

Central Bank of Seychelles



Annual Report 2022



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Letter of Transmittal

**Central Bank of Seychelles
P.O. Box 701
Victoria**

March 30, 2023

**President Wavel Ramkalawan
State House
Victoria**

Dear Mr President,

In accordance with Section 47 (4) of the Central Bank of Seychelles Act 2004, as amended, I have the honour to submit the Nineteenth Annual Report of the Central Bank together with a copy of the Financial Statements for the year ended December 31, 2022. The Financial Statements have been certified and signed by the Auditor General, following the audit review on behalf of the Auditor General by Deloitte Touche Tohmatsu Limited (South Africa) appointed under section 19 of the Auditor General Act 2010, read with Section 47(3) of the Central Bank of Seychelles Act.

Yours sincerely,

 Caroline Abel
Mar 30 2023 3:07 PM

DocuSign
C. Abel (Ms)
Governor

Our Core Values

Integrity	We value responsible behaviours
Innovation and Result-Oriented	We strive to redefine the standards of excellence
Accountability and Transparency	We value personal ownership and accountability
Humility	We believe in listening to one another and value continuous learning
Professionalism and Team Spirit	We take pride in producing quality work and encourage collaborations
Inclusivity	We value the diversity in one another and believe in inclusive participation by all
Mutual Respect and Trust	We uphold confidentiality and our actions are consistent with our commitment

At the beginning of 2022, Governor Abel stressed on the need to remain focused and flexible in the face of uncertainties in the global economy, the pace of regulatory changes in central banking and the expectation of another challenging year for the Bank. The staff was encouraged to continue upholding all of the Bank's Core Values, with a strong emphasis on **Professionalism and Team Spirit**, as we work collectively towards achieving CBS' mandate.

CENTRAL BANK OF SEYCHELLES

Board of Directors

(as at December 31, 2022)

Caroline Abel	-	Governor and Chairperson
Christophe Edmond	-	First Deputy Governor - Member (January - March)
Brian Commettant	-	First Deputy Governor (as of August)
Jenifer Sullivan	-	Second Deputy Governor - Member
Errol Dias	-	Director
Bertrand Rassool	-	Director
William Otiende Ogara	-	Director
Frank Ally	-	Director - Ex-Officio
Sherley Marie	-	Director

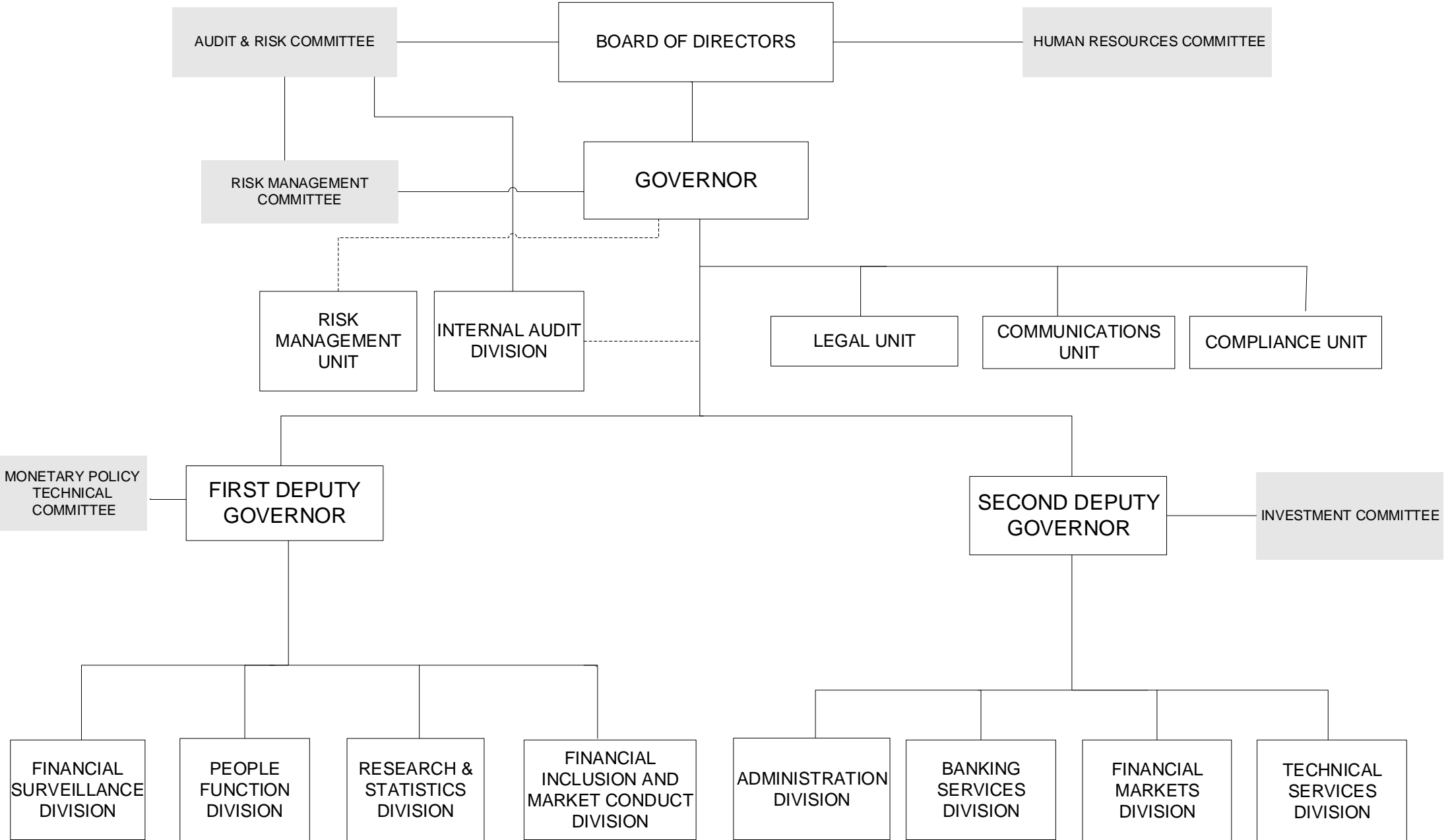
*Secretary to the Board
Annarose Clarisse*

*Deputy Secretary to the Board
Antoinette Racombo*

CBS Fact Sheet

Address	Physical Address: Independence Avenue Victoria, Mahé Postal Address: P.O. Box 701 Victoria, Mahé Seychelles CBS does not have any branches
Entity website name and link	Central Bank of Seychelles https://www.cbs.sc/
Date of establishment	December 01, 1978
Entity type	Statutory corporation
Legal entity identifier	254900T8VTP9P2A44092
Government or state owned	Government-owned
Number of employees	192 (as at February 2023)
Total asset size in reporting currency	R10,720,605,145.71 (as at December 2022), equivalent to US\$759,029,258
Seychelles TIN	816948856
FATCA status	Non-US central bank of issue
CRS	An Active NFE – a government entity or a Central Bank

CENTRAL BANK OF SEYCHELLES



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Acronyms

AD	Administration Division
ADAC	Abu Dhabi Airports Company
ADFD	Abu Dhabi Fund for Development
AfCFTA	African Continental Free Trade Area
AFD	Agence Francaise de Developpement
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AFRITAC	African Regional Technical Assistance Centre
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AMLS	Anti-Money Laundering Section
ARC	Audit and Risk Committee
ASP	Agency for Social Protection
ATI	Africa Training Institute
ATIA	Access to Information Act
BC	Business Continuity
BCAW	Business Continuity Awareness Week
BCM	Business Continuity Management
BCMS	Business Continuity Management Systems
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BMS	Building Management Software
BOP	Balance of Payments
BSD	Banking Services Division
CAA	Credit Auction Arrangement
CAB	Crown Agents Bank
CAIM	Crown Agents Investment Management
CBS	Central Bank of Seychelles
CCBG	Committee of Central Bank Governors
CEMCWG	Consumer Empowerment and Market Conduct Working Group
CIF	Cost, Insurance, Freight
CIS	Credit Information System
CISO	Chief Information Security Officer
CNY	Chinese Yuan
COBIT	Control Objectives for Information and Related Technologies
COMESA	Common Market for Eastern and Southern Africa
COP27	United Nations Climate Change Conference of the Parties, 27 th edition
CPI	Consumer Price Index
CSD	Central Securities Depository
CSLs	Companies' Special Licences
CSM	Customer Service Manage
CU	Compliance Unit
CWS	Cable & Wireless Seychelles
DAA	Deposit Auction Arrangement
DBO	Domestic Banking Operations

DBS	Development Bank of Seychelles
DFSWG	Digital Financial Services Working Group
DICT	Department for Information Communications Technology
DR	Disaster Recovery
DRC	Democratic Republic of Congo
ECB	European Central Bank
ECL	Expected Credit Loss
EDF	European Development Fund
EFF	Extended Fund Facility
EOIR	Exchange of Information on Request
EQA	External Quality Assurance
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
ESA	Eastern and Southern Africa
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
EU NAVFOR	European Union Naval Force
EUR	Euro
EY	Ernst and Young
FATF	Financial Action Task Force
FBO	Foreign Banking Operations
FCPA	Financial Consumer Protection Act
FDG	First Deputy Governor
FDI	Foreign Direct Investment
FEA	Foreign Exchange Auction
FIA	Financial Institution Act
FIMCD	Financial Inclusion and Market Conduct Division
FIU	Financial Intelligence Unit
FMD	Financial Markets Division
FMS	Financial Markets Subcommittee
FOB	Free on Board
FPAS	Forecasting and Policy Analysis System
FR	Financial Reporting
FRA	Financial and Risk Analysis
FRS	Financial Regulation Section
FSA	Financial Services Authority
FSC	Financial Stability Committee
FSD	Financial Surveillance Division
FSS	Financial Stability Section
GBP	Great British Pound
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEIT	Governance of Enterprise IT
GFC	Green Climate Fund
GIR	Gross International Reserves
GLI	Gaming Laboratories International

GOP	Gainful Occupation Permit
GPF	Global Policy Forum
GRC	Governance Risk and Compliance
HCI	Hyper-converged infrastructure
HICDP	High Impact Community Development Project
HR	Human Resources
HRC	Human Resources Committee
IAD	Internal Audit Division
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communication Technology
IDC	Island Development Company
IDR	Issuer Default Rating
iEPA	Interim Economic Partnership Agreement
IIA	Institute of Internal Auditors'
IIP	International investment positions
IMF	International Monetary Fund
IORWG	International Operational Risk Working Group
IOSCO	International Organisation of Securities Commissions
IOT	Indian Ocean Tuna
IPPF	International Professional Practices Framework
IPR	Intellectual Property Rights
IS	Information Security
IT	Information Technology
ITDRP	IT Disaster Recovery Plan
ITZ	International Trade Zone
KPMG	Klynveld Peat Marwick Goerdeler
LFPA	Local Food Producers Association
LMO	Liability Management Operations
LU	Legal Unit
MCCP	Manual Cheque Clearing Procedure
MCS	Market Conduct Section
MDM	KG Deutsche Münze
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MES	Macroeconomic Subcommittee
MFSMCG	Monetary and Financial Statistics Manual and Compilation Guide
MO	Market Operations
MoU	Memorandum of Understanding
MPR	Monetary Policy Rate
MPSS	Micro Prudential Surveillance Section's
MPTC	Monetary Policy Technical Committee
MRR	Minimum Reserve Requirement

MSMEs	Micro, Small, and Medium Enterprises
MTPD	Maximum Tolerable Period of Disruption
NAC	National AML/CFT Committee
NAFP	National Accreditation Focal Point
NATO	North Atlantic Treaty Organisation
NBCI	Non-Bank Credit Granting institutions
NBS	National Bureau of Statistics
NBS	National Bureau of Statistics
NFA	Net Foreign Assets
NIEMP	National Integrated Emergency Management Plan
NIR	Net International Reserves
NPS	National Payment System
NRA	National Risk Assessment
OAG	Office of the Auditor General
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
OMFIF	Official Monetary and Financial Institutions Forum
PCR	Polymerase chain reaction
PEACE	Pakistan East Africa Cable Express
PFMI	Principles for Financial Market Infrastructures
PHA	Public Health Authority
PIRI	Pacific Islands Regional Initiatives
PMC	Property Management Corporation
PMU	Project Management Unit
PRS	Policy and Research Section
PUC	Public Utilities Corporation
PWC	PricewaterhouseCoopers
RBS	Risk-Based Supervision
RFI	The outcome of the Request for Information
RMC	Risk Management Committee
RMF	Risk Management Framework
RMU	Risk Management Unit
RSD	Research and Statistics Division
RTGS	Real Time Gross Settlement
SA	Settlement and Accounting
SAA	Strategic Asset Allocation
SADC	Southern African Development Community
SADCAS	Southern African Development Community Accreditation Services
SADC-PF	SADC Parliamentary Forum
SBA	Seychelles Bankers Association
SBC	Seychelles Broadcasting Corporation
SBFA	Small Business Finance Agency Scheme
SCAA	Seychelles Civil Aviation Authority
SCF	Standing Credit Facility
SCS	Seychelles Cable Systems
SDDS	Special Data Dissemination Standards

SDF	Standing Deposit Facility
SDG	Second Deputy Governor
SDR	Special Drawing Rights
SEFT	Seychelles Electronic Funds Transfer
SFA	Strategic Focus Area
SFA	Seychelles Fisheries Authority
SFPA	Sustainable Fisheries Partnership Agreement
SIB	Seychelles Investment Board
SMA	Seychelles Meteorological Authority
SMEFWG	SME Finance Working Group
SPF	Seychelles Pension Fund
SPTC	Seychelles Public Transport Corporation
SRC	Seychelles Revenue Commission
SSI	Société Seychelloise d'Investissement
STB	Seychelles Tourism Board
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TA	Technical Assistance
T-bills	Treasury Bills
T-bonds	Treasury bonds
TDB	Trade and Development Bank
TOR	Terms of Reference
UAE	United Arab Emirates
UAT	User Acceptance Testing
UK	United Kingdom
UNODC	United Nations Office on Drugs and Crime
USA	United States of America
USD	United States Dollar
VA	Virtual Assets
VASP	Virtual Asset Service Provider
WEO	World Economic Outlook
WTO	World Trade Organisation

Technical Note

Owing to rounding of figures, the sum of separate items may not always add up to the total shown.

Abbreviations used in this Report are:

<i>R</i>	=	<i>Seychelles Rupee</i>
<i>n.a</i>	=	<i>Figure not available</i>
<i>..</i>	=	<i>Negligible</i>
<i>-/0</i>	=	<i>Nil</i>

SECTION ONE

Overview

1.0 External Developments

The global economy was estimated to have grown by 3.4 per cent in 2022, a slowdown from 6.0 per cent in 2021. According to the World Economic Outlook (WEO) published by the International Monetary Fund (IMF) in January 2023, the main factors that weighed on global economic activity were the war between Russia and Ukraine, the resurgence of positive COVID-19 cases in China, which led to widespread lockdowns, and the unrelenting fight against inflation in many countries. Despite the challenges, the observed growth in global economic activity was mostly driven by stronger-than-expected demand across numerous economies as consumer spending increased, especially on services, following the removal of pandemic-related restrictions. Consequently, investment rose to accommodate the demand. In addition, the easing of supply-side constraints and lower transportation costs played an important role in allowing for a recovery in affected sectors.

Nevertheless, inflation remained elevated throughout 2022, mainly on account of sluggish, uneven recovery in global supply chain conditions and higher commodity prices. This led many central banks in emerging markets and advanced economies to tighten monetary policy with the aim of restoring price stability and anchoring expectations. These challenging conditions are expected to persist in 2023, potentially leading to a further contraction in economic activity.

1.1 Domestic Economic Developments

At the beginning of 2022, the domestic economy seemed poised to further consolidate the economic recovery that began in 2021. However, the invasion of Ukraine by Russia in February brought about a significant level of uncertainty in view of its potential implication on the tourism sector. In addition, there was still the threat of the evolving COVID-19 pandemic. Nonetheless, the successful vaccination campaign combined with the decreasing number of cases locally, provided the scope for health restrictions to be gradually lifted during the year. As such, effective March 15, fully vaccinated visitors no longer required a negative PCR¹ test to enter the country and as of December 01, tourists were not mandated to show proof of COVID-19 vaccination or a negative PCR upon arrival. The renewed global optimism for travel resulted in a stronger-than-anticipated growth of 82 per cent in visitor arrivals in 2022, compared to 2021.

Consistent with the rise in tourist arrivals, tourism earnings were estimated to have increased by 58 per cent to stand at US\$932 million in 2022. The recovery, though, was skewed towards larger hotels with higher yields as opposed to smaller tourism establishments as had been the case in the pre-pandemic years. Of note, a revised series of tourism earnings was published in June, with a backward revision to 2016. This incorporated a new

¹ Polymerase chain reaction

methodology for calculating tourism revenue that provides greater coverage of earnings generated by the sector, including the proportion of foreign exchange kept abroad.

Developments in the tourism sector implied a sustained inflow of foreign exchange into the domestic market. However, in light of the higher economic activity, coupled with elevated international commodity prices, there was an uptick in demand for foreign exchange. Nonetheless, the increased inflow of foreign exchange was sufficient to offset the rise in demand which ultimately led to an overall strengthening of the Seychelles rupee, in annual average terms, relative to 2021. For the year under review, the rupee traded on average at R14.2727 relative to the US dollar.

Despite the above-mentioned developments, the stock of gross official reserves held at the Central Bank stood at US\$639 million at the end of December, which was a decline of US\$63 million (or 9.0 per cent) relative to the previous year. The drawdown in the stock of external reserves was primarily to meet the country's external debt obligations. In terms of reserves adequacy, this was equivalent to 3.6 months of the country's total imports of goods and services.

Provisional Balance of Payments (BOP) estimates for 2022 show that the current account deficit narrowed, from US\$154 million in 2021 to US\$137 million. The increase in the services account's net contribution led to an improvement in the current account when expressed as a percentage of GDP, from 12 per cent to 8.0 per cent. Of note, this was despite a worsening of the trade balance which resulted from strong growth in imports compared to exports.

The robust performance of the tourism industry was the main driver of economic growth for the year under review, which was estimated at 8.4 per cent in real terms. This was 6.0 percentage points higher than the outcome for 2021, when it stood at 2.4 per cent.

Preliminary estimates indicated a contraction in output from the fisheries sector, whilst an expansion was observed in the agriculture segment. During the year, emphasis was placed on enhancing the output generated by these sectors, to reduce the reliance on imported products as well as increase the value addition of processed goods. In that context, key developments included the continuation of agricultural projects on the outer islands and the growing interest in aquaculture-related activities.

Output from the manufacturing sector was estimated to have expanded during the year. Primarily, there was an increase in the production of construction materials and the manufacture of beverages and tobacco. Conversely, the manufacture of fishery products contracted, given the production challenges related to sourcing packaging materials, labour shortages and greater competition from international counterparts.

In addition, there was a double-digit expansion in output within the telecommunications industry and this was mainly attributed to increases in data traffic, mobile accounts, internet connections, cable TV connections and international calls.

In terms of price developments, there was a moderation in inflationary pressures during 2022. As published by the National Bureau of Statistics (NBS), the Consumer Price Index (CPI) showed a 12-month average inflation rate of 2.6% in December, a reduction of 7.1 percentage points compared to end-2021. In year-on-year terms, the average prices of goods and services rose by 2.5% in December 2022, compared to 7.9% in December 2021. This outcome was attributed to a stronger domestic currency in 2022 relative to the previous year in annual average terms, which helped to partially cushion the pass-through from elevated foreign inflation and global commodity prices. Furthermore, the moderation in international prices of food and fuel in the latter half of the year contributed to a less pronounced inflation rate in 2022 compared to 2021.

The Central Bank continued to support the domestic economy by maintaining an accommodative monetary policy stance throughout the year. Hence, the Monetary Policy Rate (MPR) remained unchanged at 2.0%, whilst the Standing Credit Facility (SCF) and Standing Deposit Facility (SDF) stood at 3.5% and 0.5%, respectively.

In view of the improved market sentiments given the strong pick-up in economic activity, growth in credit extended to the private sector exceeded expectations and rose by 5.0 per cent in December compared to end-2021. However, this did not require policy response on the part of CBS as its impact on inflation was limited. The growth in credit resulted mainly from an expansion of 18 per cent in local currency-denominated loans (excluding the Private Sector Relief Schemes), and which accounted for 78 per cent of total claims on private sector. By contrast, credit extended in foreign currency declined by 17 per cent in rupee terms, partly due to valuation effects, given the stronger domestic currency relative to 2021 as well as a slowdown in new loan disbursements. The latter was on account of the persistent increase in interest rates throughout 2022 which discouraged borrowers from lending in foreign currency. Of note, the higher interest rates on foreign currency-denominated loans also reflected the credit granting financial institutions' concerns over the impact of external developments on the domestic economy, particularly within the tourism sector. As a result, foreign currency-denominated loans as a share of credit disbursed to the private sector dropped from 27 per cent in December 2021 to 21 per cent as at end-2022.

A breakdown of the sectoral allocation of total credit to the private sector showed that 'mortgages' accounted for the largest share with 18 per cent. In terms of credit allocated under this category, there was an increase of 15 per cent (R222 million) at end-2022 compared to the previous year. Other notable movements pertained to the stock of loans under the categories 'telecommunications' and 'agriculture & horticulture' which expanded by 97 per cent (R250 million) and 40 per cent (R33 million), respectively. Conversely, the stock of credit disbursed to 'tourism facilities' and 'transportation' declined by 10 per cent (R169 million) and 7.3 per cent (R34 million), correspondingly.

There were mixed movements in the interest rates during the year under review. As at December, the average savings rate stood at 1.50%, a decline of 7.7 basis points relative to the same period in the previous year. In terms of the average return on fixed-term rupee deposits, this fell by 61 basis points to stand at 2.57% on account of reductions in yield across most maturities. In contrast, the average effective lending rate stood at 9.32%, which was 30 basis points higher than in December 2021, as the existing stock of foreign currency-denominated loans with variable contracts was shifted to higher bands of interest rates, in line with the tighter external financial conditions. Consequently, the interest rate spread widened by 38 basis points from 7.44 per cent as at end-2021 to 7.83 per cent in December.

During the year, the Bank reconsidered the support measures offered to businesses that were impacted by the COVID-19 pandemic, as part of its Unwinding Strategy. Notably, the two Private Sector Credit Relief Schemes were closed as of end-March. Other measures that were unwound in 2022 were, for example, (i) the Minimum Reserve Requirement (MRR) applicable on rupee-denominated deposits of ODCs, which was increased from 10% to 13% as of July 13; (ii) the purchase of government securities in force majeure events, whereby the Bank no longer accepted new applications for same effective July 18; (iii) the moratorium and debt restructuring measures were phased out as of July 01, thus individuals and businesses requiring assistance on their credit facilities had to approach their respective financial institution directly; and (iv) the Bank also reverted to its normal foreign exchange intervention strategy whereby foreign exchange auctions (FEA) would be conducted only if the need arises.

In terms of fiscal performance, an initial primary deficit of 0.8 per cent of GDP was forecasted for 2022. In addition, during the mid-year review, government announced a number of temporary relief measures to help lower-income households cope with the higher cost of living. Hence, given the fiscal space required for their implementation, the primary balance forecast was revised to a deficit of 1.1 per cent of GDP. However, preliminary results for 2022 indicate a primary fiscal surplus of 0.8 per cent of GDP, largely reflecting the fiscal consolidation effort of the government. Of note, total revenue, excluding grants, was below the budgeted figure by 4.5 per cent, whilst expenditure and net lending were lower by 9.1 per cent.

In regards to debt, a core objective for the authorities in 2022 was the continued realignment of the public debt portfolio. It is to be recalled that total public debt was deemed to be on an unsustainable path in 2021, prompting the Seychelles government to take remedial actions with the support of IMF. As such, total public debt fell to 65 per cent of GDP in 2022, from 74 per cent in 2021. In addition, government maintained its strategy to reduce short-term debt exposure whilst increasing the issuance of longer-term securities in the form of Treasury bonds.

In October, Fitch Ratings upgraded Seychelles' Long-Term Foreign-Currency Issuer Default Rating (IDR) from 'B+' to 'BB-' with a stable outlook. The main reasons for this upgrade related to the country's declining public debt-to-GDP ratio and improved external position. The strong economic growth, limited impact on tourism from the conflict between Russia and Ukraine, stable fiscal performance and firm macroeconomic framework were among the key factors that were considered in upgrading the country's rating.

In line with the terms of the IMF-supported reform programme - the Extended Fund Facility (EFF) - Seychelles successfully underwent two periodic reviews in 2022 and received a total disbursement of US\$17 million for having met the agreed targets. In that context, the Central Bank met its Net International Reserves (NIR) targets – applicable end-June and end-December – as illustrated in Table 1.1.

Table 1.1: Quantitative Performance Criteria

Net International Reserves ^{1/2}	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
	USD million								
Target	394	356	359	374	394	407	416	423	426
Actual	400	395	400	455	529	518	496	490	472

¹ The stated target is a floor

² The target dates are end of Q2 and Q4

In terms of outlook for 2023, an overall decline in global economic activity is expected as the tighter monetary conditions, increasing interest rates and challenges brought about by the war between Russia and Ukraine continue to weigh on already weakened economies. International commodity prices are forecasted to remain elevated, despite a decline in oil prices. Given the nature of the Seychelles economy, it is anticipated that such external developments, in particular the expected contraction in economic activity in Europe, may impact the local tourism industry. In that context, the authorities aim to intensify their effort in marketing the islands in non-traditional markets to counter any potential loss from the existing tourism source markets. Hence, it is anticipated that the continued positive performance of the tourism sector will provide sustained inflows of foreign exchange, ensuring relative stability in the exchange rate and the general price level. As such, it is expected that an accommodative monetary policy stance will be maintained to support domestic economic activity. With regard to the country's external position, it is forecasted to remain relatively strong as international reserves is projected to be at least at a similar level to 2022. Given the above-mentioned developments, the initial forecast is that GDP might grow at a slower rate of 4.3 per cent in 2023 compared to 8.4 per cent in 2022.

SECTION TWO

Real Sector: Production, Labour and Prices

2.0 Overview

2022 was characterised by the lingering effects of the COVID-19 pandemic and the invasion of Ukraine by Russia in February. With regard to the former, new variants of the coronavirus that had emerged towards the end of 2021, prompted countries to maintain or re-instate restrictive measures. Nevertheless, as vaccination uptake increased and booster doses were administered, travel restrictions were gradually eased during the year. As such, expectations for 2022 were bleak on account of the compounding repercussions of possible resurgences in COVID-19 cases and the conflict between Russia and Ukraine.

On the domestic front, there was an increased focus on reinforcing growth in the tourism industry over the short-to-medium term, as reaping the benefits from diversifying into the other sectors of the economy would need more time. The COVID-19 immunisation campaign which began in 2021 continued during the year to protect the population from the adverse effects of the virus and this enabled the resumption of various activities. As of March 01, several public health measures were relaxed. The Public Health Authority (PHA) eased entry requirements as of March 15 whereby, fully vaccinated visitors no longer required a negative PCR test and subsequently, as of December 01, tourists were not mandated to show proof of COVID-19 vaccination or a negative PCR test.

The domestic economy benefited from the improvement in global travel sentiments in 2022 as compared to 2021. The expected implications from the conflict between Russia and Ukraine were less adverse than initially feared. The total number of tourists who visited Seychelles in 2022 expanded by 82 per cent in comparison to the preceding year, albeit still below pre-pandemic outcome. This was mainly attributed to a higher number of tourists from the traditional western European markets, which partially offset the reduction in visitor arrivals from other countries within Europe, specifically Russia and Ukraine.

In 2022, the Bank reviewed the methodology to estimate tourism earnings by incorporating occupancy data and room prices. The change in methodology led to an improved coverage of the revenue generated by the tourism sector as the estimated earnings held abroad were captured. As such, and accounting for the rise in visitor arrivals, tourism earnings were estimated to have risen by 58 per cent in year-on-year terms.

The robust performance of the tourism industry was the main driver of economic growth for the year under review. The annual growth in real GDP was estimated at 8.4 per cent or 6.0 percentage points higher than the outcome for 2021.

Preliminary estimates indicated that the output from the fisheries sector contracted, whilst an expansion was observed in the agriculture segment. Throughout the year, government aimed to enhance the output generated

by these sectors, to reduce the reliance on imported products as well as increase the value addition of processed goods. Key developments included the continuation of agricultural projects on the outer islands and the growing interest in aquaculture-related activities.

Output from the manufacturing sector was estimated to have expanded during the year as evidenced by the production statistics. Primarily, there was an increase in the production of construction materials and the manufacture of beverages and tobacco. Conversely, the manufacture of fishery products contracted, given the production challenges related to sourcing packaging materials, labour shortages and greater competition from international counterparts.

Additionally, there was a double-digit expansion in output within the telecommunications industry and this was mainly attributed to increases in data traffic, mobile accounts, internet connections, cable TV connections and international calls.

In terms of price developments, there was a moderation in inflationary pressures during 2022. As published by NBS, the headline CPI showed a 12-month average inflation rate of 2.6% in December, a reduction of 7.1 percentage points when compared to end-2021. As at December 2022, the average prices of goods and services rose by 2.5% as compared to 7.9% in December 2021. This outcome was attributed to a stronger domestic currency in 2022 relative to 2021 in annual average terms, which helped to partially cushion the pass-through from elevated foreign inflation and global commodity prices. Furthermore, the moderation in international prices of food and fuel in the latter half of the year contributed to a less pronounced inflation rate in 2022 compared to 2021. With regard to the year-on-year core inflation, it stood at 0.7% at the end of the year.

Notwithstanding the increase in demand for foreign exchange, sustained inflows contributed to the appreciation of the Seychelles rupee. As highlighted above, this helped to partially alleviate the impact of the higher international prices of key basic commodities such as fuel, sunflower oil and wheat-based products, on the domestic prices of goods and services. Therefore, the Seychelles economy was in a better position at the end of 2022 compared to 2021.

2.1 Primary Sector

Falling under the ambit of the primary sector, the extraction and collection of natural resources in the local context encompass fisheries and agricultural activities. During 2022, the main focus was on enhancing the output from both sectors given the increased importance of bolstering food security in the country. Higher output was evident in the production statistics from January to September 2022, as there was a double-digit increase in total fish catch and livestock slaughtered.

2.1.1 Fisheries

Preliminary GDP estimates showed an annual contraction of 8.0 per cent in fisheries activities compared to 2021. However, production statistics up to September indicated an increase of 19 per cent in total fish catch.

Launched in October 2021, the aquaculture sector garnered interest during 2022 whereby, 14 applications were submitted to the Seychelles Fisheries Authority (SFA). This was a positive development as aquaculture activities are anticipated to reduce the extent of resource extraction within the fisheries sector, in line with the economic diversification initiative of government.

In June, Seychelles and the European Union (EU) completed negotiations to facilitate eight Seychelles-flagged vessels to fish in the territorial waters of the French Department of Mayotte, as of January 01, 2023, for a period of 6 years. Additionally, in November, government announced that a new fisheries agreement with Taiwan would become effective as of January 01, 2023, spanning 3 years. As part of the agreement, the 6-month licence fees will be revised upwards from US\$17,500 to US\$25,000 whilst that of the one-year will be amended from US\$24,000 to US\$33,000. Moreover, Taiwanese vessels were mandated to make at least one port call annually, for transshipment and landing purposes.

The Fisheries (Mahé Plateau Trap and Line Fishery) Regulations 2021, which falls under the Fisheries Act 2014, became effective on October 01, and aims to conserve fish stocks and preserve marine ecosystems. One such regulation pertains to a ban on the catching and sale of green job fish and red snapper measuring less than 32 centimetres, to allow the juveniles to reach reproductive maturity. Additionally, with respect to the trap fishery, fishermen are not allowed to leave their fish traps overnight during the spawning season between September and April.

A number of community facilities for fishermen became operational during the year. In March, a channel was excavated at Anse à La Mouche to allow fishing boats to load and unload their vessels during low tide. This work was funded by the EU as part of the Sectoral Support Fund at a cost of R2.3 million. Furthermore, the Glacis fish market, financed by the EU-Seychelles Sustainable Fisheries Partnership Agreement (SFPA) at a cost of R0.4 million was officially opened in May. In October, a new fisheries facility consisting of gear stores, fish market, fish cleaning area and landing shed opened at Cascade. This project amounted to R12 million and was partially funded by the EU-Seychelles SFPA.

2.1.2 Agriculture

Preliminary estimates indicated that output from the agricultural sector expanded by 2.0 per cent in 2022, consistent with the increase in the production of agricultural products. Statistics from January to September showed a rise in livestock slaughtered and production of eggs. The number of slaughtered broiler chicken and cattle increased by 10 per cent and 8.5 per cent, respectively. Conversely, the number of pigs slaughtered fell by 2.9 per cent. Over the same period, the production of eggs rose by 3.9 per cent.

There were mixed movements in crop production during the first three quarters of 2022 relative to the same period in 2021. Whilst the production of tea expanded by 48 per cent, output of cinnamon contracted by 97 per cent. Cinnamon production declined in 2022 owing to difficulties in obtaining raw materials as well as a high stock inventory that was yet to be exported.

During 2022, government intensified its efforts to enhance the output from the agricultural sector. In October, the Local Food Producers Association (LFPA) opened a market for the farmers and producers in Anse à La Mouche, with the support of the Global Environment Facility (GEF) grant fund, Ministry responsible for Agriculture, 'Ridge to Reef' project and AGRISUD. Additionally, the country benefited from a grant by the Green Climate Fund (GFC) Readiness Programme, a pan-African regional effort to double adaptation finance for African countries by 2025. Consisting of three phases, the first stage which included capacity building, climate risk assessments and policy integration, was initiated in July.

The Island Development Company (IDC) remained steadfast in its endeavour to implement large-scale agricultural projects on the outer islands. Specifically, a pilot project for prawn farming on Coëtivy was initiated in December to allow IDC to identify issues and alleviate risks prior to implementing the project on a full-scale basis. Once it becomes operational, 200 tonnes of prawns are expected to be produced on an annual basis. Moreover, IDC aims to produce chicken, pork, vanilla, tomatoes, corn and lettuce in the short-to-medium term, in line with government's efforts to increase local agricultural production.

**Table 2.1: Gross Domestic Product by Kind of Economic Activity (2018 - 2022)
at constant prices**

	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽²⁾
	(R million)				
GDP at 2014 constant market prices	20,648.0	21,655.0	19,782.3	20,248.0	21,946.6
Change	3.7%	4.9%	-8.6%	2.4%	8.4%
Agriculture	235.5	239.0	241.4	255.0	260.1
Fishing	295.7	348.1	266.6	258.0	237.4
Manufacture of fishery products	1,015.3	634.9	900.0	1,048.0	1,006.1
Manufacture of other food	34.6	35.0	42.0	39.0	39.4
Manufacture of beverages and tobacco	334.1	348.2	319.0	329.0	361.9
Manufacturing, other	215.5	266.1	245.0	222.0	255.3
Electricity, gas, steam and air conditioning supply	442.7	579.2	580.0	715.0	725.7
Water supply; sewerage, waste management and remediation activities	72.5	76.0	74.3	73.0	73.4
Construction	967.3	1,087.9	884.3	565.0	621.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,376.1	1,408.2	1,143.4	1,058.0	1,090.4
Transportation and storage	1,117.6	1,004.6	658.3	635.0	797.8
Accommodation and food service activities	2,163.7	2,256.5	1,122.0	1,342.0	2,080.1
Information and communication	1,086.8	1,274.2	1,436.6	1,790.0	2,058.5
Financial and insurance activities	959.2	1,343.7	1,246.9	1,043.0	1,066.1
Real estate activities	671.7	694.8	714.2	550.0	555.5
Owner occupied dwellings	1,724.3	1,770.5	1,835.6	1,894.0	1,912.9
Professional, scientific and technical activities	777.5	777.9	831.9	794.0	801.9
Administrative and support service activities	484.1	509.8	209.3	183.0	219.5
Public administration and defence; compulsory social security	2,081.9	2,129.5	2,445.3	2,420.0	2,468.4
Education	635.5	772.9	586.0	661.0	680.8
Human health and social work activities	531.2	529.2	594.2	841.0	883.1
Arts, entertainment and recreation	205.5	258.6	154.9	192.0	197.8
Other service activities	132.3	142.0	212.0	113.0	115.3
Allocation of FISIM ³ to Nominal Sector	0.0	0.0	0.0	0.0	0.0
Value Added at basic prices	17,560.6	18,486.8	16,743.1	17,020.0	18,508.8
Taxes Less subsidies	3,087.4	3,168.2	3,039.2	3,228.0	3,437.8

Notes:

¹ Provisional Estimates- National Bureau of Statistics

² Indicative Estimates - Seychelles Macroeconomic Framework Working Group as at February 2023

³ Financial Intermediation Services Indirectly Measured

Table 2.2: Gross Domestic Product by Kind of Economic Activity (2018 - 2022)
at current prices

	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽²⁾
	(R million)				
GDP at current market value	22,088.3	23,086.0	20,849.4	21,771.0	24,289.2
Change	5.8%	4.5%	-9.7%	4.4%	11.6%
Agriculture	248.6	248.2	262.9	316.0	328.8
Fishing	344.4	377.5	301.5	312.0	292.8
Manufacture of fishery products	785.7	603.2	920.8	861.0	843.1
Manufacture of other food	35.6	35.7	45.6	47.0	48.4
Manufacture of beverages and tobacco	314.4	315.7	330.2	382.0	428.6
Manufacturing, other	216.2	274.4	259.6	245.0	287.4
Electricity, gas, steam and air conditioning supply	407.1	545.2	502.5	724.0	749.5
Water supply; sewerage, waste management and remediation activities	107.9	112.8	95.6	96.0	98.4
Construction	906.4	1,062.0	922.5	606.0	679.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,482.5	1,518.7	1,265.1	1,284.0	1,349.8
Transportation and storage	1,339.8	1,214.0	673.8	789.0	1,011.0
Accommodation and food service activities	2,419.3	2,406.3	1,555.4	2,042.0	3,228.4
Information and communication	759.5	803.9	790.4	808.0	947.8
Financial and insurance activities	1,053.4	1,502.7	1,411.2	1,296.0	1,351.2
Real estate activities	748.3	815.8	809.3	697.0	718.0
Owner occupied dwellings	1,893.6	1,980.1	2,077.6	2,353.0	2,424.0
Professional, scientific and technical activities	792.4	816.1	878.8	896.0	923.0
Administrative and support service activities	539.8	580.6	240.7	229.0	280.1
Public administration and defence; compulsory social security	2,152.9	2,235.7	2,409.6	2,419.0	2,516.7
Education	641.2	814.6	582.6	674.0	708.1
Human health and social work activities	550.0	563.9	620.3	825.0	883.6
Arts, entertainment and recreation	214.3	266.0	169.3	237.0	249.0
Other service activities	122.5	135.5	202.4	109.0	113.4
Allocation of FISIM ³ to Nominal Sector	0.0	0.0	0.0	0.0	0.0
Value Added at basic prices	18,076.1	19,228.7	17,327.7	18,247.0	20,461.1
Taxes Less subsidies	4,012.2	3,857.2	3,521.7	3,524.0	3,828.1

Notes:

¹ Provisional Estimates- National Bureau of Statistics

² Indicative Estimates- Seychelles Macroeconomic Framework Working Group as at February 2023

³ Financial Intermediation Services Indirectly Measured

2.2 Industries

In 2022, the output of the industrial sector is estimated to have expanded by 3.7 per cent, as a result of the rise in construction activities and the increase in the manufacture of beverages and tobacco. On the domestic front, the relaxation of health and travel restrictions coupled with higher investment capacity supported the growth in economic activity. The latter was further supported by the easing of shipping and transportation constraints globally. Several construction projects which had slowed down during the pandemic picked up pace during the year, in addition to new developments being onboarded. Moreover, the uptick in the production of beverages and tobacco was attributed to the robust performance of the tourism sector.

