Bank intends to issue a paper on the Basel III definition of capital during 2018 whereby banks would be required to identify Basel III capital components that are of relevance to them. Further to this exercise, the Bank will take a position as regards to the implementation of Basel III capital definition which is anticipated for 2019. Of note, Basel III definition of capital includes specific classification criteria and the clarification of the roles of Tier 1 and Tier 2 Capital. Basel III places emphasis on the quality of capital, namely, Core Equity Tier 1 Capital that can fully, unconditionally and immediately absorb losses.

6.14 MoU with PEMC

In November 2017, the Bank and PEMC entered into a Memorandum of Understanding with the aim to facilitate the exchange of information on FIs categorised as state-owned enterprises. This formalised arrangement represents a tangible embodiment of the Bank's push for enhanced inter-agency collaboration and will accord both parties a more complete perspective of these institutions thereby supporting their respective mandates.

6.15 US Foreign Account Tax Compliance Act (FATCA)

The US FATCA was enacted as part of the Hiring Incentives to Restore Employment (HIRE) Act in March 2010. It is an information reporting regime that aims to combat tax evasion by US persons holding accounts and other financial assets offshore. FATCA requires foreign FIs to report information about financial accounts held by US taxpayers or by foreign entities in which U.S.

⁴⁷ <http://www.cbs.sc/Downloads/publications/others/Seychelles%20Leasing%20Market%20Study%202017.pdf>

⁴⁸ Issued in November 2016.

taxpayers hold a substantial ownership interest as controlling persons. These FIs include, but are not limited to, depository institutions, custodial institutions, investment entities and certain types of insurance companies that have cash value products or annuities. In 2014, Seychelles signalled its intention to enter into the Model 1B Intergovernmental Agreement (IGA) for FATCA with the United States of America. In this regard, the Government of Seychelles is expected to sign an IGA with the U.S. Government. Once the proposed agreement comes into force and is translated into local legislation, FIs in Seychelles will be obligated to report information on financial accounts of US clients to the Seychelles Revenue Commission (SRC). This information will then be forwarded to the Internal Revenue Service on an automatic basis.

During 2017, consultations between MFTIEP, SRC, the Bank and bank representatives continued with a view to stay abreast with any progress and developments and serve as a forum where industry concerns can be raised.

6.16 OECD Common Reporting Standard (CRS)

In February 2014, OECD issued a new global standard for the automatic exchange of information between tax authorities worldwide known as the CRS. Drawn extensively on the FATCA model, the CRS is designed to be an important tool in the fight against tax evasion and ensuring tax compliance. The CRS sets out the financial account information to be exchanged, the FIs that need to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by FIs. An important distinction between CRS and FATCA is that the latter is limited in application to U.S. taxpayers only whilst the former has a multinational dimension depending on the number of countries choosing to subscribe to the OECD standard.

Seychelles is a member of the early adopters' group and pledged to undertake the first exchange of information by September 2017. This is to occur on an annual basis. In line with this initiative, the country had taken certain steps to implement and operationalise the CRS, namely in becoming a signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement in 2015 and incorporating the standard into national law⁴⁹.

Reporting FIs, including banks, were required to make their first submission of information to SRC under the CRS by the end of June 2017 with the inaugural exchange of information with tax authorities of reportable jurisdictions taking place later during the year 2017. This marks the achievement of a milestone in upholding Seychelles' international commitments.

⁴⁹ The Revenue Administration (Common Reporting Standard) Regulations, 2015 came into operation on January 1, 2016 and were revised in June 2017.

CHAPTER 7

REGIONAL & INTERNATIONAL DEVELOPMENTS AND INITIATIVES



7.0 Introduction

In 2017, the Bank actively participated and contributed to a number of regional and global initiatives in enhancing its framework towards the soundness of the financial system through greater and deeper co-operation. This extended to its multinational engagements, for instance, the Southern African Development Community (SADC) and ESAAMLG. Overall, these initiatives focused on a multitude of areas, in particular within the supervisory and regulatory spectrum, such as:

- AML/CFT
- Implementation of Basel II and III
- Cross-border banking supervision
- Capacity building.

7.1 Alliance for Financial Inclusion

In 2014, the Bank joined AFI – the world's leading organisation on financial inclusion policy and regulation. This over ninety strong, member-owned network, provides a platform where policymakers from central banks and financial regulation authorities as well as strategic partners can interact and work together to accelerate the adoption of proven and innovative financial inclusion policy solutions.

As the Bank takes on an increasingly proactive role in promoting financial inclusion, it has collaborated and leveraged on several AFI-led initiatives, especially in the areas of digital financial services, financial education and financial consumer protection. During the year under review, the Bank took part in a number of activities organised by AFI including:

7.1.1 AFI's 13th CEMC and 8th SMEF Working Group Meetings

The Bank is a member to both the CEMC and SMEF working groups that are set up to represent the thematic financial inclusion policy areas that AFI actively promotes. The latter was created with the aim of providing a forum where financial policymakers can discuss, innovate and jointly devise policies to facilitate SME access to formal financial services and, particularly, access to finance. In respect to the CEMC working group, it is a platform where policymakers can consult with one another on policy and regulatory issues pertaining to their consumer empowerment initiatives and market conduct regulations. Its principal objective is to formulate and share a common understanding of lessons learned and cost-effective policy tools, and to promote in-country adoption as well as in the wider international setting. Given the Bank's particular interest in these fields as well as local authorities' growing focus on financial consumer protection and SME financing, it was a suitable juncture for the Bank to co-host the 13th CEMC and 8th SMEF meetings with AFI on March 13 – 17, 2017. The meetings were closed with a training session hosted by Visa, one AFI's Public-Private Dialogue (PDD) partner, on the acceptance of digital payments by micro, small and medium-sized

merchants. This involved participants examining the demographics of small merchants, present levels of acceptance, and infrastructure, economic and regulatory barriers to acceptance.

7.1.2 Maya Declaration

As a further demonstration of its advocacy for the cause, the Bank pledged its commitments to the Maya Declaration on financial inclusion in April 2017. The Maya Declaration is a statement of common principles regarding the development of financial inclusion policy made by AFI members. Broad in nature, it focuses on implementing appropriate frameworks for financial inclusion. The Bank has pronounced on three commitments in the areas of financial education, financial consumer protection and digital financial services, namely:

- To formulate a national strategy on financial education by December 2017;
- To enact a consumer protection law for financial services and supporting regulations by July 2018;
- To issue regulations relating to mobile financial services and promote cross-border remittances through mobile payments by December 2018.

In addition, the Maya Declaration provides a stage for AFI members to exchange views and discuss matters of common interest, for which Seychelles will greatly benefit from.