2.2.1 Construction

Output associated with the construction sector is estimated to have increased by 10 per cent in 2022. During the COVID-19 outbreak, many expatriate workers were repatriated in view of the health and travel restrictions imposed locally. Thus, with the relaxation of the restrictive measures during the year, there was an increase in the workforce of domestic construction companies, as those who were stranded abroad were able to travel back in addition to the recruitment of new employees. In the third quarter of 2022, the number of employees in the construction sector was 19 per cent higher than the same period in 2021. Nevertheless, as compared to 2020 and 2019, employment in the sector was lower by 5.0 per cent and 17 per cent, respectively. During the first three quarters of 2022, the production of 'blocks', 'aggregates' and 'crusher dust' rose by 54 per cent, 42 per cent and 25 per cent, correspondingly, relative to the same period in 2021.

The infrastructure work to enhance the storage capacity of the La Gogue Dam was completed in November and it is expected to become fully operational in the first quarter of 2023. With regard to the extension of Port Victoria, work was on-going and in April, potential contractors visited the sites which are anticipated to be demolished as part of the project.

Following a 5-year delay, the revised Victoria Waterfront Development Plan which falls under the Victoria Masterplan 2040, was approved in June. The project aims to contribute to a livelier atmosphere in Victoria by including several entertainment options whilst encompassing the Creole culture. The first phase of the project is estimated to cost approximately US\$45 million and its construction is expected to commence in January 2024.

2.2.2 Manufacturing

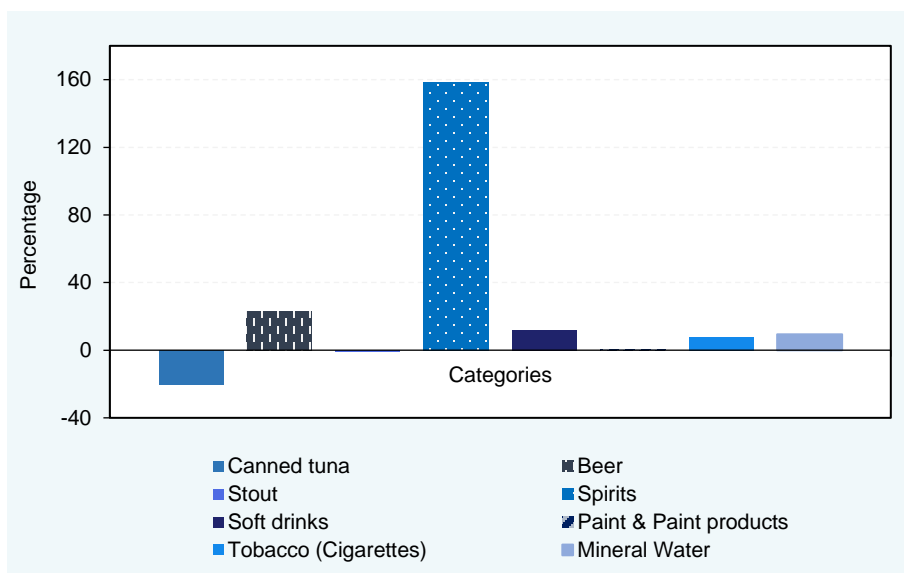
As compared to 2021, provisional estimates for 2022 showed that the manufacturing industry rose by 1.5 per cent and accounted for 6.6 per cent of GDP.

The 'manufacture of beverages and tobacco' expanded by 10 per cent due to higher production of beverages. Most significantly, there were increases of 158 per cent, 23 per cent, 12 per cent and 9.3 per cent in the output of 'spirits', 'beer', 'soft drinks' and 'mineral water', respectively. On the contrary, the manufacture of 'stout' fell by 1.1

per cent. With reference to the production of ‘tobacco’, this increased by 8.0 per cent. The ‘other’ groupings of manufacture output which encompassed the production of construction materials, rose by 15 per cent, on account of double-digit growth in the output of ‘blocks’, ‘crusher dust’ and ‘aggregates.’ As for the production of ‘paint & paint products’, this increased by 0.5 per cent.

Conversely, the ‘manufacture of fishery products’ fell by 4.0 per cent which was primarily driven by a 21 per cent reduction in the production of ‘canned tuna’. The latter was attributed to challenges associated with delays in obtaining packaging materials, labour shortages and higher operational costs which meant that domestic production capacity was shifted to other factories.

Chart 2.1: Changes in production indicators (2022)



Source: National Bureau of Statistics

2.3 Services

The notable factor underlying the positive economic performance of 2022 relative to 2021, was propelled by the services sector which accounted for 72 per cent of total economic activity. The latter was primarily driven by the continued robust recovery of the tourism industry, as well as double-digit growth in activities related to the telecommunications sector as a result of higher data traffic.

2.3.1 Tourism

Throughout 2022, the Department of Tourism reinforced its marketing efforts to promote Seychelles as a tourism destination at numerous international events. Additionally, the Department launched its service excellence programme ‘Lospitalite – Lafyerte Sesel’ which was founded on three pillars; sensitisation and awareness, education and training as well as recognition and awards. As a national project that is expected to span over the

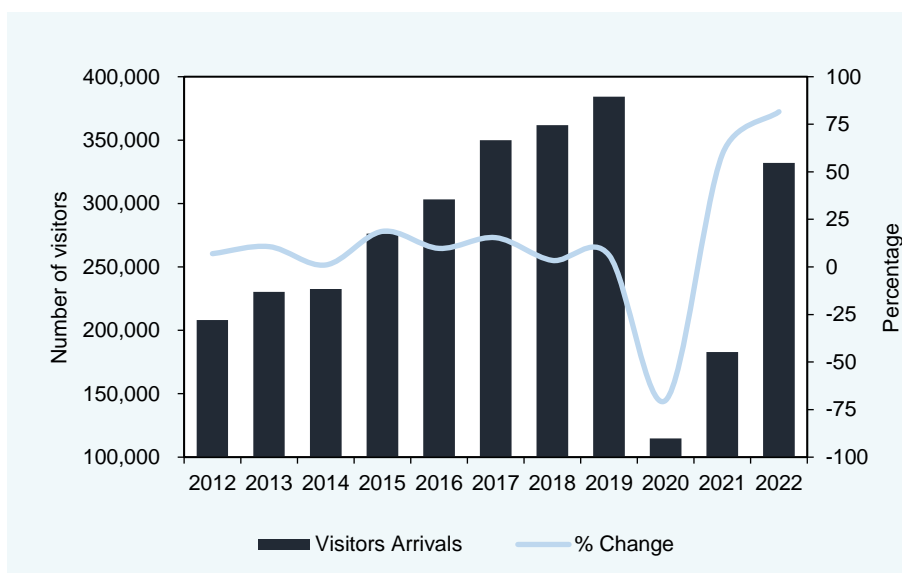
next few years, the main aim of the programme is to refocus individuals' perceptions related to the quality of customer service in Seychelles.

Effective March 01, a number of domestic public health measures were eased. This included the removal of restrictions on movement after 11 pm whilst shops, bars, restaurants and casinos could resume operations as per their licence conditions. Furthermore, as of July 14, other measures related to face masks and nightclubs, to name a few, were further relaxed.

As of March 15, the PHA eased entry requirements whereby, a negative PCR test was no longer required for fully vaccinated visitors, who were defined as having received two vaccine doses as well as one booster shot if 6 months had lapsed after the initial two doses. The entry requirements were further relaxed as from December 01, as visitors were no longer obligated to show proof of a COVID-19 vaccination or a negative PCR test. Nevertheless, visitors were still required to provide valid travel and health insurance for potential COVID-19 related costs.

A number of airlines continued to service the Seychelles route during 2022, consistent with strong global demand for travel. Air Seychelles announced in January, that it had resumed flights to all its pre-pandemic destinations, such as Johannesburg, Mauritius, Tel Aviv and Mumbai. As of March, the airline recommenced its services to Maldives. Moreover, Air Seychelles operated its first seasonal service from Kazakhstan on December 27 which is expected to be a twice-weekly route until March 27, 2023. Although Aeroflot temporarily halted its flights as from March 09, it resumed services on October 08. Given the aforementioned developments, there was continued improvement in the performance of the tourism industry. The total number of visitors who disembarked in Seychelles in 2022 amounted to 332,068, an increase of 82 per cent compared to 2021. This outcome was on account of improved travel sentiments from the European and Asian markets.

Chart 2.2: Visitor Arrivals (2012 – 2022)



Source: National Bureau of Statistics

Of the total number of visitors, 73 per cent originated from Europe in 2022. In year-on-year terms, tourists from Europe rose by 97 per cent, consistent with the return of the traditional western European clientele. As the main contributor, Germany supplied 44,626 tourists, and was followed closely by France with 44,393 visitors. Relative to 2021, the German and French markets expanded by 153 per cent and 141 per cent, respectively. Despite the conflict between Russia and Ukraine, the former was the third source market and contributed 30,573 visitors; a contraction of 2.6 per cent when compared to 2021. In line with pre-pandemic trends, United Kingdom (UK) and Italy regained their position within the top 5 suppliers and were the fourth and fifth source markets for 2022, with 21,583 tourists and 18,394 visitors, correspondingly. This outcome translated to year-on-year increases of 568 per cent and 455 per cent in the UK and Italian markets, accordingly.

Visitor arrivals from the Asian market constituted 16 per cent of total arrivals in 2022. As compared to 2021, tourists from Asia rose by 13 per cent. Although the primary source market was the United Arab Emirates (UAE) with 16,918 visitors, this was a reduction of 22 per cent relative to 2021. The second and third contributors were Israel and India whereby, there were 15,880 tourists and 4,957 visitors, respectively. In year-on-year terms, this was an expansion of 51 per cent and 1,050 per cent, correspondingly.

Tourists from the American markets rose by 91 per cent, in line with increases of 65 per cent and 175 per cent in visitors from United States of America (USA) and Canada, respectively. The number of tourists from Oceania expanded by 431 per cent whilst visitors from Africa increased by 233 per cent.

In 2022, the Bank revised the methodology used to estimate tourism earnings to include occupancy data and room prices. The change in methodology widened the coverage of the revenue generated by the sector as it also encompassed estimates of tourism revenue held abroad. As such, tourism earnings were higher when compared to the previous estimates. This was incorporated in the June dissemination of the BOP statistics for the first quarter of 2022 which also included the backward revision in the tourism earnings series between 2016 and 2021.

Following the change in methodology and consistent with the rise in tourist arrivals, tourism earnings in 2022 were estimated to have increased by 58 per cent to stand at US\$932 million. Despite the 13 per cent decline in average expenditure per visitor, it remained above that of the pre-pandemic years as the recovery in the tourism sector was mainly skewed towards larger hotels with higher yields as opposed to smaller tourism establishments.

'Accommodation & food service activities' constituted 13 per cent of GDP in 2022, an increase of 3.9 percentage points when compared to 2021. Accommodation statistics from January to September 2022 showed an average occupancy rate of 50 per cent for both beds and rooms, as opposed to 32 per cent for beds and 33 per cent for rooms in the preceding year. In 2022, the average length of stay was 9.9 nights, a slight increase relative to the 9.8 nights in 2021.

Table 2.3: Tourism Indicators (2018 - 2022)

	2018	2019	2020	2021	2022
Visitors arrivals	361,844	384,204	114,858	182,849	332,068
Average length of stay (nights)	10.1	9.9	8.8 ¹	9.8	9.9
Tourism Earnings (US\$ million)	800	856	330	588	932
Average expenditure per diem - \$ USD	219	225	326	328	283
Memorandum					
Hotel bed occupancy rate (%)	66	68	44	32	50 ²

⁽¹⁾ Data available for the period Jan-Mar 2020 only

⁽²⁾ YTD hotel bed occupancy rate as at Q3 2022

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

2.3.2 Telecommunications

In 2022, the telecommunications industry was estimated to have grown by 15 per cent. During the year, increased emphasis continued to be placed on the transition to a digital economy. Numerous digital platforms that were introduced as a result of the COVID-19 pandemic continued to be used by various segments of the population. Moreover, a National Digital Identification platform called ‘SeyID’ was launched in October, which enables individuals to prove their identity online as well as access public and private services.

The positive performance of the sector was driven by expansions in most market indicators. Namely, ‘data traffic’, ‘mobile accounts’, ‘internet connections’, ‘cable TV connections’ and ‘telephone exchange lines’ rose by 48 per cent, 10 per cent, 8.5 per cent, 4.3 per cent and 2.3 per cent, respectively. Although the total airtime for ‘international calls’ increased by 4.0 per cent, ‘local calls’ fell by 16 per cent. The movement in the latter implies changes in the medium of communication in view of the wider availability of data.

A second submarine cable, connected to the Pakistan East Africa Cable Express (PEACE) became operational as of May. It was implemented under the ambit of the Seychelles Cable Systems (SCS) at a cost of US\$20 million and it is expected to lead to improved and more reliable internet services.

2.3.3 Financial Services

For the year under review, the financial sector is estimated to have grown by 2.2 per cent, an outcome mainly driven by the increase in credit disbursed to the private sector. During the year, no new bank licence was issued. Although a new bank was licenced in March 2021, it had not commenced its operations and therefore, as was the case in 2021, seven commercial banks were operational as at end of 2022.

In October, Seychelles' Long-Term Foreign-Currency Issuer Default Rating (IDR) was upgraded from 'B+' to 'BB-' with a stable outlook by the Fitch Ratings. The upgrade was underpinned by the robust economic performance in 2022 which helped bring about a lower debt-to-GDP ratio, narrower current account deficit and stable macroeconomic policy framework.

In 2022, 10 new companies were listed on MERJ Exchange Limited. Of the listed companies, 6 were operating in the medical real estate sector whilst the rest were categorised under information & communication, investment management and pharmaceutical sectors. To note, in a bid to increase its shareholder base and raise capital, Cable and Wireless Seychelles became the first local telecommunication company to be listed on MERJ Exchange in September.

2.4 Other Key Segments

Other segments associated with the services sector grew in 2022, consistent with the positive performance of the tourism industry. Significant increases of 20 per cent and 26 per cent were recorded in the sectors of 'administrative & support service activities' and 'transportation & storage', respectively. Moreover, 'wholesale & retail trade; repair of motor vehicles & motorcycles' and 'arts, entertainment & recreation' rose by 3.1 per cent and 3.0 per cent, correspondingly.

In 2022, the output of 'water supply, sewage, waste management & remediation activities' and 'electricity, gas, steam & air conditioning supply' increased by 0.5 per cent and 1.5 per cent, respectively. Statistics up to September indicated a growth of 0.6 per cent and 4.7 per cent in the production of water and electricity, correspondingly, when compared to the same period in 2021.

Notwithstanding the decline in the number of positive COVID-19 cases in 2022, the health authorities continued with the immunisation programme in addition to the provision of standard health services. Therefore, the output of 'human health & social work activities' rose by 5.0 per cent.

2.5 Labour Market

In line with the positive economic performance in 2022, there were lower redundancy applications and vacancies compared to 2021. Nevertheless, encouraging wider participation in the labour market through re-skilling and up-skilling remained key focus areas.

In the third quarter of 2022, the private sector represented 67 per cent of the total number of formally employed persons, and therefore continued to be the primary source of employment. This was an increase of 3.4 percentage points relative to the third quarter of 2021. Consistent with previously established trends, employment in the private sector was primarily in the categories of 'accommodation & food service activities' and 'construction', which correspondingly accounted for 20 per cent and 10 per cent of the total number of formally employed persons.

In an effort to enhance safety nets provided to vulnerable households, as of May 01, the welfare allowance given by the Agency for Social Protection (ASP) to recipients who met the conditions to receive financial assistance from the government, increased by 32 per cent from R3,945 to R5,224. This outcome resulted from an analysis of the efficiency and sustainability of welfare assistance, given the increase in the domestic prices of goods and services following international developments.

2.5.1 Employment

In 2022, an average of 55,119 persons were formally employed, which was an expansion of 10 per cent relative to the previous year. This outcome was consistent with increases of 16 per cent, 0.8 per cent and 0.1 per cent in the number of persons employed in the private sector, parastatal entities and the government, respectively. The private sector remained the primary source of employment and constituted 67 per cent of the total workforce. With regard to the employment in the government and parastatal sectors, these accounted for 19 per cent and 14 per cent, correspondingly.

Tourism and its related sectors constituted the largest segment of employment, which represented 20 per cent of total number of formally employed persons in 'accommodation & food service activities'. With reference to the 'construction' sector, it accounted for 10 per cent of total employment.

Table 2.4: Employment Statistics (2018 - 2022)

	2018	2019	2020	2021	2022 ⁽¹⁾
Average Employment	49,886	54,914	51,775	50,081	55,119
Private Sector	32,178	36,518	33,242	31,777	36,741
Parastatals	7,416	7,882	7,768	7,658	7,718
Government	10,292	10,513	10,765	10,646	10,660

⁽¹⁾ Figures for 2022 are as at Q3 2022

Source: National Bureau of Statistics

Foreign labour accounted for 14 per cent and 5.4 per cent of the total employed persons in parastatal and government sectors, respectively. Expatriates within the parastatal sector were primarily employed in the 'administrative & support service activities' and 'construction'. As per historical observations, foreign employees in the government sector mainly occupied posts in 'education' and 'human health & social work activities'. In view that there was no distinction between the expatriate and local workforce within the private sector, its share of expatriates was calculated using active Gainful Occupation Permits (GOP) in 2022 as a share of total employment.² Using this approach, it is estimated that expatriate labour represented 33 per cent of private sector employees with a significant share employed in the construction and other services sectors.

² Based on statistics obtained from the Ministry responsible for Employment and Social Statistics as at September 30, 2022

As a result of the improvement in economic performance in 2022, the 13th month pay was reinstated following its suspension in 2020 and 2021. The payment is expected to be made in mid-January 2023 whereby in line with the new method of computing, 50 per cent of the salary will be guaranteed and the remainder will be based on the performance of the employee.

2.5.2 Unemployment

As the data collection for unemployment statistics was not carried out during 2022, no bulletins were released.³ The last available information was published for Q4 2020 whereby, the unemployment rate was 3.3 per cent. Given the robust economic performance in 2022, it can be inferred that the national unemployment rate for the year was lower than 3.3 per cent.

2.5.3 Earnings

Average earnings in the third quarter of 2022 amounted to R14,719, which was a reduction of 2.0 per cent in comparison to 2021. The average earnings of the private and government sectors fell by 1.6 per cent and 0.7 per cent, respectively. Conversely, average earnings in the parastatal sector rose by 0.1 per cent. Following such, the average earnings in the private, parastatal and government sectors stood at R13,307, R16,792 and R18,082, correspondingly.

2.6 Prices

The CPI showed a year-on-year expansion of 2.5% in the average prices of goods and services in December, as a result of increases in all three main components of the index. The indices for 'fish', 'other-food' and 'non-food items' rose by 9.1 per cent, 2.5 per cent and 2.4 per cent, respectively.

The appreciation of the domestic currency from January to July partially underpinned the moderation in inflationary pressures during the first six months of the year under review. Although an uptick in the average prices of goods and services was observed from July to October, inflationary pressures subsided during November and December. Such outcome was partly attributed to the stronger local currency, in annual average terms in 2022, which helped to mitigate the pass-through from elevated foreign inflation and global commodity prices in addition to the moderation in international food and fuel prices in the latter half of the year.

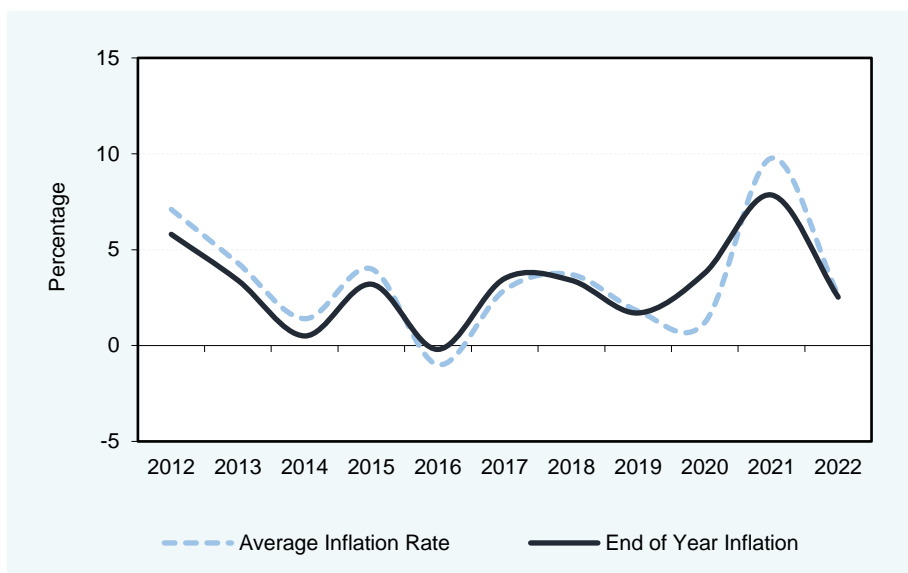
The main increases in the average prices of 'other-food' and 'non-food items' were primarily attributed to higher international food and fuel prices as well as shipping and transportation challenges associated with the Russia-Ukraine conflict. As both countries were prominent suppliers of cereal crops and sunflower oil, the conflict brought about supply shortages in these commodities which led to higher prices in the international markets. As such, the

³ In view of the restrictions on movement that were in place during 2021 and 2022, data collection for unemployment statistics were put on hold

most notable changes in the 'other-food' sub-category related to expansions in the average prices of 'oils & fats' (12 per cent) and 'bread & cereals' (11 per cent).

In the 'non-food items' sub-category, the main increases were in the indices of 'housing, water, electricity & gas' (12 per cent) and 'restaurants & hotels' (10 per cent). The price movements in the former was partially attributed to the surge in international fuel prices in March which rose to its highest level since 2008, following the invasion of Ukraine by Russia. Consequently, this translated to increases in domestic fuel prices as well as higher electricity tariffs during the year.

Chart 2.3: Price Movements (2012 - 2022)



Source: National Bureau of Statistics

The 12-month average inflation rate in 2022 was 2.6%, relative to 9.8% in 2021. The average prices of 'non-food items', 'fish' and 'other-food' expanded by 2.9 per cent, 2.8 per cent and 1.1 per cent, respectively.

With respect to the 'non-food items', there were increases in the average prices of 'housing, water, electricity & gas' (9.0 per cent), 'restaurants & hotels' (5.9 per cent) and 'transport' (5.6 per cent). In the 'other-food' category, notable expansions were in the indices of 'oils & fats' (14 per cent), 'bread & cereals' (5.2 per cent) and 'fish (frozen, smoked, salted)' (4.4 per cent).

In view that the prices of electricity, fuel and fish can be prone to temporary shocks, the core inflation index excludes these components to gauge the underlying inflationary pressures in the domestic market. As at end-December, the core inflation index rose by 0.7% in year-on-year terms, on account of increases of 2.5 per cent and 0.4 per cent in the average prices of 'other-food' and 'non-food items', correspondingly. With reference to the 12-month average core inflation, this stood at 1.4%.

Table 2.5: Inflation Rates (2018 - 2022)

	2018	2019	2020	2021	2022
<i>Annual Average</i>					
			Per cent (%)		
All Items	3.7	1.8	1.2	9.8	2.6
Fish	-2.0	9.5	-9.6	7.9	2.8
Other Food Items	0.1	-0.8	3.6	15	1.1
Non-Food Items	4.4	2.1	1.0	9.0	2.9
<i>Year-on-year</i>					
All Items	3.4	1.7	3.8	7.9	2.5
Fish	7.6	7.9	-7.2	2.2	9.1
Other Food Items	-3.4	1.3	9.5	7.9	2.5
Non-Food Items	4.4	1.7	3.1	7.9	2.4

Source: National Bureau of Statistics

SECTION THREE

Monetary and Financial Sector

3.0 Monetary Policy Developments

2022 was marked by strong growth for the Seychelles economy. The increased uptake in global vaccination campaigns against the COVID-19 virus spurred renewed optimism for travel which benefitted the local tourism industry, as well as other sectors of the economy. The robust performance of the tourism industry led to a sustained inflow of foreign exchange, which resulted in an overall strengthening of the Seychelles rupee, in annual average terms, relative to 2021. This helped to cushion the impact of the higher international commodity prices, resulting in a moderation in inflationary pressures in 2022. In addition, the easing of supply chain constraints and shipping challenges had a positive effect on the productive sectors.

Despite the upbeat performance on the domestic front, the Bank remained mindful of the country's vulnerability to external shocks and considered it necessary to continue supporting the economy by maintaining an accommodative monetary policy stance throughout the year. As such, the MPR remained unchanged at 2.0%, and the SCF and SDF stood at 3.5% and 0.5%, respectively.

In view of the improved market sentiments given the strong pick-up in economic activity, credit extended to the private sector was higher than expected and was primarily driven by local currency loans. However, this expansion did not require policy response on the part of CBS given its limited impact on inflation. As for the overall average lending rate, it was higher in December 2022 relative to the same period in 2021, as interest rates charged on foreign currency-denominated facilities rose in line with the tighter global financial conditions.

As for monetary policy implementation, the main focus in 2022 was to ensure sufficient liquidity in the system to meet the needs of commercial banks in addition to supporting the financing requirements of government. During the year, two technical assistance missions (TA) were conducted by the IMF. The first TA, which focused on monetary policy implementation was conducted in April and the second which took place in July, was on secondary market development. The TAs were aimed at strengthening the monetary policy operational framework, developing the interbank market to enhance monetary policy transmission as well as formulating a policy framework for the development of a secondary market for government securities.

In 2022, the Bank started to scale back the support measures offered to businesses that were impacted by the COVID-19 pandemic as part of its Unwinding Strategy. Notably, the two Private Sector Credit Relief Schemes were closed as of end-March. Another measure that was unwound in 2022 was the MRR applicable on rupee-denominated deposits of ODCs; which was increased from 10%⁴ to 13% as of July 13.

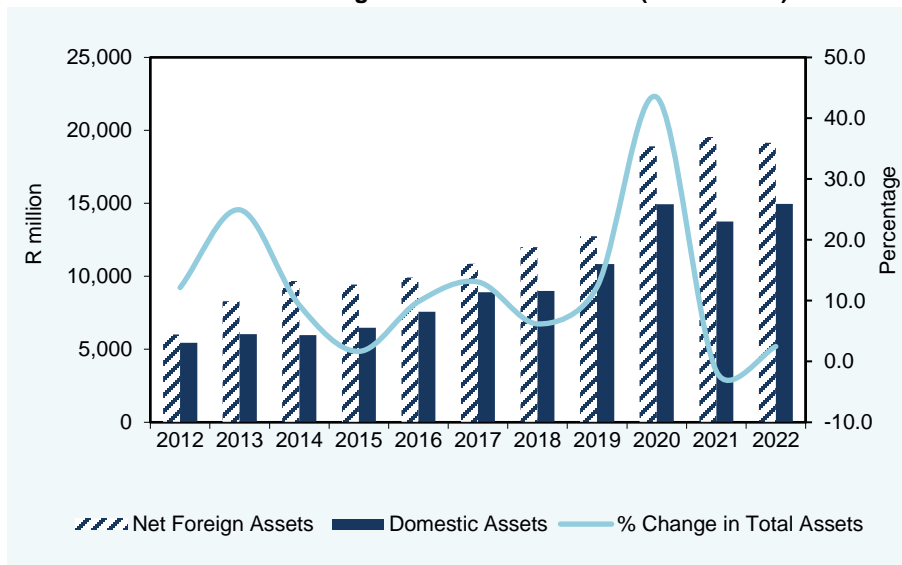
⁴ To allow for a liquidity buffer and encourage participation of commercial banks in the Liquidity Management Operation (LMO) conducted by government in July 2021, the MRR on rupee deposits was lowered from 13% to 10%.

3.1 Net Foreign and Domestic Assets

In 2022, total net foreign assets (NFA) of the Bank and ODCs stood at R19,158 million – a contraction of 2.0 per cent (R382 million) relative to the previous year. This was primarily due to a decline of 11 per cent (R1,101 million) in NFA of the Bank partly owing to valuation effects, given the stronger domestic currency in 2022. Another contributing factor towards the reduction in the Bank’s NFA was a drawdown in international reserves to meet external debt obligations. Of note, only one FEA was conducted in 2022 for the purposes of reserves accumulation. Given such realities, in US dollar terms, NFA of the Bank was lower by 7.2 per cent (US\$ 50 million). By contrast, NFA of ODCs expanded by 7.7 per cent (R720 million), largely on account of a growth in foreign currency deposits, which in US dollar terms rose by 12 per cent (US\$77 million).

The stock of domestic assets was higher by 8.7 per cent (R1,202 million), standing at R14,969 million at the end of the year. Such outcome reflected increases across all three sub-categories, namely claims on public entities, net claims on government and credit extended to the private sector which expanded by 40 per cent (R229 million), 12 per cent (R535 million) and 5.0 per cent (R438 million), respectively. Specifically, the growth in credit extended to public entities and the private sector was on account of improved market sentiments, as credit-granting financial institutions and borrowers were less risk averse, given the higher domestic economic activity in 2022. With regard to the rise in net claims on government, this was largely attributed to an increase in ‘liabilities to central government’ by ODCs given that the government took over the outstanding loan of the Société Seychelloise d’Investissement (SSI) in December, following the latter’s closure during the year.

Chart 3.1: Net Foreign and Domestic Assets (2012 – 2022)



Source: Central Bank of Seychelles

Table 3.1: Monetary Survey^{1/3} (2018 – 2022)

	2018	2019	2020	2021	2022
	(R million)				
Net Foreign Assets²	11,998.1	12,742.4	18,899.3	19,539.7	19,158.0
Central Bank	7,247.7	7,806.7	11,685.1	10,141.3	9,040.0
Commercial Banks	4,750.4	4,935.7	7,214.2	9,398.4	10,118.0
Domestic Assets	9,007.2	10,840.0	14,942.1	13,766.3	14,968.5
Claims on private sector	6,748.3	8,230.3	9,905.9	8,710.3	9,147.9
Claims on public entities	539.0	732.8	856.8	579.7	808.9
Claims on government (net)	1,719.9	1,876.9	4,179.4	4,476.3	5,011.8
Money Supply, M3	17,114.5	19,457.8	25,160.2	26,615.8	27,791.3
Money Supply, M2	10,054.9	11,495.0	13,364.1	14,047.4	14,529.8
Money Supply, M1	4,931.3	5,642.9	7,706.9	8,004.8	8,434.4
Currency with public	1,169.0	1,228.4	1,460.4	1,499.6	1,389.2
Transferable deposits	3,762.3	4,414.5	6,246.6	6,505.1	7,045.2
(of which public entities)	399.3	800.6	948.1	1,059.2	1,207.4
Quasi Money	5,123.6	5,852.1	5,657.2	6,042.6	6,095.4
Fixed Term deposits	1,222.5	1,419.6	1,367.8	1,428.8	1,295.6
(of which public entities)	230.1	253.7	185.7	230.5	263.4
Savings deposits	3,901.1	4,432.5	4,289.5	4,613.8	4,799.8
Foreign Currency Deposits	7,059.6	7,962.8	11,796.0	12,568.4	13,261.5
Other items, net	3,890.7	4,124.6	8,681.3	6,690.2	6,335.2

Figures do not necessarily add up due to rounding off conventions

¹ End of period

² Excludes government balances

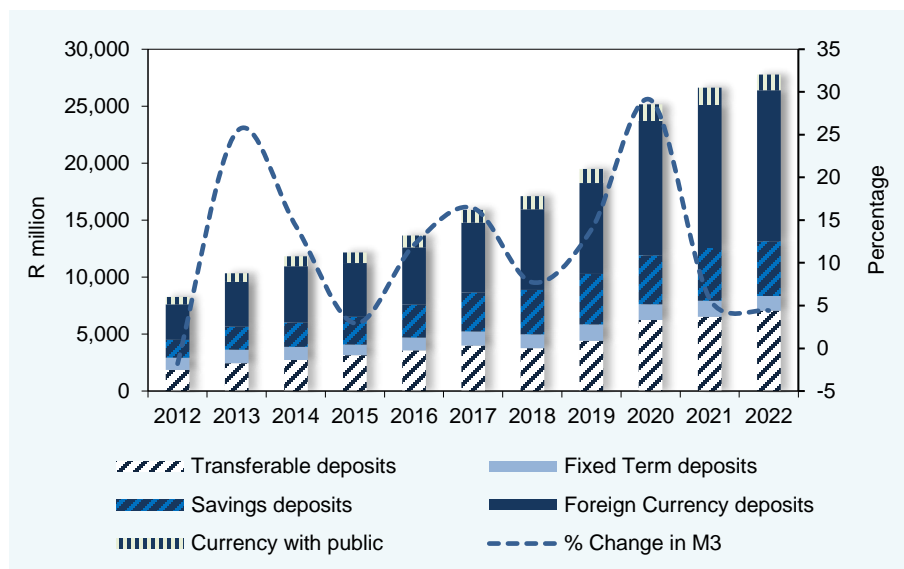
³ Changes in previous figures are due to revisions

Source: Central Bank of Seychelles

3.2 Money Supply

The broadest monetary aggregate, M3, grew by 4.4 per cent (R1,176 million) to end the year at R27,791 million as a result of expansions under all its main components. In particular, M1, the narrowest monetary aggregate increased by 5.4 per cent (R430 million) compared to the previous year, on account of a rise of 8.3 per cent (R540 million) in transferable deposits, whilst currency with public contracted by 7.4 per cent (R110 million). With regard to quasi-money, this was 0.9 per cent (R53 million) higher than in the same period in 2021, primarily driven by a growth of 4.0 per cent (R186 million) in the stock of savings deposits. By contrast, the stock of fixed-term deposits, the other component of quasi-money, fell by 9.3 per cent (R133 million). As such, the growth in M1 and quasi-money led to an overall increase of 3.4 per cent (R482 million) in M2.

Chart 3.2: Money Supply (2012 – 2022)



Source: Central Bank of Seychelles

As for the stock of foreign currency deposits, another component of M3, it stood at R13,262 million in rupee terms, a year-on-year growth of 5.5 per cent (R693 million). In US dollar terms, the total value of foreign currency deposits was higher by 9.8 per cent (US\$84 million), standing at US\$939 million in December. Such deposits were primarily held by businesses which by the nature of their activity earn revenue in foreign currency. Hence, the increase was consistent with the uptick in domestic economic activity, particularly within the tourism sector which observed a strong performance in 2022.

3.3 Reserve Money⁵

Reserve money is a key variable monitored by the Bank, particularly in the context of policy formulation, consistent with its primary objective of promoting domestic price stability. As the most liquid monetary aggregate, reserve money is therefore a key source of inflationary impulses.

The quarterly levels of reserve money for 2022 are illustrated in Table 3.2 and Chart 3.3 below.

⁵ Often referred to as base or high-powered money and is comprised of currency in circulation and ODCs' deposits held at the Central Bank.

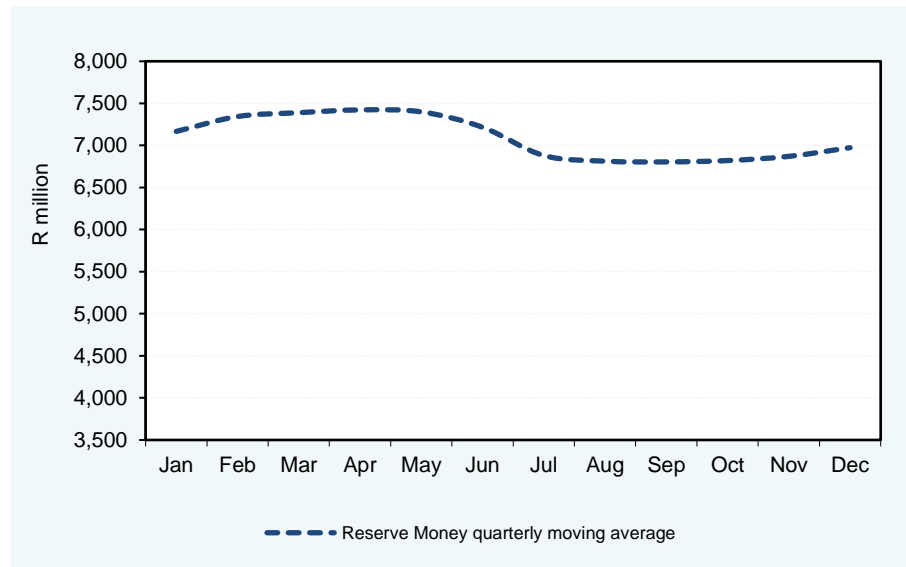
Table 3.2: Reserve Money (Q4 2021 to Q4 2022)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
	(R million)				
Reserve money (quarterly average)	6,946.8	7,389.0	7,215.9	6,804.4	6,973.4
Reserve Money (Actual) ¹	7,120.2	7,470.4	6,908.5	6,725.6	6,894.3
<i>Currency in Circulation</i>	1,769.9	1,655.6	1,614.2	1,652.8	1,658.0
<i>Other Depository Corporations' reserves</i>	3,448.9	3,158.9	3,093.3	3,410.4	4,358.3
<i>Standing Deposit Facility</i>	1,901.4	2,655.9	2,201.0	1,662.3	878.0

¹ Figures are as at the last day of the quarter

Source: Central Bank of Seychelles

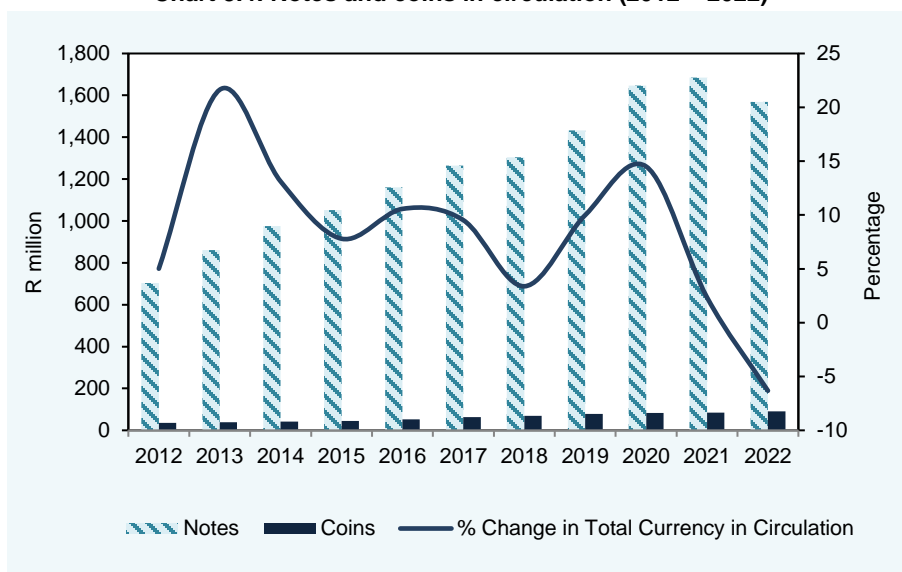
Chart 3.3: Reserve Money (2022)



Source: Central Bank of Seychelles

The average stock of reserve money for the fourth quarter stood at R6,894 million, a reduction of 3.2 per cent as compared to end-2021. This was mainly on account of a fall of 6.3 per cent in currency in circulation, while ODCs' reserves were higher by 26 per cent in the fourth quarter of 2022 relative to the same period in 2021.

Chart 3.4: Notes and coins in circulation (2012 – 2022)



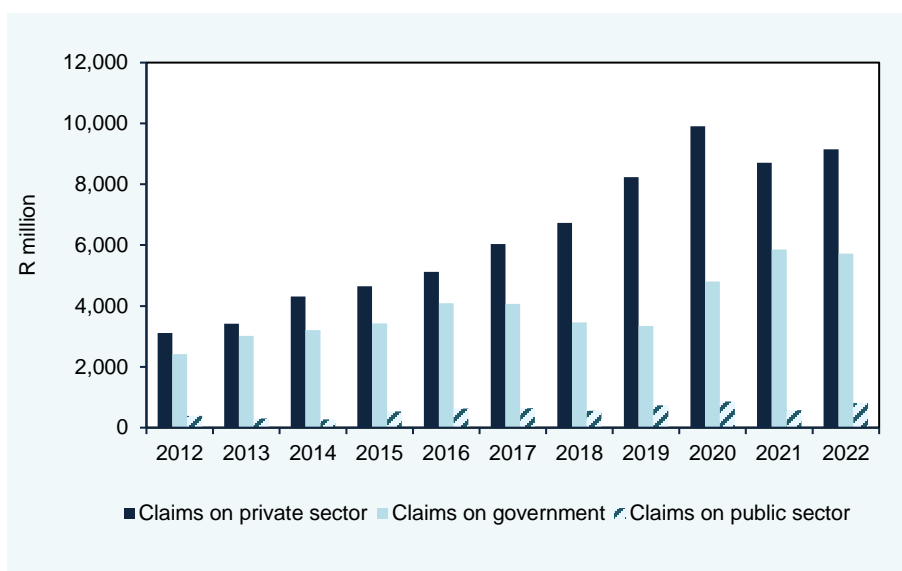
Source: Central Bank of Seychelles

3.4 Domestic Credit

3.4.1 Central Bank and Other Depository Corporations

The total stock of outstanding domestic credit ended the year at R15,681 million, which was an increase of 3.5 per cent (R530 million) relative to December 2021. Such results were primarily attributed to a year-on-year growth of 40 per cent (R229 million) and 5.0 per cent (R438 million) in claims on public entities and the private sector, correspondingly. Conversely, claims on government decreased by 2.3 per cent (R137 million), over the same period, on account of a reduction in overall stock of Treasury bills held by ODCs. This outcome was reflective of government’s strategy to reduce its overall debt exposure through a contraction in government securities.

Chart 3.5: Total Domestic Credit (2012 – 2022)



Source: Central Bank of Seychelles

3.4.2 Sectoral Allocation of Credit to the Private Sector

As compared to end-2021, total credit extended to the private sector increased by 5.0 per cent in December. This was largely attributed to an expansion of 18 per cent in local currency-denominated loans (excluding the Private Sector Relief Schemes) which accounted for 78 per cent of total claims on private sector from 73 per cent in the previous year. By contrast, credit extended in foreign currency declined by 17 per cent in rupee terms, partly due to valuation effects, given the stronger domestic currency relative to 2021 as well as a slowdown in new loan disbursements. The latter was on account of the persistent increase in interest rates throughout 2022 which discouraged borrowers from lending in foreign currency. Of note, the higher interest rates on foreign loans were reflective of tighter financial conditions externally. As a result, foreign currency-denominated loans as a share of credit disbursed to the private sector dropped from 27 per cent in December 2021 to 21 per cent as at end-2022.

A breakdown of the sectoral allocation of total credit to the private sector showed that ‘mortgages’ accounted for the largest share with 18 per cent. In terms of growth, credit allocated to this category increased by 15 per cent (R222 million) as compared to the previous year. Other notable movements pertained to the stock of loans under the categories ‘telecommunications’ and ‘agriculture & horticulture’ which expanded by 97 per cent (R250 million) and 40 per cent (R33 million), respectively. Conversely, the stock of credit disbursed to ‘tourism facilities’ and ‘transportation’ declined by 10 per cent (R169 million) and 7.3 per cent (R34 million), correspondingly.

With regard to credit allocated under the Private Sector Relief Schemes, this was lower by 56 per cent (R219 million) relative to December 2021, and it was reflective of repayment of such loans. Loans disbursed to Micro, Small, and Medium Enterprises (MSMEs) dropped by 37 per cent (R41 million) and those allocated to the ‘Large Enterprise’ decreased by 64 per cent (R178 million) by end-2022. Of note, the two Private Sector Relief Schemes were closed as of end-March 2022 as part of CBS’ Unwinding Strategy.

Table 3.3: Credit;^{1/2/3} (2018 – 2022)

	2018	2019	2020	2021	2022
	(R million)				
Total Credit	11,935.1	13,488.3	16,752.5	16,342.6	16,879.0
Commercial banks	10,750.1	12,303.2	15,567.5	15,151.1	15,681.1
Claims on private sector	6,748.3	8,230.3	9,905.9	8,710.3	9,147.9
Claims on public entities	539.0	732.8	856.8	579.7	808.9
Claims on government	3,462.8	3,340.1	4,804.8	5,861.1	5,724.3
of which:					
<i>Treasury bonds</i>	349.6	295.7	813.7	3,070.6	4,032.6
<i>Treasury bills</i>	2,432.6	2,415.5	3,205.7	2,126.4	1,033.3
Central Bank	1,185.1	1,185.1	1,185.1	1,191.5	1,197.9
Claims on government	1,185.1	1,185.1	1,185.1	1,191.5	1,197.9
of which:					
<i>Treasury bills</i>	1,185.1	1,185.1	1,185.1	1,185.3	1,185.3

Figures do not necessarily add up due to rounding off

¹ End of period

² All figures for bonds and bills are at cost value

³ Changes in previous figures are due to revisions

Source: Central Bank of Seychelles

**Table 3.4: Other Depository Corporations – Loans and Advances
To Non-Governmental Sector by Economic Sectors^{1/2} (2018 – 2022)**

	2018	2019	2020	2021	2022
	(R million)				
Total Advances	6,748.2	8,230.3	9,905.9	8,714.4	9,147.9
of which:					
Foreign Currency Loan	1,518.2	2,100.4	3,475.0	2,357.8	1,965.0
Agriculture and horticulture	109.4	117.5	84.3	82.5	115.8
Fisheries	67.2	87.6	88.0	149.9	147.5
Manufacturing	184.1	175.5	210.4	163.3	179.9
Real Estate	679.8	742.8	664.2	673.6	634.9
Construction	558.7	664.6	1,119.4	1,151.2	1,092.1
Transportation	355.8	437.9	639.4	465.3	431.3
Tourism Facilities	1,089.1	1,437.4	2,119.8	1,636.6	1,463.3
Wholesale & Retail trade	739.8	816.5	1,037.8	910.9	1,029.7
Financial institutions	1.1	1.6	16.0	1.9	6.1
Other businesses	487.1	782.0	1,046.3	776.6	1,013.2
Private households & Non-profit organisation	1,532.0	1,740.2	1,525.1	1,246.1	1,355.8
Mortgage loans	944.2	1,226.8	1,355.2	1,456.6	1,678.5

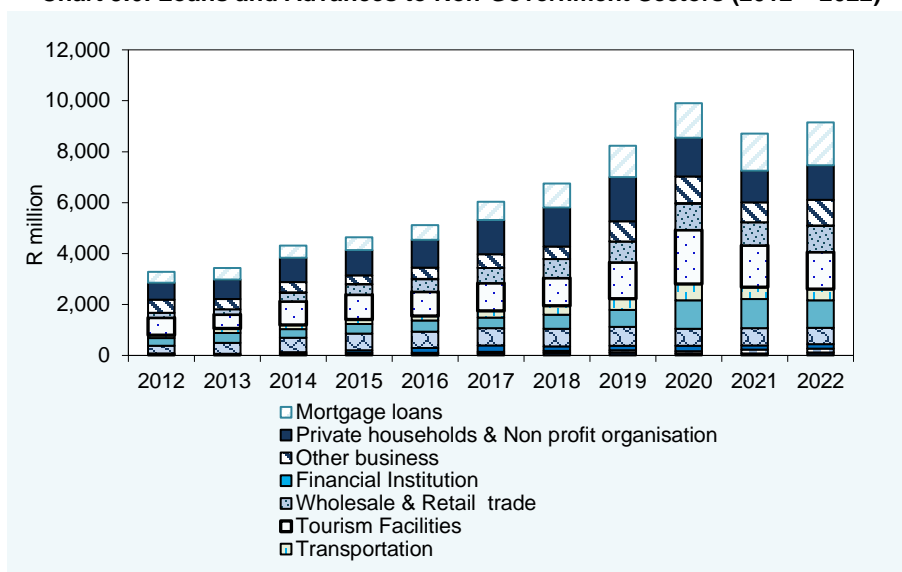
Figures do not necessarily add up due to rounding off

¹ End of period

² Changes in previous figures are due to revisions

Source: Central Bank of Seychelles

Chart 3.6: Loans and Advances to Non-Government Sectors (2012 – 2022)



Source: Central Bank of Seychelles

3.4.3 Development Bank’s Credit⁶⁷

The Development Bank of Seychelles (DBS) has a specific mandate to assist in the economic development of the country. DBS provides credit to productive sectors, particularly where such facilities are not necessarily available at other financial institutions. Loans extended by DBS generally come with less stringent terms and at rates that are relatively lower in comparison to those of the industry in several categories.

In 2022, there was a year-on-year reduction of 7.6 per cent (R63 million) in the total loan portfolio of DBS. This outcome was largely on account of a fall in the stock of loans across all the different categories that were offered by the bank⁸. The largest declines were in the categories of ‘trade’ (by 36 per cent or R0.4 million), ‘other services’ (by 24 per cent or R17 million) and ‘fishing’ (by 23 per cent or R7.5 million). In terms of their share relative to total outstanding credit, the aforementioned categories accounted for 0.1 per cent, 7.1 per cent and 3.3 per cent, respectively. Of note, ‘Building & construction’, which constituted the largest component of DBS’ total loans portfolio with a share of 53 per cent, fell by 4.1 per cent (R17 million). In addition, ‘Tourism’ which accounted for 28 per cent of the total portfolio, contracted by 6.1 per cent (R14 million).

In order to raise funds for DBS, two Treasury bonds were issued, one March and the other in April. The T-bonds, which totalled R200 million and R150 million respectively, had tenures of 5 years at a fixed coupon rate of 3.75% and 4.25% per annum, correspondingly.

⁶ DBS was established in 1977 under Decree No. 21 as a development financing institution with a specific mandate to assist in the economic development of Seychelles. DBS finances new modernisation and expansion projects in the fields of agriculture, fishery, industry, service and tourism, as well as construction of commercial and residential complex. To be eligible for a credit facility, the applicant must be a Seychellois citizen or a company incorporated in Seychelles with at least 51 per cent Seychellois ownership.

⁸ Throughout 2022, disbursement by DBS was mainly from the Small Business Finance Agency Scheme (SBFA) which is not included in the monetary statistics

Table 3.5: Loans by Development Bank by Economic Sectors¹ (2018 – 2022)

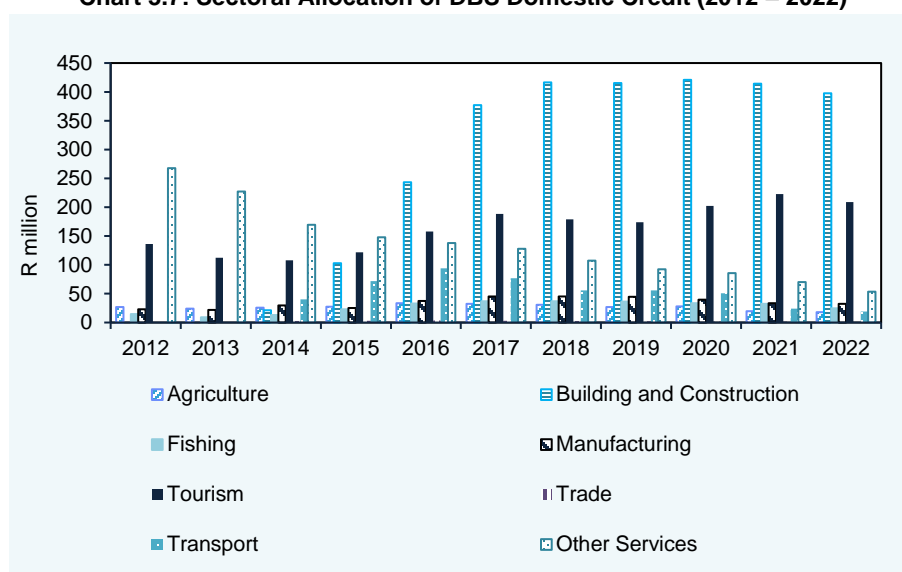
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	(R million)					(Percentage)				
Total Advances	873.0	847.5	862.0	817.7	755.1	100.0	100.0	100.0	100.0	100.0
Agriculture	30.6	26.9	28.0	19.8	18.0	3.5	3.2	3.2	2.4	2.4
Building and Construction	416.4	415.5	421.0	414.5	397.3	47.7	49.0	48.8	50.7	52.6
Fishing	36.6	36.5	33.4	32.3	24.7	4.2	4.3	3.9	3.9	3.3
Industry	45.3	44.8	39.5	33.3	32.5	5.2	5.3	4.6	4.1	4.3
Tourism	178.9	173.7	202.5	222.6	209.0	20.5	20.5	23.5	27.2	27.7
Trade	2.6	2.0	1.5	1.2	0.7	0.3	0.2	0.2	0.1	0.1
Transport	55.5	55.6	50.6	23.9	19.1	6.4	6.6	5.9	2.9	2.5
Other services	107.3	92.5	85.5	70.2	53.7	12.3	10.9	9.9	8.6	7.1

Figures do not necessarily add up due to rounding off

¹ End of period

Source: Development Bank of Seychelles

Chart 3.7: Sectoral Allocation of DBS Domestic Credit (2012 – 2022)



Source: Development Bank of Seychelles and Central Bank of Seychelles

3.5 Interest rates

3.5.1 The Monetary Policy Rate

Effective January 2019, the MPR serves as the key policy rate that signals the monetary policy stance of the Bank. It complements the interest rate corridor comprising of the SDF and SCF, which respectively serves as the floor and ceiling.

Despite the strong growth in economic activity in 2022, supported by the robust performance of the tourism sector, the country remained vulnerable to external shocks. Cognisant of the need to continue supporting the economy, the Bank maintained an accommodative monetary policy stance throughout the year. In line with such, the MPR

was kept at 2.0% for the four quarters of 2022. Consistently, the interest rate on the SDF and SCF remained at 0.5% and 3.5%, respectively.

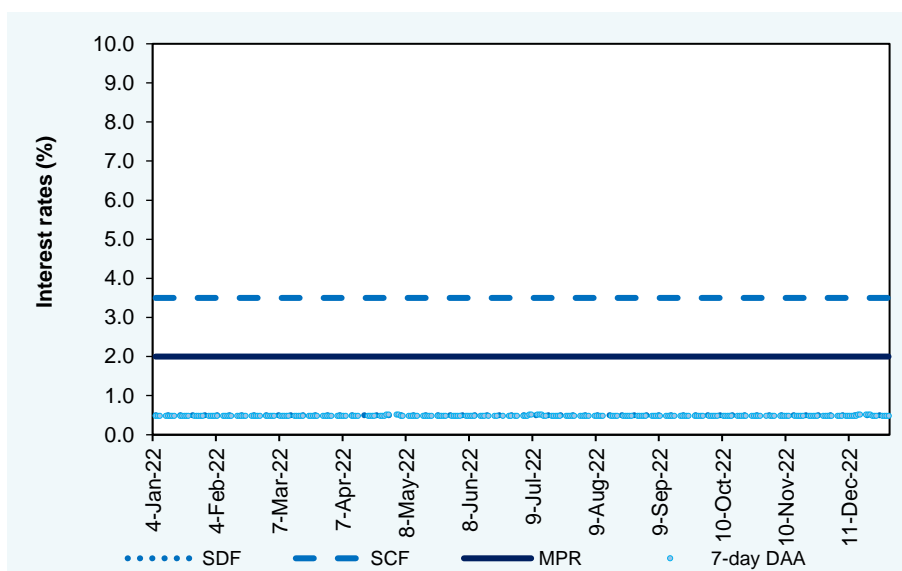
The MPR, which reflected the quarterly monetary policy signals is illustrated in Table 3.6 and Chart 3.8 below.

Table 3.6: The Monetary Policy Rate (2022)

	Q1	Q2	Q3	Q4
	Per cent (%)			
MPR	2.0	2.0	2.0	2.0

Source: Central Bank of Seychelles

Chart 3.8: The Interest Rate Corridor (2022)



Source: Central Bank of Seychelles

3.5.2 Interest rates of Other Depository Corporations (ODCs)

There were mixed movements in interest rates in 2022. In December, the average savings rate on local currency deposits stood at 1.50%, a decline of 7.7 basis points relative to the same period in the previous year. In comparison, the weighted average return on savings denominated in foreign currency stood at 0.93% which was an increase of 3.9 basis points relative to the same period in 2021. This was mainly due to a rise in the stock of deposits at higher interest rate brackets.

In regards to the average return on fixed-term rupee deposits, this fell by 61 basis points to stand at 2.57% on account of reductions in yield across all maturities offered, with the exception of the maturity bracket of 'up to 7 days' which was higher than in December 2021, by 12 basis points. The largest decreases were observed in the

maturity brackets of 'above 6 months up to 12 months', 'above 3 months up to 6 months' and 'above 7 days up to 3 months', by 98 basis points, 70 basis points and 16 basis points, respectively.

As for, the average yield on fixed-term foreign currency deposits, it increased by 125 basis points to 2.51% as a result of increases in interest rates across all maturities offered. The increase in fixed term deposits in foreign currency was in line with the rise in interest rates externally.

An overall increase was observed in the average yield on short-term government securities in 2022. The largest expansion was in the return on the 365-day T-bill, with a rise of 119 basis points. This was followed by the 182-day and 91-day T-bills which rose by 84 basis points and 48 basis points, respectively. In December, the 365-day, 182-day and 91-day T-bills stood at 2.20%, 1.41% and 0.88%, correspondingly.

In addition, and consistent with government's strategy to lengthen the maturity of the domestic debt profile, T-bonds for fiscal purposes were issued on a quarterly basis. The T-bonds, which had tenures of 3-year, 5-year and 7-year, were issued in March, May, August and October, in all of these three maturities each time.

Table 3.7: Interest Rates^{1/2} (2018 – 2022)

	2018	2019	2020	2021	2022
	(Percentage)				
Volume-weighted Average Deposits					
Savings Rate	2.87	2.88	2.31	1.57	1.50
Fixed Term Deposits Rate	3.56	3.94	3.58	2.55	2.19
<= 7 days	1.38	2.16	0.93	0.19	0.31
> 7 days <= 3 months	3.53	3.81	3.39	2.14	1.98
> 3 months <= 6 months	3.30	3.98	3.86	2.54	1.84
> 6 months < =12 months	4.25	4.59	4.31	3.70	2.72
> 12 months	5.35	5.16	5.41	4.19	4.09
Volume-weighted					
Average effective lending rate	12.58	12.36	9.34	9.02	9.32
91-day treasury bill rate	5.31	5.22	2.92	0.40	0.88
182-day treasury bill rate	5.48	5.63	4.52	0.56	1.41
365-day treasury bill rate	5.89	6.29	5.56	1.01	2.20

¹ All data are taken on an end of period basis

² Changes in previous figures are due to revisions

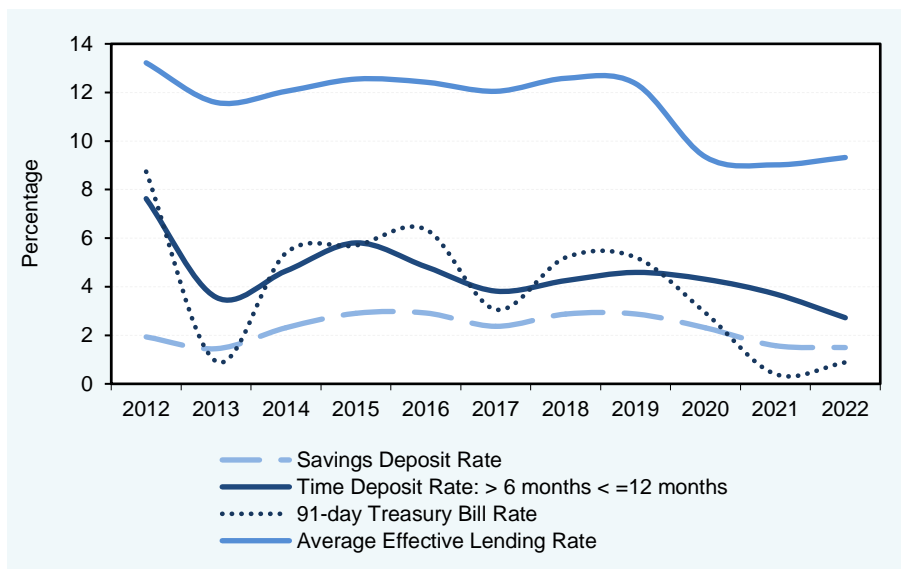
³ Treasury bill rates as at closing date

Source: Central Bank of Seychelles

As for the average effective lending rate, it stood at 9.32%, which was 30 basis points higher than in 2021. This was primarily due to a rise in the average lending rate in foreign currency (by 117 basis points), given the shifting of existing stock of foreign currency-denominated loans with variable contracts to higher band of interest rates. Such development was linked to tighter external financial conditions as major central banks hiked interest rates to tackle high inflation throughout 2022. With regards to the average lending rate on loans denominated in local

currency, this declined by 16 basis points. Consequently, compared to December 2021, the interest rate spread between local currency loans and deposits fell from 8.64% to 8.56%, whilst the difference between the interest rate on foreign currency loans and deposits widened from 4.92% to 6.05% as at end-December.

Chart 3.9: Interest Rates (2012 – 2022)



Source: Central Bank of Seychelles

3.6 Monetary Policy Instruments

During 2022, the Bank’s interventions in the money market were primarily directed towards ensuring that liquidity in the system was at a level that supported economic activity. This strategy was the basis of the parameters used in determining the Bank’s open market operations.

3.6.1 Minimum Reserve Requirement (MRR)

As part of CBS’ Unwinding Strategy, the Board approved for the MRR applicable on average residents’ rupee-denominated deposits to be increased from 10%⁹ to 13%, effective July 13. The MRR on foreign currency deposits remained unchanged at 13%.

Overall, throughout the year, the MRR was maintained above the prescribed amount. As has been the case since July 15, 2011, MRR continued to be unremunerated. At the year-end, the applicable MRR balance on rupee-denominated deposit liabilities totalled at R1,888 million, whilst that on the US dollar and Euro deposit liabilities amounted to US\$86 million and EUR34 million, accordingly.

⁹ To allow for a liquidity buffer and encourage participation of commercial banks in the Liquidity Management Operation (LMO) conducted by government in July 2021, the MRR on rupee deposits was lowered from 13% to 10%.

3.6.2 Deposit Auction Arrangement

During 2022, DAA was the main monetary policy instrument used by the Bank to withdraw excess liquidity from the banking system. Throughout the year under review, DAA auctions were conducted once per week at a fixed volume of R200 million. The 7-day DAA was the only tenor offered.

The stock of outstanding DAA at the end of 2022 stood at R200 million, unchanged from last year's balance.

The table below shows the average interest rates on the 7-day DAA offered during the year.

Table 3.8: Weighted Average Deposit Auction Arrangement Rates¹ (2022)

	Q1	Q2	Q3	Q4
Maturity Period	Per cent (%)			
7 days	0.48	0.48	0.48	0.48

¹ End-of-period data

Source: Central Bank of Seychelles

3.6.3 Credit Auction Arrangement (CAA)

CAA is a liquidity-injecting policy tool that is used as and when there is systemic liquidity shortage in the market. In view that the market remained sufficiently liquid in 2022, CAA was not utilised.

3.6.4 Repurchase Operations

Repurchase operations comprising of reverse repurchase and repurchase agreements are two additional instruments that can be used for liquidity management purposes. This involves the use of government T-bills as underlying securities to either withdraw or inject liquidity.

In 2022, the aforementioned instruments were not used in the Bank's open market operations. However, following the two TAs conducted during the year, it was recommended that the Repo instruments are re-operationalised. As such, work was being undertaken with the aim of re-instating the policy tool in the Bank's operations. Further TA is expected in 2023 as part of the aforementioned aim with more focus on developing a temporary collateralised framework for the interbank market.

3.6.5 Standing Facilities

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

3.6.5.1 Standing Deposit Facility (SDF)

SDF, which serves as the floor of the interest rate corridor, enables ODCs to place their end-of-day excess funds in an overnight deposit at an interest rate set by the Bank.

In line with the unchanged monetary policy stance, the SDF rate was maintained at 0.5% throughout the year. The total number of placements in SDF increased by 17 per cent to 1,938 in 2022. In terms of the total value of SDF placements in 2022, this amounted to R538,032 million, which represented a growth of 55 per cent relative to the previous year. The higher placements and value of SDF was mainly due to the limited avenues for investment of excess liquidity, given the relatively low volumes of DAA offered during the year as well as lower issuance of government securities.

3.6.5.2 Standing Credit Facility (SCF)

SCF, which serves as the ceiling of the interest rate corridor, allows ODCs to borrow overnight from the Bank when funding is unavailable on the interbank market. Consistent with the unchanged monetary policy stance in 2022, the interest rate on SCF was kept unchanged at 3.5% throughout the year under review.

There were no requests for this facility in 2022.

3.6.6 Foreign Exchange Auction (FEA)

FEA is a policy tool which can be used by the Bank for both liquidity and reserve management purposes. Purchases from the market add liquidity and increase international reserves, whereas a sale has the opposite effect.

There was only one FEA in 2022 and it was conducted in February. The aim was to mop up excess liquidity, and a total of US\$2.5 million was purchased from the domestic market.

3.6.7 Foreign Exchange Swaps

Foreign exchange swaps are utilised for fine-tuning of liquidity conditions in the system. They may also be used to manage external reserves. Since its introduction in 2010, the Bank is yet to make use of this instrument.

SECTION FOUR

Government Finance¹⁰

4.0 Overview

The approved budget for the financial year 2022 assumed a further expansion in economic activity given the expected improvement in the performance of the tourism industry. Thus, the overarching aim of the 2022 budget was to continue consolidating the progress made in the previous year, whilst addressing the various challenges afflicting the economy, and emphasising the need for financial stability and debt sustainability. The main priorities of the 2022 budget were:

- (i) To make the budget more sustainable by reducing fiscal deficits over the next 2 years and gradually transitioning to budget surpluses; and
- (ii) To put in place policies that will relaunch the economy, namely the tourism, fisheries, agricultural and financial sectors, as well as by pursuing the digital agenda.

Given the measures taken to address the negative effects of the COVID-19 pandemic on the domestic economy, a primary fiscal deficit of 0.8 per cent of GDP was estimated in the initial budget for 2022. This projection was amended during the mid-year review to reflect a primary deficit of 1.1 per cent of GDP. Such revision was mainly due to the fiscal space required to implement the temporary relief measures, to help lower-income households cope with the higher cost of living. These measures were introduced in July and will continue up to March 2023.

4.1 Policy Changes

For 2022, government remained committed to further consolidating the strong rebound in the economy. In line with the aforementioned identified priority areas, fiscal policies for the year under review focused on streamlining the government budget, and bringing public debt on a more sustainable path. Among the more targeted and in-depth reforms planned for the year were:

- (i) to work with the Seychelles Revenue Commission (SRC) to modernise the procedures for payment of business tax - moving towards e-service and ensuring that revenue collection becomes more efficient.
- (ii) to work on a new salary framework for the public service, consolidating the fixed allowances into basic salaries.
- (iii) To revise the structure of the thirteenth month salary payment such that 50 per cent of the salary will be guaranteed whilst the remainder will be paid on the basis of the employee's performance at the end of the year. For 2022, government allocated a sum of R114 million for the thirteenth month salary which is expected to be paid in mid-January 2023.

¹⁰ Statistics and analysis are based on GFS 2022, as per latest data available as at March 15, 2023.

Another key measure implemented as of July, was the financial assistance to supplement existing salaries of both public and private sector employees up to a certain level. In addition, individuals receiving benefits from the ASP were paid a further R500 per month. Those earning less than R9,000 a month were eligible to an additional support of R300 on their electricity bills.

The budget also aimed to further consolidate government's initiatives in line with the economic transformation strategy, which endeavours to increase yields in the tourism sector, build a resilient economy such that it can better withstand economic shocks, increase efficiency in the public service, promote sustainable exploitation of maritime resources and integrate technology in the domestic economy, amongst others.

**Table 4.1: Government Budget Summary
(2021 – 2022)**

	2021 Budget	2021 Actual	2022 Budget	2022 Actual ¹
	R ('000)			
Total revenue and grants	8,092,320	8,366,735	9,212,203	8,800,528
Total revenue	7,528,975	7,666,525	9,030,594	8,688,495
of which:				
Tax	6,692,012	6,721,133	7,786,363	7,392,917
Personal Income Tax	996,383	1,030,128	1,099,241	1,085,994
Social Security Tax-Arrears	0	13	0	0
Customs Duties	233,310	226,087	285,613	302,408
Excise Tax	1,225,725	1,206,606	1,456,576	1,415,817
GST Tax Arrears	2,732	2,358	604	656
Value Added Tax	2,316,874	2,323,636	3,050,620	2,964,762
Business tax	1,433,424	1,457,302	1,445,153	1,207,476
Corporate Social Responsibility Tax	58,190	61,010	7,108	10,352
Tourism Marketing Tax	61,702	59,713	67,675	82,110
Other Tax	323,672	309,603	337,797	294,073
Property Tax	40,000	44,676	35,976	29,271
Nontax	836,963	945,392	1,244,231	1,295,578
Fees and Charges	321,259	366,402	346,808	388,976
Dividends Income	372,690	441,113	757,263	790,472
Other Non-tax	72,614	65,948	53,744	35,614
Proceeds from sale of assets	70,400	71,929	86,415	80,517
Grants	563,345	700,210	181,609	112,033
Expenditure and net lending	10,399,315	9,842,506	10,139,507	9,215,725
Current expenditure	8,883,118	8,495,745	9,050,112	8,479,183
Primary Current Expenditure	8,217,603	7,756,736	8,422,472	7,878,850
Interest due	665,515	739,010	627,640	600,333
Transfers	248,188	240,111	272,780	280,535
Capital expenditure	1,112,103	1,145,513	800,637	593,939
Net lending	222,129	41,412	81,264	-15,127
Contingency	52,757	57,725	50,000	35,798
Primary balance, Accrual basis (GFS)²				
Including grants	-1,641,480	-736,761	-299,663	185,137
In per cent of GDP	-6.6%	-3.0%	-1.1%	0.8%
Excluding grants	-2,204,825	-1,436,971	-481,273	73,103
In per cent of GDP	-8.9%	-5.8%	-1.7%	0.3%
Overall balance, Accrual basis (GFS)	-2,306,995	-1,475,771	-927,304	-415,197
In per cent of GDP	-9.3%	-6.0%	-3.3%	-1.7%
Overall balance, cash basis (after grants)	-2,306,995	-1,390,033	-927,304	-410,543
Financing	2,306,995	1,390,033	927,304	410,543
Foreign Financing (accrual basis, net)	-750,087	1,479,647	826,313	77,012
Domestic Financing, net	3,057,082	-27,527	100,991	379,714
Bank Financing	2,751,374	-192,498	90,892	377,845
Non-Bank Financing	305,708	164,971	10,099	1,870

Figures do not necessarily add up due to rounding.

¹ The series is subject to audit and might be revised accordingly.

² The primary balance is obtained by excluding interest payments from the overall balance.

Source: Ministry responsible for Finance

4.2 Public Debt

In 2022, government continued to raise funds on both the domestic and external markets to finance its fiscal needs. Although the level of public debt was lower than in 2021, it was still deemed unsustainable in the short-to-medium term.

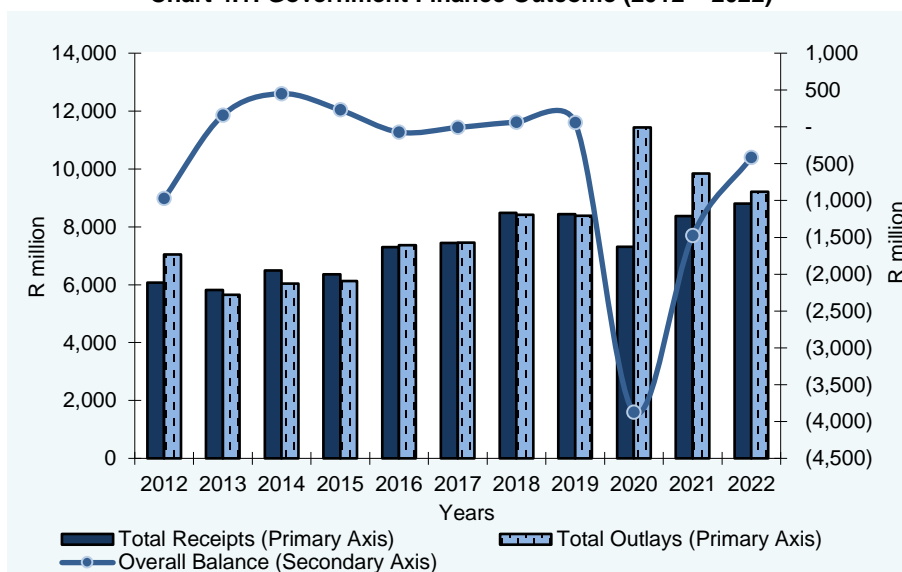
According to provisional statistics, as at end-2022, the total stock of public debt stood at R18,021 million (US\$1,276 million). This outcome was 2.7 per cent lower when compared to December 2021. As a share of GDP, total public debt declined from 74 per cent to 65 per cent over the same period. The decrease in the overall debt level was mainly driven by a fall of 4.1 per cent in domestic debt, which amounted to R9,864 million, primarily due to a contraction of R274 million (3.1 per cent) in government securities.

The aggregated stock of external debt stood at R8,157 million (29 per cent of GDP) at the end of 2022, as compared to R8,235 million (33 per cent of GDP) in the previous year. In dollar terms, the stock of external debt rose by 3.1 per cent, from US\$560 million in 2021 to US\$578 million in the review period. Therefore, the decrease in aggregated stock of external debt, in rupee terms, was mainly due to the stronger rupee at the end of 2022 relative to end-2021.

4.3 Outcome for 2022

At the end of the year, a primary surplus of 0.8 per cent of GDP was recorded, which was an improvement when compared to the anticipated deficit of 1.1 per cent of GDP. It was also a better performance than that of 2021, when the primary balance stood at a deficit of 3.0 per cent of GDP. Total revenue, excluding grants, fell short of the forecast by 3.8 per cent, whilst expenditure and net lending were lower by 9.1 per cent.