7.1.3 Joint Learning Programme (JLP) on Digital Financial Services (DFS)

On December 4 – 8, 2017, AFI held a Joint Learning Programme (JLP) on Digital Financial Services (DFS) in collaboration with the Bangladesh Bank in Dhaka, Bangladesh. The programme was geared towards policy makers of AFI members contemplating to pioneer the development of DFS in their country to advance financial inclusion and economic development. Structured as a practical, interactive peer learning platform, participants obtained and exchanged knowledge on developing, implementing and enforcing policies, guidelines and frameworks for DFS with special mention to the experience and model of Bangladesh. On a more granular level, this included its role in managing risks emanating from the spread of DFS, notably in relation to agent banking, over-the-counter transactions and ML/TF.

7.1.4 AFI Pacific Islands Regional Initiative (PIRI)

At the 2014 AFI Global Policy Forum, the Pacific Islands Regional Initiative (PIRI) was created as a unique model of south-south engagement and peer learning that is highly valued by policymakers from the Pacific Islands region. On May 30 to June 1, 2017, the Bank attended the PIRI meeting held in Kokopo, Papua New Guinea as an observer to connect and share experience in promoting financial inclusion initiatives in similar small-island states. De-risking, barriers and enablers of DFS and the impact of climate change on financial inclusion are some areas of mutual interest discussed during the gathering.



7.2 Bank for International Settlements (BIS)

BIS held its Annual General Meeting (AGM) on June 25, 2017 in Basel, Switzerland which was attended by Governors and senior officials from central banks and monetary authorities. During the AGM, BIS released its Annual Report, the 87th edition of its kind, and organised various panel sessions as well as the Andrew Crockett Memorial Lecture⁵⁰. Presentations and speeches were made by members of BIS' management and departments as well as certain hosted associations and committees such as BCBS principally in respect of activities performed and upcoming developments. BCBS reflected on its regulatory reforms during the year such as its publication on regulatory treatment of accounting provisions released earlier in March 2017 and the forthcoming finalisation of the Basel III framework as well as other future endeavours.

7.3 Association of African Central Banks (AACB)

7.3.1 Community on African Banking Supervisors (CABS) Working Group on Cross-border Banking Supervision

The CABS Working Group on Cross-border Banking Supervision met on May 25 – 26, 2017 in Pretoria, South Africa. CABS is a subsidiary body of the AACB that was inaugurated in 2013. Its main objective is to contribute to ongoing efforts to strengthen banking regulatory and supervisory frameworks in Africa with cross-border banking supervision being one of its areas of intervention. The substance of the meeting focused on the trend of banks increasingly having presence in multiple jurisdictions and the greater importance of cross-border supervision which necessitates a platform for regulators to share ideas, experiences and information. Points of discussions stemmed from these developments such as the set-up and structure of the working group, co-operation between home and host country supervisors and capacity building, amongst others.

7.4 Financial Stability Institute (FSI)

FSI held a conference on cross-sectoral supervisory policy implementation in the current macro-financial environment at BIS in Basel, Switzerland. This took place from September 18 – 19, 2017 and drew representatives from banking, insurance and securities supervisory authorities as well as from deposit insurers, academia and the private sector from across the globe. Over the course of this two-day event, participants reviewed macroeconomic, regulatory and financial developments and debated the wider policy challenges being confronted by financial authorities in various panel sessions. Speakers and participants exchanged views on the post-crisis reforms for banks and financial infrastructure, emerging challenges such as Fintech and proportionality in financial regulation amongst other panel subjects.

7.5 SADC

7.5.1 SADC Subcommittee of Banking Supervision (SBS)

The SADC SBS convened on February 28 – March 1, 2017 in Cape Town, South Africa. During the meeting, delegates discussed and were brought up to speed with ongoing projects and related developments such as the Model Banking Law for the bloc. In addition, SARB conducted presentations on AML/CFT and recovery planning which led to the exchange of knowledge and enhanced the understanding of participants of these areas. The meeting also served to keep representatives abreast of developments in the gatherings of the SADC Committee of Central Bank Governors (CCBG) and the region as a whole. On the latter note, this included the implementation of the SADC Industrialisation Strategy and Roadmap. Notably, the Bank of Namibia and the Bank were welcomed as the incoming Chairperson and Deputy Chairperson of SBS respectively.

7.5.2 SADC Payment System Oversight Committee (PSOC)

The 12th SADC PSOC Meeting was held on December 8, 2017 in Johannesburg, South Africa with the engagement of the Bank. The self-assessment of SADC Integrated Regional Electronic Settlement System (SIRESS)⁵¹ against the Principles for Financial Market Infrastructures (PFMIs) and the inclusion of USD as a settlement currency were among the points of discussions as participants provided updates on other activities being undertaken. The SADC PSOC also set its course for the next two years with the presentation and adoption of its annual plan for the year 2018/2019.

7.6 ESAAMLG

7.6.1 Survey to assess the existence, causes and impact of de-risking within the ESAAMLG region

On September 2, 2016, the ESAAMLG Council of Ministers approved for a survey on de-risking within the region to be undertaken during its 16th meeting held in Victoria Falls, Zimbabwe. The purpose of the survey was to assess the existence, nature, extent, drivers, impact and responses to de-risking in the region. The survey also strove to determine whether or not de-risking has impacted remittance flows into the bloc and financial inclusion efforts. As such, de-risking was evaluated from two perspectives, that is, impact of de-risking on correspondent banking relationships (CBRs) and impact of de-risking on customers of FIs. Accordingly, the Task Force of Senior Officials set up a Project Team to carry out the survey. The team was co-chaired by Angola and Seychelles and also comprised of Kenya, South Africa, Zambia and Zimbabwe with the Bank nominated to represent Seychelles in this endeavour. The survey methodology consisted of designing and adopting a questionnaire to facilitate the collection of data which was circulated to all eighteen ESAAMLG member countries in November,

⁵⁰ The Andrew Crockett Memorial Lecture is held every two years in commemoration of Sir Andrew Crockett, the General Manager of BIS from 1994-2003.

⁵¹ SIRESS is an electronic payment system developed by the SADC member states to settle regional transactions among banks within the region on a gross basis and in real time.

2016, and targeted as respondents, financial sector institutions in the private and public sectors. This included players in the banking, insurance and securities, co-operative societies, money or value transfer services and foreign exchange bureau sectors. The scope of the survey also extended to financial sector regulators including the Bank. The survey covered the period January 2011 to June 2016 and a total of 633 responses were received from 601 FIs and 32 financial sector regulators.