Chart 4.1: Government Finance Outcome (2012 – 2022)



Source: Ministry responsible for Finance

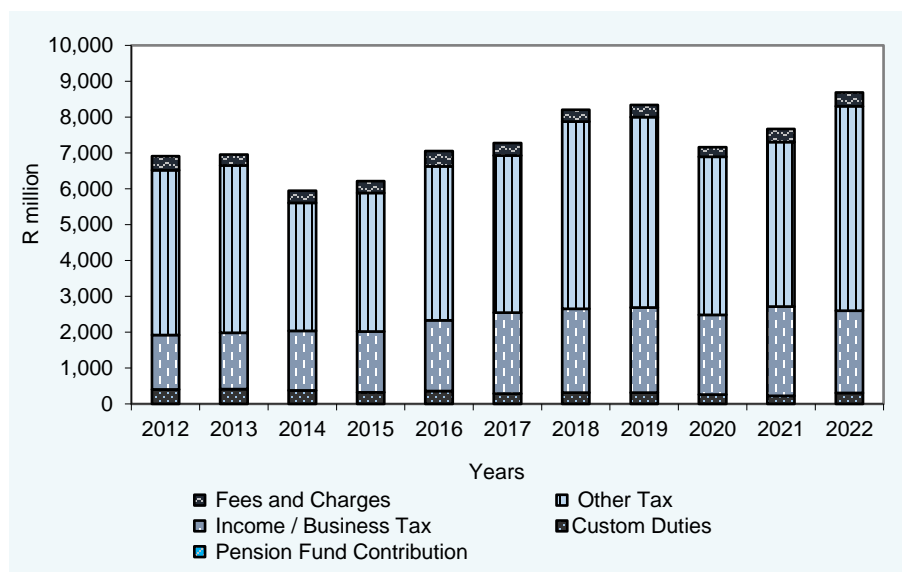
4.4 Revenue

Total annual revenue (inclusive of grants) amounted to R8,801 million, which was 4.5 per cent below forecast. This outcome was mainly as a result of lower-than-expected receipt in terms of external grants (by 38 per cent) and a shortfall in tax revenue, although non-tax receipts exceeded the budgeted figure.

Tax revenue amounted to R7,393 million or 5.1 per cent below projection, mainly on account of lower revenue collected under 'business tax' (by R238 million or 16 per cent) and 'Value added tax' (R86 million or 2.8 per cent). In addition, 'income tax' as well as 'excise tax' were below the expected amount by R13 million (1.2 per cent) and R41 million (2.8 per cent), respectively.

Non-tax revenue stood at R1,296 million, or 4.1 per cent above projection. The outcome was driven by the higher-than-expected receipt in 'fees & charges' and 'dividends income', by R42 million (12 per cent) and R33 million (4.4 per cent), correspondingly.

Chart 4.2: Major Revenue Flows in Current Receipts (2012 - 2022)



Source: Ministry responsible for Finance

4.5 Expenditure and Net Lending

In 2022, total government expenditure and net lending stood at R9,216 million compared to the budgeted figure of R10,140 million. As such, the total amount spent was 9.1 per cent below budget, reflecting the authorities' fiscal consolidation efforts.

4.5.1 Current Outlays

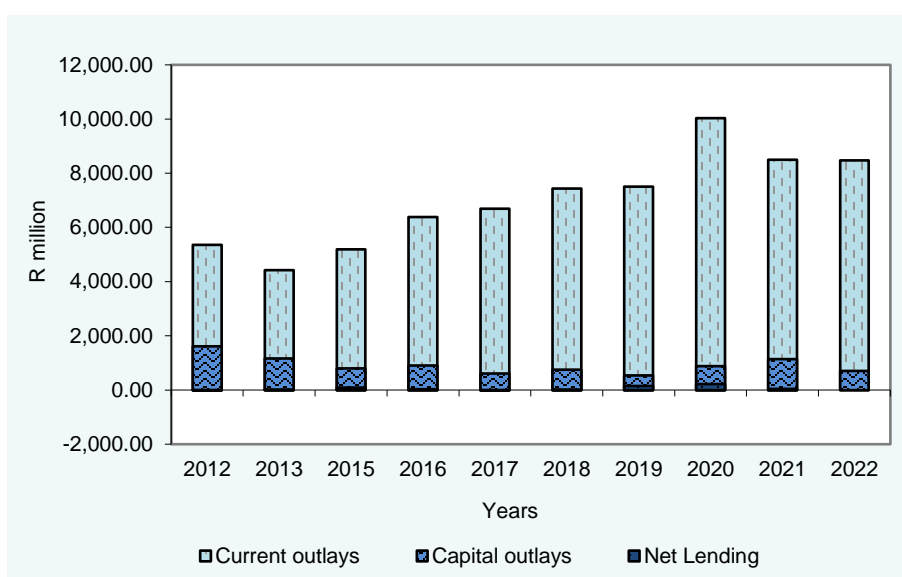
Current expenditure aggregated to R8,479 million, which was R571 million (6.3 per cent) below the planned amount. This was primarily as a result of spending under the sub-components of 'wages & salaries' and 'goods

& services' which were below their respective allocation by R216 million (7.2 per cent) and R202 million (6.1 per cent).

4.5.2 Capital Outlays

Total capital outlays summed up to R701 million, which indicated savings of R339 million (33 per cent) compared to the budgeted amount. As per past trends, the funding of projects accounted for the bulk of capital expenses and this stood at R594 million. The amount disbursed as development grants stood at R122 million, and this was appropriated to Property Management Corporation (PMC) (R53 million), PUC (R60 million) and the Seychelles Public Transport Corporation (SPTC) (R8.5 million).

Chart 4.3: Government Capital Expenditure (2012 - 2022)



Source: Ministry responsible for Finance

4.6 Financing

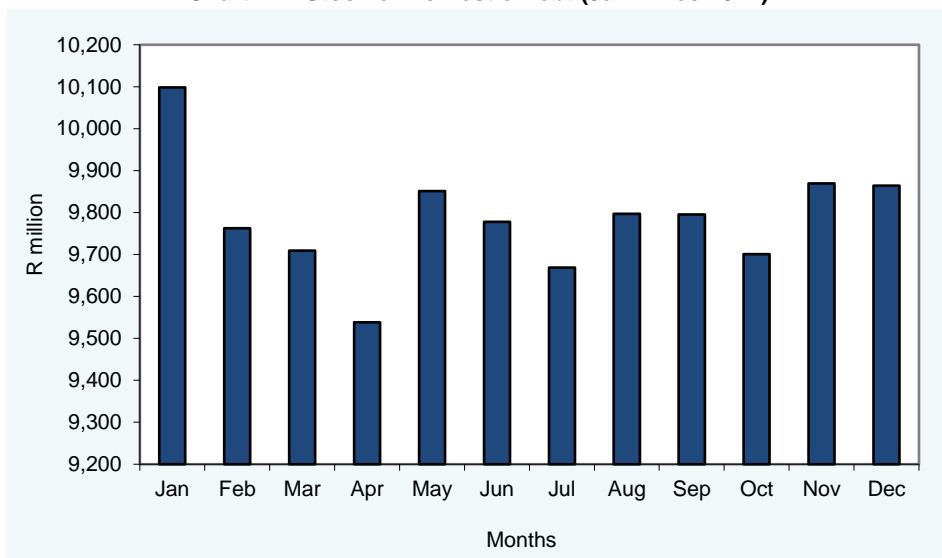
As per established trends, government's financing needs were sourced from both domestic and foreign sources. Domestic financing was largely in the form of Treasury bills and bonds whilst foreign sources of financing included grants, external loans from bilateral and multilateral partners as well as from commercial sources. The actual financing needed by government by the end of the year stood at R411 million compared to a budgeted R927 million.

Foreign financing in the form of grants or loans were either for specific projects or as general budget support. As part of the EFF signed with the IMF in July 2021, government received two disbursements amounting to US\$17 million in total. Moreover, the authorities obtained budget support of US\$15 million from the World Bank and US\$25 million from African Development Bank (AfDB) to help bridge the financing gap. By the end of the fourth quarter, a total amount of US\$63 million was disbursed to government as external borrowings from various bilateral

and multilateral partners. Given some unforeseen delays in the administrative procedures, the loan from the AfDB is expected to be disbursed in February 2023. With regards to foreign financing from commercial sources, the most prominent were loans from the Eastern and Southern African Trade and Development Bank (TDB), and Nedbank Group, which amounted to US\$13 million and US\$7.8 million, respectively.

In line with section 40A of the Central Bank of Seychelles Act, a limit of R250 million was set as short-term advances to government for 2022, to cater for the eventuality of a temporary shortfall in fiscal revenue during the year. This was a reduction from the limit of R500 million set in 2020 and 2021. The decision considered the expected stronger economic recovery and its resulting positive impact on government revenues. Such provision under the CBS Act aims to ensure the smooth settlement of government transactions and is considered as a last resort rather than part of the normal financing sources. To note, the facility was not accessed in 2022.

Chart 4.4: Stock of Domestic Debt (Jan – Dec 2022)



Source: Ministry responsible for Finance; Central Bank of Seychelles

4.6.1 Treasury Bills

T-bills remained the main short-term instrument used to meet the domestic financing needs of government during 2022. However, the volume of issuance was lower relative to 2021, in line with government’s debt sustainability objectives and the strategy to reduce rollover risks, given the preference for longer term debt maturities. There were decreases of 55 per cent and 57 per cent in the cost value and face value, correspondingly.

The average yield¹¹ on the 91-day, 182-day and 365-day T-bills, ended the year at 0.88%, 1.41% and 2.20%, respectively. This was higher when compared to yields of 0.40%, 0.56% and 1.01% on the same securities at end-2021.

¹¹ Treasury bills rates as at closing date.

Table 4.2: Treasury Bills ^{1/2/3/4} (2018 – 2022)

	2018	2019	2020	2021	2022
	R (million)				
Stock outstanding ^{1/3/4}	3,554.4	3,668.3	4,242.1	2,405.6	1,073.6
91-day bills (tender issue)	366.5	327.9	672.0	56.9	36.4
182-day bills (tender issue)	726.7	770.5	1,320.5	463.5	273.0
365-day bills (tender issue)	2,461.1	2,569.9	2,249.6	1,885.2	764.1
Stock outstanding ^{2/3/4}	3,722.9	3,844.3	4,399.0	2,510.7	1,087.9
91-day bills (tender issue)	371.1	332.1	676.3	57.0	36.5
182-day bills (tender issue)	746.9	790.8	1,348.7	470.3	275.1
365-day bills (tender issue)	2,604.9	2,721.3	2,374.0	1,983.4	776.3
Held By ^{2/3}					
Commercial banks	2,546.9	2,546.8	3,401.4	2,117.4	979.8
Other financial institutions	392.4	363.2	146.9	101.6	61.6
Others	783.5	934.3	850.6	291.4	46.5

¹ At cost value

² At face value

³ End-of-period data

⁴ Balances exclude stock of bills held by the Central Bank and includes stock issued for monetary policy purposes

Source: Central Bank of Seychelles

4.6.2 Treasury Bonds

At the end of the year under review, the outstanding stock of T-bonds was R6,102 million. Two T-bonds were issued for fiscal purposes in March with tenors of 3-year and 7-year at a coupon rate of 2.50% and 5.00%, respectively. The bonds were for a total of R500 million, of which only R270 million was subscribed. With a total subscription of R529 million, three new bonds for fiscal purposes were issued in May, and these were for tenors of 3, 5 and 7 years, with a corresponding yield of 2.70%, 4.30% and 5.90% per annum. In August, government issued three T-bonds with maturities of 3, 5 and 7 years at a coupon rate of 2.90%, 4.40% and 5.90% per annum, correspondingly. In November, three more T-bonds were issued with tenors of 3, 5 and 7 years, and the yield were of 3.15%, 4.65% and 6.15%, respectively.

In addition, a 5-year Bond was also issued by DBS in February, worth R200 million at a fixed return of 3.75% per annum, of which only R57 million was subscribed. In view of the undersubscription, in April, another 5-year Bond was issued by DBS at a coupon rate of 4.25% per annum, of which R135 million was subscribed.

Table 4.3: Treasury Bonds¹ (2018 – 2022)

	2018	2019	2020	2021	2022
	R (million)				
Stock outstanding	600.0	550.0	2,000.0	4,955.9	6,102.2
2.5%, 3-yr					128.5
2.7%, 3-yr					166.8
2.9%, 3-yr					38.0
3.15%, 3-yr					65.7
3.5%, 4-yr				279.8	279.8
4.3%, 5-yr					151.5
4.4%, 5-yr					138.3
4.5%, 6-yr				217.4	217.4
4.65%, 5-yr					34.2
5.0%, 7-yr					141.4
5.5%, 5-yr	250.0				
5.75%, 3-yr				462.1	462.1
5.9%, 7-yr					210.3
5.9%, 7-yr					120.3
6.0%, 3-yr Aldabra	50.0	50.0			
6.15%, 7-yr					101.3
6.5%, 5-yr	150.0	150.0	150.0	150.0	
7.0%, 3-yr				300.0	300.0
7.0%, 5-yr				397.6	397.6
7.0%, 7-yr	150.0	150.0	150.0	150.0	150.0
7.0%, 7-yr 1770 Bond		200.0	200.0	200.0	200.0
7.0%, 3-yr Solidarity Bond			500.0	500.0	500.0
8.0%, 5-yr				441.4	441.4
8.25%, 7-yr				357.6	357.6
10%, 5-yr Solidarity Bond			500.0	500.0	500.0
10%, 7-yr				500.0	500.0
12%, 7-yr Solidarity Bond			500.0	500.0	500.0
Held by					
Commercial banks	302.0	242.0	902.0	3,099.8	3,974.8
Other financial institutions	129.4	149.0	223.0	274.7	314.7
Others	168.5	159.0	875.0	1,580.2	1,810.5
CBS				1.2	2.2

¹ End-of-period data

Source: Central Bank of Seychelles

SECTION FIVE

External Sector¹²

5.0 Overview

Consistent with past trends and the intrinsic characteristics of a small, open island economy that relies heavily on imports, Seychelles' current account balance was expectedly in deficit in 2022. Based on provisional estimates, the shortfall improved from US\$154 million in 2021 to US\$137 million in the year under review. As a percentage of GDP, the current account deficit narrowed from 12 per cent to 8.0 per cent due to an improvement in the net contribution of the services account, predominantly driven by the robust performance of the tourism sector. This was despite a worsening of the trade balance owing to strong growth in imports compared to exports. Of note, the estimation of tourism earnings was based on a revised methodology used for calculating tourism revenue. The new method provides greater coverage of earnings generated by the sector, including the proportion of foreign exchange kept abroad. This therefore implied higher tourism earnings than previously estimated and consequently, a lower current account deficit relative to previous publications.

Despite initial concerns over the potential impact of the Russia-Ukraine conflict on the tourism sector, renewed global optimism for travel following the pandemic years resulted in stronger-than-anticipated growth in visitor arrivals and earnings in 2022. However, the depreciation of the Euro in international markets impacted the overall earnings of the sector in US dollar terms, given the lower conversion rates. Notwithstanding this fact, domestic developments in the foreign exchange market reflected strong supply of foreign currency relative to demand, particularly from the beginning of the year up to July, and this resulted in the strengthening of the Seychelles rupee (SCR) against the major currencies. The higher supply of foreign currency was attributed to the increased level of tourism-related inflows. However, demand gradually picked up towards the third quarter of the year, mainly associated with the higher prices of commodities in international markets, coupled with the increased level of imports leading up to the end-of-year festivities. Nonetheless, as a result of the appreciation observed in the first seven months of the year, an overall strengthening of the SCR was observed in 2022.

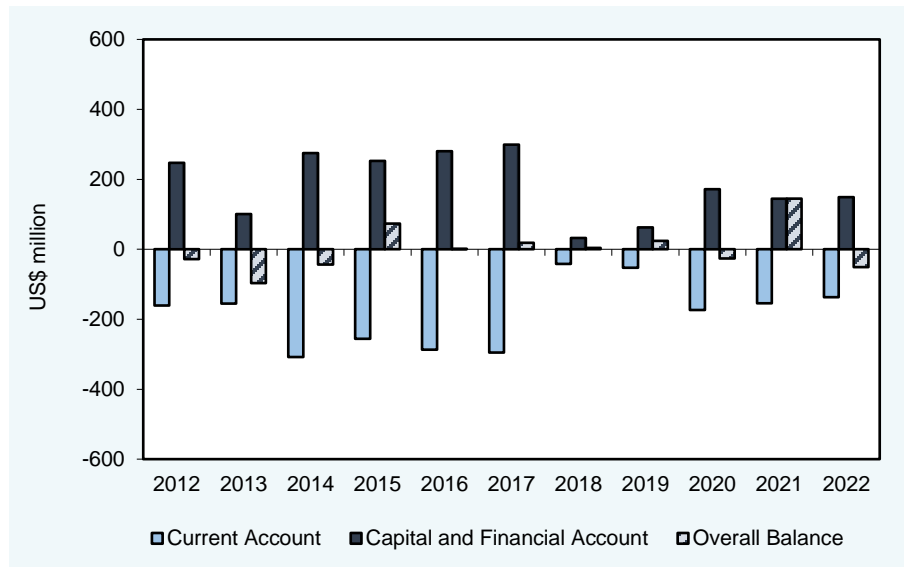
In regards to Gross International Reserves (GIR), it ended the year at US\$639 million, equivalent to 3.6 months of imports cover. This was a decline from the end-2021 reserves level of US\$703 million (or 4.6 months of imports cover), with the drawdown primarily attributed to external debt obligations.

¹² Since 2015 the Bank has started to include offshore sector data, particularly the activities of entities registered as Company Special Licence (CSLs), in the BOP. This was a prerequisite for the country's subscription to the IMF Special Data Dissemination Standards (SDDS). The new offshore data has significantly altered the country's BOP in particular the capital and financial account. To note that the BOP has been revised as far back as 2012 in order to include the offshore sector data.

5.1 Current account

According to provisional estimates, in 2022, the current account deficit improved to US\$137 million, from US\$154 million in 2021. The increase in the services account's net contribution led to an improvement in the current account when expressed as a percentage of GDP, from 12 per cent to 8.0 per cent. Of note, this was despite a worsening of the trade balance which resulted from strong growth in imports compared to exports.

Chart 5.1: Overall balance, current account and capital & financial account of the BOP (2012-2022)

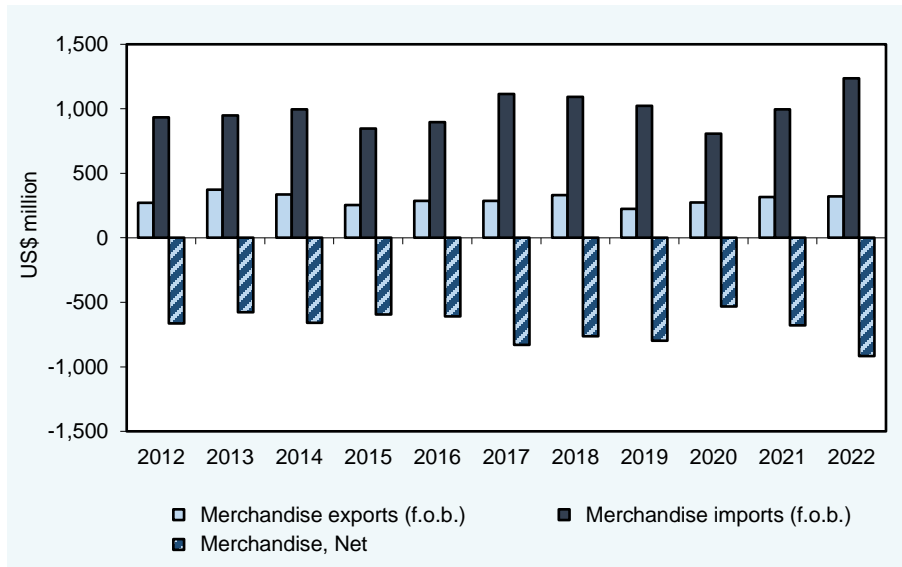


Source: Central Bank of Seychelles

5.1.1 Trade in goods

In 2022, the country's trade deficit grew by 44 per cent to stand at US\$731 million, relative to US\$507 million in the previous year. This outcome was largely driven by an expansion of 24 per cent in the value of imported goods which outweighed an increase of 1.0 per cent in the value of exported goods.

Chart 5.2: Trade in Goods (2012 - 2022)



Source: National Bureau of Statistics & Central Bank of Seychelles

Table 5.1: Seychelles Balance of Payments¹ (2018 - 2022)

	2018	2019	2020	2021	2022 Prov.
	(USD million)				
CURRENT ACCOUNT	-41.8	-53.1	-173.2	-154.3	-136.5
Goods,	-615.4	-630.6	-358.7	-506.8	-730.8
Credits (of which:)	572.7	483.2	473.1	515.7	562.9
Merchandise exports (f.o.b.)	330.7	223.7	274.9	317.3	320.4
Debits (of which:)	1,188.1	1,113.8	831.8	1,022.6	1,293.7
Merchandise imports (f.o.b.)	1,092.9	1,022.0	807.5	996.9	1,236.2
Services, net	698.9	690.3	266.2	437.0	686.0
Credits (of which:)	1,572.7	1,601.5	766.6	1,235.4	1,680.7
<i>Tourism Earnings</i>	800.4	856.4	327.2	588.4	931.7
Debits	873.8	911.1	500.4	798.4	994.7
Primary Income, net	-121.8	-106.5	-67.5	-82.5	-75.9
Compensation of employees	-8.3	-7.6	-4.7	-9.8	-5.3
Credits	4.7	4.7	2.6	2.6	2.6
Debits	13.0	12.3	7.3	12.4	8.0
Investment income	-113.5	-74.0	-62.8	-72.7	-70.5
Credits	9.7	11.5	9.2	5.4	17.1
Debits	123.2	110.4	72.0	78.1	87.6
Secondary Income, net	-3.5	-6.4	-13.3	-1.9	-15.9
General government	42.2	37.8	18.4	30.7	32.0
Credits	42.2	37.8	18.4	30.7	32.0
Fishing licence fees	8.6	8.0	13.5	17.1	15.8
Other grants	33.7	29.8	4.9	13.6	16.2
Debits	0	0	0	0	0
Other sectors	-45.7	-44.2	-31.6	-32.6	-47.9
Credits	21.1	22.0	9.0	8.5	9.0
Debits	66.8	66.2	40.6	41.1	56.9
CAPITAL AND FINANCIAL ACCOUNT	5.3	62.5	171.7	144.5	149.0
CAPITAL ACCOUNT	22.8	38.3	20.9	23.8	17.3
FINANCIAL ACCOUNT	17.5	-24.3	-150.9	-120.7	-131.7
Direct investment	-315.4	-265.2	-134.6	-160.3	-226.0
Net acquisition of financial assets	-10.3	-8.1	-54.5	-48.4	-36.5
Net incurrence of liabilities	305.2	257.1	80.1	112.0	189.5
Portfolio investment	-30.4	11.3	96.5	-13.1	4.9
Net acquisition of financial assets	-33.1	1.2	51.2	-19.0	40.9
Net incurrence of liabilities	-2.7	-10.1	-45.3	-5.9	36.0
Other investment	359.5	205.7	-86.2	-92.0	85.6
Net acquisition of financial assets	467.5	339.3	57.2	265.4	332.8
Net incurrence of liabilities	108.0	133.6	143.4	357.4	192.1
Reserve assets	3.8	24.0	-26.6	144.6	-51.3
Net errors and omissions	9.5	-9.4	1.5	-9.7	12.5
OVERALL BALANCE	3.8	24.0	-26.6	144.6	-51.3
Memorandum items:					
<i>Current account (percentage of GDP)</i>	-2.6	-3.4	-14.6	-12.0	-8.0
<i>Trade Balance (f.o.b.). (merchandise exports less imports)</i>	-762.2	-798.3	-532.6	-679.6	-915.8
<i>Stock of Reserves (Gross) (US\$ million)</i>	549.5	580.5	559.7	702.6	639.5
<i>Stock of Reserves (Gross) (Months of imports of goods and services)</i>	3.8	4.8	5.3	4.6	3.6
<i>Exchange Rate (Rupee/US\$; period average)</i>	13.9115	14.0335	17.6242	16.8993	14.2727

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

Source: Central Bank of Seychelles

5.1.2 Merchandise exports

The provisional total value of merchandise exports amounted to US\$320 million, which was a growth of 1.0 per cent for the year when compared to US\$317 million in 2021. As has generally been the case, canned tuna exports continued to be the main contributor and its aggregate value increased by 2.3 per cent, from US\$277 million in the previous year to US\$283 million. Export of canned tuna remained a significant source of foreign exchange revenue for the economy in 2022.

5.1.3 Merchandise imports

Based on initial estimates, the total value of merchandise imports (fob)¹³ for 2022 stood at US\$1,236 million. This was an expansion of US\$239 million when compared to US\$997 million in 2021. Given the context of the local economy, the overall growth in economic activity resulted in an increase in imports, primarily those related to tourism. Moreover, the higher price of international commodities, especially fuel prices, was a significant contributing factor. The key components of imports for the year were 'food, live animals & vegetable oils' and 'mineral fuels', accounting for 27 per cent and 24 per cent of total import values, respectively. Other notable import items were in the categories 'manufactured goods & miscellaneous manufactured articles' and 'machinery & transport equipment', which accounted for a share of 20 per cent, each.

Table 5.2: Imports (f.o.b.)²- by HS¹ Sections (2018-2022)

	2018	2019	2020	2021	2022
Total Imports	1,093	1,022	808	997	1,236
Beverages and tobacco	23	22	16	18	25
Chemicals	55	54	49	66	65
Food, live animals & vegetable oils	293	256	291	264	333
Machinery and transport equipment	289	274	167	226	243
Manufactured goods & misc. manufactured articles	174	188	123	207	247
Mineral fuels	238	204	144	197	299
Other commodities	21	23	18	18	24

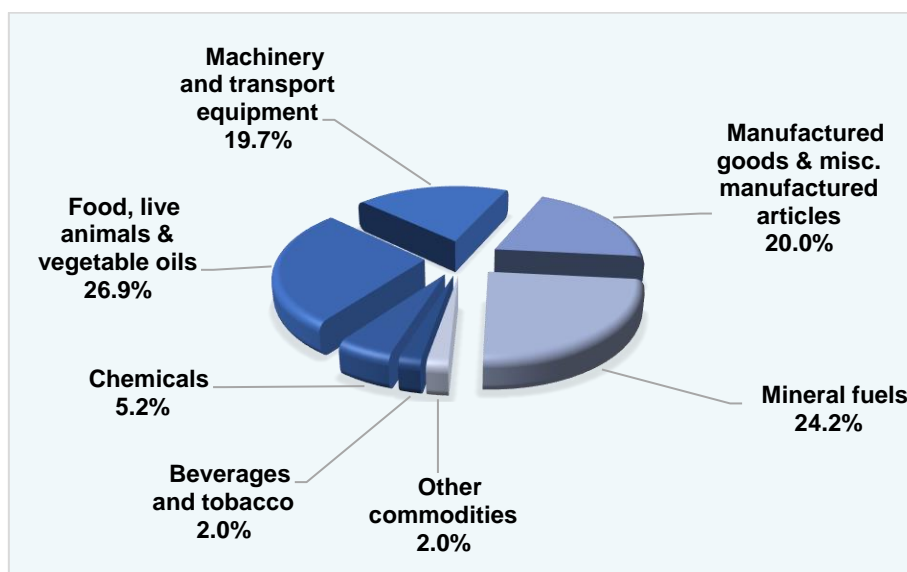
Notes:

¹ Harmonised System

Source: National Bureau of Statistics & Central Bank of Seychelles

¹³ "Free on Board" (FOB) means what it costs to get the goods to the boat (or equivalent). The alternative is CIF which means "Cost, Insurance, Freight", and includes additional costs to get the good to the foreign customer.

Chart 5.3: Imports (f.o.b.) 2022



Source: National Bureau of Statistics

5.2 Services

Consistent with the services-driven structure of the Seychelles economy, the services account remained in surplus for the year under review. The economic recovery that began in 2021 continued throughout 2022, driven by the pick-up in tourism activity. Total exports of services are estimated at US\$1,681 million, which was a better outcome when compared to US\$1,235 million in the previous year. As highlighted, this was primarily attributed to the improved tourism activity, with the increase of US\$343 million in earnings from the sector being the main contributor towards the overall exports of services.

Despite being faced with several adversities¹⁴, the renewed global optimism for travel resulted in stronger-than-anticipated growth in visitor arrivals and earnings in 2022. This was complemented by the gradual relaxation of health restrictions locally, following progress in the domestic vaccination campaign combined with decreasing positive COVID-19 cases. Such conditions helped to further boost activity in the tourism industry. At December-end, the total number of visitors to Seychelles amounted to 332,068, a growth of 82 per cent (or 149,219 tourists) relative to 2021, although it was 14 per cent (or 52,136 tourists) lower than the 2019 levels. Europe was the top market with a contribution of 243,740 tourists, equivalent to 73 per cent of total visitor arrivals. This was an annual growth of 97 per cent in the number of tourists who originated from this continent.

At a sum of US\$932 million, tourism earnings are estimated to have grown by 58 per cent relative to 2021, consistent with the increase in visitor arrivals. This positive outcome provided much needed reassurance for the industry and the country as a whole, given its importance as the main pillar of the Seychelles economy. Nonetheless, the weakening of the Euro currency in international markets, particularly during the second half of the year, resulted in an overall reduction in tourism yield in US dollar terms. This was in view that revenue

¹⁴ These included the ongoing threats caused by contagious diseases, the uncertainties caused by the conflict between Russia and Ukraine, and the weakening of economies – and currencies – particularly in the European region.

generated by the industry are mostly in Euros and the weaker exchange rates implied lower yield upon conversion to US dollars.

Notably, a revised series of tourism earnings has been incorporated in the balance of payments statistics following a change in methodology for its calculation in 2022. This series was published in June, with a backward revision to 2016. The new method provides greater coverage of incomes generated by the sector, including the proportion of foreign exchange kept abroad. Hence, revenue estimated through this revised methodology implies higher tourism earnings than previously calculated.

In regards to the value of services acquired from non-residents, it grew by US\$196 million (or 25 per cent) to stand at US\$995 million. This was mostly due to increased domestic economic activity in areas such as tourism, public sector and foreign direct investment projects which resulted in higher transportation and services-related outflows. Additionally, the number of residents who travelled abroad during the year was higher when compared to 2021.

5.3 Primary Income

The balance of primary income remained in deficit in 2022. The shortfall improved by 8.0 per cent to stand at US\$76 million compared to US\$83 million in the previous year. Nonetheless, there was an increase in outflows of investment income, with the main components being payment of dividends, interest and management fees due.

5.4 Secondary Income

During the year under review, the balance of the country's secondary account worsened in comparison to the previous year, whereby its deficit rose to US\$16 million, from US\$1.9 million in 2021. This outcome was predominantly due to increased demand for foreign labour, and therefore a notable rise in outward transfers of remittances, primarily from the construction, tourism and manufacturing industries. This was despite increased inflows to government in terms of grants, and other official transfers. Preliminary estimates showed an expansion of US\$16 million in gross outward transfers, from US\$41 million in 2021 to US\$57 million in 2022.

5.5 Capital and financial accounts

In 2022, the capital and financial accounts remained in surplus and its value rose from US\$144 million in 2021 to US\$149 million in the year under review.

5.5.1 Capital account

The capital account showed a surplus of US\$17 million which was US\$6.5 million (or 27 per cent) lower than in 2021. Official capital transfers remained the main component of this account, whereby inward flows were representative of projects financed by the country's bilateral partners, budget support, and donations in the form of high-value capital goods.

5.5.2 Financial account

According to preliminary estimates, the financing of the current account deficit from the financial account increased from US\$121 million in 2021 to US\$132 million. Similar to the preceding year, the primary source of funding reflected transactions under “other investment” followed by “direct investment”. Gross inflows of foreign direct investment (FDI) were estimated at US\$190 million, an increase of US\$78 million relative to 2021. This growth was mainly due to the resumption of several investment projects that were previously delayed owing to the uncertainties caused by the COVID-19 pandemic. Of note, the estimated value for total FDI includes offshore activities and is influenced by the value of liabilities of international business companies, namely entities registered under CSLs.

5.6 External reserves

As at the end of December, the stock of gross official reserves held at the Central Bank stood at US\$639 million, which was a decline of US\$63 million (or 9.0 per cent) relative to the previous year. The drawdown in the stock of external reserves was primarily to meet the country’s external debt obligations. In terms of reserves adequacy, this was equivalent to 3.6 months of the country’s total imports of goods and services.

As regards to NIR, the year-end level was US\$472 million, exceeding the target of US\$426 million by US\$46 million.

Table 5.3: External Reserves (2018-2022)¹

	2018	2019	2020	2021	2022
	(US\$ million)				
Gross official reserves	549.4	580.4	559.7	702.6	639.5
Central Bank	549.0	580.0	559.2	702.1	639.1
Government	0.4	0.4	0.4	0.4	0.4
Central Bank's External liabilities	34.5	27.2	21.2	14.9	9.4
Net official Reserves (include blocked deposits)	514.9	553.2	538.5	687.7	630.1
Net official Reserves (exclude blocked deposits)	407.7	430.0	400.5	528.6	471.5

¹ End of period data

Source: Central Bank of Seychelles

5.7 Exchange rates

At the end of 2022, the Seychelles rupee stood at 14.1241 vis-à-vis the US dollar, which was a strengthening of the domestic currency by 58 cents (3.9 per cent) relative to December 2021. The end-of-period exchange rate of the rupee appreciated from 16.5975 to 15.0997 relative to the EUR, and from 19.8799 to 17.0604 vis-à-vis the GBP. This was a strengthening of the domestic currency by 9.0 per cent relative to the former currency and by 14 per cent against the latter.

On average, for the year under review, the rupee appreciated by R2.63 (16 per cent), from R16.8993 per US dollar in 2021 to R14.2727. It strengthened by R4.98 (25 per cent), from R20.0388 to R15.0632 in comparison to the EUR and by R5.58 (24 per cent) against the GBP, with the average exchange rate falling from R23.2002 in 2021 to R17.6230.

Movements in the value of the domestic currency against the US dollar were mainly driven by the local dynamics of demand and supply. The sustained inflow of foreign exchange as a result of the robust performance of the tourism sector ensured relative stability in the exchange rate, despite higher demand relative to 2021. There was a gradual appreciation in the value of the rupee over the period January to July. However, there was a marked uptick in demand which exceeded supply between August and October, thus leading to a weakening of the domestic currency over this period. Nevertheless, the appreciating trend observed in the first seven months of the year, and, as discussed above, led to an overall appreciation in the rupee against the USD on an annual average basis.

By contrast, changes in the EUR and GBP exchange rates were predominantly reflective of developments in international currency markets. In particular, the adverse effects of the Russia-Ukraine war on European economies contributed towards the weakening of the EUR which reached parity with the US dollar in July.

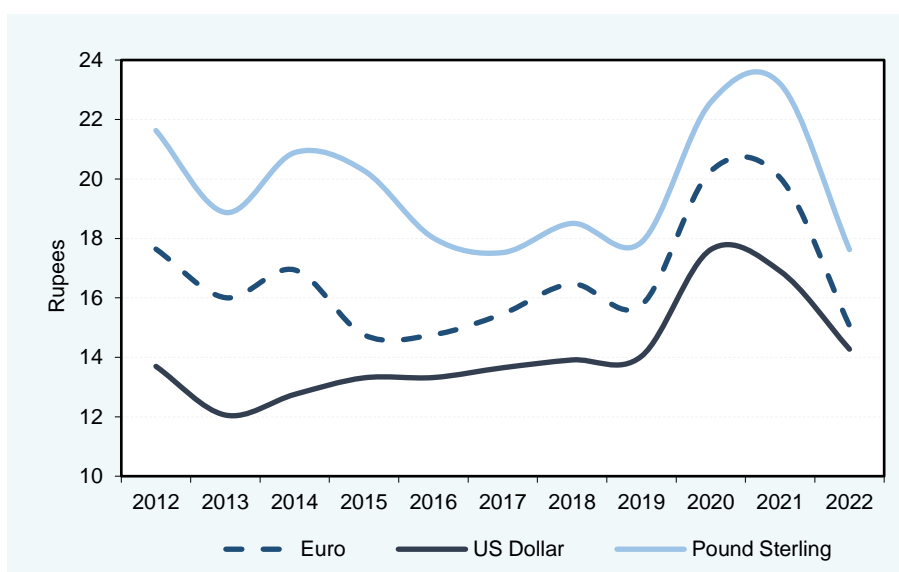
Table 5.4: Exchange Rates¹ (2018-2022)

	2018	2019	2020	2021	2022
(Seychelles Rupees per currency unit)					
Euro	16.4671	17.4671	20.2604	20.0388	15.0632
US Dollar	13.9115	14.9115	17.6242	16.8993	14.2727
Pound Sterling	18.5043	19.5043	22.5799	23.2002	17.6230
Japanese Yen	0.1260	1.1260	0.1655	0.1545	0.1093
South African Rand	1.0566	2.0566	1.0759	1.1440	0.8752
Singapore Dollar	10.3128	11.3128	12.8004	12.5890	10.3533

¹ Period Averages

Source: Central Bank of Seychelles

Chart 5.4: Exchange rate movements of the three main currencies (2012 - 2022)



Source: Central Bank of Seychelles

5.8 Developments in Financial Services

5.8.1 Insurance sector

In 2022, the Financial Services Authority (FSA) continued to work on the legislative amendments to the Insurance Act, 2008. The intention is to have a robust legislative framework for insurance by applying risk-based supervision tools to regulate the sector, based on international best practices. Until such time that these amendments are completed, FSA cannot proceed with its application to become a signatory to the Memorandum of Understanding (MoU) with the International Association of Insurance Supervisors (IAIS¹⁵). Hence, its application remained pending for the second consecutive year.

5.8.2 Pension sector

A Policy Paper detailing the legislative framework for the supervision of private and public pension schemes in Seychelles was presented to, and subsequently approved by the Cabinet of Ministers in June. The framework, which focuses on supervision by FSA from a market conduct and prudential perspective, would ensure that pension schemes offered by private companies as well as by Seychelles Pension Fund (SPF) are effectively regulated, thereby ensuring supervision of the pension sector as a whole. The proposed legislative framework would allow the drafting of respective laws and amendments for such supervision.

5.8.3 International Trade Zone (ITZ)

In 2022, FSA undertook a review of the ITZ regime, comprising of its Act and regulations, with the aim of modernising them in order to be at par with current global practices. This is expected to continue in 2023 whereby FSA and other relevant stakeholders intend to undertake an impact assessment of the entire regime since its inception in 1995. Furthermore, during the year, FSA worked on addressing the gaps and discrepancies that were present in the ITZ's Employment Regulations and the Employment Act, particularly in the treatment of tax in respect to compensation and overtime payment.

5.8.4 Hire Purchase and Credit Sales

One of FSA's objectives is to review the Hire Purchase and Credit Sales Act so as to provide some protection for retailers who wish to be licensed for such initiative. This is in addition to reviewing the list of goods that could be provided under a Hire Purchase and Credit Sales initiative. FSA also plans to include other provisions to make the product more attractive.