The report on the findings of the survey was collectively formulated during the 33rd Meeting of the Task Force of Senior Officials Meeting which took place from 2 – 7, April, 2017 in Arusha, Tanzania. The ESAAMLG Council of Ministers later adopted the report⁵² in its 17th Meeting held on September 8, 2017 in Zanzibar, Tanzania.

The report highlighted a number of key findings from the survey such as:

- De-risking of CBRs was largely driven by a decrease in the overall risk appetite by correspondent banks
- 40% of total respondent banks surveyed have been impacted by de-risking through termination and/or restriction of CBRs
- 80% of FIs surveyed have terminated relationships with customers who were viewed as being high risk
- De-risking had affected less than 10% of money remittance/money value transfer service providers or their agents but had resulted in a reduction in remittances for three countries. This reduction was low, affecting less than 10% of transactions
- In six jurisdictions, de-risking had negatively impacted access to financial products and services thereby affecting financial inclusion
- Regulatory authorities are taking measures to safeguard the financial sectors from new risks created by de-risking such as the development of underground financial systems and concentration of risks in smaller institutions with less established AML/CFT programmes.

A series of recommendations were also put forth in terms of preventive and remedial measures, ongoing monitoring of these actions and further research on the use of block chain technology as an alternative to support financial inclusion efforts.

Several of these proposals are described below and have been achieved or are currently being implemented in Seychelles:

- Countries that have not conducted an NRA should do so to enhance their understanding of specific ML/TF risks facing their countries and adopt commensurate mitigation strategies.
- Regulatory authorities should endeavour to build trust with correspondent banks and their regulators by showcasing what the country is doing to ensure a robust regulatory framework is in place.

- Regulatory authorities should further strengthen the licensing and supervisory regimes applicable to financial institutions. Sanction regimes should likewise be continuously improved to ensure they are deterrent.

7.7 Africa Savings and Credit Co-operative (SACCO) Regulatory Framework Roundtable

The Bank joined its counterparts at the 7th Africa SACCO Regulatory Framework Roundtable held from May 22 – 25, 2017 in Blantyre, Malawi. The event offered an opportunity to dialogue on matters of concern to the regulator and the regulated, and for countries to learn from the experience of one another in regulating savings and credit co-operative institutions. A number of points were raised during discussions, for instance, the need for adequate human capital and financial resources to support and ensure effective implementation of regulatory frameworks. Similarly, it was put forward that policies and regulations should be mainstreamed to recognise both the position and role of SACCOs in providing alternative financial services and promoting financial inclusion.

7.8 World Bank, IMF and the Board of Governors of the Federal Reserve System

The World Bank teamed up with its partner institutions, IMF and the Board of Governors of the Federal Reserve System to organise the 30th Annual Seminar for Senior Bank Supervisors from Emerging Economies. The Bank was in attendance at this year's event which occurred from October 30 – November 3, 2017, in Washington, D.C. Participants were apprised of emerging issues and trends in the financial sector by experts from the three organising institutions and guest speakers. This included, inter alia, cybersecurity and the latest developments in the Basel Accords. In addition, supervisory authorities' manner of dealing with weak banks and their resolution and crisis management frameworks were other topics of instruction.

7.9 IMF Technical Assistance (TA)

7.9.1 Implementation of Basel II

From July 12 – July 19, 2017, the Bank hosted an IMF mission to assist in the migration towards all three Pillars of Basel II. This involved assessing the current status of implementation as well as the Bank's blueprint to achieving full adherence to the standard. Additionally, technical capacity of supervisors was reinforced through seminars and workshops conducted with respect to certain elements of Basel II, and in particular, Pillar 2, in terms of the Supervisory Review and Evaluation Process (SREP) and the Internal Capital Adequacy Assessment Process (ICAAP). The mission concluded with a set of recommendations and proposed roadmap to facilitate the incorporation of Basel II within the regulatory and supervisory framework.

7.9.2 National Payments System Diagnostic Mission – Organisational Review

From March 20 – 24, 2017, the IMF conducted a

⁵² The report in its entirety is available on the website of ESAAMLG via the link: http://esaamlg.org/reports/ESAAMLG_survey_reports_on_de%20risking.pdf



mission at the Bank, which centred on understanding the implementation of the 'Twin Peaks' model⁵³ and its potential implications and challenges especially in relation to the oversight of FMs. Likewise, the mission sought to determine areas where TA is more necessary to support the Bank in meeting the objectives under these new organisational arrangements.

7.9.3 Seminar on Macro-Prudential Approach to Supervision and Managing Systemic Risk

Officials from the Bank attended a Seminar on Macro-Prudential Approach to Supervision and Managing Systemic Risk which was conducted by AFRITAC South⁵⁴ in collaboration with SARB's Academy in Pretoria, South Africa. This took place from October 30 – November 3, 2017 and was delivered within the context of certain regional regulatory trends that have a macro-prudential dimension such as the implementation of the Basel Accords, the setting up of financial stability frameworks and the adoption of a macro-prudential approach to supervision. During this five-day period, the objectives of macro-prudential supervision were assessed as well as the processes of incorporating this mandate into the existing micro-prudential frameworks. Emphasis was placed on issues relating to practical implementation of macro-prudential tools and drew heavily on country experiences. The seminar primarily aimed to raise awareness of the inter-linkages, overlaps and similarities amongst these standards and frameworks. Ultimately, this is intended to assist participants in constructing appropriate and suitable supervisory models in their home countries.

7.10 Bank of Tanzania (BoT)

As previously explored, the Bank is endeavouring to promote the development of a financial leasing industry with focus on providing an enabling regulatory and supervisory framework. In this regard, the Bank undertook a fact-finding mission to BoT from March 13 – 17, 2017 to draw on its experience in creating a conducive environment for financial leasing institutions whilst ensuring the safe and sound conduct of their activities. Regulator-to-regulator discussions revolved around the supervisory framework in place including licensing procedures and onsite examinations. The Bank was also provided with the opportunity to engage with financial leasing companies and gain an insight into their operations and constraints faced which may hinder the adoption of financial leasing.

7.11 SARB

On October 5 – 6, 2017, SARB held its first Payments Innovation Conference which was hosted in collaboration with domestic and international payments stakeholders in Johannesburg, South Africa. This event brought together regulators, policymakers, experts across various disciplines and relevant parties with a view to develop deeper insights into emerging innovations in the payments ecosystem. Discussions highlighted the regulatory

⁵³ The mission took place in March prior to the implementation of the modified 'Twin Peaks' Model within CBS which was effected in May.
⁵⁴ The IMF's Regional Technical Assistance Center for Southern Africa.

approach to these trends from various angles such as competition and social inclusion whilst security and the threat landscape in the payments space within the context of the digital age was also among the items on the agenda.

7.12 European Central Bank (ECB)

The ECB held its 17th Seminar on Payment, Clearing and Settlement for Central Banks from August 28 – September 1, 2017 at its headquarters in Frankfurt, Germany. The main objective of the seminar was to provide an opportunity for central bankers as well as operators of payment, clearing and settlement systems to learn about the function of ECB, Euro system and the European System of Central Banks. Participants were presented with a variety of subjects instructed by speakers such as regulation, self-regulation and governance in the retail payments space, oversight of payment systems and cyber resilience within the encompassing theme of the seminar.

7.13 Federal Reserve Bank of Chicago (FRBC)

The FRBC organised a workshop on Bank Operations Simulation at its offices from October 16 – 20, 2017, in Chicago, Illinois. The course was open to safety-and-soundness examiners, both local and from abroad, with the objective to develop a solid understanding of bank operations. As an overview of the course, participants received training on fundamental bank operations and their key risks, risk management principles, control activities and red flags using an industry-standard general ledger system. Lectures were provided in addition to hands-on practice with the major operational activities of a community bank such as teller and check operations and back office operations. As part of the course, participants were also able to experience the bank management's perspective in managing operations, detecting misappropriations, and mitigating operational risk and control weaknesses. It likewise sought to improve participants' understanding of examiner responsibilities through identification of issues and root causes that contribute to control weaknesses and greater operational risk.

7.14 Bank Negara Malaysia (BNM) and the Amanie Academy⁵⁵

The BNM and the Amanie Academy co-jointly arranged a training programme for officials involved in the development of Islamic finance and its regulatory framework in their respective countries. The programme was held from August 21 – 25, 2017 in Kuala Lumpur, Malaysia, and its main objectives for participants included identifying the building blocks of an Islamic finance system and assessing the approaches and measures to regulating it. Towards achieving these aims, various topics were deliberated during these five days such as the importance of human capacity building in the Islamic finance industry, Shariah risk governance as regulatory tools and the challenges and issues faced by legal practitioners in an Islamic finance system.

⁵⁵ The Amanie Academy is a self-described centre of excellence that functions as a one stop knowledge and learning platform for Islamic finance and banking.



7.15 Duke Corporation Education⁵⁶ in conjunction with the Visa School of Public Policy⁵⁷

On September 19 – 21, 2017, the Duke Corporation Education in conjunction with the Visa School of Public Policy organised a programme titled *Changing World of Payments and its implications for policymaking and regulation* in Johannesburg, South Africa. Based on insights from industry experts and practitioners combined with academic input, the programme targeted senior policymakers from Sub-Saharan Africa to enhance their understanding on how innovations in the payments space are driving emerging trends and changes in business models. The principal themes interwoven in the programme were:

- The emerging context of the payments industry globally and regionally.
- Key industry game-changers including Fintech innovations and disruptions.
- Implications for regulation and policymaking.

⁵⁶ Duke Corporate Education has been described as the premier global provider of customised leadership solutions.

⁵⁷ The Visa School of Public Policy's primary focus is to be a trusted partner and thought leader to government regulators and policy makers around the world.

CHAPTER 8

ISSUES AND CHALLENGES

8.0 Introduction

Globally, the financial services sector is changing its pace and is moving towards new directions. The memories of the global financial crisis of 2008 are gradually fading and undoubtedly, the financial services sector is now facing a number of changes. The changes are relatively multifaceted and chiefly amongst these is the sector's ability to keep pace with a myriad of issues and challenges as addressed below. Seychelles' financial services sector is no exception to this, and for the year, the country's sector has had its fair share of issues and challenges; particularly, shifting customer demands, new technologies, correspondent banking, cyber threats, and a lack of skills set. Consequently, these have compelled the Bank and other key players in the financial services sector to be more vigilant, knowledgeable, technical, and on hand with developments, regulation and surveillance.

8.1 Issues

8.1.1 Skills-set in the Financial Services Sector

Seychelles' financial services sector has become more complex with the development of novel products/services and the adoption of advanced Information and Communication Technology (ICT). Additionally, the international and national prudential norms, regulatory standards as well as risk management practices are also demanding proactivity in the management of banks. Undeniably, this leads to the need for competent skills set in the industry. In 2017, it was highlighted by the Bank and the Bankers that there is a greater need to enhance the skills set in the financial system. This stems from the growing number of banks in the country, limited labour pool and the lack of training for the financial services sector⁵⁸. As elaborated in the FSDIP, the significance of continuously providing training to employees within the financial services sector is an overarching objective. This needs to be formalised into a coherent vision towards creating an educational programme to support long term development of employees. Moreover, the financial services sector has been impacted by the skills shortage for some time, and Bankers clearly expect the 'war for talent' to continue in the coming years. Likewise, the skills shortage is further exacerbated by high staff turnover as a result of poaching amongst banks. What is more, the impact of new technologies is viewed as an additional issue for the sector which is closely tied to the skills shortage. With the lack of suitably skilled professionals, the financial services sector cannot leverage the full value of emerging technologies, such as those associated with Fintech. Hence, this necessitates better and more effective retention strategies. Nonetheless, SBA along with the Bankers initiated discussions with the Guy Morel Institute to tailor-make and introduce courses for pre-work training for individuals. This is expected to come into effect in 2018.

⁵⁸ Statistical data from NBS and ANHRD reveals that there has been an increase in the number of individuals with qualifications in financial services related subjects (see Annex 2 and 3). Of note, however, the number of undergraduate qualification decreased by 8.51% from 2016 to 2017. Consequently, even though there are qualified individuals in the financial services sector, the skills set available does not effectively match with the skills demand of the sector. As such, ANHRD has placed scholarship offers for finance related fields on the national priority list.