5.8.5 Virtual Assets Services

From February to June, a National Risk Assessment (NRA) was undertaken to understand the risks associated with Virtual Assets (VA) and Virtual Asset Service Providers (VASPs) at a national level. This was a requirement of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which stipulated that Seychelles had to demonstrate its progress as a jurisdiction in regards to its compliance with

¹⁵ The IAIS is the international body that brings together the world's insurance supervisors and regulators and is recognised as the global settler of standards for the insurance sector.

recommendation 15 of Financial Action Task Force (FATF) standards on new technologies. The exercise allowed FSA and other stakeholders in the financial sector, as well as law enforcement agencies, to understand the risks associated with such activities.

Following the assessment, the report was presented and endorsed by the Cabinet of Ministers in August. As the next course of action, FSA has initiated work for the development of a legal framework to register entities undertaking such activities and thereafter to license them. Work on the policy framework will be initiated in the first quarter of 2023, with the intent to submit a Bill to ESAAMLG by September 2023.

5.8.6 Gambling sector

Work pertaining to the review of the Seychelles Gambling Act was ongoing during 2022, with the participation of Gaming Laboratories International (GLI) as the lead consultant. This will be followed by the industry consultation which is expected to take place during the first quarter of 2023.

5.8.7 Capital Market and Collective Investment Scheme sector

FSA endeavoured to acquire Ordinary Membership of the International Organisation of Securities Commissions (IOSCO)¹⁶ in 2019, further to becoming an Associate member in 2018. This remained an ongoing process in 2022 in view of pending matters that needed to be addressed in the Securities Act. These were mainly in relation to the gaps and discrepancies that were hindering the progress of the application for Ordinary Membership of the aforementioned Commission. In line with such, FSA will be establishing various measures in order to better regulate Securities Dealers in Seychelles, such as the introduction of physical substance rules in addition to enhancing other licensing requirements. Moreover, the FSA Act - an essential determinant in the application process - was in the latter stages of finalisation at the end of 2022. The application procedure is expected to progress once this is completed.

5.8.8 OECD Global Forum EOIR

A review was done by the Organisation for Economic Co-operation and Development (OECD) through an onsite visit in December. This was in regard to OECD's Global Forum Exchange of Information on Request (EOIR) standards that needed to be met in order for the country to be upgraded from *Partially Compliant* to *Largely Compliant*. The purpose of the review was to verify whether the financial sector was complying with international standards for the exchange of information on tax matters relating to corporate products. Notably, the International Business Companies Act, Foundations Act and Trust Act were revised in 2021 to make accounting information available in Seychelles, thereby supporting the country's review for a possible upgrade. FSA awaits the outcome of the review and EOIR re-rating.

¹⁶ The IOSCO is the international body that brings together the world's securities regulators and is recognised as the global setter of standards for the securities sector

5.8.9 Anti-Money Laundering/Beneficial Ownership

In order to ensure continued compliance with the international standards set by the FATF and OECD, certain amendments were made to the Beneficial Ownership (BO) Act 2020. This was in regards to the requirement that jurisdictions must maintain information on beneficial ownership that shall be accessible and made available upon request to competent authorities. The amendments sought to improve the efficiency of implementation of existing systems as well as to make the monetary sanctions in the Act more punitive and dissuasive. The revisions included:

- the introduction of the concept of a registrable legal person, purely for administrative convenience, in order to allow for the effective implementation of the Beneficial Ownership Act; and
- clarity on the requirement that every legal person and legal arrangement must keep their register of beneficial owners indefinitely, whereas the declaration and the written notice must be kept for at least seven years from the date the person ceases to be a beneficial owner. Furthermore, once a legal person or arrangement dissolves or ceases to exist, the obligation will now be on the resident agent to keep custody of these records for at least seven years. Where a person ceases to be a resident agent, all these records will be handed over to the competent authority.

During the year, discussions were held between with the IMF, Ministry responsible for Finance, FSA and Financial Intelligence Unit (FIU) pertaining to the performance criteria and indicative targets set under the IMF-supported reform programme. The focus was on FSA, as the competent authority for offshore legal persons/arrangements, to undertake supervisory exercises, which included inspections and enforcement actions to:

- ensure compliance of those entities to the provisions of the BO Act
- validate the accuracy of the BO information populated in the Central BO database.

To assess whether the information kept on the Central BO database at FIU was up-to-date, accurate and of quality, comparisons of different databases holding BO information of legal persons and legal arrangements were undertaken by FSA through onsite BO inspections in 2022. A total of 1,443 specified entities (International Business Companies, Limited Partnerships, Trusts and Foundations) administered by 35 Resident Agents were inspected during the year for this purpose.

5.9 International Relations

In 2022, Seychelles upheld the strong and cordial relations with its diplomatic partners, both on a bilateral and multilateral level. There was a gradual return to pre-pandemic normalcy whereby several meetings and summits were held physically during the year, as opposed to virtually, which was the main medium of communication following the onset of the pandemic. This presented several opportunities to renew and further strengthen diplomatic ties.

5.9.1 Multilateral Institutions

Seychelles continued to receive invaluable assistance from its multilateral partners in 2022. The support of these multilateral institutions provided a high level of assurance to the authorities, especially given the persisting uncertainties and unpredictable events that occurred in the global environment in 2022.

5.9.1.1 International Monetary Fund

The President of the Republic of Seychelles, Mr Wavel Ramkalawan, met with several high-level delegations from the IMF during the year, both in Seychelles and abroad. Such included the IMF Executive Director for Seychelles, Mr. Chang Huh, who visited the country in May. Seychelles was commended for its achievements in implementing the IMF programme as well as being one of the first small developing countries to successfully over-achieve IMF benchmarks. The President also met with the Managing Director and Chairperson of the Executive Board of the IMF, Ms. Kristalina Georgieva, at the COP27 summit in November. Their discussions highlighted the current economic landscape of Seychelles and progress made thus far as part of the country's sustainable economic recovery plan. Moreover, they touched on the challenges in relation to external financing for high-income and vulnerable small states such as Seychelles, given their exclusion from key concessional and bilateral financing. The President also expressed the sincere appreciation of Seychelles to the IMF as a key partner in the progress achieved in relation to the challenging period following the advent of the COVID-19 pandemic.

As highlighted, Seychelles remained on track under the EFF programme during 2022, successfully exceeding the set targets. Following the completion of the third country review under the facility thus far, US\$17 million was disbursed during the year; a sum of US\$8.7 million was received in August followed by US\$8.6 million in December. According to the terms of the EFF, throughout the programme, Seychelles will receive financial support totalling approximately US\$106 million, of which US\$68 million was disbursed in 2021. The remaining balance will be released in 2023, after which the EFF will come to an end. Discussions have been initiated on a potential successor programme following the conclusion of the EFF in June 2023.

Seychelles' first Resident Representative of the Fund, Mrs. Aissatou Diallo, was accredited on December 05. Her appointment is for a duration of 3 years. This move further demonstrates the support and commitment of the IMF in the country's development.

5.9.1.2 World Bank

The World Bank Country Director, Ms. Idah Pswarayi-Riddihough, undertook her first visit to Seychelles in March following her appointment in the post. In addition to meeting the President of the Republic, she held dialogues with the Ministry responsible for Finance, the Central Bank as well as some other ministries. In view that the World Bank has been a key partner in the country's development, the meetings sought to assess current progress and potential new areas for collaboration and support. She reiterated the World Bank's support towards the initiative to diversify the Seychelles economy as this would increase the country's resilience and reduce its vulnerability to external shocks.

In July, the country started its second NRA on money laundering and terrorism financing, under the support and guidance of the World Bank. This followed the first NRA that was undertaken in 2016. The assessment aims to review the main money laundering and terrorism financing risks in the country through a comprehensive analysis, by assessing the threats and vulnerabilities faced by the jurisdiction. The results and recommendations should then help the authorities in drafting policies to strengthen means to combat money laundering and terrorism financing.

Several on-site TA missions were received from the World Bank in 2022. A team from the institution was in the country for two weeks in August, assisting the Disaster Risk Management Division (DRMD) on the operationalisation of the National Integrated Emergency Management Plan (NIEMP). Their visit targeted capacity building as well as enhancing emergency coordination amongst key stakeholders. The World Bank was instrumental in the drafting of the Plan in 2019, and has continued to assist with its development and implementation over the years.

In regards to financing, government requested for a new loan with the International Bank for Reconstruction and Development (IBRD) towards Seychelles' second Fiscal Sustainability and Climate Resilience Development Programme. This was for a sum of US\$25 million, received in December. The disbursement was in addition to other ongoing disbursements received throughout the year under existing project loans.

5.9.1.3 World Trade Organisation (WTO)

2022 marked the seventh year of the country's accession to the World Trade Organisation (WTO) since it became the 161st member in April 2015. In line with this, Seychelles underwent its first trade policy review during the year. Trade policy reviews are mandated in the WTO agreements, in which trade and other related policies of member countries are examined and evaluated at regular intervals. Significant developments that may have an impact on the global trading system are also monitored. All WTO members are subjected to this review, with the frequency of such exercises varying according to the member's share of world trade.

Members commended the resilience and growth performance of the Seychelles economy, despite the global economic turmoil caused by the COVID-19 pandemic. They praised the timely adoption of support measures that allowed the economy to rebound quickly but also indicated that as a small island state with limited scope for diversification, the Seychelles economy remains extremely vulnerable. This was particularly in regards to external shocks and to the risks posed by climate change. In line with this, members congratulated Seychelles

for launching its National Climate Change Policy and Blue Economy Strategy, including the first-ever issuance of the Blue Bond.

Overall, Seychelles was praised by WTO and other member states for having made steady progress in implementing the WTO accession commitments and playing an active and constructive role in the multilateral trading system. Following the outcome of the review, several WTO member states have offered support and TA for capacity building and furthering the development of digitisation and e-commerce, while others expressed their desire to increase trade with Seychelles.

5.9.1.4 African Development Bank (AfDB)

AfDB remained a key partner in the country's economic and infrastructure development in 2022. To recall, it provided much needed budget support in 2020 and 2021 to assist in the country's recovery from the COVID-19 pandemic. Additionally, it was instrumental in financing the infrastructure work on the La Gogue dam through a loan of US\$21 million and a grant worth US\$1.7 million. The aim of the project is to increase the capacity of the dam from 1.0 million cubic metres to 1.6 million cubic metres. Since the signing of the agreement in 2015, various delays were encountered over the years, including the setbacks caused by the COVID-19 pandemic; however, work on the La Gogue dam project progressed steadily in 2022. All infrastructure work was completed by the year-end and the dam is expected to become fully operational in the first quarter of 2023.

A new loan agreement with AfDB worth US\$25 million was gazetted in the fourth quarter of the year. The main purpose of the facility is to assist with the second phase of financing the Governance and Economic Support Programme. This aimed to strengthen the economic governance reforms to sustain inclusive green growth as well as support post-COVID-19 recovery, whilst enforcing environmental and climate resilience. Given some unforeseen delays in the administrative procedures, the loan is expected to be disbursed during the first quarter of 2023.

5.9.1.5 Eastern and Southern Africa Trade Development Bank (TDB)

The regional financial institution, of which Seychelles is one of the shareholders, has been a vital supporter in the country's economic development and transformation. The head of TDB, Mr. Admassu Tadesse, was in Seychelles from September 24-25 with a delegation, to look for new avenues to support the island nation. Over the years, the bank has been involved in financing various projects in the sectors of tourism, real estate and telecommunication. One of the main agreements signed between the Seychelles government and TDB in 2022 was for a loan valued at US\$13 million in August.

In December, TDB became an equity investor in Cable & Wireless Seychelles (CWS) after it purchased 174,458 Ordinary Shares out of the six million listed, in an off-market transaction. TDB's shareholdings account for 2.9 per cent of the total number of CWS-listed Ordinary Shares, which does not grant the bank a controlling interest in CWS. To recall, TDB was the mandated lead arranger for the acquisition of CWS from

Liberty Latin America, by CWS Investment Ltd – a group of Seychellois entrepreneurs – in 2019. The transaction was valued at US\$107 million, of which US\$70 million was arranged by TDB.

5.9.2 Bilateral Relations

Seychelles' diplomatic relations with its bilateral partners remained strong during the year. The country continued to benefit immensely from the co-operation and assistance received in numerous fields.

5.9.2.1 India

The governments of India and Seychelles have shared amicable ties for over 45 years. India has provided invaluable support in various areas throughout the years, including in infrastructure development, defence, maritime security and education. As a gesture of appreciation, the government of India was invited to participate in the National Day Celebrations in June, also the first large scale public celebration of such event since the COVID-19 pandemic. In the spirit of solidarity, a platoon of Indian sailors also took part in the parade organised on this occasion.

As one of Seychelles' oldest and closest military partners, there were numerous instances of collaboration in the field of defence and security in 2022. In the context of the biennial event between the Seychelles Defence Forces and the Indian Army, a 10-day joint military exercise, 'Lanmitye', was held in March. Seychelles received three ceremonial saluting guns and 500 rounds of ammunition in May as a gift from the government of India. This was in addition to a wave-rider boat, to complement the two already in the fleet of the Seychelles Coast Guard.

During the year, the government of India made several donations for the benefit of the community. Such comprised of reading materials for primary schools on Praslin as well as anti-tuberculosis treatment to the Ministry of Health. As for infrastructure development, in November, Seychelles and India signed two MoUs under the High Impact Community Development Project (HICDP)¹⁷ grant. The grant will finance the construction of three access roads in the districts of Cascade, Pointe Larue and Anse Aux Pins.

A new Indian High Commissioner, H.E Mr Kartik Pande, was accredited in November, replacing General Dalbir Singh Sultag (Retd.) who held the post since 2019. During his time in office, High Commissioner Sultag facilitated co-operation in several areas.

5.9.2.2 China

China has been one of Seychelles' longest standing partners and pivotal in the country's economic and social development. Co-operation and assistance have traditionally been in areas of education, health, infrastructure

¹⁷ The High Impact Community Development Projects (HICDP) projects are the realisation of the MoU between the Republic of Seychelles and the Republic of India regarding grant assistance for the implementation of small development projects that directly impact communities on Mahé, Praslin and La Digue. They involve projects such as the construction of roads in remote areas, renovation works, construction of boundary walls, etc.

and the environment, amongst other fields. Over past years, China has also generously contributed towards several causes, including in the country's efforts in combatting the COVID-19 pandemic.

The President welcomed a special delegation headed by the representative of the government of China on African Affairs, Ambassador Xu Jinghu, at State House in August. Their discussions highlighted Seychelles' and China's longstanding cordial relations and ways to enhance co-operation in areas of mutual interest. Notably, one of the largest projects funded by China in recent years is the Seychelles Broadcasting and Television Centre, or SBC House, estimated at R240 million. The project commenced in 2018 and is expected to be completed in 2023.

5.9.2.3 United Arab Emirates (UAE)

Seychelles and UAE commemorated 40 years of strong diplomatic relations in 2022. Throughout this time, the Arab State has provided invaluable support and assistance in various fields including health, housing, finance and education. The amicable ties between the nations were further evidenced during 2022 when the President of the UAE was invited to the National Day celebrations. Whilst not in attendance, he was represented at the event by Sheikh Shakhboot Nahyan Al Nahyan, UAE Minister of State in the Ministry of Foreign Affairs and International Co-operation. Sheikh Mohamed Bin Zayed Al Nahyan was instead graciously welcomed in August, when he paid an official call on the President of the Republic at State House. This also marked the first ever official visit of a President of the UAE to the Presidential Office in Seychelles.

During the year, Seychelles benefited from shared experiences and TA from UAE. A high-level delegation undertook a two-day official mission to the UAE in October to find ways to modernise and improve the public service in Seychelles. This followed the signing of an MoU in March, in line with government's endeavour to implement a results-based management framework. In addition, an MoU was signed between Abu Dhabi Airports Company (ADAC), Seychelles Civil Aviation Authority (SCAA) and the Ministry of Transport in July. Subsequently, Egis Emirates - a global consulting, construction engineering and operating firm - was appointed in November to review and prepare an updated 30-year master plan for the Seychelles International Airport. It is expected that the project will encompass the country's environmental and financial sustainability goals.

In regards to infrastructure development, one of the main projects financed by the UAE government was the new hospital on La Digue. Construction on the healthcare facility began in March and was funded through a grant of US\$4.0 million. In December, a 5-megawatt solar photovoltaic farm was officially inaugurated on Ile de Romainville. The project was financed through a concessional loan of US\$8.5 million from the Abu Dhabi Fund for Development (ADFD) and is expected to help Seychelles achieve its target of 15 per cent renewable energy by 2030.

5.9.2.4 European Union (EU)

The EU has been an avid supporter of the country's social and economic development goals, providing technical and financial assistance throughout the years.

A combined delegation comprising of EU and United Nations Office on Drugs and Crime (UNODC) was in the country in April to conduct a fact-finding visit in relation to the EU NAVFOR Operations ATALANTA¹⁸. The visit provided the EU delegation with a better understanding of the challenges faced by Seychelles as an oceanic state. Seychelles and EU have long been close partners in combating piracy and other maritime crimes in the Western Indian Ocean.

Seychelles hosted the BlueInvest Africa Forum in September, the first country outside of Europe to ever host the event. This EU initiative aimed to boost the African Union–EU partnership in the Blue economy sector. Throughout the two-day event, businesses and entrepreneurs pitched their ideas and provided information regarding their products and services.

The ninth edition of the Seychelles-EU Political Dialogue took place in October. This event was co-chaired by the Minister for Foreign Affairs and Tourism, Mr. Sylvestre Radegonde, and EU ambassador to Seychelles, Mr. Vincent Degert, and was attended by representatives of EU member states. The discussions covered a wide range of socioeconomic, political and environment issues. Both sides agreed to enhance co-operation in maritime security, sustainable blue economy, trade, investment as well as environment and climate change. The visit of the EU delegation in October also coincided with the opening of a new fishing facility at Cascade that was partly financed under the EU-Seychelles Sustainable Fisheries Partnership Agreement 2020-2026. In addition, the delegation donated a 9-metre vessel valued at EUR20,000 to the Seychelles Fishing Authority (SFA), to assist the organisation in its ongoing aquaculture research programme. The boat was financed under the 11th European Development Fund (EDF) as part of the long-term technical assistance to support the Economic Partnership Programme (EPA) implementation in Seychelles.

After several years of delays, preparatory work on the Port Victoria extension project commenced in 2022. Such is being financed by various European lenders including the European Investment Bank (EIB), Agence Française de Développement (AFD) and EU.

In other developments, in 2022, work was ongoing to find ways to improve the jurisdiction's ability to better comply with the taxation standards and requirements of the EU. One of the areas that the country has sought to improve on is to get a rating of *Largely Compliant* by the OECD, which would also improve its position with regards to complying with EU standards. Consultative meetings were held during the year, supported by EU, that aimed to identify the weaknesses of current legislations. To recall, Seychelles was removed from EU's list of non-co-operative jurisdictions for tax purposes in October 2021. It had been added to the list in February 2020 on the grounds that it had a harmful preferential tax regime and had not implemented the necessary tax reforms by December 2019.

In the area of trade, Seychelles took part in the third high-level steering committee meeting of the 11th EDF in March, for the interim Economic Partnership Agreement (iEPA), which was done virtually. The iEPA is an interim agreement signed by Mauritius, Madagascar, Seychelles and Zimbabwe with EU on August 29, 2009

¹⁸ European Union Naval Force (EU NAVFOR) Operation ATALANTA is the European Union Maritime Security operation in the Western Indian Ocean

in the Eastern and Southern Africa (ESA) configuration. The biannual meeting allowed members to be apprised of the progress of the long-term technical assistance to provide support towards the implementation of the iEPA in Seychelles. Being a signatory to the iEPA, the country was also involved in negotiations to enlarge the scope of the current agreement. Although this would not result in a more comprehensive new agreement, it will add on areas of interest for both parties. By the year-end, the EU-ESA parties had concluded ten rounds of negotiations, with the eleventh round expected to be held during the last week of March 2023.

5.9.3 Regional Integration

Seychelles remained actively involved in the various undertakings of the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) during 2022. With the gradual resumption of physical meetings, Seychelles ensured its attendance at such throughout the year.

5.9.3.1 Southern African Development Community (SADC)

The President of the Republic attended the 42nd Ordinary Summit of SADC Heads of State and Government in the Democratic Republic of Congo (DRC) in August. It was held under the theme: *'Promoting industrialisation through, agro-processing, mineral beneficiation, and regional value chains for inclusive and resilient economic growth'*. His presence at the summit also provided the opportunity to network and interact with SADC counterparts in view that the 41st edition in 2021 was held virtually. The President delivered two interventions at the meeting on the urgency for maritime security needs to be addressed in the SADC region and regarding the amendment of the SADC Treaty on the transformation of the SADC Parliamentary Forum (SADC-PF) into a SADC Parliament. On behalf of the Republic of Seychelles, he signed in favour of amending this treaty, for the transformation of the SADC-PF into a SADC Parliament. Of note, the Speaker of the Seychelles National Assembly, Mr. Roger Mancienne, was elected as the President of SADC PF for the years 2023-2024. He replaced Mr. Christophe Mbose N'Kodia Pwanga, the President of the National Assembly of DRC.

During the year, Seychelles attended several other meetings organised by the regional body. These included the 24th annual general conference of the Electoral Commission Forum of SADC Countries which was held in Namibia in October, as well as the high-level tripartite dialogue on the topic of *'Labour Migration Governance in the SADC Region'*, held in Zimbabwe in November.

In other developments, in March, the National Accreditation Focal Point (NAFP) for Seychelles located at the Seychelles Bureau of Standards (SBS) received the SADC Accreditation Services (SADCAS) 2022 Award for the 'Most Effective NAFP' in the region. Fourteen out of the sixteen SADC member countries, including Seychelles, rely entirely on SADCAS for all its accreditation services, with South Africa and Mauritius as the only members that have a national accreditation body in the SADC region.

In 2022, the country continued to actively engage in SADC trade matters, whilst ensuring Seychelles' interests were maintained. Work continued on the review of the SADC Rules of Origin, customs co-operation and trade facilitation. This was in addition to ongoing negotiations in other areas such as trade in services. Seychelles

also continued to phase down the tariffs on the import of goods under SADC Free Trade, in line with the Customs Management (SADC Free Trade Area) Regulations, 2015.

5.9.3.1.1 SADC Committee of Central Bank Governors

The Committee of Central Bank Governors (CCBG) in SADC continued to provide a platform for greater collaboration among central banks within the Community. During the year, the different subcommittees of the CCBG continued to work on their various agendas which ultimately aim to promote the development of financial institutions and markets in the SADC region through the harmonisation of relevant policies and frameworks.

SADC member states remained committed to setting their economies back on track, following the macroeconomic imbalances brought about by the COVID-19 pandemic, which also resulted in setbacks to the macroeconomic convergence process.

5.9.3.2 Common Market for Eastern and Southern Africa (COMESA) Integration Programme

Seychelles remained actively involved in activities of the regional bloc in 2022. It also continued to actively follow and participate in a number of COMESA initiatives targeting the facilitation of trade in the region, with ongoing negotiations in numerous areas.

In May, High Commissioner Claude Morel was accredited as a permanent representative to COMESA. He represented Seychelles at the meetings of the 43rd Intergovernmental Committee and Council of Ministers held in Zambia, from November 29 to December 01. The meetings were held under the theme '*Building Resilience through Strategic Digital Economic Integration*', and allowed member states to review the progress of several COMESA programmes directed at enhancing regional integration.

5.9.3.3 African Continental Free Trade Area (AfCFTA)

The President of the Republic of Seychelles assented the instrument for the AfCFTA Agreement in July 2021 following a consensus on pertinent issues related to the Rules of Origin. Ratification of the AfCFTA presents Seychelles with another avenue, other than the EU, to diversify its export market. Enhancing trade with the African continent should also reduce the country's dependency on the EU market over time. Furthermore, the access to a wider market implies increased prospects for FDI, a means to further enhance Seychelles' competitiveness in the region and generate employment opportunities. During the year, Seychelles remained engaged in subsequent rounds of dialogue with the aim of concluding the negotiations on Investment, Competition Policy and Intellectual Property Rights (IPRs).

5.9.3.4 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

ESAAMLG acts as the FATF regional body tasked with ensuring compliance and implementation of the FATF Recommendations, which sets the standards and measures for combating money laundering, terrorist financing and other threats that may affect the global financial system. During the year, the relevant authorities continued to strengthen Seychelles' ability to better comply with standards and requirements set by international organisations in regards to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

In line with the requirement of ESAAMLG, a NRA was undertaken in the first half of the year to understand the risks associated with VA and VASPs at a national level. Conducting the assessment was part of recommendation 15 of FATF standards which also formed part of the eleven areas that contributed towards Seychelles' non-compliant rating by ESAAMLG in the last review. The VA/VASP NRA was completed in July and the outcome was presented to key stakeholders. The subsequent report concluded that the overall exposure of Seychelles to money laundering and terrorism financing risks arising from VA and VASPs was very high owing largely to certain unregulated activities occurring predominantly through the use of Seychelles incorporated legal persons. The results of the assessment are expected to guide and inform the establishment of a national policy position on the subject matter and lead to the development of the required legislations to regulate the sector.

SECTION SIX

Central Bank Operations

6.1 Research and Statistics Division

The core functions of the Research and Statistics Division (RSD) are linked with the Bank's primary objective of promoting domestic price stability. Principally, the Division is responsible for the formulation of monetary policy, collection and dissemination of economic data, as well as analysis of macroeconomic indicators for policy decisions. Additionally, it conducts research on various topics pertaining to the economy, and prepares critical publications such as the Key Economic Developments, Statistical Bulletins and, as of 2022, the Monetary Policy Report. Moreover, the Division coordinates with internal and external stakeholders for the preparation and publication of the Bank's Annual Report. The responsibilities of the Division are allocated between the Policy and Research Section (PRS) and the Statistics Section, whereby the tasks are harmonised in line with the overarching duties of RSD.

To achieve its primary functions, the Division conducts meetings with stakeholders across various sectors to better understand the economic situation from different perspectives. Importantly, RSD undertakes consultations with the Ministry of Finance, National Planning and Trade, commercial banks, and Credit Union to ensure appropriate policy coordination and convey pertinent messages about the economy. Furthermore, the Division contributes to live press conferences delivered by the Governor and First Deputy Governor to provide updates on monetary policy and developments in the domestic economy.

The Division also serves as a focal point for multilateral organisations such as IMF, SADC, AfDB and COMESA. Of note, there was close consultation with IMF in 2022 to fulfil the provisions under the EFF through discussions with the IMF Country Team and other local stakeholders.

6.1.1 Capacity-Building and Development

Throughout 2022, the Division maintained its commitment to enhancing the technical expertise and knowledge of the staff. In line with this, members of the Division participated in several online courses, workshops, and seminars related to finance, statistics, balance of payments, macroeconomics, and policy formulation. Additionally, the Division received and coordinated an onsite TA mission from the IMF African Regional Technical Assistance Centre (AFRITAC) South in April on '*Monetary Policy Implementation and Operations*' to help the Bank improve its monetary policy transmission.

6.1.2 Policy and Research Section (PRS)

During the year under review, PRS prepared macroeconomic analyses and formulated proposals for the consideration of the Monetary Policy Technical Committee (MPTC) and the Board of Directors pertaining to the quarterly monetary policy discussions. Specifically, staff made use of the Forecasting and Policy Analysis System (FPAS) to guide policy-oriented decisions. Of note, PRS staff applied modelling techniques to provide insights into the macro-economy and made policy recommendations on the MPR and the applicable rates on the SDF and SCF. In doing so, the Section considered critical global events such as the COVID-19 pandemic,

and contributed the analysis used as input in the recommendation for the unwinding of the COVID-19 policy measures. Additionally, staff assessed the economic impact of the Russia-Ukraine war and its effect on the domestic economy.

PRS also dedicated more effort to further the Bank's research agenda in 2022. Throughout the year, the Section worked on various topics such as monetary policy moving forward, the effects of the pandemic on bank lending, economic price dynamics, and the concept of the living wage. Once finalised, the aforementioned papers will be published on the Bank's website.

6.1.3 Statistics Section

The Statistics Section remained committed to enhancing the availability of timely and comprehensive statistics to support the formulation of sound macroeconomic policies and the proper functioning of financial markets. In this regard, staff continued to compile and disseminate financial and economic data per the Special Data Dissemination Standards (SDDS) guidelines. Moreover, the Section revised some of the surveys it conducts, with the aim to ensure improved coverage and relevance of the statistics collected.

6.1.3.1 Monetary and Financial Statistics

Throughout 2022, staff compiled monetary and financial data as per the Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG) 2016¹⁹. Of note, the Section engaged with colleagues across the Bank on how to incorporate data from the new Credit Information System (CIS) into monetary and financial statistics once it is implemented in 2023, which would also help reduce the reporting burden of credit-granting financial institutions. Additionally, as of July, the Section improved its monetary survey form to capture gender-disaggregated information, in line with the Bank's commitment to AFI, through the Maya Declaration.

6.1.3.2 External Sector Statistics

The Statistics Section contributed towards the revised methodology for estimating tourism earnings that is incorporated in the Balance of Payments statistics. The new method includes estimates of tourism revenue held abroad, which is calculated based on data for occupancy and room prices. In comparison, the previous method was largely based on foreign exchange inflows into the domestic economy, primarily the amount converted into Seychelles rupee through commercial banks and bureaux de change. In the context of its engagement with other stakeholders, the annual offshore sector survey was conducted jointly with FSA to collect relevant data required to compile the BOP statistics, specifically the international investment positions (IIP). Moreover, there were several meetings with the Seychelles Investment Board (SIB), Indian Ocean Tuna (IOT) and the Seychelles Tourism Board (STB) to improve data coverage for the BOP statistics.

6.1.4 CCBG Macroeconomic Subcommittee

As noted above, the Division represents the Bank on the CCBG Macroeconomic Subcommittee (MES). In line with its Terms of Reference (TOR), two meetings were held during the year, whereby various documents and research papers were considered. Amongst others, the Subcommittee discussed members' performance in

¹⁹ The MFSMCG (2016) has a more standardised approach in the treatment and classification of credit allocated to the private and public non-financial sectors based on their economic activities, which is guided by the International Standard Industrial Classification (ISIC) of all economic activities.

relation to the convergence criteria, the lingering effects of the COVID-19 pandemic on member states' economy, the implications of financial technological developments on monetary policy and financial stability, as well as the architecture required to capture big data. The Subcommittee also gave its approval for the research which RSD had been working on, entitled 'Climate change and its implications for inflation in the SADC region', and the paper was subsequently presented to the Governors at their meeting in June.

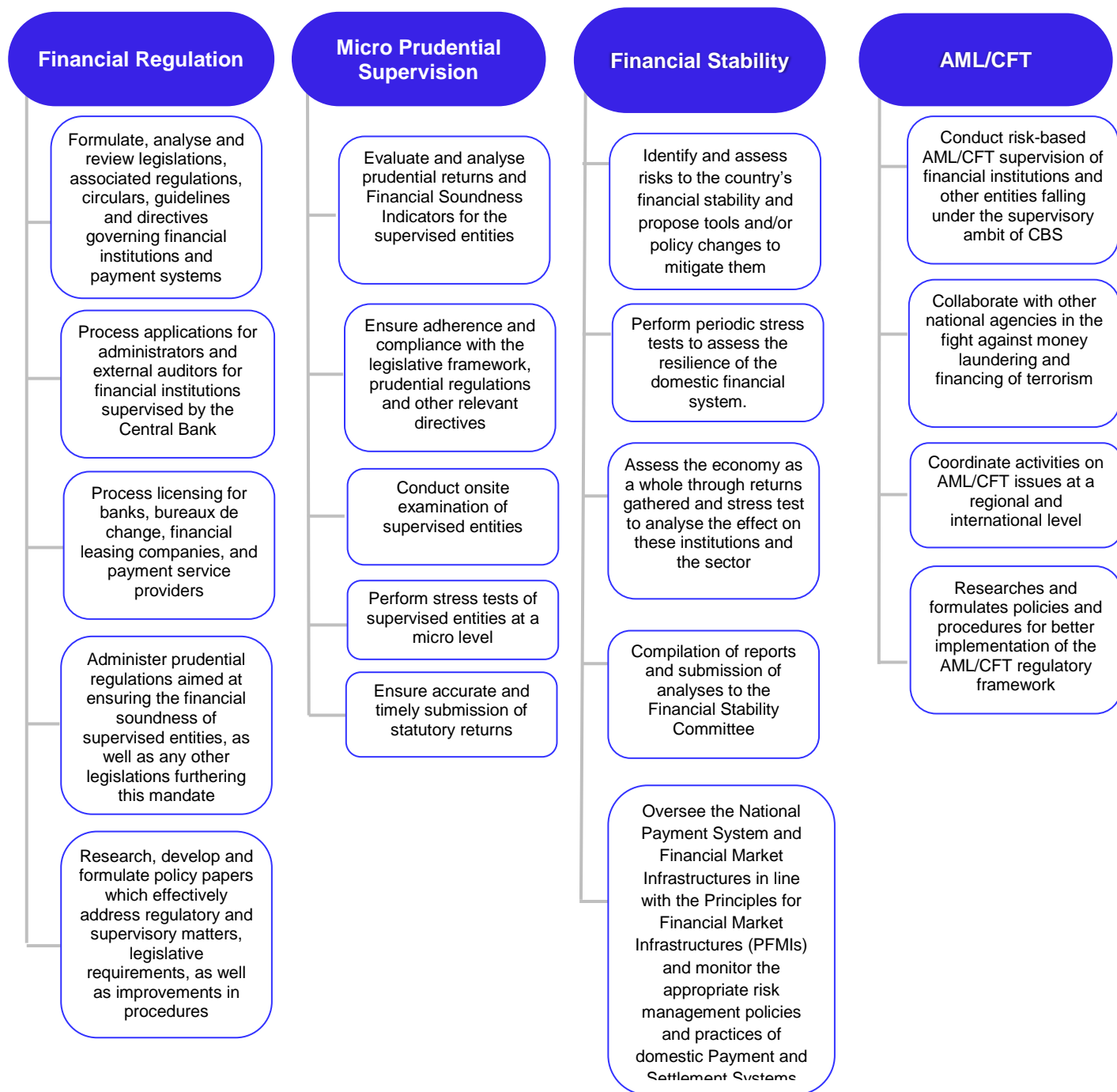
6.2 Financial Surveillance Division

The Financial Surveillance Division (FSD) aims to promote a sound financial system, which is one of the Bank's objectives enshrined in the CBS Act, 2004, as amended. Towards this end, the main functions of FSD are to (a) regulate and supervise institutions that fall under the Bank's regulatory ambit; and (b) regulate and oversee the national payment system.

The entities that fall under CBS' regulatory umbrella include banks, bureaux de change (BDCs), financial leasing companies, non-deposit taking financial institutions, credit unions, payment service providers (PSPs), and financial market infrastructures (FMIs).

FSD is organised into four sections, whose roles and functions are summarised below:

Chart 6.1: Summary of FSD's Sections



6.2.1 The Financial Regulation Section

The main duties of the Financial Regulation Section (FRS) include the processing of licence applications for banks, financial leasing companies, PSPs and BDCs. FRS also undertakes research on supervisory matters and makes policy recommendations pertaining to new and existing laws, regulations and other pronouncements as deemed necessary. Correspondingly, FRS seeks to remain abreast with developments in international standards, including those advocated by the Bank for International Settlements.

6.2.1.1 The financial sector

As at the end of 2022, there were 13 class A BDCs and 8 class B BDCs. The Bank issued only one PSP licence, bringing the number to 14 at year end. In regards to commercial banks, no new licence was issued during the year, and there were 7 commercial banks in operation. It is to be noted that a new bank was licensed in March 2021 but was yet to start operations in 2022.

6.2.1.2 Developments in the supervisory framework

The main developments relating to the regulatory framework in 2022 included:

- **Bank Resolution Framework**

A policy paper for the introduction of a resolution framework for banks was approved by the Bank's Board of Directors and Cabinet of Ministers in the fourth quarter of 2022. The framework forms part of CBS' initiatives to enhance the financial safety net by developing effective legislation that aligns with international standards, namely the Key Attributes of Effective Resolution Regimes for Financial Institutions, advocated by the Financial Stability Board. FSD will pursue work on drafting the legislation in 2023.

- **Basel III definition of capital**

During the second quarter of 2022, the Bank's Board and the Cabinet of Ministers approved the policy proposals on Basel III definition of capital. The standard aims to make the banking sector more resilient by strengthening the regulatory capital framework, raising the quality and quantity of banks' capital, introducing a leverage ratio to address excessive leverage, and addressing procyclicality in capital. Basel III definition of capital will be implemented alongside Pillar 1 of Basel II, for which the latter had reached advanced stages of drafting in 2022.

- **National Payment System (Electronic Money) Regulations**

In February, the Cabinet of Ministers endorsed the policy paper for the introduction of E-money Regulations. This was then followed by the submission of drafting instructions to the Attorney General's Office, and subsequently the gazetting of the E-money Regulations in December. As per the Regulations, existing E-money issuers have a transitional period of 6 months to ensure compliance with the Regulations.

FSD also pursued ongoing work to strengthen the regulatory and supervisory framework. This entailed the formulation of policy positions to amend existing legislations, including the Financial Institutions Act 2004, National Payment System Act 2014 and Credit Union Act 2009.

6.2.1.3 COVID-19 Pandemic Policy and Relief Measures

In 2022, as the country recovered from the COVID-19 pandemic, the associated policy and relief measures were effectively unwound. With no plans to introduce new measures, any moratoria are expected to be granted as per individual bank's policy and on the basis of appropriate credit risk assessment by the bank.

6.2.2 Anti-Money Laundering Section

The Anti-Money Laundering Section (AMLS) of the Bank was formally established with the enactment of the AML/CFT Act, 2020. The AMLS has the primary responsibility of conducting onsite and offsite surveillance of financial institutions under the purview of the Bank. During the year, the section conducted one full-scope onsite examination of a bank, and a limited-scope examination of a BDC. In addition to the conduct of onsite and offsite surveillance, the AMLS also undertook policy-related work in relation to AML supervision, both at the Bank level, as well as at national level, as part of the Technical AML/CFT Committee.

6.2.2.1 Enhancing Compliance with AML/CFT Requirements

Further work was undertaken in 2022 to enhance the legal framework of the country as it relates to AML/CFT, and improve compliance with international obligations. Amendments were made to the Prevention of Terrorism Act 2015, AML/CFT Regulations, and Prevention of Proliferation Financing Regulations. Furthermore, a set of Regulations was also enacted, as provided for under the AML/CFT Act, 2020.