8.1.2 Correspondent Banking

In view of the significance of correspondent banking, the Bank remains abreast with this activity and any threats to its safe and efficient functioning. The banks in Seychelles have traditionally maintained networks of CBRs, however, increasingly, there are indications that such is changing. Particularly, certain banks providing these services are decreasing the number of CBRs they maintain and are forming limited new ones. Consequently, this is resulting in uneven CBRs trends across jurisdictions and banks. As such, some respondent banks are being cut off from international payment networks whilst others are maintaining limited CBRs. Implicatively, there is a growing threat to cross-border payment networks and the range of options available for these transactions is slowly narrowing. Moreover, as a result of the offshore industry, bankers in Seychelles have recorded both a low volume of transactions and a high level of risk. Thus, the issue of correspondent banking can be divided into two parts, namely, the high risk element of Seychelles for correspondent banking and the legality of incoming and outgoing payments to and from Seychelles. Furthermore, in attempts by the banks to find alternative routes, the banks are faced with higher charges and the cost of transfer has grown drastically as foreign banks charge more. These higher costs are then passed on to customers which may ultimately have an impact on the trade and tourism industry. Consequently, the Bank and the Bankers initiated the necessary procedures in 2017 to acquire the assistance of Crown Agents Bank (CAB)⁵⁹ based in the UK in order to assist Seychelles' financial services sector with correspondent banking services. Aside from that, Senior Officials from the Bank and the FSA participated in a roadshow across Europe and New York to meet with the regulators and correspondent banks to convey the commitment of Seychelles to improve its understanding of the de-risking phenomenon. Work is anticipated to continue in 2018 in order to effectively tackle this issue.

8.1.3 Financial Consumer Protection

Financial consumer protection is an important element of financial stability and can have an indirect impact in reducing risks to financial stability. The recent financial crisis exposed a number of key weaknesses in the global regulatory system which set the stage for significant losses for investors and consumers, where this came about as a result of abusive practices on the part of financial services providers combined with uninformed consumers. It emphasised the significance of market conduct supervision, and in building and maintaining consumer confidence and trust in the financial markets.

Consumer protection measures coupled with financial literacy are needed to build trust in financial systems.

⁵⁹ CAB is a regulated wholesale provider of various services, such as international payments, cross-border pensions and payroll, cash management, and trade finance and investment management. Likewise, CAB works closely with regulatory authorities (like Central Banks) and commercial banks in order to enhance banking standards and compliance controls, and encourage socially and politically sustainable economic growth and financial inclusion.



With the increased complexity and sophistication of financial markets, greater transparency, and disclosure of information are important elements in empowering consumers and avoiding large exposures to market risks. With these factors in mind, financial regulators now have a vested interest in financial consumer protection by recognising that the integration of financial consumer protection policies into regulatory and supervisory frameworks contribute to the strengthening of financial stability. It is within this context that the Bank and FSA have taken the initiative to introduce a specific law for the protection of financial consumers and the implementation of NFES; with protection afforded to consumers coupled with financial knowledge, empowered consumers can gain confidence to fully participate in financial markets and improve their financial wellbeing.

8.1.4 Cyber-attacks

With IT-driven business models increasingly becoming the norm in the financial services sector, the threat of cyber-attacks will continue to be a prevailing characteristic of the operating climate. Financial institutions such as banks have not been spared, with cyber-attacks experienced over the years albeit with no major impact on the financial system to date. Cyber-attacks come in many shapes and forms with the defining property that they are constantly evolving. Some of the more commonly-known examples include viruses and hacking. If these threats are inadequately managed, this could result in numerous adverse effects and consequences for both the financial institution and the consumer such as monetary losses, data breaches and disruption of operations and services. This in turn has the potential to develop systemic implications due to the interconnectedness of the financial system. As highlighted in Section 6.11, the Bank has developed a set of cybersecurity guidelines for institutions under its purview wherein the need to effectively manage cyber-risks has been recognised. The implementation of these guidelines will go towards reducing the incidence of cyber-attacks and in providing a safer environment not only for the use of technology but for the financial system and its participants.

8.2 Challenges

8.2.1 Consumer Expectations

Nowadays, consumer experience remains a prevailing challenge for the financial services sector, and FIs are feeling the most pressured⁶⁰. This is as a result of the FIs failing to deliver the level of services that consumers are demanding and a greater need for instant gratification. As such, the demand for instant gratification is compelling FIs to reconsider their delivery options. Evidently, this need for instant gratification and better customer service has impacted the financial services sector as long wait times in queues and limited customer service options are rapidly falling out of favour. Besides that, consumers

often feel a great sense of urgency about financial questions and want immediate answers. For companies in the financial industry, the pressure is on to provide the kind of ease-of-use consumers have come to expect from today's fast paced environment. Consumers now expect FIs to instantly know who they are and what they need, and be able to answer questions and provide resolutions on their terms. In addition, customers' trust remains one of the most valuable asset – and yet most fragile – of an institution. Therefore, in order for FIs to retain a high level of trust from customers, transparency in communication with the customers must be enhanced further and inappropriate practices overhauled. To that end, the Bank is stepping up its functions in relation to the supervision of all its sectoral institutions.

8.2.2 Co-ordination with other Competent Authorities

Ensuring effective co-ordination between the Bank and other competent authorities of the financial sector has made significant strides over the years. However, supervisory effectiveness can be further enhanced through proper co-ordination among the regulator and the different competent authorities like FSA, MFTIEP, and FIU. With the growing complexity in the financial system, systemic risks are also building up; as a result, the need for co-ordination among the competent authorities is becoming a must. Likewise, the competent authorities' share commitment to key objectives, the extent of inconsistent and overlapping implementation remains minimal.

⁶⁰ This is evident from the 32.1% increase in complaints recorded by the Bank from 2016 to 2017 (see Section 3.7.1).

ANNEXES



Annex 1: Location and Contact Details of Banks', DBS', HFC's and SCU's Branches

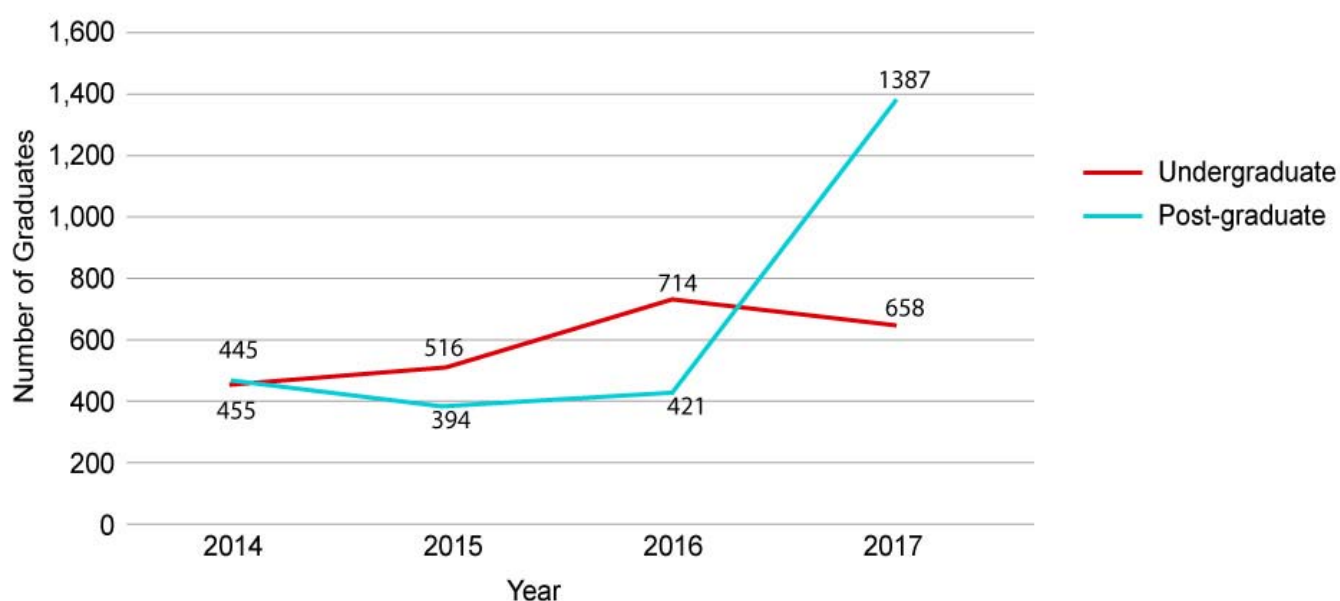
BANK'S NAME	ADDRESS	PHYSICAL ADDRESS	OTHER DETAILS
Barclays Bank (Seychelles) Ltd			
Main Branch	P.O. Box 167	Independence Avenue Victoria, Mahe	Tel: 4383838 E-mail: sez.customerservices@barclays.com Website: www.barclays.sc
Barclays Commercial Centre		Albert Street Victoria, Mahe	Tel: 4383838
Barclays Providence Branch		Providence Industrial Estate, Mahe	Tel: 4383838
Barclays Bois de Rose Branch	P.O. Box 167	Bois De Rose, Shop No.5 Bois de Rose Shopping Complex Bois de Rose Avenue Victoria, Mahe	Tel: 4385948
Barclays Airport		Seychelles International Airport	Tel: 4383838
Barclays Retail Branch		Baie Ste. Anne, Praslin Pension Complex	Tel: 4232218
Barclays Retail Branch		Grand Anse Praslin	Tel: 4233344
Barclays La Digue Agency		Gregoire's Complex Anse Reunion, La Digue	Tel: 4234148
Premier Centre		Capital City Building Independence Avenue Victoria, Mahe	Tel: 4383838
Nouvobanq			
Main Branch	P.O. Box 241	Nouvobanq House Francis Rachel Street Victoria, Mahe	Tel: 4293000
Praslin Branch	P.O. Box 4041	Horizon Complex Baie Ste. Anne, Praslin	Tel: 4232600 E-mail: simbcpr@seychelles.sc
La Digue Branch		Saffron Building La Passe, La Digue	Tel: 4235032 E-mail: simbcld@seychelles.sc
Eden Island Branch		Ground Floor Eden Plaza Eden Island, Mahe	Tel: 4346200 E-mail: eden@nouvobanq.sc
MCB (Seychelles) Ltd			
Head Office	P.O. Box 122	Caravelle House Victoria, Mahe	Tel: 4284555 E-mail: contact@mcbseychelles.com Website: www.mcbseychelles.com
Providence Office		Providence Industrial Estate, Mahe	Tel: 4373829
Anse Royale Office		Anse Royale, Mahe	Tel: 4385800



BANK'S NAME	ADDRESS	PHYSICAL ADDRESS	OTHER DETAILS
Grand Anse Praslin Office		Grand Anse, Praslin	Tel: 4233940
Cote D'or Office, Praslin		Cote D'or, Praslin	Tel: 4232605
La Passe, La Digue		La Digue	Tel: 4234560
Eden Island		Eden Plaza, Mahe	Tel: 4346860
Seychelles Commercial Bank			
Head Office	P.O. Box 531	Orion Mall Victoria, Mahe	Tel: 4294000 E-mail: info@scb.sc
Anse Aux Pins Branch		Anse Aux Pins, Mahe	Tel: 4294124
Grand Anse Praslin Branch		Grand Anse, Praslin	Tel: 4233810
La Digue Branch		La Passe, La Digue	Tel: 4234135
Victoria Branch		Kingsgate House Victoria, Mahe	Tel: 4294083
Corporate Branch		Orion Mall Victoria	Tel: 4294077
Habib Bank Ltd			
Head Office	P.O. Box 702	Sound & Vision House Francis Rachel Street Victoria, Mahe	Tel: 4224371 / 4224372 E-mail: habibsez@seychelles.net
Al Salam Bank Seychelles			
	P.O. Box 672	Maison Esplanade Francis Rachel Street Rachel Street Victoria, Mahe	Tel: 4385600 Website: www.alsalamseychelles.com
Bank of Baroda			
	P.O. Box 124	Trinity House Victoria, Mahe	Tel: 4618001-10 Fax: 4324057 E-mail: baroda@seychelles.net seyche@bankofbaroda.com ce.seychelles@bankorbaroda.com
Bank of Ceylon			
	P.O. Box 1599	Ground Floor Oliaji Trade Centre Francis Rachel Streets Victoria, Mahe	Tel: 4611880 / 4611888 / 4611889 E-mail: agmseychelles@boc.lk dmseychelles@boc.lk eoseychelles@boc.lk
Bank Al Habib			
	P.O. Box 1010	Suite 2-07 Capital City Building Victoria, Mahe	Tel: 4410040 – 2 E-mail: seychelles@bankalhabib.com
Development Bank of Seychelles			
	P.O. Box 217	Independence Avenue Victoria, Mahe	Tel: 4224471 E-mail: dbs.md@seychelles.net

BANK'S NAME	ADDRESS	PHYSICAL ADDRESS	OTHER DETAILS
Housing Finance Company			
	P.O. Box 1112	1st Floor, Victoria House Victoria, Mahe	Tel: 4298400
Seychelles Credit Union			
	P.O. Box 342	Co-operative House Victoria, Mahe	Tel: 4610190 E-mail: scu@seychelles.sc Website: www.scu.sc

Annex 2: Number of Graduates with Financial Services related Qualifications from 2014-2017



Annex 3: Percentage Change in the Number of Qualifications (2014-2017)

Year	Undergraduate	Post-graduate
2015	13.76%	-15.68%
2016	27.73%	6.41%
2017	-8.51%	69.65%