The amendments to the legal framework have contributed to the work undertaken by NAC as well as the Technical AML/CFT Committee, along with providing input to the follow-up reports and re-rating requests made to the ESAAMLG. In 2020, Seychelles was upgraded on 3 recommendations (Recommendations 1, 26 and 29), whereas, in 2021, 7 recommendations were upgraded, making it a total of 10. In 2022, no recommendations were upgraded. However, submission was made in September for upgrades in 9 recommendations, being Recommendations 5, 6, 7, 15, 19, 25, 28, 33 and 34. The authorities will be discussing these in the next ESAAMLG meetings scheduled for March 2023.

During 2022, the AMLS also amended report templates and issued relevant guidance to supervised institutions. Moreover, it performed fit and proper assessments for administrators and compliance officers, in addition to the required due diligence as part of licence applications.

6.2.3 Micro Prudential Supervision Section

The Micro Prudential Surveillance Section's (MPSS) main responsibility includes the prudential offsite surveillance and conducting onsite examination on entities under the regulatory ambit of CBS, which include commercial banks, Non-Bank Credit Granting institutions (NBCI), Seychelles Credit Union, Bureaux de change, financial leasing companies and payment service providers.

6.2.3.1 Offsite surveillance

During the year, the MPSS conducted offsite surveillance of supervised entities through continual desk reviews, to ensure compliance with prudential and regulatory requirements. Supervised entities submit periodic prudential returns as required by section 40 of the Financial Institutions Act, 2004 (FIA), as amended.

The returns are compiled, reviewed, and analysed for the preparation of internal and external reports, and presentations. The trends are monitored to identify any adverse or significant movements in the prudential indicators. Moreover, the areas of concerns or emerging risks were verified to ensure that precautionary or corrective measures were taken in a timely manner to remedy the financial institutions' position.

6.2.3.2 Onsite surveillance

As regards onsite surveillance, similar to the previous year, the MPSS could not conduct any physical exercise at the beginning of the year due to some of the COVID-19 health restrictions that were still in place. Nevertheless, the examiners initiated a limited scope examination of one commercial bank towards the end of the year. Furthermore, MPSS monitored the adherence to the recommendations set in the examination reports and conditions required in the remedial agreements, for two commercial banks and one NBCI.

6.2.3.3 Risk-Based Supervision Framework

MPSS' engagement with Deloitte Touche Tohmatsu India LLP (Deloitte) for post implementation support of the Risk-Based Supervision (RBS) framework came to an end in February. The assistance included the review and assessment of the Internal Capital Adequacy Assessment Process (ICAAP) submitted by banks and guidance with the RBS model. However, due to some challenges encountered with the RBS model during the year, MPSS engaged with the consultant for the enhancement and re-calibration of the model. Moreover, the US Department of the Treasury's Office of Technical Assistance (US OTA) provided capacity-building in respect of the RBS implementation. The guidance received included the discussion and design of a Supervisory Procedures Manual and plan for the coming year, with the aim of intensifying MPSS' core objective of conducting onsite examination, aligned with the RBS programme. Engagement was also done with the Regional Technical Assistance Centre for Southern Africa (AFRITAC South – AFS) for further support in relation to the review of commercial banks' ICAAP.

6.2.3.4 Statistical Framework

In relation to the statistical framework, similar to the previous year, MPSS received TA from the US OTA to improve the data collection and compilation of the statistical returns, as well as to assess the data requirements, with the intention of streamlining the process Bank-wide. This comprised the review and calibration of the current monthly prudential returns, in addition to consultation and analysis of feedback from the banking industry.

6.2.4 Financial Stability Section

The primary duty of the Financial Stability Section (FSS) is monitoring and evaluating risks, within the domestic financial system, that could lead to potential systemic shocks. To achieve the objective of preserving financial stability, FSS identifies potential accumulation of systemic risks stemming from both global and domestic fronts, following which pertinent mitigating actions are proposed to the Financial Stability Committee (FSC) whose mandate is to promote domestic financial stability. Additionally, the oversight of the national payment system is conducted by FSS.

Financial stability risks remained present given the uneven recovery of the economy during the year under review. Notwithstanding the global phasing out of travel and health requirements relating to COVID-19, the

prolonged effects of the pandemic weighed heavily on the overall outlook. Vulnerabilities stemming from the higher-than-expected inflation, tightening of financial conditions in most regions, disrupted supply chains, and Russia's invasion of Ukraine contributed towards hindering economic growth.

On a positive note, a quicker than anticipated revival in the local tourism industry helped cushion the above-mentioned shocks and contributed to positive growth in domestic economic activity.

6.2.4.1 Enhancing the Seychelles Financial Stability Framework

Work continued on the domestic Financial Stability Framework, a policy paper, with a focus on the necessary governance, as approved by the Cabinet of Ministers in May. The paper identified a number of priority areas that will need to be addressed in the short to medium term and initiated the drafting of the necessary legislation, which started in June. The new law is expected to address the lack of a domestic legal framework that considers the constantly changing risks and further promotes financial stability. Significant work was undertaken to address the key areas and shortcomings outlined in the policy paper, consisting of the formation of an inter-stakeholder technical subcommittee made up of technical staff from FSC member institutions. Another important task involved a stock taking exercise of the various legislative and regulatory reforms being undertaken by the regulatory authorities.

6.2.4.2 Domestic Systemically Important Banks

Work towards operationalising the Domestic Systemically Important Banks (D-SIBs) framework continued during the year under review, specifically towards the capital surcharge element of the framework. The approval of the policy proposals for Basel III definition of capital by the Cabinet of Ministers included components that will allow for the drafting of the relevant regulations for implementation of the capital surcharge.

6.2.4.3 Financial Market Infrastructures Oversight Framework

Based on past Principle of Financial Market Infrastructure (PFMI²⁰) assessments, the infrastructures operated by CBS were considered to be compliant with the requirements. Nonetheless, to enhance risk management and the resilience of FMIs in Seychelles, CBS recognised the need to build and execute a comprehensive oversight framework. This will help increase its oversight capacity, which is essential for the stability of the financial system in light of the ongoing initiatives to modernise the national payment system. Work was initiated to draft a framework, which would address priority areas and inadequacies in the current structure.

6.2.4.4 Unwinding of regulatory forbearance measures

With the aim of reducing the effects of COVID-19 on the domestic financial system, CBS put forth a number of measures to assist financial institutions. One of such measures used by CBS as part of its policy package was the provision of a moratorium and rescheduling of loan facilities by credit-granting institutions to their clients. In light of the recent rollback of policy measures, particularly the withdrawal of forbearance on asset

²⁰ The PFMIs are the international standards for financial market infrastructures, i.e. payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories. They were issued in April 2012 by the Committee on Payments and Market Infrastructures of the Bank for International Settlements (BIS) and the Technical Committee of the International Organisation of Securities Commissions (IOSCO).

categorisation, CBS conducted an evaluation in partnership with IMF to assess the asset quality of banks. The assessment, which was a structural benchmark agreed with IMF was finalised in September, and its main findings highlighted the uneven recovery of the domestic economy. In order to regularly evaluate the effects of rolling back these policy measures, CBS endeavours to closely monitor the development of the asset quality of the banking sector.

6.3 Financial Markets Division

The Financial Markets Division (FMD) has three main responsibilities; to manage the country's international reserves, implement the monetary policy of the Bank and administer the government (Treasury) securities market. Day-to-day functions of the Division are executed through three main offices, which are the front, middle and back offices. These offices are properly segregated as part of the internal control framework applied, which is consistent with international standards.

The Market Operations (MO) Section serves the role of the front office where all the operations are undertaken. It involves the investment of the country's international reserves, in line with the Bank's Investment Policy and Guidelines. Additionally, the front office conducts open market operations (OMOs), among other monetary policy implementation tools of the Bank. It also does the issuance and management of government and government-guaranteed securities in line with the role of the Bank, as agent to the government.

The middle office function is undertaken by the Financial and Risk Analysis (FRA) Section. Its main role is to analyse and report financial risks in the conduct of the activities under the mandate of the FMD. The middle office also monitors compliance of the front and back offices against the limits set within guidelines, policies and approved strategies. As such, the middle office is regarded as another layer of defence against risks that may impede the undertakings of the front and back offices. Furthermore, the middle office also supports the MPTC and Investment Committee (IC) by providing the quantitative and analytical bases for decision-making.

Finally, the Settlement and Accounting (SA) Section assumes the role of the back office. Its prime objective is to conclude the transactions of the front office through accurate and timely trade confirmations and settlements. Additionally, the SA Section conducts the accounting and maintenance of the portfolios and products within reserves management and open market operations.

6.3.1 Open Market Operations

To support the domestic economy towards the recovery path following the implications of the COVID-19 pandemic, the Board consistently maintained an accommodative monetary policy stance throughout 2022. Accordingly, the OMO strategy was aligned to the Board's decision where the operations were conducted once per week, through the DAA, at a fixed volume of R200 million. The only tenor on offer was the 7-day DAA, following the suspension of the bi-monthly offer of the 1-month and 2-month DAAs, since February 2021. This was part of the strategy to support the financing requirements of the government, which was mainly through increased issuances of T-bonds.

For the year under review, a total of R10,200 million worth of DAA was issued, which was 8.7 per cent lower than the volume of R11,175 million in 2021. Correspondingly, the interest cost for OMO decreased by R1.3 million compared to the previous year to R0.9 million. At end-2022, the overall stock of DAA stood at R200 million, which was similar to the position at the end of 2021.

6.3.2 Standing Facilities

The total number of placements in SDF increased from 1,658 in 2021 to 1,938 in 2022. In value terms, the sum of placements in 2022 was R538,032 million as opposed to R346,161 million in the previous year. This showed that although the number of placements increased by only 17 per cent from 2021 and 2022, the volume of placements increased by 55 per cent during the year under review. Consistently, the interest cost for SDF in 2022, which amounted to R7.4 million, was 19 per cent higher than in 2021. The higher turnout in the SDF was mainly due to the limited avenues for investment of excess liquidity, as well as the relatively low volumes of DAA offered during the year. As regard SCF, no request was received for the period under review, given that the banks were sufficiently liquid.

Table 6.1: Standing Facility Placements (2022)

	Standing Deposit Facility (SDF)		Standing Credit Facility (SCF)	
	Amount	Interest paid	Amount	Interest earned
Q1	161,298	2.21	-	-
Q2	150,948	2.07	-	-
Q3	119,861	1.64	-	-
Q4	105,925	1.45	-	-
Total	538,032	7.37	-	-

Source: Central Bank of Seychelles

6.3.3 Management of Government Securities

The Division is mandated to issue and manage government's domestic securities, including those guaranteed by government, over their lifecycles. During the year being reviewed, government continued to issue both T-bills and T-bonds for fiscal purposes. Notably, as part of the decision taken in 2021 to restructure its domestic debt to improve the debt sustainability of the country, government continued to shift towards T-bonds issuance in 2022 whilst reducing the issuance of T-bills. As for the issuance of government securities for monetary policy purposes, similar to the preceding year there was none during the year under review. This was to provide more room for government to raise funds to finance its budgetary requirements and that was also consistent with the prevailing monetary policy stance.

6.3.3.1 Treasury Bills

Throughout 2022, T-bills auctions were conducted once a week for fiscal purposes. Consistent with the domestic debt restructuring strategy adopted by government since mid-2021, the volume of T-bills issued was lower compared to 2021. By the end of 2022, R1,169 million worth of T-bills had been issued at face value, representing a decrease of R4,334 million or 79 per cent compared to an issuance amount of R5,503 million

in the previous year. Consequently, the stock of T-bills declined by 57 per cent at the end of 2022 to R1,088 million, from R2,511 million at the end of 2021.

6.3.3.2 Treasury and Government-Guaranteed Bonds

Issuance of T-bonds for fiscal purposes was scheduled on a quarterly basis during 2022. In total, eleven T-bonds and two government-guaranteed DBS bonds were issued. All these bonds were issued through an auction-based mechanism, which included both competitive and non-competitive biddings. The competitive biddings were available to depository institutions, insurance companies and the Seychelles Pension Fund only, whilst the non-competitive biddings were available to all other eligible investors. The bonds were issued in the tenors of 3-year, 5-year and 7-year with varying coupon rates for each quarterly issuance. The coupon rates ranged from 2.50% to 3.15%, 4.30% to 4.65%, and 5.00% to 6.15%, respectively. Government also guaranteed two DBS bonds during 2022, which were issued in the 5-year tenor with a coupon rate of 3.75% on the first issuance in March and 4.25% on the second issuance in April. To note, the second issuance was executed because the first one was undersubscribed by 71 per cent or R143 million, against the indicative amount of R200 million.

As regard the level of participation in the bond auctions, this was very low in the first quarter of 2022 compared to the rest of the quarters. Hence, whilst there was an overall undersubscription by 53 per cent in the first set of bond issuances, oversubscriptions were observed in the subsequent quarters. In total, government issued a sum of R1,489 million worth of bonds, of which R1,296 million were T-bonds, and R192 million were government-guaranteed bonds. Nonetheless, the total issuance of T-bonds and government-guaranteed bonds was 66 per cent less than that of 2021. This was mainly in view of the substantial sum of R1,217 million issued in 2021 under the Liability Management Operations (LMO), whose objective was to convert a portion of the T-bills stock into longer-term instruments, being the T-bonds, to reduce the refinancing risk associated with stock of T-bills that government held.

Table 6.2: Issuances of Government and Government-guaranteed Bonds

Quarter	Bond	Issuance Amount (R million)	Indicative Amount (R million)
Q1	2.50% 3-year Treasury Bond	128.53	250.00
	3.75% 5-year DBS Bond	57.18	200.00
	5.00% 7-year Treasury Bond	141.41	250.00
	Total	327.12	700.00
Q2	2.70% 3-year Treasury Bond	166.78	250.00
	4.30% 5-year Treasury Bond	151.54	200.00
	4.25% 5-year DBS Bond	135.12	150.00
	5.90% 7-year Treasury Bond	210.31	250.00
Total	663.73	850.00	
Q3	2.90% 3-year Treasury Bond	37.95	50.00
	4.40% 5-year Treasury Bond	138.33	75.00
	5.90% 7-year Treasury Bond	120.26	75.00
Total	296.53	200.00	
Q4	3.15% 3-year Treasury Bond	65.65	50.00
	4.65% 5-year Treasury Bond	34.18	75.00
	6.15% 7-year Treasury Bond	101.34	75.00
Total	201.17	200.00	

Source: Central Bank of Seychelles

In terms of maturity, a total of R200 million worth of bonds matured during the year, of which R50 million was the 6.00% 3-year DBS government-guaranteed bond issued in 2019, and R150 million was the 6.50% 5-year T-bond issued in 2017 for monetary policy purposes. As a result, the outstanding stock of bonds for monetary policy purposes reduced from R500 million at the end of 2021 to R350 million at the end of 2022. On the other hand, the outstanding stock of T-bonds issued for fiscal purposes increased by 29 per cent to R5,752 million, compared to R4,456 million in 2021. The increase was mainly due to government debt management strategy adopted in mid-2021 to lengthen the debt maturity profile. The outstanding stock of government-guaranteed bonds was R242 million for DBS and R12 million for PMC.

6.3.3.3 Purchases of Government Securities

The facility to purchase government securities from investors was one of the measures approved by the Board in 2020 to support investors in need of liquidity following the outbreak of the COVID-19 pandemic. For 2022, the Board approved a limit of R50 million worth of securities that the Bank could purchase from the market. However, the facility was closed to the public in mid-2022. This was part of the unwinding strategy pertaining to the COVID-19 policy and relief measures, whereby the Board decided not to accept new applications for the facility as from July 18, 2022 in view of the positive macroeconomic outlook. For the period that the facility was operationalised during the year, a total of thirteen applications were received, all of which from individuals. As indicated in Table 6.3, only R5.4 million were purchased, representing 11 per cent of the approved limit. Of the total, 74 per cent were T-bonds, and 26 per cent were government-guaranteed bonds.

Table 6.3: CBS Purchases of Government/Guaranteed Securities (2022)

Type	Individual	Private Company (SCR)	Grand Total
Government Bond	3,978,000	-	3,978,000
Government-Guaranteed Bond	1,420,000	-	1,420,000
Treasury Bill	-	-	-
Grand Total	5,398,000	-	5,398,000

Source: Central Bank of Seychelles

6.3.3.4 Central Bank's Holdings of Government Securities

Similar to the previous year, the Bank's holdings of T-bills, which is referred to as the marketable T-bills were rolled over upon maturity in their respective tenors. These marketable T-bills are based on an MOU signed between the Ministry responsible for Finance and the Bank. At the end of 2022, the total stock of marketable T-bills remained at the level reported in 2021 at R1,185 million, of which R747 million was in the 182-day tenor and the balance of R438 million in the 365-day tenor. As for the Bank's holdings of government securities from purchases in the market in the event of force majeure, this stood at R13 million by the end of 2022, with an almost equal share in both T-bonds and government-guaranteed bonds.

6.3.4 Management of External Reserves

By way of the CBS Act, 2004, as amended, the Bank has the mandate to hold and manage the international reserves of the country. There is a variety of macroeconomic rationales, which prompts a country to hold and manage an adequate level of readily available international reserves at all times. For Seychelles, these macro-level objectives consist of providing support to the domestic monetary and foreign exchange policies, repayment of foreign currency debts, and other operational obligations, as well as a buffer for balance of payments shocks in times of economic crises, national disasters or other emergencies.

The Board provides guidance for the management of international reserves through the Investment Policy, which specifies the investment objectives and risk limits in line with the above-mentioned macroeconomic rationales. In order of priority, the first investment objective is capital preservation, which is to ensure that investment strategies adopted involve the prudent management of associated risk to preserve the principal capital position of the portfolio. The second objective of liquidity implies guaranteeing that the international reserves can be readily mobilised to satisfy the above-mentioned rationales for holding reserves. The third objective is return generation and this allows for adding value to the capital position through higher-yielding investment strategies to help in achieving the rationales for maintaining international reserves.

As a result of the dynamic nature of the global financial markets, the international reserves management activities continued to be challenging during 2022. With two years since the onset of the COVID-19 pandemic, markets were resolute towards the path of economic recovery with major central banks adjusting their policy rates and governments rolling out stimulus packages to revive their economies. Nonetheless, new threats to recovery emerged in the form of new variants of the COVID-19 virus impacting various regions, with China being hit hard and having to impose strict measures to curb the infection rate. Record high inflation levels

were also observed worldwide, negatively impacting various economic sectors and households. Moreover, the world witnessed a full-scale war erupt on the European front when Russia attacked and invaded Ukraine following disputes regarding the expansion of the North Atlantic Treaty Organisation (NATO) near its borders. Amidst all the external developments, the currency composition of international reserves remained predominantly concentrated in the US dollar as it is considered a safe-haven currency and therefore less volatile in times of crises.

At the end of the year under review, the GIR closed at US\$639 million; a decline of approximately 9.0 per cent from the previous year's level of US\$703 million. Notably, the level of GIR attained the previous year was heavily supported by budget support loans and grant receipts from external bodies. In addition, inflows from IMF disbursements under the new EFF and increased Special Drawing Rights (SDR) holdings following the IMF's approval to aid member nations amidst the pandemic, contributed to the level of GIR in 2021. For 2022, less inflows were recorded with US\$13 million received from the Eastern and Southern African Trade and Development Bank in terms of budget support loans and grants, in addition to US\$17 million received from IMF disbursements. The NIR, being one of the quantitative performance criteria under the EFF, closed at US\$472 million at the end of December, surpassing the target of US\$426 million by US\$46 million.

In terms of return generation, a reverse trend was observed in 2022. Where the previous year saw central banks maintaining rates near 0%, for 2022 most major central banks hiked rates. Particularly, the Federal Reserve (Fed) increased rates a total of seven times in 2022 and it is worth noting, even the European Central Bank (ECB) hiked rates in the second half of 2022, effectively ending the eight-year reign of negative rates in the euro area. As a result of the rate hikes, counterparties increased rates offered for money market investments, namely fixed deposits, whereby the Bank saw a significant US\$5.2 million boost in return generation for the fixed deposit portfolio from the previous year's position of US\$0.7 million. Conversely, the hike in interest rates on the US front negatively impacted US bond investments managed by the Bank and external managers. In a bid to diversify investments and gain more traction on return, in 2022 the Bank increased the Crown Agents Investment Management (CAIM) Limited mandate to investments in Chinese Renminbi (CNY). Nonetheless, while the bond portfolios benefited from the increase in yields, the portfolios declined in value, cognisant of the inverse relationship between price and yield in the bond markets. As such, the return on the bond portfolios recorded a loss of US\$6.7 million due to price adjustments amidst the Fed's rate hike cycle. Overall at the end of 2022, the Bank recorded a negative return position of US\$0.6 million on international reserves, representing a rise in negative return of 176 per cent from the negative position of US\$0.2 million achieved in 2021.

Over and above the conditions externally, the domestic market also continued its path towards recovery. Notably, the domestic foreign exchange market remained relatively stable during the year with only one FEA conducted and this was in February. The FEA was to mop up the excess supply, whereby a total of US\$2.5 million was purchased from the domestic market. Details on the FEA conducted during the year are illustrated in the table below.

Table 6.4: Foreign Exchange Auctions (FEA)

Purchase of Foreign Exchange			
	US\$ millions	Average Exchange Rate	Equivalent in SCR millions
Feb-22	2.45	14.5276	35.59

Source: Central Bank of Seychelles

6.3.5 CCBG Financial Markets Subcommittee

The CCBG-Financial Markets Subcommittee (FMS) held its annual meeting in March, which was virtual as was the case in the previous year. The prime purpose of the meeting was to assess the progress on the implementation of the CCBG Strategic Focus Area (SFA) 4 on promoting financial market integration in SADC and review progress made on the current projects. Such projects undertaken by the CCBG-FMS aim to develop and harmonise financial markets in the SADC member countries.

Similar to the preceding year, the CCBG-FMS presented its report on recent financial market developments in SADC to the SADC Governors during the year being reviewed. The report also included the outcomes of the projects on assessing the status of adherence to international standards and market data sharing. To note, following the assessment undertaken on the current status and progress made by member countries on the adoption of international standards and/or best practices, the CCBG-FMS found it necessary to hold a webinar on the adoption of the Foreign Exchange Global Code, . The webinar which was held in June, to address certain issues raised by members. T, was hosted by the South African Reserve Bank in collaboration with Global Foreign Exchange Committee and the ACI Financial Markets Association.

In line with the SFA 4 objectives, the CCBG-FMD also made certain recommendations to the SADC Governors for enhancing cross-border investments through capital markets among SADC countries. These included the modernisation of trading and settlement systems as well as the achievement of delivery-versus-payment in the settlement of securities transactions. Additionally, following proposals made in the previous year towards broadening the range of financial instruments available in the financial markets, the Committee provided an update to the CCBG on the progress made by each member country. Furthermore, as part of the initiative to develop a Financial Markets Development Index for the SADC region, in collaboration with the Official Monetary and Financial Institutions Forum (OMFIF), all members with the exception of one, were included in the ABSA Africa Financial Markets Index for 2022, following the onboarding of three new member countries during the year being reviewed.

6.4 Banking Services Division

The Banking Services Division (BSD) manages banking services and operations, currency and numismatics activities, and financial reporting. BSD is organised into the Banking and Financial Reporting Section and the Currency and Numismatics Section.

6.4.1 Banking and Financial Reporting Section

The Banking and Financial Reporting Section has three sub-units; Foreign Banking Operations (FBO), Domestic Banking Operations (DBO) and Financial Reporting (FR). The FBO and DBO Units act as banker

to and manager of customers' accounts with the Bank, and manage the Bank's internal accounts and accounting processes. Additionally, the DBO Unit is the operator of the domestic payment system platforms. The FR Unit has the responsibility of coordinating the Bank's yearly budget exercise, monitoring the budget, and preparing financial statements.

6.4.1.1 Foreign Banking Operations

The FBO Unit is responsible for the foreign-currency denominated accounts held by the Bank on behalf of the government, commercial banks and other financial institutions. The accounting for all foreign currency related transactions on the customers' accounts and those of the Bank's administrative and operational activities, excluding those of reserves management transactions, fall under the Unit's responsibility. The Unit also manages the IMF accounts relating to purchases and repurchases in relation to the country's borrowing arrangements with the Fund as well as any other transaction between the two parties.

6.4.1.1.1 Correspondent Banking Relationship

The FBO Unit maintained good working relationships with CBS' correspondent banks and remained proactive in ensuring compliance with regulatory requirements by working closely with the Bank's Compliance Unit to strengthen efforts towards the implementation of international standards and best practices with respect to transparency of transactions, and in the context of AML/CFT. CBS' correspondent banks include the Federal Reserve Bank of New York, Bank of England, Banque de France, JP Morgan Chase and Crown Agents Bank (CAB). In order to improve service delivery, the Unit continued to explore and, where possible, tapped into new opportunities for processing payments in currencies, which are not often used, via the services offered by its correspondent banks, where these could not be performed through the local commercial banks.

The Unit remained up to date with the developments and maintained engagement with its correspondent banks and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) Service Provider on the SWIFT ISO 20022 migration project, to ensure the Bank's smooth preparation for completion of migration by November 2025.

6.4.1.1.2 SADC Real Time Gross Settlement System – Integrated Regional Electronic Settlement System

The SADC Real Time Gross Settlement (RTGS) system was maintained for processing cross-border payments in ZAR in the SADC region. The second quarter of 2022 recorded the highest total value of settled transactions amounting to ZAR5.4 million, although it was a decrease of 13 per cent compared to the third quarter of 2021, when the highest total value was registered for that year. Meanwhile, the first quarter of 2022 observed the lowest total value of settled transactions at ZAR4.3 million, but was still higher when compared to the lowest total value of ZAR1.9 million recorded in the first quarter of 2021.

Moreover, a general increase of 7.2 per cent was observed in the total number of transactions, as well as an expansion of 12 per cent in the total value of transactions settled in 2022 compared to 2021, which was mainly attributable to higher volumes and value of ZAR-denominated government payments processed.

Table 6.5: Total number and value of settled SADC RTGS transactions (2021 – 2022)

Month	Total number of settled transactions		Total value of settled transactions (ZAR '000)	
	2021	2022	2021	2022
January	36	30	244	1,044
February	27	41	683	1,488
March	44	49	984	1,759
April	35	37	192	2,210
May	44	38	2,309	1,710
June	27	39	2,547	1,484
July	44	48	2,656	1,756
August	45	48	1,795	2,083
September	38	38	1,779	1,493
October	36	40	831	1,280
November	45	50	1,851	1,763
December	50	47	1,995	1,992
Total	471	505	17,866	20,062

Source: Central Bank of Seychelles

6.4.1.1.3 SWIFT Sanctions Screening Solution, Payment Confirmation and Payments Security Control

During the first quarter of 2022, SWIFT announced the upgrading of the existing Sanction Screening Service to the SWIFT Transaction Screening Service. The FBO Unit took the lead in the implementation of the project, which was successfully completed by the third quarter of 2022. SWIFT Transaction Screening is a SWIFT-hosted service that combines a web-based screening application with automatic list updates, an alert management service, and API²¹ integration capability to screen transactions against listings and exceptions records. The new service addresses the need for banks to improve their screening efficiency, reduce false positive hits, and improve alert handling. It is also compatible with ISO 2022 messages. Hence, it facilitates instant transactions without compromising on compliance.

Moreover, the Bank maintained its use of the SWIFT Basic Tracker Tool to provide up-to-date information on the status of payments through the timely confirmation of receipts and payments. Additionally, in December, the Bank implemented the East Net Payment Guard Solution, which provides for an additional layer of security in monitoring users' activities and payment flows on the SWIFT platform, in the management of risks of fraud.

6.4.1.2 Domestic Banking Operations

The local currency denominated accounts held by the Bank on behalf of the government, commercial banks and other financial institutions and those for the Bank's administrative and operational activities are under the responsibility of the DBO Unit. The Unit maintains and keeps records of all local currency transactions, addresses account-related queries, and closely monitors the government general account balance to assess the need to provide advances to the government as per the MOU between CBS and the Ministry responsible for Finance. The Unit also provides back office settlement and accounting facilities to FMD when issuing government securities.

²¹ Application Programming Interface, which is a programmatic way to access functions and data of other apps.

The DBO Unit is also the operator and a participant of the various payment systems infrastructure; ECC, SWIFT-based CBSITS and SEFT. In this role, it is assisted by TSD, which provides technical support to the systems' participants, the development of these systems, and other similar local payments and settlement initiatives.

6.4.1.2.1 SEFT and ECC system updates

6.4.1.2.1.1 Changes to Participants in SEFT and ECC Systems

In line with the rules governing the ECC and SEFT, the DBO Unit is responsible for registering or removing participants as and when required. In 2022 no new participant was added and none of the existing ones were removed from these platforms.

6.4.1.2.1.2 ECC System – Simulation exercise

During the year, the DBO Unit conducted a simulation exercise to test the readiness of all participants to clear cheques manually, in line with the Manual Cheque Clearing Procedure (MCCP), in the event the ECC system fails both at the ECC main site and Disaster Recovery (DR) site rendering the system unusable. The exercise provided an opportunity to share knowledge and identify areas that needed improvement. Henceforth, the exercise will be performed annually as part of the Bank's Business Continuity (BC) activities.

6.4.1.2.2 CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI) Assessment Action Plan

During the year, technical assistance from the US OTA addressed some of the shortcomings identified following an assessment, conducted in 2019, of the local financial market infrastructures against the PFMI. Some of the recommendations have since been addressed, such as improvement in the end of day procedures and deadline for same-day settlement. However, there are some ongoing work to be done, such as establishing a collateral framework.

6.4.1.2.3 ECC and SEFT Statistics

During the year under review, growth was observed in the volume and value of transactions routed through the SEFT system. This was driven by increases in usage by the public as well as entities that have adopted the system for processing payments. The table below shows the volume and value of SEFT and ECC transactions in 2022 compared to 2021. In terms of cheque transactions, the volume reduced by 2.1 per cent in 2022 compared to 2021, although the value of such transactions increased by 1.9 per cent over the same period.

Table 6.6: Total volume and value of SEFT and ECC transactions (2021 – 2022)

	Total volume of transactions ('000)		% change	Total value of transactions (R million)		% change
	2021	2022		2021	2022	
SEFT Transactions	1,148	1,438	25	21,733	25,041	15
ECC Transactions	619	606	-2.1	13,397	13,649	1.9

Source: Central Bank of Seychelles

6.4.1.3 Financial Reporting Unit

The periodic preparation of management accounts and financial statements, including the monthly and annual statements of financial position published in the Official Gazette, is undertaken by the FR Unit. Additionally, the Unit coordinates the preparation of the Bank's annual budget, based on input from the different Divisions and Units, for approval by the Board of Directors. Thereafter, the Unit monitors and analyses the Bank's recurrent and capital budget performances, and reports to Senior Management and the Board. Other reports which are compiled by the Unit are, the daily, monthly and quarterly income and expenditure reports which are circulated to Senior Management.

In addition, the Unit assesses the impact of adopting new financial reporting standards on the Bank's reporting requirements and coordinates the preparation for their adoption and implementation. The Bank's financial statements are prepared annually in accordance with IFRS principles and the CBS Act, 2004, as amended. These are audited by the Office of the Auditor General, with the assistance of an independent external auditor. For the financial year ending December 31, 2022, Deloitte Touche Tohmatsu Limited (Deloitte) from South Africa was, for the fifth and final year, the Bank's external auditor, in line with the Bank's policy for the rotation of auditors.

Following its appointment on March 02, Ernst and Young (EY) (Mauritius) provided the Bank with advisory services for Accounting and Financial Reporting in accordance with IFRS for the first year.

During the year, the procurement process was initiated by the Bank to obtain actuarial and consultancy services for the computation of the annual International Accounting Standards (IAS) 19 employee benefits valuations as applicable under IFRS for accounting and disclosure purposes, and also the provision of any general or specific advice that the Bank may require in relation to all aspects of employee benefits that fall under the scope of IAS 19. The actuarial service provider is expected to provide the services for a period of three years (continuous service) with the possibility of renewal. The procurement process is expected to be completed by the first quarter of 2023. The Bank's actuarial service provider for the year ending December 31, 2022 was Aon Solutions Ltd.

6.4.2 Currency and Numismatics Section

The Currency and Numismatics Section manages the issuance of the local currency and that of numismatics items, which include commemorative gold and silver coins and coin packs, the latter being produced by the Bank.

6.4.2.1 Management of Local Currency

As mandated by the CBS Act, 2004, as amended, the Bank through the Currency and Numismatics Section, managed the domestic cash cycle by ensuring sufficient supply of good quality local currency banknotes and coins to the domestic economy through the banking system, and by withdrawing those that are soiled or unusable.

6.4.2.2 Changes and Operational Measures Due to COVID-19 Pandemic

For the first half of the year, the Currency and Numismatics Section maintained adherence to applicable health and safety procedures aimed at minimising the risks of transmission of the COVID-19 virus. Some of the preventative measures included sanitising of hands upon entering the CBS building and before effecting cash transactions over the counters, temperature checks, and compulsory wearing of face masks which were practiced at the beginning of the year. However, as the number of positive cases reduced, the Ministry of Health announced the easing of its public health measures which subsequently led to the wearing of masks and taking of clients' temperature becoming non-compulsory. Nevertheless, the Bank continued to encourage good hygiene practices to help reduce the spread of any form of infection and viruses within the Bank.

The banknote destruction exercise which had been suspended since 2020 as a result of the pandemic, resumed during the fourth quarter of 2022. This followed the approval of the revised Destruction Policy and Procedures by the Board of Directors, which addressed limitations in the previous process. Moreover, it attempted to modernise and reinforce efficiency, accountability, and transparency in the destruction exercise.

6.4.2.3 Issuance of Banknotes

The Bank issued approximately 1.9 million pieces of fresh banknotes into circulation in 2022, amounting to approximately R350 million. The table below provides the breakdown in terms of denomination and total value of issuance.

Table 6.7: New Banknotes issued into Circulation (2022)

Denomination	Number of Pieces ('000)	Value in R million
R500	419	210
R100	1,376	138
R50	26	1.3
R25	40	1.0
Total	1,861	350

Figures do not necessarily add up due to rounding off conventions

Source: Central Bank of Seychelles

6.4.2.4 Destruction of Soiled and Mutilated Banknotes

In its ongoing endeavour to improve the quality of banknotes, those soiled or mutilated were continuously removed from circulation and set aside for destruction. In the destruction exercises conducted in 2022, approximately 1.1 million pieces of banknotes, equivalent to almost R28 million were destroyed in the R25 denomination only. These banknotes were of the current series issued in 2016, under the theme Seychelles' Unique Biodiversity – the Backbone of our Economy. The destruction exercises were conducted under strict compliance with the Bank's revised Banknote Destruction Policy and Procedures.

6.4.2.5 Demonetisation

Demonetisation is the act of withdrawing the legal tender status of a currency by the issuing authority. Once demonetised, the currency is no longer accepted as a means of payment or settlement for goods and services. In June 2017, subsequent to the launch of the new currency series in December 2016, the President, on the

recommendation of the CBS' Board of Directors authorised CBS to implement Section 23 (1) of the CBS Act, 2004, as amended to demonetise R500 and R100 banknotes from the 2005 and 1998 series respectively. Similarly, in February 2018, the remaining denominations of the 1998 series, namely R50, R25 and R10 were also demonetised.

In August, five years following the demonetisation of R500 and R100, the Board of Directors approved to effect Section 23 (2) of the CBS Act, 2004, as amended. Section 23 (2) warrants the transfer to the Consolidated Fund account, an amount equivalent to the face value of any such banknotes and coins remaining in circulation for five years after which they ceased to be legal tender. The said amount shall be written off the liabilities of the Bank. Therefore, on December 29, a total of R82 million was credited to the Consolidated Fund account. As shown in Table 6.8, R37 million and R45 million of the R500 and R100 denominations respectively, were written off the liabilities of the Bank. In line with Section 23 (2) of the CBS Act, all exchanges of the demonetised R500 and R100, are to be debited from the Consolidated Fund account.

The face value of the demonetised denominations of the 1998 series, which includes R50, R25 and R10, yet to be removed from currency in circulation, will remain as liabilities to the Bank until 2023. Table 6.9 shows the data of the previous series of banknotes collected by denomination, from December 05, 2016, the date on which the new family of banknotes and coins was first issued, up to the end of 2022.

Table 6.8: Demonetised banknotes remaining in Circulation as at August 2022 and Transferred to Government

Denomination	Balance of previous banknotes in circulation as at December 04, 2016	Previous series banknotes withdrawn from circulation from December 05, 2016 to August 29, 2022	Amount remaining in circulation as at August 29, 2022
	(R million)	(R million)	(R million)
R500	785	748	37
R100	205	160	45
Total	990	908	82

Source: Central Bank of Seychelles

Table 6.9: Demonetised Banknotes withdrawn from Circulation as at end-2022

Denomination	Balance of previous banknotes in circulation as at December 04, 2016 (R million)	Previous series banknotes withdrawn from circulation from December 05, 2016 to December 31, 2022 (R million)	Amount remaining in circulation as at December 31, 2022 (R million)	% withdrawn from circulation as at December 31, 2022
R50	29	16	13	55
R25	20	11	9.0	55
R10	25	8.2	17	33
Total	74	35	39	48

Source: Central Bank of Seychelles

6.4.2.6 Numismatic Items

During the year under review, suspension on the sale of fresh uncirculated banknotes and coins over-the-counters at CBS remained in force. Nonetheless, certain collectable items, including commemorative coins, the uncirculated coin packs of the old series and the currency booklet, were on sale to the public throughout 2022. The Bank retained its collaboration with various companies involved in the production and sale of commemorative coins issued by the Bank on the international markets and from which the Bank receives royalty payments from their sales proceeds. Although no new agreement was signed, CBS continued to earn a royalty on coins sold from existing contracts. Total royalty receipts in 2022 amounted to R17,970. Table 6.10 provides the number of commemorative coins sold throughout 2022 by Münzhandelsgesellschaft mbH & Co. KG Deutsche Münze (MDM) the only entity with a contract for commemorative coins, which was still active during the year.