Annex 4: List of Acronyms

AACB	Association of African Central Banks
ACH	Automated Clearing House
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AFRITAC South	IMF's Regional Technical Assistance Center for Southern Africa
AG	Attorney General
AGM	Annual General Meeting
AML/CFT	Anti-Money Laundering and Combating of Financial Terrorism
ANHRD	Agency for National Human Resource Development
ASBS	Al Salam Bank Seychelles
ATM	Automated Teller Machine
ATS	Automated Transfer System
BAH	Bank Al Habib Limited
BBS	Barclays Bank of Seychelles
BCBS	Basel Committee for Banking Supervision
BDC	Bureau de Change
BIS	Bank for International Settlements
BNM	Bank Negara Malaysia
BoB	Bank of Baroda
BoC	Bank of Ceylon
BoT	Bank of Tanzania
CAB	Crown Agents Bank
CABS	Community of African Banking Supervisors
CAMELS	Capital, Asset quality, Management, Earnings, Liquidity and Sensitivity
CAR	Capital Adequacy Ratio
CARMELS	Capital Adequacy, Asset Quality, Risk Management, Management, Earnings Performance, Liquidity and Fund Management, Systems and Control
CBRs	Correspondent Banking Relationships
CBSA	Central Bank of Seychelles Act
CDD	Customer Due Diligence
CEMC	Consumer Empowerment and Market Conduct
CIS	Credit Information System
CRS	Common Reporting Standard
CSD	Central Securities Depository



CUA	Credit Union Act, 2009
DAA	Deposit Auction Arrangement
DBS	Development Bank of Seychelles
DFS	Digital Financial Services
DICT	Department of Information and Communication Technology
ECB	European Central Bank
ECL	Expected Credit Loss
EFF	Extended Fund Facility
ESAAMLG	Eastern and Sothern Africa Anti-Money Laundering Group
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FIA	Financial Institutions Act, 2004
FICC services	Fixed Income Instruments, Commodities, and Currencies
FIMCD	Financial Inclusion and Market Conduct Division
FIs	Financial Institutions
FIU	Financial Intelligence Unit
FLA	Financial Leasing Act
FMI	Financial Market Infrastructures
FRBC	Federal Reserve Bank of Chicago
FSA	Financial Services Authority
FSC	Financial Stability Committee
FSD	Financial Surveillance Division
FSDIC	Financial Surveillance, Development and Integrity Committee
FSDIP	Financial Sector Development Implementation Plan
FSI	Financial Stability Institute
FSS	Financial Stability Section
FSSD	Financial Services Supervision Division
GBP	Great Britain Pound
GDP	Gross Domestic Product
GPF	Global Policy Forum
HBL	Habib Bank Limited
HFC	Housing Finance Company Limited
HIRE	Hiring Incentives to Restore Employment Act, March 2010
HNWI	High Net Worth Individuals
IAS	International Accounting Standard



ICAAP	Internal Capital Adequacy Process
ICT	Information and Communication Technology
ICURN	International Credit Union Regulators' Network
IFC	International Finance corporation
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGA	Intergovernmental Agreement
IMF	International Monetary Fund
IMF TA	IMF Technical Assistance
JLP	Joint Learning Programme
MCB	Mauritius Commercial Bank
ML/FT	Money Laundering and Financial Terrorism
MoU	Memorandum of Understanding
MPSS	Micro Prudential Supervision Section
MRR	Minimum Reserve Requirement
MSMEs	Micro, Small and Medium Enterprises
NBCI	Non-Bank Credit Institution
NBS	National Bureau of statistics
NFES	National Financial Education Strategy
NPLs	Non-Performing Loans
NPSA	National Payment System Act, 2014
NPSR	National Payment Systems (Licensing and Authorisation) Regulation, 2014
NRA	National Risk Assessment
NVB	Nouvobanq
OPEC	Organisation of the Petroleum Exporting Countries
PCI	Policy Coordination Instrument
PEMC	Public Enterprise Monitoring Commission
PFMIs	Principles for Financial Market Infrastructures
PIRI	Pacific Islands Regional Initiative
POS	Point of Sale
PPD	Public-Private Dialogue
PSOD	Payment Systems Oversight Division
PSP	Payment Services Provider
QIS	Quantitative Impact Study



RBS	Risk Based Supervision
RETs	Renewable Energy Technologies
RTGS	Real Time Gross Settlement System
SACCO	Africa Savings and Credit Co-operative
SADC	Southern African Development Community
SADC CCBG	SADC Committee of Central Bank Governors
SADC PSOC	SADC Payment System Oversight Committee
SADC SBS	SADC Subcommittee of Banking Supervision
SARB	South African Reserve Bank
SBA	Seychelles Bankers Association
SBM	SBM Bank (Seychelles) Limited
SCB	Seychelles Commercial Bank
SCF	Standing Credit Facility
SCR	Seychelles Rupees
SCU	Seychelles Credit Union
SDF	Standing Deposit Facility
SDGs	Sustainable Development Goals
SEEREP	Seychelles Energy Efficiency and Renewable Energy Program
SIFSA	Seychelles International Financial Services Association
SIMBC	Seychelles International Mercantile Banking Corporation
SIRESS	SADC Integrated Regional Electronic Settlement System
SMEF	SME Finance
SRC	Seychelles Revenue Commission
SREP	Supervisory Review and Evaluation Process
T-bills	Treasury Bills
The Bank	Central Bank of Seychelles
UHB	United Helvetic Bank
UK	United Kingdom
Unisey	University of Seychelles
US	United States
WB/CPSS	World Bank's Committee on Payment and Settlement System
WoCCU	World Council of Credit Unions



Annex 5: Class A and Class B BDCs

BDC Name	Postal Address	Physical Address	Contact details
Travel Change (Seychelles) Ltd. Trading as Creole Exchange	P.O. Box 356	Mahe Trading Building Victoria	Tel: 4297182 Email: colin.adrienne@creoleexchange.com
Jamboo Money Changer Ltd.	Storey House Building Revolution Avenue Victoria	Espace Building Storey House Building Revolution Avenue Victoria	Tel: 2783877 / 2781399 Fax: 4415252 Email: jme@intelvion.net Luckmetrading@gmail.com
ARC Exchange (Pty) Ltd	P.O. Box 847	Orion Mall Second Floor Victoria Paradise Computer Services Victoria House Beau Vallon	Tel: 42895553 / 27117481 / 4289565 / 2519600 Fax: 4323087 / 4323089 Email: rramani@seychelles.net arcexchange@email.sc
Royale Growth (Pty) Ltd	P.O. Box 614	Printec Press Holdings Building Mont Fleuri Coco D'or Hotel Beau Vallon Oasis Hotel Grand Anse Praslin	Tel: 4225680 / 4611524 / 2523528 Fax: 4610429 Email: sviji0107@gmail.com royalegrowth@seychelles.net
Cash Plus Co. (Pty) Ltd	P.O. Box 87	Olivier Maradan Building Olivier Maradan Street Jivan's Building Albert Street Ramajayum Supermarket Docklands Beau Vallon Oceana Plaza Building Grand Anse, Praslin Aarti Investment Building Baie Ste Anne, Praslin Providence La Digue	Tel: 2783660 / 2783661 / 2501021 / 4433333 Fax: 4325260 / 4610666 Email: cashplus@pillayrgroup.com rose@pillayrgroup.com