Table 6.10: Sale of Seychelles Commemorative coins (2022)

Commemorative Coins	Quantity Sold (No. of Pieces)
Isaac Newton	150
Treasure Island	200
Submarine	210
Shipbuilding	310
Jewellery	111
Alfred Nobel	100
Moutya Dance - Silver Coin	3
Moutya Dance - Gold Coin	25
Sega Dance	2
Aldabra Giant Tortoise	140
Total	1,251

Source: Central Bank of Seychelles

6.5 Financial Inclusion and Market Conduct Division

The Financial Inclusion and Market Conduct Division (FIMCD) is responsible for initiating and administering relevant legislation pertaining to credit reporting and financial consumer protection, as well as devising and implementing strategies to enhance financial inclusion, modernise financial services, including the national payment system, supervise market conduct of entities, as well as create a conducive environment for enhanced consumer protection and empowerment. The Division is divided into two sections, namely Financial Inclusion and Market Conduct.

6.5.1 Financial Inclusion Section

The Financial Inclusion Section has the primary aim of supporting the advancement of financial inclusion, to ensure access to quality and affordable financial services. The Section also acts as the operator of the Credit Information System and is the Secretariat for the National Financial Education Strategy.

6.5.1.1 Implementation of the National Payment System Modernisation Plan and the Seychelles Fintech Strategy

The National Payment System (NPS) Modernisation Plan and the Seychelles Fintech Strategy are key pillars of the country's digital economy agenda. Thus far, progress has been made in the implementation of different initiatives stemming from the above-mentioned strategies, as further detailed below:

- Reduction of fees on digital payments:
 - Reduction of the Merchant Service Charge on card payments for certain segments through engagement with Visa and the acquirers in the industry: This initiative led to an increase in the number of merchants that are accepting card payments via Point of Sale machines. Payments routing through the SEFT remained at no charge: This comprises payments made using internet banking platforms, mobile banking apps and other interbank transfers/payments.
- Sun-setting of cheques: Stakeholder engagement was undertaken to discuss the modalities for the project to sun-set cheques. It was agreed that additional work should be undertaken by relevant stakeholders particularly to increase the availability of affordable and convenient digital payments and receipts to and from government. Subsequently, a final timeline will be developed for the project.
- CBS' Regulatory Sandbox Framework: CBS sought technical assistance from the Alliance for Financial Inclusion (AFI) to formulate the CBS' Regulatory Sandbox framework. The Bank undertook several stakeholder consultations (local, internal and external), engaged with other central banks in the AFI network to gain knowledge from other peers, amongst others. A capacity-building session was also undertaken to develop the knowledge of CBS staff who will be assessing the sandbox applications, followed by a stakeholder engagement workshop to have feedback from the external stakeholders on the Regulatory Sandbox framework.
- Diagnostic study to assess the affordability and reliability of internet and network connection: CBS, in collaboration with the Department for Information Communications Technology (DICT), finalised the procurement of a consultant to undertake the study, as per the Bank's procurement policy. Network

Strategies from New Zealand, a company specialising in telecommunication studies, was selected as the consultancy service provider to undertake the study that is expected to be completed in 2023.

6.5.1.2 National Financial Education Strategy

Financial education remained an important tool, especially given the economic and social landscape faced throughout the year. It is fundamental in promoting economic stability, as well as protecting and empowering the general public. The Financial Education Secretariat remained committed to pursuing the financial education journey, which began in 2017 with the launching of the National Financial Education Strategy 2017-2020.

The financial education plan for the year was devised taking into consideration the economic impact of global emerging issues as well as matters identified within the local market. This includes the impact of the Russia-Ukraine war, ongoing challenges as a result of the pandemic, the increasing prevalence of scams and fraud within the whole economy, and developments in financial services, such as the enactment of the Financial Consumer Protection Act, 2022.

Numerous initiatives targeting MSMEs, youth, adults, and the socially and financially vulnerable were undertaken. These included sessions and presentations on issues around personal financial management, cybersecurity and fraud, financial consumer protection matters, and other financial education topics at various organisations.

Additionally, the Secretariat continued to produce financial education awareness materials made available through platforms such as the CBS website, television, radio, newspapers, social media, mailing lists, on screens in Victoria, the Bois de Rose shopping complex and displayed in public areas wherever possible. The Bank appreciated the engagement received from the general public in regards to the published awareness, especially on the social media platforms – Facebook and Instagram. The Bank will continue to engage with the public through the various channels and conduct surveys to evaluate the effectiveness of each channel.

In an effort to empower the youth and encourage peer-to-peer learning and advocacy on financial education, the Youth 4 Youth financial education Ambassadors programme was launched in February 2021. The programme targeted youths aged between 16 and 30, whereby a total of 43 Ambassadors were enrolled. Below are the projects that were undertaken by the Ambassadors:

Table 6.11: Projects being implemented by Youth 4 Youth Financial Education Ambassadors

Project name	Nature of project
Buddy saves the day	The aim of the initiative is to promote financial literacy in Seychelles through the use of short comics published in the local newspapers as well as other relevant social media platforms. “Buddy saves the day” makes use of illustrated characters to educate readers of all ages about the importance of savings and investments, the economy, financial products, and developing trends in the market to help address current issues.
Youthonomics	This initiative aims to increase financial education, particularly among the socially and financially vulnerable groups such as convicts, illiterates and hearing-impaired people. The project aims to launch a booklet that will be issued to these targeted groups. The booklet, which will be available in English and Creole (taking into consideration possible literacy issues), will include pictures and incorporate sign language where possible, to cater to the needs of these demographics.
Moneywise	This project is about raising awareness on personal financial management topics and is designed to share financial education among children and young adults through publication of awareness materials and by organising a piggy bank competition for young children.
Dreams for today, Live for tomorrow	This project endeavours to create a short movie of 12 minutes duration, which will transmit awareness on the importance of personal financial management such as budgeting, savings, investment and priorities. The movie will be in Creole, which will be beneficial for the local population in general and will also include a sign language interpreter for the benefit of people with hearing impairment, as part of efforts to promote inclusion.

Source: Central Bank of Seychelles

As is customary, the Bank also participated in national events, such as the Global Money Week, Youth Week, Global Entrepreneurship Week and Fraud Awareness Week. These initiatives provided an opportunity for the Bank to support awareness around specific issues, reaching specific segments of the population and supporting its key stakeholders.

6.5.1.3 Credit Information System

In 2021, Creditinfo CEE a.s, a company based in the Czech Republic, was procured to design and implement a new credit information system which was completed in late 2022. The new system is expected to go live by Q2 2023 after undergoing security audits. The existing participating institutions of the CIS, namely commercial banks, Seychelles Credit Union, Development Bank of Seychelles and Housing Finance Company Limited, will be onboarded to the CIS on the go-live date. Other credit granting institutions will be onboarded as data providers and data users, in phases. This will be followed by other institutions which the nature of their activities impacts the credit worthiness of the public.

Furthermore, work on revising the legislative framework for the CIS was undertaken, whereby the draft Credit Reporting Bill was completed for stakeholder consultation with the CIS participating institutions, future participants, and the general public. The Credit Reporting Bill is expected to be presented to the National Assembly for consideration in the first half of 2023.

6.5.1.4 Membership under the Alliance for Financial Inclusion

The Bank has been a member of the AFI network since 2014. AFI is a policy leadership alliance owned and led by member central banks and financial regulatory institutions with the common objective of advancing financial inclusion at the country, regional and international levels. Given the pandemic, AFI member countries have been holding virtual meetings since 2020. After three years since the last physical convening of the Global Policy Forum (GPF), members, including representatives of the Bank, met physically at the Dead Sea in Jordan under the theme “Moving forward together: Towards a resilient, inclusive and sustainable future”. The theme resonated well with the Bank, given the emphasis being placed locally on an economy that is resilient, inclusive and sustainable, following the pandemic and other emerging crises.

The Bank is represented within the Consumer Empowerment and Market Conduct Working Group (CEMCWG), the Digital Financial Services Working Group (DFSWG), and the SME Finance Working Group (SMEFWG), as well as two regional AFI initiatives, namely Pacific Islands Regional Initiatives (PIRI) and the African Financial Inclusion Policy Initiative (AfPI). Governor Abel served as the vice-chairperson of AfPI, following her appointment in August 2020 for a period of two years and became the chair in June 2022. AfPI is the primary platform for AFI’s African members, which seeks to support and develop financial inclusion policy and regulatory frameworks in Africa. A key initiative that has been undertaken by AfPI under the leadership of Governor Abel is the Policy Framework on Supervision of Fintech in the African Region, which is being finalised for publication. The Policy Framework will be relevant to the context of Seychelles as further progress on the fintech journey is made.

As regard to PIRI, there have been ongoing efforts to implement a shared regional regulatory sandbox infrastructure, with the intent to provide member countries with a platform that enhances the adoption of digital innovations, addressing challenges related to financial inclusion in the respective member countries. AFI supported CBS in formulating the regulatory framework that would assist in the introduction of a regulatory sandbox in the country.

Additionally, the Second Deputy Governor, Ms Sullivan, served a second year as the Chairperson of AFI’s Investment Committee. The Committee was established to oversee the management of the AFI Endowment Fund and during the year, members participated in the procurement process for an Investment Manager for the fund. After evaluating the bids, the Committee recommended award of contract to be best-evaluated bidder.

The Bank’s commitments made within the ambit of the Maya Declaration, which is a statement of common principles regarding the development of financial inclusion by members of AFI, are summarised hereunder:

Table 6.12: Maya Commitments

Policy Area of Maya Commitment	Target	Status
National Strategy on Financial Education	Formulate a national strategy on financial education by December 2017.	Completed in December 2017.
Financial Consumer Protection	Enact a consumer protection law for financial services and supporting Regulations by December 2017.	Completed. The Financial Consumer Protection Act was enacted in May 2022, and the Bank has started work on the supporting Regulations.
Digital Financial Services	Issue regulations relating to mobile financial services and promote cross-border remittances through mobile payments by December 2018.	Completed in December 2022.
Financial Education	Empower youths through ongoing work on financial education, for youths in schools as well as financial education and entrepreneurial skills aimed at young entrepreneurs and submit an annual progress report.	Ongoing exercise within the ambit of the National Strategy on Financial Education.
Gender Inclusive Finance/Disaggregated Data	Collect gender-disaggregated data by December 2020 to quantify the gender gap and identify barriers to financial inclusion for women and youth, and formulate an action plan on the most value-added fintech innovations to meet their needs based on the economic activities they are more active in.	Work is underway to incorporate these data sets within the overall statistical framework of the Bank. Through the framework, data requirements will be simplified and synchronised across the Bank. In 2022, these data were incorporated in the monetary survey compiled by RSD.

Source: Central Bank of Seychelles

6.5.2 Market Conduct Section

One of the primary objectives of the Market Conduct Section (MCS) is to encourage fair and responsible business practices on the part of financial service providers (FSPs) such that the interests of financial consumers are well protected. In pursuit of this objective, the MCS worked towards enhancing the financial consumer protection legislative framework, strengthening market conduct structures, complaints handling and onsite examinations, which allow for more effective regulation and supervision of FSPs under the purview of CBS.

6.5.2.1 Financial Consumer Protection Law

The Financial Consumer Protection Act, 2022 (FCPA) was approved by the National Assembly in March, and enacted on May 01. The FCPA is jointly administered by CBS and FSA, as the two regulators within the financial services sector. Pursuant to Section 47 of the FCPA, FSPs were given a six-month transitional period

to implement the relevant internal procedures and policies, and to ensure compliance with the requirements of the Law, which is actively being reviewed and monitored by the Bank. Amongst other functions, the Law aims to set market standards and deter abusive practices by FSPs against financial consumers. Multiple awareness initiatives were organised by the MCS to sensitise members of the public on the new Law, including Radio Interviews, contribution to Newspaper Articles and presentations to several key organisations in the country.

The implementation of a robust financial consumer protection legal framework is vital, particularly as the country embarks on its journey towards a digital economy. This will ensure that consumers' confidence is not impacted, especially with emerging technologies transforming how consumers transact.

6.5.2.2 Initiatives from the Market Conduct Section

The MCS undertook various initiatives which stemmed from consumer complaints and observations on the market to enhance financial consumer protection and uphold market conduct standards. These included:

- **Extension of the 24-hour customer hotline service**

Albeit the overall drop in the number of complaints recorded by the CBS during the year, the 24-hour hotline (which is operated by the CBS, 7 days a week) was maintained, and remained a focal point for the collection of information regarding different developments within the market. In addition to complaints detailed in the following sub-section, the MCS recorded on average 70 queries per month, which were dealt with within 1-2 days. The majority of the queries were related to information regarding FSP operations, government initiatives, and clarifications on banking policies and procedures.

- **Facilitating discussions between Seychelles Bankers Association (SBA) and ASP regarding electronic bank statements**

MCS engaged with SBA on ways ASP could be assisted with optimising their application process for social assistance. It was agreed that to expedite the process, the commercial banks and SCU could assist ASP in providing an applicant's bank statement electronically, subject to the applicant's approval. The respective commercial banks and SCU involved agreed to provide the statements at no charge. This materialised in May.

- **Quarterly Meetings with FSPs**

The MCS spearheaded quarterly meetings with the banks and Bureau de Change (BDCs) in collaboration with other internal stakeholders such as FSD to address market-related issues. As a core component of its supervisory functions, the Bank actively engages with key stakeholders within the financial services community regarding developments in the market and how financial consumers' interests are protected throughout. The discussions encompassed:

- CBS' expectations for FSPs to excel in customer services across the industry by the end of 2023;
- The need for increased awareness and informative campaigns by FSPs on the array of financial products and services on offer, targeted at different segments of the population;
- Continuous promotion of financial inclusion initiatives to complement the emerging digital economy.

- **Recommendations to revise FSPs' loan policies**

Further to assessments conducted, certain irregularities as regards to an FSP's Loan Policy was observed. Consequently, CBS made certain recommendations to address the gaps identified. Additionally, the Bank has started developing a set of regulations, particularly for credit granting and debt recovery, to establish market standards. This is also in line with the disclosure and transparency principles prescribed in the FCPA.

- **Launch of the new Bank Fees and Charges template & Statistical Data on Financial Consumer Complaints on the CBS website**

The MCS, in collaboration with TSD, conceptualised the project at the beginning of the year, and work began in Q3 to replace the old template with a simplified and user-friendly version, which displays information on the banks' fees and charges in a more structured manner for easier comparison across FSPs. The upgrade was officially launched on December 7 to commemorate the 2022 CBS' symposium supporting the theme 'The Digital Transformation'. The Bank also published its first summary of consumer complaints on its website. This contains data on complaints recorded by the financial service providers and from the CBS respectively. This is in line with Section 14 of the FCPA and the Bank's core values of transparency and accountability, and will be updated on a bi-annual basis with data from the Market Conduct Bi-annual report once it has been presented to the Board.

6.5.2.3 Complaint Handling

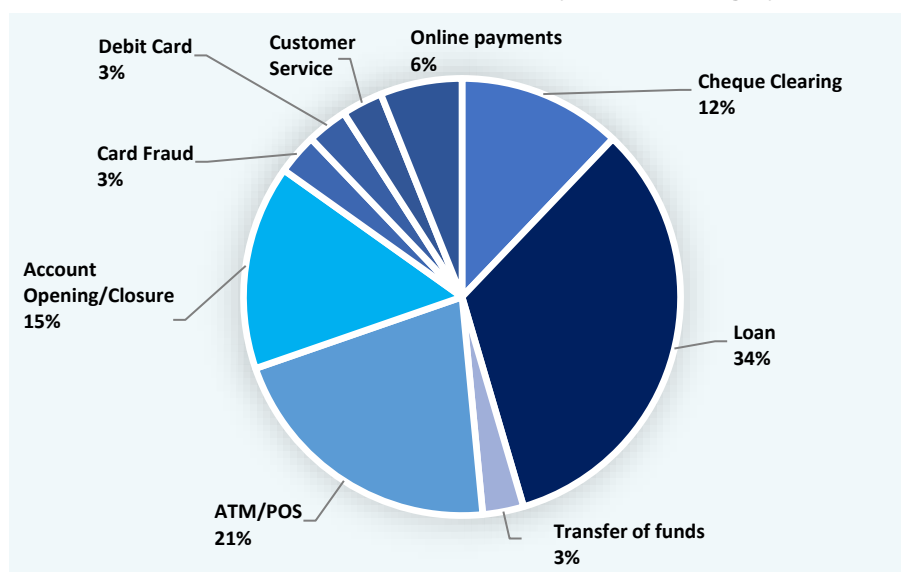
According to data collected by CBS, commercial banks recorded 786 complaints, a decrease of 61 per cent compared to the previous year. The highest number of complaints recorded by commercial banks was related to the 'Money Transmission Services' category, mainly attributed to delays in effecting transactions and receiving funds, representing 27 per cent of the total grievances.

BDCs recorded 12 complaints in the year under review, primarily associated with money transmission services, representing 83 per cent of the total grievances registered. Similar to commercial banks, these were primarily related to delays in transactions.

A slight change was observed in the number of complaints lodged at the CBS, at 37, compared to 36 in 2021, or an increase of 2.8 per cent. As illustrated below, the majority of complaints received were in the loans category, representing 34 per cent, and these were primarily associated with rejected loan applications, issues with repayments, and unclear loan terms and conditions.

In addition to the above, a relatively high number of complaints were lodged at CBS with regards to ATM transactions, representing 21 per cent of the aggregated grievances. These were mainly associated with funds deducted from customers' accounts without cash being disbursed by the machine, and involved multiple commercial banks.

Chart 6.2: : Number of complaints received by CBS per category for 2022



Source: Central Bank of Seychelles

6.5.3 SADC Financial Inclusion Subcommittee

The SADC Financial Inclusion Subcommittee coordinates the work on financial inclusion and builds synergies among structures that deal with the dossier across the region. Seychelles is represented on the Subcommittee by the Central Bank and Ministry responsible for Finance. As part of the workplan for 2021-2023, work continues to focus on financial inclusion data indicators; strengthening the product and service innovation of financial service providers in the region to strengthen inclusion; and supporting the development of financial education materials targeting youth, women, MSMEs and people with special needs.

Notably, consultancies were undertaken on the “Harmonisation of Financial Inclusion Policy Frameworks” and “Consultancy to Develop Market Conduct Guidelines on Financial Consumer Protection for SADC”.

6.6 Technical Services Division

2022 was another busy year for TSD. A noteworthy accomplishment was that the Division completed the Hyper-converged infrastructure (HCI) project, which meant moving from complex legacy infrastructure. With this, the hardware platform configurations became available to fit any workload by the team, independently scaling the various resources. Already efficiency was being observed. For example, electricity costs fell during the last quarter, whilst a consistent performance on the IT Infrastructure was recorded, without any downtime post-deployment, and greater efficiency and productivity in the IT teams. At the same time, the patch management process improved as all servers in the new environment followed a standardised Operating System.

In 2022, TSD staff continued to provide support to the Bank through the following listed functions:

- **System Support:** Accountable for the smooth running of the hardware and software, performing installation/configuration, operation and maintenance, protecting the Bank’s Information Technology (IT) infrastructure and data against potential risks.

- **Network Support:** Assistance provided for managing the components of the network systems, hardware and software, and protecting the Bank's IT infrastructure and data from various threats.
- **Desktop Support:** Directly support front-end users with issues faced, and responsible for upkeep and maintenance of desktop and laptop Personal Computers (PCs), mobile devices, hardware, and associated peripherals such as printers and scanners, operating systems, and the generic software connected to them.
- **Business Applications Support:** Services provided for the well-functioning of the Bank's core business applications, including those related to payment systems, key spreadsheets and databases, upkeep and maintenance of the website, and supporting the development of new applications that meet the Bank's needs.
- **Business Analyst Developer:** Work in close collaboration with the end-user to determine functional requirements, develop, test, analyse, and maintain new software applications that fit their needs.
- **IT Governance:** A framework which promotes delivering value to the Bank. Accountable for coordinating the adoption of IT best practices to bring value-addition to the Bank's functions while managing IT risks.

In 2022, the major projects undertaken by TSD included:

i) HCI

As mentioned, HCI technology allows for scalability, to meet application demands as the business needs grow with new projects.

ii) CIS

TSD Team assisted with implementing the new CIS, which by year-end was ready to be subject to an independent audit, before going live.

iii) CWS VoIP (Cable and Wireless Voice over IP) Uplink Migration to Core Switches

To address interruptions when there are power cuts, the main Cable and Wireless uplink was migrated, to improve the availability of the internal phone system.

iv) Software-defined Wide Area Network (SD-WAN) Testing

Since there was frequent downtime from some internet service providers in 2022, TSD started testing SD-WAN technology across CBS. By enabling load-sharing across connections and adjusting traffic flows based on network conditions, performance was improved. Moreover, internet traffic is automatically diverted when one ISP is down, which is not apparent to the user who continues using applications such as MS Teams without interruptions.

v) Website and Portal

A portal for online vacancy applications was implemented, and a career section was added to the CBS website. Furthermore, the team automated certain business processes which has reduced the workload when updating the website.

- vi) Statistical Framework.** Received TA from the US Treasury in defining parameters for a portal to facilitate collection of returns from financial institutions.

6.6.1 CCBG Information and Communication Technology (ICT) Subcommittee

The ICT Subcommittee, chaired by the Bank of Mozambique, meets twice a year – for the Annual Meeting in February, and the Steering Committee meeting in July. The meetings are normally held physically, but due to the pandemic, they were held virtually for the second consecutive year. In 2022, the ICT Subcommittee worked on the following projects and proposed recommendations:

i. Group Volume Licensing

This entailed expediting the conclusion of agreements with vendors of in-scope ICT software and services, conducting a Software and Services License Survey to update the database, and agreeing on the mandate to negotiate for license costs, such as Oracle.

ii. IT Governance

It was agreed to set up a common agreement and understand the purpose of Governance of Enterprise IT (GEIT) within the SADC region. All ICT directors are to ensure that their ITG champions report to them on the status of the approved SADC ITG project roadmap to enable efficient and effective reporting for benchmarking.

iii. Systems Interoperability Architecture

The SADC Central Banks Systems Interoperability Architecture is aimed at facilitating the efficient and effective transmission of information between the central banks to enable cross-border interactions among members. The adoption of ISO 20022 as message interoperability standard was also agreed.

iv. Business Application Development

Following the resolution of the medium security penetration findings, the Business Application Development Project Team recommended that for the year under review, the expectation was for the portal to be fully utilised before including other business requirements, needs, or feature requests.

v. Security and Quality Assurance

A goal that was set was to continuously learn and evolve as a collective with regard to the process of analysing, developing and sharing cybersecurity intelligence to help prevent, detect, and respond to cybersecurity threats within the region.

vi. Communication & Collaboration Infrastructure

The selection and procurement of a meeting platform to host multilingual meetings was undertaken, with the planning and preparation to host CCBG Governors meeting on KUDO. Also, cybersecurity testing and deployment to production of SADC CCBG Dashboard saw fruition.

vii. Cloud Computing

To assess the adoption and usage of cloud computing amongst the central banks in the SADC region, a questionnaire was sent out to all members.

viii. SADC RTGS Multi-currency

The SADC-RTGS system ISO 20022 Message usage guidelines have been completed and became available for the regional community on the SWIFT MyStandards portal. Also, the ISO 20022 migration participants' Functional Fiscal Risk Statement was reviewed, finalised, translated and uploaded on the Customer Service Manage (CSM) Portal for participants and the regional clearing system operator to access.

ix. Innovation

A review of the project leadership and the engagement of members was carried out. It was decided to continue with the survey "Level of Fintech implementation in Central Banks" and present a brief of the new technologies identified.

6.7 Administration Division

The Administration Division (AD) provides office, logistical, physical security and project management support services to the Bank.

Since the approval of the Division's structure in 2017, there have been various changes in operational needs, new practices in the administrative domain, and staff profile. In line with this, revisions to the structure was approved in Q4 2022 to enhance capacity towards the management of procurement activities, realign posts for more consistency, and provide avenues for staff development and flexibility through job enlargement.

In line with the objective of ensuring that the building infrastructures of the Bank are in good condition, a physical evaluation of the CBS building was done in 2022, by an independent Engineering firm using 3D scanning technology. The assessment concluded that although fit for use, some aspects require repair. Of significance were the need for waterproofing at the top of the building and the external marble cladding to be replaced. These projects will be initiated in Q1 2023.

Work towards the preservation of old records and improving the efficacy towards accessing those documents continued in 2022. A pilot project focusing on improving access to the digital repository was undertaken in liaison with TSD in Q4 2022, and this is expected to be completed in 2023. Also, much effort was put toward reorganising the physical archives, whereby over 75 per cent of the work has been completed. It is expected that this exercise will be completed by Q4 2023.

The construction of the new building at Bel Eau remained on AD's workplan, for which the draft plan was submitted to CBS in Q4 2022. Noting that CBS is expected to review the aspect of currency operations to align with the smaller building, the completion date of the Bel Eau project has been extended to Q1 2025.

The project relating to the replacement of major aircon equipment which faced implementation challenges during the past two years in view of the COVID-19 situation, made significant progress in 2022. In particular, the installation of a new air handling unit was done, as well as the replacement of some ceiling type-fan coil units. The remaining components of the project will be attended to in 2023, of which the installation of a new Building Management Software (BMS) is noteworthy.

AD also managed various non-building related projects that were channelled through its Project Management Unit (PMU), of which the major assignments were as follows:

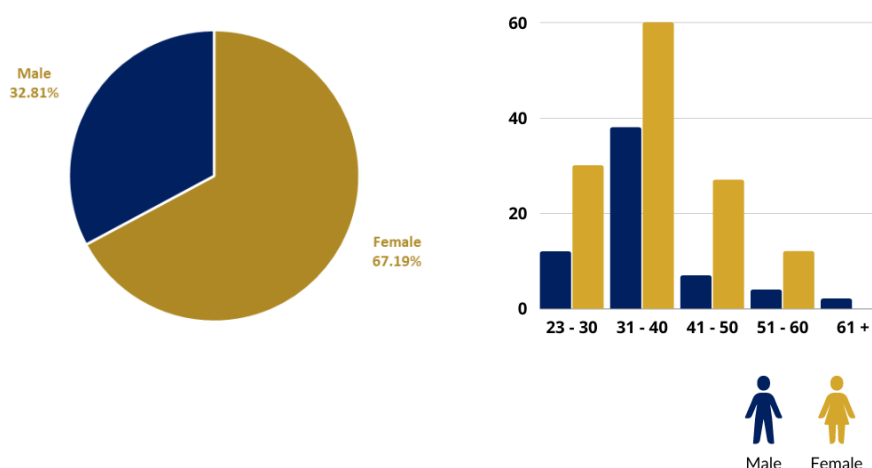
- Implementation of a new CIS – The project kick-started in January 2022, noting that it will take a year to achieve full implementation of the system. During the year, several workshops were conducted both remotely and onsite, whereby all stakeholders impacted, i.e. the existing participant (data provider) and CBS (operator), were introduced to the system functionalities, integration capabilities, and provided the necessary training for operation, essential for User Acceptance Testing (UAT). However, the planned Go-Live date of December 12, was postponed to March 2023, since the system needed to undergo Security Auditing prior to Go-Live, in line with the Bank's policy.
- Central Securities Depository (CSD) and Real-Time Gross Settlement (RTGS) Project – Further to past feasibility studies to determine the merit of a CSD and RTGS system, CBS decided to proceed with the project that would support future developments in the financial markets. Further technical support and vendors to supply and implement the systems would be procured in 2023. The timeframe for implementation will align with the CORE Banking project, that is, January 2024.
- e-HRIS – Project implementation work continued in 2022. The system was audited in Q2 and Q4 2022 prior to Go-Live and based on the result the system will undergo a final audit during the course of Q1 2023.
- New CORE Banking System – The objective of this project is to procure a CORE Banking System to replace the existing legacy system, commissioned in December 2010. The aim is to address the challenges being experienced and has a central role in the payments system modernisation plan and strategy. The outcome of the Request for Information (RFI) issued in October 2021, to seek out and shortlist suitable vendors for the Supply and Implementation of the system was released in June. Subsequently, six (6) vendors were invited to participate in the Request for Proposal (RFP) released in October. The procurement process is expected to conclude in Q1 2023, and the Go-Live date is scheduled for January 2024.

6.8 Human Resources Division

During the year 2022, the Human Resources (HR) Division, along with the line managers, continuously provided support to empower the workforce of the Bank for positive contributions towards the strategic goals and objectives. Remote working continued as employees adapted to the 'new normal' brought about by the ongoing pandemic, while a substantial portion of the workforce opted for a hybrid mode of working, including the HR team, in the delivery of their responsibilities.

Throughout the year, the division was involved in planning for the restructuring of a number of Divisions and Units, with the aim of improving efficiency and BC across the various functions. Recruitment efforts continued to ensure that positions within the Bank were filled with candidates with the right aptitude, where 6 new employees joined the workforce. While 7 employees left the services of the Bank, there were also employee movements, such as promotions and internal transfers, to allow for career progression while managing recruitment costs. As at the end of the year, the headcount was 192, with an average age of 37 years and average length of service of 10 years.

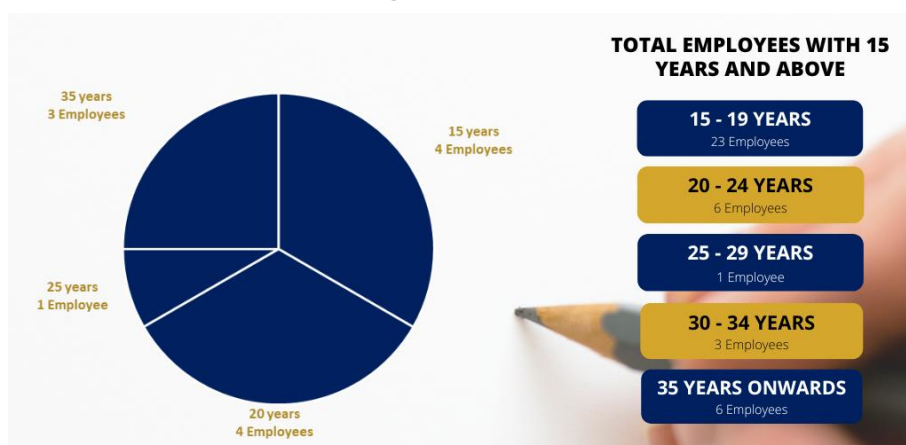
Chart 6.3: Composition of the workforce as at end-2022



Source: Central Bank of Seychelles

HR maintained a close working relationship with the Health and Safety Officer for matters relating to employee wellbeing, as part of the initiatives to improve the overall work environment, and maintaining an appropriate work-life balance. Once again, interactive screensavers were used to raise awareness on types of leave as well as employee benefits, to provide guidance to the employees. Furthermore, 12 employees qualified for the Long-Service Award, which recognises the contributions and dedication of employees who have given 15 or more years of consecutive service to the institution.

Chart 6.4: Long Service Award Recipients



Source: Central Bank of Seychelles

Despite the challenges posed by the COVID-19 pandemic, the Bank remained committed to implementing its training strategy, in line with the approved training plan, and as such, an increase was observed in employees engaging in virtual training. Employees attended short online training courses, workshops, seminars, meetings, conferences, and forums from various service providers, namely SADC, AFRITAC South, and the Africa Training Institute (ATI) in conjunction with the IMF Institute for Capacity Development, AFI, IMF, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), Koenig Solutions Ltd, as well as under RAMP with the World Bank.

With regards to professional development, 1 employee completed the 'IFC Milken Institute Capital Markets Program' and was awarded a 'Certificate in Capital Markets', while another proceeded for studies at the institute under the same programme. Through the Bank's Higher Education Scheme, 6 scholarships were offered to employees to proceed on long-term studies at both undergraduate (2) and postgraduate (4) levels. At postgraduate level, two awardees opted for distance learning, hence Management agreed that the cost savings could be used to fund one additional scholarship, also pursued through distance learning. An additional postgraduate scholarship was also awarded, for which selection was on a competitive basis. The mode of study varied between distance learning and on campus. 1 employee resumed duty after completing an undergraduate degree in Accounting and Banking in the UK, awarded with First-class honours.

In March, a ceremony was held to award the successful applicant for only the postgraduate programme for the Guy Morel High Achievement Scholarship, in view that applications submitted for the undergraduate scholarship failed to meet the academic requirements stated within the policy. The Scholarship Committee, chaired by the Second Deputy Governor, is composed of two CBS representatives as well as an external member, with the responsibility of evaluating applications and making recommendations to the Governor. In October, the Bank launched the 2023 edition of the scholarship, while the postgraduate recipient of the 2020 edition graduated with a Master of Laws (with Distinction) in Governance, Risk Management and Compliance in December.

6.9 Internal Audit Division (IAD)

The Internal Audit Division (IAD) is mandated to provide independent assurance that the Bank's governance, risk management and internal control processes are effective. In accordance with the Institute of Internal Auditors' (IIA)'s International Standards for the Professional Practice of Internal Audit (Standards), the Head of IAD reports functionally to the Audit and Risk Committee (ARC) and administratively to the Governor. IAD's function is governed by its Internal Audit Charter as approved by ARC and a risk-based approach to auditing aligned with the Standards.

IAD schedule of work is derived from an audit universe guided by a risk assessment which considers criteria, integral to an effective and competent audit system. During the last quarter of 2021, IAD finalised its audit universe, which takes into account two main sets of criteria; inherent risk indicators and control indicators. The inherent risk indicators consider conditions such as size, impact of failure, automation, risk appetite, complexity of systems, access to cash, reliance on third parties and remote processes, volatility of activity, reputation and the risk rating assigned by the Risk Management Unit, that are inherent to the Divisions or Units. The control indicators consider the level of checks that have been put in place to mitigate inherent risks, such as adequacy and effectiveness of controls, effective monitoring, number of risk events reported, previous audits, number of findings and high-risk ratings, auditees' commitment to the implementation of recommendations and the reliability and integrity of financial and operational information. Using this methodology, risk ratings are assigned to different audit units within all functions of the CBS. This rating informs IAD of high, medium and low audit units based on the residual risks derived from the risk assessment. From there, a multi-year plan covering a three-year period is formulated and approved by ARC.

To this end, the 2022 Multi-Year Audit Plan showcased 8 risk-based audits, 2 single control audits and 2 non-risk-based audits. IAD further reviewed the IT system and followed up on the recommendations made on a quarterly basis to mitigate any vulnerability. In line with the approved plan, IAD completed 6 out of 8 risk-based audits, namely the Private Sector Relief Scheme, Recruitment/ Resignation/ Termination, Strategic Asset Allocation, Information Security, Server and the Network audits. As at end of December, the outstanding audits were at fieldwork stage, with completion of the report scheduled for the first quarter of 2023. IAD contributed to ensuring these functions are operating effectively. Semi-annual verification exercises were conducted to ensure the vault and Cashier's hand balances were completed and have been properly recorded. In compliance with the Programme Statement, under the IMF's Policy Coordination Instrument, IAD also performed half-yearly audits of the Net International Reserves to ensure conformity with the programme definition and calculation methods.

The CBS' external auditors – Deloitte South Africa undertook its fifth and final year of the Financial Statements audit for the financial year 2022. Both the interim and final audits were performed physically by the external auditors during October and February respectively, and were completed within the set deadline. Moreover, the external auditors attended the year-end vault and Cashier balances' verification. Relatively, in October, the CBS entered into a new Memorandum of Understanding with the Office of the Auditor General (OAG) for the provision of statutory audit services in accordance with section 47 of the Central Bank Act 2004, as amended. Following the same, in November, the CBS on behalf of the OAG issued a RFP to selected firms with experience in auditing central banks. These firms were Klynveld Peat Marwick Goerdeler (KPMG),

PricewaterhouseCoopers (PWC), Grant Thornton, BDO, Ernst and Young from four jurisdictions, namely Mauritius, Kenya, Dubai and South Africa. The process for appointment of a new external auditor is to follow the Procurement Policy of the Bank and proposed bids are to be evaluated by a committee comprising of personnel from the CBS and OAG. The contract is expected to be awarded in the first quarter of 2023.

As per the IMF Safeguards Assessment conducted in March 2021, IAD continued to coordinate the implementation of the recommendations and reporting to the Safeguards Team as well as provide assurance on the Bank’s operations to the Board and Management.

In terms of quarterly reporting, the agreed Management actions were followed-up and progress was reported to ARC as per the approved Multi-Year Audit Plan. Additionally, IAD presented the outstanding recommendations to Senior Management on a quarterly basis. This strengthened auditees’ commitments to implement recommendations and put controls in place to mitigate risks.

During May, IAD spearheaded an awareness session to celebrate the International Audit Awareness month. The awareness aimed at demystifying audit perceptions and provided an opportunity for IAD to present its team to CBS.

Furthermore, IAD is subject to an External Quality Assurance (EQA) review undertaken every five years to identify strengths and opportunities, and offer recommendations for improving the effectiveness of the internal audit activity. EQA evaluates conformance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, Core Principles, the Definition of Audit and the International Standards for the professional practice of Internal Auditing. As at December, CBS has increased its performance to the standards as per the below table.

Table 6.13: Conformance Assessment

IIA Standards	Greatly Conforms	Partially Conforms	Do Not Conform	Not Applicable
Attribute Standards	13	3	0	2
Performance Standards	26	3	1	3

Source: Central Bank of Seychelles

In order to be fully compliant with standards 1200 and 1210 relating to ‘Proficiency and due professional care’, all internal auditors would need to complete the Certified Internal Auditor qualification and the Certified Information System Auditor qualification. Additionally, competencies of staff need to be strengthened to enable fraud detection, IT and governance auditing.in the absence of an Information Systems Auditor. Compliance with standard 1220 relating to ‘Due professional care’ is dependent on the implementation of an audit management software and data analytics tools scheduled for 2023. With regards to standard 2120 ‘Risk management’, the CBS auditors will need to strengthen their competencies to conduct a fraud risk assessment as well as subscribing to relevant institutions to obtain updates on fraud training and communications on new risks and trends. Relative to standard 2420 ‘Quality of communications’, audit reports should be succinct to

strengthen communications on audit findings. As much as possible, internal auditors should adhere to timelines set within the planning phase of the engagement. CBS is scheduled for an EQA in 2024 and plans to continue its work to be in conformity with all relevant standards by end of 2023.

6.10 Governance

6.10.1 Strategic Plan

All Divisions and Units have contributed to pushing the CBS' strategic plan implementation agenda forward throughout the fourth year of the 2019-2023 Strategic Plan. As has been the case in previous years, the Bank tracked the developments semi-annually and appraised the Board.