BDC Name	Postal Address	Physical Address	Contact details
JPL Exchange (Seychelles)	P.O. Box 1081	Eden Plaza Eden Island Beau Vallon	Tel: 4346615 / 42511105 / 4346822 Fax: 4346100 Email: jplxeden@seychelles.net jpl@seychelles.net
Le Relax Bureau de Change Ltd	P.O. Box 215	Allied Builders Head Office Le Rocher Mahe	Tel: 4380700 Email: allied@seychelles.net
Doubleclick Exchange (Pty) Ltd	Doubleclick Internet Café Maison La Rosiere Palm Street, Victoria Breeze Garden Grand Anse Praslin Anse Aux Pins Fashion & Sports World Shop Orion Mall, 2nd Floor Baie Ste Anne, Praslin Hypermarket, Bios De Rose Unity House, Victoria	Doubleclick Internet Café Maison La Rosiere Palm Street, Victoria Breeze Garden Grand Anse Praslin Anse Aux Pins Fashion & Sports World Shop Orion Mall, 2nd Floor Baie Ste Anne, Praslin Hypermarket, Bios De Rose Unity House, Victoria	Tel: 4224796 / 2538123 / 2513025 Email: muditha@doubleclickexchange.com muditha@tiscali.co.uk
UAE Exchange (Sey) Ltd	P.O. Box 1586	Unit G - 1st Floor Al Nahyan Complex Francis Rachel Street Victoria Diamond Plaza Grande Anse Praslin	Tel: 4423000 / 2727626 Fax: 4423002 Email: victoria.branch@sc.uaexchange.com bhavesh.goswami@sc.uaexchange.com
Vision Money Transfer Ltd	P.O. Box 708	Sound & Vision House Ground Floor Francis Rachel Street Victoria Sound & Vision House Ground Floor Francis Rachel Street Victoria	Tel: 4224207 / 2325566 / 2722179 Fax: 4224995 Email: svision@seychelles.net svision@email.sc info@visionmoneytransfer.com brenda@visionmoneytransfer.com kenrend@gmail.com Website: www.visionmoneytransfer.com
GCC Exchange (Seychelles) (Pty) Ltd		Suite G-06 A ground Floor Capital City Building Independence Avenue Victoria	Tel: 4421000 / 4612612 Fax: 4421001 Email: gccseychelles@gccexchange.com Website: www.gccexchange.com



BDC Name	Postal Address	Physical Address	Contact details
Global Exchange (Pty) Ltd	P. O. Box 175	Providence Global Exchange (Proprietary) Limited Victoria	Tel: 44343223 / 2814000 Fax: 4373848 Email: bdm@avgroup.sc Website: www.avgroup.sc
Lulu Exchange Ltd	G-03 Ground Floor Capital City Building Victoria	G-03 Ground Floor Capital City Building Victoria	Tel: 4610812 / 4610813 / 4610814 / 2864343 Email: prabhu.rathinam@luluexchange.com Web: www.luluexchange.com
Saymore (Pty) Ltd	P.O. Box 3005	Seychelles Airport Pointe Larue P.O. Box 3005	Tel: 373434 Fax: 4373695 Email: ermitheirs@gmail.com saymorebc@hotmail.com
Sylvie's Exchange (Pty) Ltd	P.O. Box 155	Mangroo's Building Beau Vallon P.O. Box 155 Victoria Mahe	Tel: 2511719 / 2511770 Fax: 4248125 Email: sylviesexchange@seychelles.sc
Universal Money Changer (Pty) Ltd	P.O. Box 88	Chez Deenu Supermarket Building Quincy Street Victoria Adam Moosa Building Victoria	Tel: 4322639 / 4610450 / 2714664 / 4325474 Fax: 2324028 Email: universalmoneychanger@gmail.com deenu@seychelles.net
Best Exchange (Pty) Ltd	P.O. Box 94	Baie Ste Anne Praslin Victoria	Tel: 2725508 / 2725511 / 2725555 Fax: 4424455 Email: accounts.ksm3@kannusgroup.com
Thompson (seychelles) Ltd	Mahe Trading Building State House Avenue Victoria	Mahe Trading Building State House Avenue Victoria	Tel: 4324779 / 2510347 Email: thompson@seychelles.net
Anthrium Foreign Exchange (Pty) Ltd	Kot Damoo Building Anse Royale	Kot Damoo Building Anse Royale	Tel: 2590592 Fax: 4411638 Email: brigittamonthy@yahoo.com
Victoria Money Changer Ltd	P.O. Box 127	Kandimathy Building Market Street Victoria	Tel: 4321612 / 4251645 Email: preshela@seychelles.net
Vims Exchange Ltd	Baie Ste Anne Jetty Praslin Aiport Grand Anse Praslin	Baie Ste Anne Jetty Praslin Aiport Grand Anse Praslin	Tel: 2581110 Fax: 4236203 Email: vimsexchange@gmail.com
Money Stretcher (Pty) Ltd	Camion Hall Building Victoria Fisherman's Cove Estate 76 Mahe	Camion Hall Building Victoria Fisherman's Cove Estate 76 Mahe	Tel: 2516513 / 2723685 / 2779683 Email: moneystretcher@live.com viki@seychelles.net



BDC Name	Postal Address	Physical Address	Contact details
Ideal Money Changer (Pty) Ltd	Pension Fund Complex Grans Anse Praslin	Pension Fund Complex Grans Anse Praslin	Tel: 2513025 / 2783185 / 2783702 Fax: 4237062 Email: gardette6@hotmail.com
Mohan's Xchange Ltd	P.O. Box 373	C/o Mohan's Shopping Centre Plaisance	Tel: 4344290 / 2525655 / 2514294 Email: mohanxchange@yahoo.com
Exotic Exchange (Pty) Ltd	C/o Maki Shop Cote D'or Praslin La Digue	C/o Maki Shop Cote D'or Praslin La Digue	Tel: 2777111 Email: exoticexchangepty@gmail.com Cyril.andre@gmail.com
Coco Exchange Ltd	Unit 303 Kahna Mall Victoria	Unit 303 Kahna Mall Victoria	Tel: 2501080 Email: sekar@pillargroup.com