An improvement in regard to the monitoring and evaluation was to include the outcome of the annual risk assessment exercise to support strategic planning.

Moving forward, the Bank aims to build on the accomplishments made in the past to see through the last year of the strategic plan. Notably, in 2022, the Bank assembled a core team to work on the new strategic plan. The team will lead efforts to develop the necessary engagement and communication plan, seek stakeholder input, develop analyses, as well as draft and finalise the strategic plan document.

6.10.2 Governor's Office

6.10.2.1 Legal Unit

The Legal Unit's main function is to manage legal risks through the provision of legal advice and the drafting and review of contracts, and other legal documentation. The Unit also supports the Bank's legislative initiatives. The Legal Unit is essential in ensuring that decisions taken by the Bank are legally sound.

The Legal Unit comprises five staff, two of which serve as secretary and deputy secretary to the Bank's Board. Two of the Unit's staff are admitted attorneys of the Supreme Court of Seychelles.

The activities of the Unit for 2022 were:

a) Central Bank of Seychelles Act, 2004

The Unit continued work on the proposal to amend the Central Bank of Seychelles Act, 2004. The amendments aim to modernise the law and address deficiencies identified in the course of its implementation, in addition to addressing the recommendations of the IMF Safeguards Assessments. The amendments are expected to be submitted for consideration to the legislature in 2023.

b) Litigation

The case initiated by the former Governor Pierre Laporte against the Central Bank in 2020 (CS 0091/2020) was scheduled for a hearing in June. The case was withdrawn on the date set for the hearing, and the Bank also withdrew its counterclaim against Mr. Laporte.

c) CCBG Legal Subcommittee

The staff of the Legal Unit attended the virtual SADC CCBG Legal Subcommittee meeting held on July 05-06. Important matters that were taken up during the meeting include:

- (i) SADC Real-Time Gross Settlement SADC (RTGS).
Attendees took note of the proposed amendments to be made to the SADC RTGS agreements. Attendees were also given progress reports on the registration of the SADC RTGS Trademark and logo in SADC member countries.
- (ii) SADC Central Bank Model Law
Progress was reported on the domestication of the SADC central bank model law in member jurisdictions.
- (iii) Cooling-off Periods for Executives in SADC Central Banks
A progress report on the cooling-off period in each SADC jurisdiction was provided.
- (iv) Financial Derivatives Market in the SADC region
A working group was established to examine the issues affecting the development of the financial markets in the region, including the need for netting legislation and regulatory reforms necessary to support financial markets.
- (v) CCBG Strategy: Cross-cutting enabler - Governance issues in SADC central banks
It was highlighted that a report on governance issues relevant to central banks should be prepared and issues identified, monitored, and presented at CCBG meetings. The recommendations of the Committee on this matter included that the CCBG must address the rise of financial technology.

d) Contract Management

Progress was made in developing a contract management framework. The relevant tools to assist contract managers in undertaking their roles were developed. The framework is expected to be finalised in 2023.

e) External Legal Counsel

The law firm Georges & Co Attorneys and the Attorney General's Office continued to act as external legal counsel to the Bank.

6.10.2.2 Risk Management Unit

The Risk Management Unit (RMU) is responsible for the Enterprise Risk Management (ERM) function, which is the overall monitoring of Bank-wide risks as set out in its Risk Management Framework (RMF). These risks are in nature, strategic, operational, financial or reputational. RMU also works in close collaboration with other Divisions and Units as part of the Bank's governance functions. On the international front, the Unit is part of the International Operational Risk Working Group (IORWG), a network of central bankers sharing global risk management best practices.

The RMU operations, similar to other Divisions and Units, maintained momentum and focused on areas of prime importance. In the fourth quarter of 2022, approval was granted by the CBS Board on a new RMU

structure which formally encompasses each of its three core functions; ERM, Business Continuity Management (BCM) and Information Security (IS).

Governance Structure

The responsibility of managing risks within the Bank is shared respectively by each employee as risks can adversely affect the Bank's strategic objectives, and anyone with an interest in achieving those goals, plays a vital role. As such, RMU follows a process that encourages discussion between the risk owners of each Division and Unit to assist in the consistent management of risks in their environment. RMU reports functionally to ARC and administratively (day-to-day operations) to the Governor. The responsibility for overseeing the implementation, development, and monitoring of the RMF, the Business Continuity Management Systems (BCMS), and IS Policy are with the Board. However, these are reviewed primarily by the Risk Management Committee (RMC).

Chart 6.5: Governance



Source: Central Bank of Seychelles

ARC comprises of Non-Executive Board Members whereas RMC, which is chaired by the Governor, consists of the Deputy Governors, the Risk Owners and Champions from each Division and Unit.

Risk appetite statement and Tolerance

The Bank faces a broad range of risks reflecting its responsibilities as a central bank. Risks arising from the Bank's policy responsibilities can be significant, and they are managed through detailed processes that emphasise the importance of integrity, accuracy, staff capacity and public accountability. The Bank makes resources available to the best of its ability to control risks to acceptable levels, especially in exceptional circumstances (such as the emergence of the pandemic). The Bank also recognises that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation and efficiencies within business practices.²²

²² Risk appetite statement - CBS website

The risk appetite statement is complemented by a number of specific risk metrics and tolerances which assist management in assessing whether outcomes are consistent with the Bank's risk appetite. These are usually quantitative and/or qualitative for each of its principal risks. Risk tolerance can be defined as the acceptable levels of variation relative to the achievement of objectives.

Risk culture

As part of the general risk awareness in 2022, the Unit engaged with staff to promote the risk culture within the Bank by conducting awareness sessions with each Division and Unit. The Unit provided a walkthrough on the updated RMF, communicated the outcome of the 2020/2021 Risk Assessment, and discussed the respective risk register of each Division and Unit to incentivise the contribution of any new risk to the register or improvements which can be made on the controls for risk mitigation. In addition, the Unit further emphasised to staff the importance of risk reporting.

Risk assessment

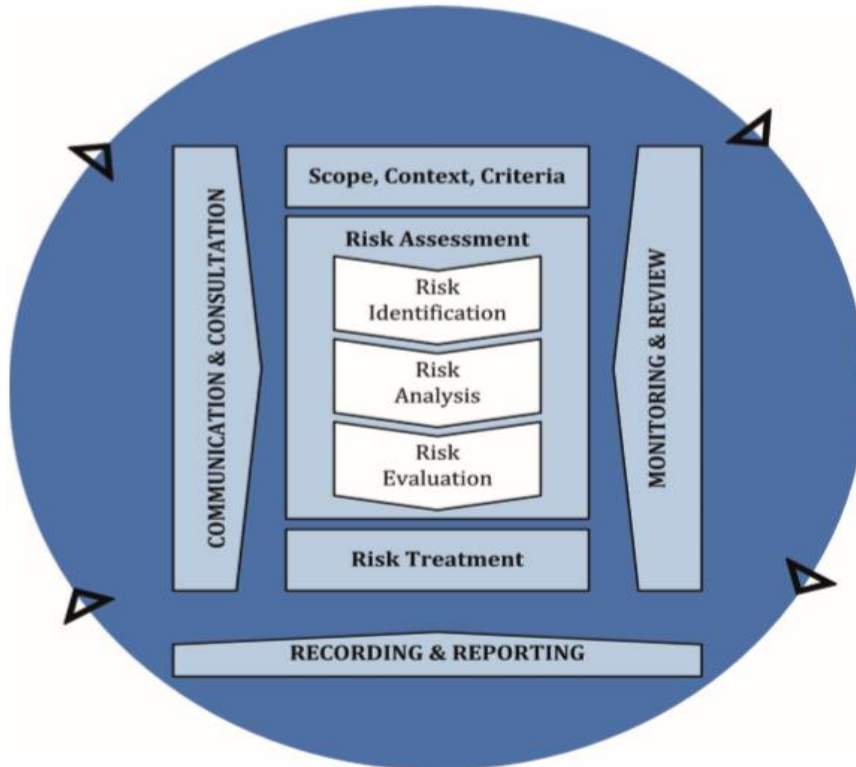
The RMU's risk assessment process (Chart 6.6) consists of three parts; identification, risk analysis, and risk evaluation. Risk identification is the process of finding, recognising, and describing risks. It involves the identification of risk sources, areas of impact, events (including changes in circumstances), their causes, and their potential consequences.

The Unit continued to regularly identify new risks within the Bank, monitoring existing risks, and reporting to the relevant committees and Board as defined in its RMF. During the third quarter of 2022, RMU conducted the risk assessment process, whereby all Divisions and Units identified risks attached to their processes and adopted appropriate internal controls to negate or mitigate these risks. During this process, RMU also conducted a series of meetings with the Governor, Deputy Governors, and Non-Executive Board members. Risks identified in 2021 were also reviewed and analysed to understand how they had changed and/or moved in 2022 relative to the previous year.

Risk analysis involves developing an understanding of the risk. It provides input to risk evaluation and to decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. RMU analysed the risks by determining their consequences and likelihood, and other attributes of the risk. Existing controls and their effectiveness and efficiency are also considered.

The purpose of risk evaluation is to assist in making decisions, based on the outcome of risk analysis, about which risks need treatment and the priority for treatment implementation. Risk evaluation involves comparing the level of risk found during the analysis process with the risk criteria established when the context was examined. Based on this comparison, RMU and the relevant Division or Unit can assess the need for treatment.

Chart 6.6: Risk Assessment Process

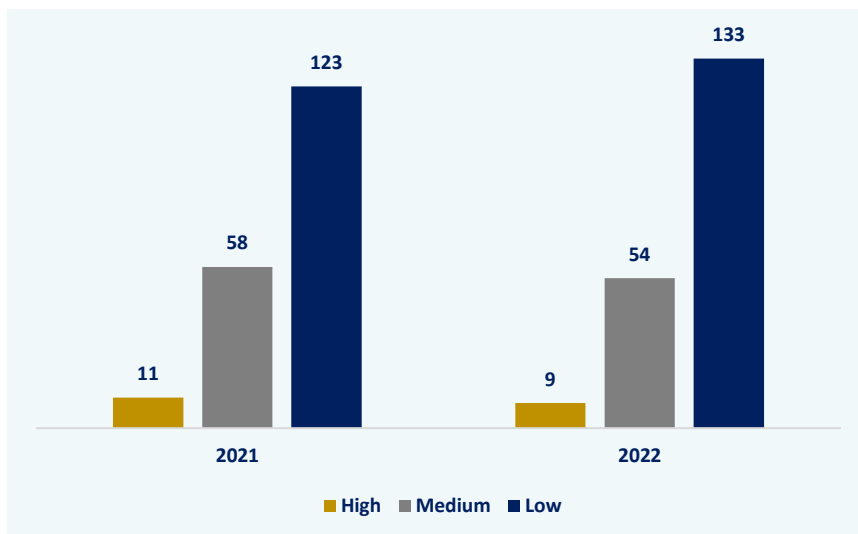


Source: ISO 31000: 2018

Risk Registry

The Bank-wide risk register for 2022 contained a total of 191 risks compared to 192 risks in 2021. The residual risks (risks after controls) were categorised as 9 High risks relative to 11 in 2021, 49 Medium risks versus 58 in 2021 and 133 Low risks compared to 123 in 2021.

Chart 6.7: Frequency of Risks



Source: Central Bank of Seychelles

The proposed Bank-wide risk register will be presented for approval to the Board in the first quarter of 2023.

RMU also continued its engagement with Divisions and Units during the year, such as providing guidance and assistance to conduct risk assessments for specific projects being undertaken, as well as being part of the technical committees for procurements at the Bank. In terms of further operational risk monitoring, RMU also gathered risk issues/events on a regular basis across the Bank for which the respective Division/Unit assumes ownership of, and decides on appropriate treatment options. Furthermore, the risk champions met during the year to discuss new and existing risks.

The Unit also contributed to sections 42 and 43 (Financial Risk Management), of the yearly financial statement and worked closely with other Governance functions, namely IAD, the Chief Information Security Officer (CISO), the Compliance Unit (CU), and the Legal Unit (LU) on risk-based matters. Furthermore, RMU also expanded its scope to other risk-based functions of the Bank and maintains a close working relationship with them to bridge gaps and prevent unnecessary duplications of risk coverage.

Cybersecurity

With the approval of Seychelles' Cybercrimes and Other Related Crimes Act 2021 in February, CBS took the lead within the financial sector to ensure that the CBS Cybersecurity guidelines issued in 2019 is aligned with the elements within the National Cybersecurity Policy and Strategy, which stated that stakeholders must have a cyber-resilience programme as well as cyber crisis management plan to remain resilient against risks emanating from the cyber space. Furthermore, CBS developed and presented Cybersecurity Awareness training about 'Safeguarding your Digital Footprint', at the different institutions as they embrace technology. This also included a live radio session targeting the national audience where listeners could interact with CISO for clarification.

6.10.2.2.1 Business Continuity Management

BC is an organisation's strategic and tactical capability to plan for and respond to incidents and business disruptions, to ensure it can continue its operations at an acceptable predefined level. BCM is a holistic management process that identifies potential threats to an organisation and their impacts on business operations.

Business Continuity Management Systems

The Bank has reviewed several BC documents to ensure that it is aligned with the ISO 22301:2019 requirement, a standard being used by the Bank to operate BCMS. The BC Policy, Emergency Response Handbook and Guidelines for BC Test have all been endorsed by the Board and were being implemented accordingly.

A Business Impact Analysis (BIA) is the process of determining the criticality of business activities and associated resource requirements to ensure operational resilience and continuity of operations during and after a business disruption. During the first quarter, the BIA Template was reviewed internally to better explain the definition of Maximum Tolerable Period of Disruption (MTPD). MTPD is the time it would take for adverse

impacts, which might arise as a result of not providing a product/service or performing an activity to become unacceptable.

Once the BIA Template was reviewed, the BIA exercise was conducted to provide updated information on the BC strategies and solutions for the mission-critical processes at the Bank. Thereafter, the BC Strategy document was amended, presented and endorsed by the Board. Once the BC Strategy document was endorsed, the IT Disaster Recovery Plan (ITDRP) was reviewed based on the information gained from the BIA. The other critical recovery plans have been scheduled to be reviewed in 2023.

A BC Maturity Assessment was performed during the second quarter, to assess the maturity level of the Bank's BCMS. The results indicated that the Bank has improved in areas such as BCM expertise, threat mitigation, and increased on the number of BC exercises conducted. The increase in level of interest from the Management and Board in the BC aspect is one key element that has also helped increase the maturity level.

Following the Bank-wide Risk Assessment, all the BC-related risks were recorded in the BCM Risk Register for continuous monitoring.

In view of all the changes in the policy and procedures, the BCM Process Flowchart was also reviewed, and an awareness was conducted to provide an overview of the BCM Process.

Collaboration with internal and external stakeholders

With the increased number of incidents occurring in the financial institutions and the digital environment, the Bank is continuously liaising with commercial banks, to have an overview of the cause of these incidents and to provide guidance on how to be more proactive, preventive, and reactive.

Moreover, the Bank continues its collaboration with Public Utilities Corporation (PUC) for electricity/water shutdown alerts and Seychelles Meteorological Authority (SMA) for weather/climate alert, as a means of proactive measures being undertaken towards the Bank's preparedness to face any national emergency.

Internally, there has been various engagements with different stakeholders to ensure that policies, procedures and contract agreements being drafted and reviewed include initial workaround and continuity provision in the event of a crisis. These engagements would allow the Bank to act accordingly and prevent disruption to its critical activities, processes, and operations in the event of a crisis.

BC test and awareness initiatives

Having a Business Continuity Plan (BCP) is important, but testing the plan and the different procedures to ensure they work is equally important. The consequences of failing to resume business could severely impact the country's financial sector and affect the Bank's reputation. Initiatives conducted throughout 2022 to ensure that the Bank has a BCP that works and is up-to-date included:

- the update and testing of employees' emergency contact list to ensure that all information communicated to staff during an emergency/crisis is effectively received;

- update of the Crisis Communications Plan and conducting an unannounced call tree exercise after working hours to observe the efficiency of RMC members during that period;
- conducted generator switchover tests during the first quarter of 2022 and replaced the existing UPS to ensure that there are no impacts on the Bank's IT infrastructure during a power failure;
- testing the integrity and accessibility of the Bank's backup processes;
- conducting a simulation exercise of the manual cheque clearing procedure.

During the first quarter, an awareness on the Weather Alert colour code was sent through email, in which staff were sensitised on the three different colours as communicated by SMA as and when required.

Another awareness on the Incident Management Plan was conducted with the BC Champions and RMC members during the Q1 meeting. This awareness was conducted to ensure that members understood the roles and responsibilities of various BC Teams during an incident, and the steps needed to be undertaken once an incident has been detected.

During the Business Continuity Awareness Week (BCAW) in May, the Bank took the opportunity to engage in radio programmes to raise awareness and share personal experiences of working in a hybrid environment. In view that BCAW coincided with the Labour Day, posters were displayed during that month on staff laptops as part of embedding the BC culture and enhancing awareness in the workplace.

Overall, the effectiveness of the BCMS has increased, in view that the Bank was efficient in its delivery whilst adapting to the hybrid method of working, now being the way forward for the organisation.

6.10.2.3 Communications Unit

The Communications Unit, which falls under the Governor's Office, plays a crucial role in enhancing and maintaining the visibility and credibility of CBS. The main tasks of the Unit include:

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

In 2022, CBS maintained its communications engagement with the public and other stakeholders to ensure the timely dissemination of information on the Bank's policies and other relevant matters. The Communications Unit was involved throughout and maintained its role as coordinator for most external communications. Press release was the principal means of communication used by CBS to disseminate information on various topics, including regular communication of its monetary policy stance and financial stability matters. A total of 30 press releases were issued in 2022. In addition, the Communications Unit assisted with the preparation of 14 speeches and 14 notices. The Unit also played a key role in creating video and written content for general awareness on topical issues and as part of the financial education plan.

Public, Media Engagements & Awareness

In 2022, CBS communicated its commitment to clear and effective communication by publishing a calendar of regular media engagements for the year on its website. In line with this, the Bank maintained the live press conferences initiated in 2020. A total of 7 live press conferences were organised to provide updates on domestic and global developments and their impact on the economy. The quarterly Monetary Policy Decisions, were also communicated to the public through live press conferences.

In addition, CBS also organised other media engagements to communicate on topical issues, including the following:

- The unwinding of CBS' COVID-19 policies;
- Cabinet of Ministers' approval of the policy proposal for the regulating of E-money in Seychelles and update on the Modernisation Plan;
- Analysis of the price structure in Seychelles;
- Approval of the new Financial Consumer Protection law;
- The outcome of the first Financial Stability Committee meeting;
- Revised methodology for estimating tourism earnings;
- CBS' Annual Report, Reserves Management Report and Financial Statements for 2021;
- Joint press conference together with the Ministry responsible for Finance and IMF at the end of the review mission of the country's IMF-supported reform programme.

The Communications Unit also interacted with the press to respond to requests from local and international media organisations (both print and broadcast) on topics of relevance to CBS. It played a key role in organising press coverage and coordinated the compilation of and finalised responses to 14 local and 6 international press queries, which resulted in radio and TV news items and programmes or newspaper articles.

While a few events that CBS organises or participates in locally and internationally still happened online, with the improvement of the health situation pertaining to the COVID-19 pandemic, several events that took place virtually the previous two years were held physically in 2022. Some of the main events to which the Communications Unit provided assistance, mainly to draft and finalise speeches, prepare and issue notices/adverts, finalise presentations, coordinate live radio interviews, conceptualise videos and set up press coverage, included the following:

- Global Money Week;

- Business Continuity Awareness Week;
- Global Entrepreneurship Week;
- International Fraud Awareness Week;
- 10th African Financial Inclusion Policy Initiative (AfPI) Meetings and Leaders' Roundtable;
- Awarding of postgraduate scholarship under the CBS Guy Morel High Achievement Scholarship Programme for 2022;
- Stakeholder consultation on the review of the Seychelles financial stability framework;
- Seminar on core elements of banking supervision by the IMF Monetary and Capital Markets Department;
- Bank Failure Simulation Workshop;
- The signing of an MoU between CBS and UniSey;
- Capacity-building for CBS Officials on the Fintech regulatory sandbox;
- Digital transformation in Seychelles fair for CBS' 44th Anniversary;
- Dissemination of NBS Population and Housing Census Results;
- *Salon Savwar Lengwistik e Kiltirel*.

The Unit was also responsible for coordinating and reviewing the responses, which appeared in at least 3 local and 4 international publications featuring an interview with the Governor on her role as a central banker and a woman in leadership. Assistance was also provided to various Divisions and Units in the Bank for the finalisation and publication of awareness materials in the two local daily newspapers, mainly related to financial education and financial consumer protection, as well as a review of economic developments for the year 2022.

Transparency

In 2022, the Information Officer received and responded to only one request submitted under the Access to Information Act, 2018 (ATIA). In accordance with Section 54 of the Act, the Information Officer also submitted CBS' 2021 Access to Information Annual Report to the Information Commission on March 29, covering the period of January to December 2021.

In line with CBS' transparency, accountability and good governance efforts through its adoption and implementation of the IMF Central Bank Transparency Code, the Unit also took part in the evaluation of CBS' transparency practices conducted by an IMF mission from June 23 to July 5. The IMF report of its assessment of the transparency practices of CBS was published on September 28, accompanied by a press release, coinciding with the International Day for Universal Access to Information. The Bank's commitment to timely, effective and transparent communication with key stakeholders, including the public and financial education efforts, was among the areas commended in the IMF report, which described CBS as an institution setting a high benchmark for transparency.

Capacity-Building

To further strengthen capability and efficiency of the Communications Unit and in line with CBS' Strategic Plan 2019-2023, relevant trainings were identified to build the officers' knowledge and skills in various areas aimed

at enhancing the team's ability to assist the Bank's communications objectives. The officers took part in the following training and workshops:

- Online workshop on modernising central bank communication, joining communications colleagues from other central banks to share experiences and expertise on various key topics. These included how to better manage external communication, particularly with the media, the importance of communication policies, simplifying monetary policy communication as well as the importance of monitoring the media and evaluating the impact of communication;
- Online training on writing clear, concise and impactful speeches, including how to use natural language to tailor a speech to the speaker and the occasion;
- Online training focusing on social media and communications strategy, joining communications colleagues from other central banks to gain valuable knowledge and tools to be able to communicate more effectively using traditional communication tools as well as those of the digital era;
- Online training on internal communication, focusing on communications tools and channels as well as the importance of internal communications in times of crisis;
- In-person bank failure simulation workshop focusing on managing communications if a bank fails;
- In-person media and public relations training to enhance understanding of the media landscape in Seychelles, how to develop meaningful engagement with the media, understand what news is and what media professionals expect of interviewees. Press release writing, understanding of the requirements and exigencies of radio, television, print and online media, as well as how to handle and turn media interviews to their advantage, were also covered in the workshop, which included a practical component.

Regarding the latter training, given its role in assisting the preparedness of CBS officials for media engagements to ensure that the Bank's messages are transmitted in a simple and clear manner, to help maintain its credibility and uphold its reputation, the Communications Unit extended the training to other colleagues and seven staff from four Divisions and Units also took the opportunity to broaden their understanding on the aspect of media and public relations.

Challenges and Opportunities

The Communications Unit, well-established after five years of formal existence, has highlighted the increasingly important role of communications in an organisation. Coupled with the increasing mandates and activities of the Bank, the Unit is often required to handle multiple events and projects with tight deadlines, to effectively deliver on its role as the communications adviser for the entire Bank. The Unit also assists with communications initiatives arising from CBS' engagement with other key stakeholders within the financial sector.

In light of this, the need for communications' input internally and with external stakeholders observed over the past years continued to increase in 2022. While this stretched the small-sized capacity of the Unit, challenges encountered presented ample opportunities to enhance the resilience as well as the skills of the officers. Additionally, the support and collaboration of other Divisions and Units, have assisted in ensuring that the Communications Unit completed the required tasks for the year at the expected standard.

Given the Bank's increasing public and media engagement and financial literacy initiatives, the Bank has recognised the need to expand the team. In this regard, the officers embarked on a restructuring exercise in the fourth quarter of the year to cater for the recruitment of additional people with the relevant experience, knowledge and skills required to enhance the efficiency and performance of the Unit as it works to uphold the image and reputation of the Bank. The restructuring will also ensure adequate BC for the Communications Unit. The new structure is expected to be presented to the Board for approval in Q1 2023.

6.10.2.4 Compliance Unit

The importance of an anti-bribery and corruption policy in the Bank became apparent when the Wolfsberg due diligence questionnaires were being completed. The exercise began by reviewing the anti-bribery and corruption framework comprising the local legislation and international requirements to identify the content to be included in the draft policy. The latter documents the commitment of the Bank to the fight against bribery and corruption, which will be further enforced upon approval of the policy.

The Unit continued to strengthen the anti-money laundering and countering the finance of terrorism framework of the Bank. This included awareness sessions conducted with staff on key components of AMLCFT, such as performing due diligence, sanctions, and terrorist financing. The Unit also assisted Divisions and Units in the conduct of due diligence on seven parties with whom the Bank has engagement or was considering engagement. Due diligence was conducted on sixty-eight candidates applying for positions in the Bank and six employees being considered for other responsibilities on external committees. Additionally, a draft framework was prepared to explain the rationale and the steps that would be undertaken to conduct the due diligence on existing staff and potential new recruits.

There was engagement with colleagues from the Ministry responsible for Finance and the Ministry responsible for Foreign Affairs on key matters that have arisen in view of sanctions on countries such as Cuba. The Unit participated in discussions with the correspondent bank to be able to pay the outstanding tuition fees and stipends to the students in Cuba. Assistance was also provided to the Ministries to determine an alternative solution when it became known that students would not be able to use their debit card from the Seychelles' local commercial bank in Cuba. There were also discussions with the Ministries related to the Integral Health Brigade account. Transactions related to Russia were also monitored, and areas of concern were flagged and brought to the attention of Divisions and other authorities for further action.

Due diligence forms were completed on behalf of the Bank for counterparties such as Banque de France and SWIFT KYC Register to ensure updated information is provided and the efforts of the Bank to strengthen the AMLCFT framework are recognised.

The Unit continued to receive requests for information from counterparts such as FSA and foreign correspondent banks. A total of thirteen requests came directly to the Unit or through other functions such as the AMLCFT Unit and the FBO Unit. There was a total of six international requests and seven local requests.

A review of the solutions in the Bank, such as the Online Compliance Bundle was conducted, following which the Bank opted not to renew the subscription, as World Check is more widely available to the staff and is therefore used more frequently. The staff were available to assist with any queries in the use of World Check and conducted one-on-one training for new users. To ensure SWIFT Transaction Screening was being used efficiently, the Unit assisted with completing the draft manual for use by the relevant Divisions.

The Procedural guide was reviewed and approved at the end of 2021 and the Unit conducted awareness on the procedure in Q1 of 2022. The Unit actively engaged with SRC to assist Divisions obtain rulings regarding withholding tax liability, obtain certificates for suppliers and to obtain a refund for the Bank.

In an effort to address the developments in the data protection frameworks, a review of the General Data Protection Regulation and Protection of Personal Information Act was conducted. The review highlighted the main components of the two documents and made recommendations on the way forward for the Bank in terms of data protection. The Unit also provided comments on the draft Data Protection bill and these were consolidated with those from other Divisions and Units and submitted to the authorities.

A review of the ISO 37301: 2021 Compliance Management Systems was conducted to feed into amendments to the Compliance Management Policy and Framework based on accepted standards. The main components of the ISO standard were documented in a report including recommendations to be considered for the amendment of the Compliance Management Policy and Framework in 2023.

The Bank celebrated the Corporate Compliance and Ethics week for the second time in 2022. An online survey was conducted on compliance culture and ethics amongst the staff, and the Unit engaged with the staff without access to computers to ensure views of the majority of staff were obtained. Key messages observed in the survey were used to prepare material for display as screensavers on staff's computers, such as leadership, teamwork and appreciation of others' skills and contributions. Material was also shared daily during the week based on key components of the compliance programme, such as the current duties of the Unit and the more strategic direction to be taken in 2023, the differences in the work of the Legal Unit and the work of the Compliance Unit, as well as simple actions that can contribute to a better ethical culture for the Bank.

Relationships with internal stakeholders were strengthened notably with Risk Management Unit, Internal Audit Division and Legal Unit by working on matters of mutual interest, such as the procurement of the Governance Risk and Compliance (GRC) solution. External relationships were also strengthened by working with the Ministries, SRC, RG's Office and FIU on a number of matters.

The Unit participated in several virtual and physical trainings during the year. This included training by the US Treasury, Federal Reserve of NY, BOE/ SADC, EU global Facility, and RUSI²³. The sessions covered topics such as Policy writing, Central bank digital currencies, countering proliferation and the regional banking dialogue for Sub-Saharan Africa.

²³ Royal United Services Institute

6.10.3 Internal Committees

6.10.3.1 Investment Committee (IC)

IC is delegated by the Board to handle the day-to-day management of the international reserves. In order to discharge this responsibility, IC operationalises the Investment Policy approved by the Board by way of a set of Investment Guidelines. In the Investment Guidelines, IC lays out the procedures and allowable investments in line with the guidance of the Board. Moreover, IC ensures adequate frameworks are in place for operational and financial risk management as the operational Divisions undertake reserves management activities. IC is guided by a TOR, which is also approved by the Board. The Second Deputy Governor (SDG) is the Chairperson of IC, and the other members are the First Deputy Governor (FDG) and Heads or senior representatives of BSD, FMD, FSD and RSD.

Again in 2022, all IC meetings were held by video conferencing to maintain health measures adopted since the COVID-19 pandemic and in consideration of the hybrid work model adopted by the Bank since then. As customary, IC meetings were scheduled in line with key events on the international markets, such as the monetary policy decisions of central banks in major economies. Similar to the last year, a total of twelve meetings were conducted during 2022. This included four combined IC and MPTC meetings to make decisions on items relevant to these committees from a budgetary perspective, and two ad-hoc meetings to endorse recommendations for Board approval on the key performance target for the international reserves.

The highlight of decisions made in 2022 was the endorsement of IC to recommend the extension of the external manager agreement with CAIM to the Board. This included the introduction of CNY-denominated bonds in the existing fixed-income portfolio. The recommendation followed the increase of the exposure to CNY in the preceding year as part of the annual Strategic Asset Allocation (SAA) exercise. The main concern of IC in 2022 was a result of the normalisation of the monetary policy in the US. Indeed, this presented positive outcomes for the money market (fixed deposit) portfolios being managed internally. However, the increase in the US interest rates had significant capital impacts on the portfolios of fixed-income securities managed both internally and by external managers.

6.10.3.2 Monetary Policy Technical Committee (MPTC)

MPTC is delegated to oversee the monetary policy implementation of the Bank. MPTC reviews research and analyses on macroeconomic and financial developments to make monetary policy recommendations to the Board. Accordingly, implementations of approved policy decisions are done in line with the monetary policy framework approved the Board. As per its TOR, also approved by the Board, FDG is the Chairperson of the committee, and the other members include the SDG and Heads or senior representative from BSD, FIMCD, FMD, FSD and RSD.

MPTC meetings are scheduled on the second Wednesday of each calendar month. However, for 2022, seventeen meetings were held, whereby two sessions were combined IC and MPTC to discuss the Bank's budget and seven were ad-hoc in nature. The number of meetings reduced slightly compared to 2021, which recorded twenty-two meetings. The reduction was consistent with the gradual normalisation of the financial and economic conditions due to the pandemic. Among the main items discussed at the committee were

operational strategies, TOR of MPTC and activities of the Bank in line with IMF-supported programme. Once again, in 2022, meetings were held virtually in line with health precautions and the work from home guidelines adopted by the Bank.

6.10.3.3 Risk Management Committee

The Risk Management Committee was established by the Board of Directors to assist in overseeing the implementation of the Enterprise Risk Management Framework (ERMF) for the risks faced by the Bank. RMC ensures that risks are effectively managed and provides updates to ARC through RMU. Furthermore, RMC serves as oversight with respect to the Business Continuity Programme and Information Security. Throughout 2022, a total of four RMC meetings were conducted, which included an RMC Day in September, organised outside the Bank with the aim to foster productive discussions given the topics that had to be reflected and deliberated upon.

6.10.3.4 Procurement Committee

The Procurement Committee is responsible for ensuring consistency in procurement practices and the correct application of the Procurement Policy. The preferred procurement method for the Bank is the open bidding/selection method, although it is only applied to some projects. In approving the procurement methods in the annual procurement plan, the Committee considers the justifications provided by the procurement units to deviate to other methods, for example, direct sourcing, request for quotation and limited bidding/selection. The Committee is involved in reviewing procurement documents, evaluating the bids often with the assistance of a technical evaluation committee, and recommending the award of contract to the best-evaluated bidder for the Governor's approval. As of August, the Board delegated the Chairpersonship of the Committee to the Second Deputy Governor - a role which the First Deputy Governor previously assumed. The other members come from the following divisions:

- Technical Services Division;
- Human Resources Division;
- Administration Division; and
- Banking Services Division.

An abridged version of the Procurement Plan is published on the Bank's website at the beginning of each year to provide relevant details to potential bidders who may wish to participate in the procurements. This year saw an improvement in the planning and monitoring process. For instance, the procurement plan required the functions that would be initiating the procurements to be more deliberate in considering the time it takes to complete the different stages of the process. Furthermore, mid-year, the Board was apprised of the progress for procurements included in the abridged document.

6.10.4 Board of Directors

The Board is responsible for the policy and affairs of the Bank. The Board's role is to make rules for the regulation of the Institution, the distribution of functions and responsibilities within the Bank, and to provide delegation of decision-making authority and other internal matters necessary to ensure proper and efficient management of the Bank.

For the year under review, the Board consisted of the following members:

Ms. Caroline Abel – Governor/Chairperson

Mr. Christophe Edmond – First Deputy Governor (January – March 2022)

Mr. Brian Commettant – First Deputy Governor (as of August 2022)

Ms. Jenifer Sullivan – Second Deputy Governor

Mr. Errol Dias – Non-Executive Director

Professor William Ogara – Non-Executive Director

Mr. Bertrand Rassool – Non-Executive Director

Dr. Sherley Marie – Non-Executive Director

Mr. Frank Ally – Director - Ex-Officio

In 2022, Mr. Christophe Edmond resigned as First Deputy Governor, and on April 01, he undertook a three-month cooling-off period from the financial services sector. Following a rigorous internal selection process in line with the Bank's Succession Plan, Mr. Brian Commettant was appointed as the First Deputy Governor on August 01. In addition, Mr. Errol Dias completed his term on December 31, leaving a vacancy on the Board to be filled in 2023.

6.10.4.1 Board Meetings

Board Meetings

As per the Central Bank Act 2004, as amended, the Board is mandated to conduct a minimum of 8 meetings per year. In 2022, 24 meetings were held, of which 20 were ordinary and 4 were extraordinary. The latter were held for the Board to attend to Bank licence applications. There were 121 agenda items relating to policy approvals, reports, and research, a reduction from 143 items in 2021.

Board Deliberations

The primary objective of the Bank is to promote domestic price stability. The Board is responsible for the Bank's Monetary policy and provides approval of the Monetary policy stance every quarter. Throughout 2022, the Board was kept updated on the various international and domestic developments which could impact the Bank's monetary policy. The Research and Statistics Division presented several research papers, such as the Macroeconomic implications of the Russia/Ukraine war and an analysis of price structure in Seychelles. The Board also received quarterly reports on domestic money market developments.

The responsibility for international reserves lies with the Board. During the year under review, the Board approved the adjustment in the Bank's risk tolerance in relation to the Strategic Asset Allocation. The Financial Markets Division also provided the Board with quarterly reports on the Bank's reserve management activities, and the latter approved new investments into the Chinese Renminbi.

In line with the Bank's other objective to promote a sound financial system, the Financial Surveillance Division apprised the Board of financial stability matters every quarter. Discussions at the Board centred upon the identification of emerging local and international risks and the financial stability outlook for the year. FSD also presented the findings of a limited scope examination of one commercial bank in 2022. The Board approved the formulation of the Bank Resolution Framework to ensure the orderly resolution of failing banks and to prevent loss of confidence in the banking sector, which was subsequently presented to the Cabinet of Ministers. As part of the Modernisation Plan, it also approved the Bank's strategy for sun-setting cheques.

An Appeals Committee was approved to cater for a more independent process for appeals of the Bank's decisions under the Financial Institutions Act, Financial Leasing Act, National Payment Systems Act, and Credit Union Act. Presently, the Board takes the licensing decision and if there is an appeal, the Board would also consider the appeal. With the new process, a Management Committee would be the licensing body and the Board would independently consider an appeal, if any. The Appeals Committee consists of Non-Executive Board members and will commence operation once the Committee's guiding instrument is finalised in 2023.

The Board also approved numerous amendments to existing human resources frameworks such as the Employee Benefit, Recruitment and Selection Policy, and Performance Management Policy and Procedures, as well as a realignment of the Bank's salary grid. Additionally, the Board approved new human resources frameworks such as the Business Interest and Employee Development. The approval of the changes and the new policies were made to strengthen the adequacy of the human resources policies to address the current realities that the Bank faces to enhance and retain its human capital base.

The Board also approved the revision in structural arrangements of several Divisions/Units. The restructurings were conducted to improve efficiency in operations and prepare for more strategic recruitment of human resources to support the expanded mandate of the institution. Dr. Sherley Marie was appointed as the new Chairperson of the Human Resources Committee (HRC) in April 2022. The Chairperson of HRC also provided the Board with bi-annual reports on the activities of the Committee and the Human Resources Division.

The Bank's IT Governance was enhanced through the approval for the adoption of the Control Objectives for Information and Related Technologies (COBIT) 2019. The Board also approved the creation of an Enterprise Governance of Information Technology Committee at the Board level to oversee Information Technology Management. Approval was also granted for the procurement of a joint Central Securities Depository and Real Time Gross Settlement system as part of the Bank's programme to enhance its payment system infrastructure.

The Board gave due prominence to its risk management mandate by approving the Bank's Annual Risk Assessment, the revised Business Continuity framework, and the updated Operational Risk Framework. The Chairperson of ARC provided the Board with a bi-annual report of the activities undertaken by IAD , RMU , and CU.

As a continuation of CBS' work towards IMF Central Bank Transparency Code, adopted by the Board in 2020, the Bank expressed its interest in participating in the voluntary pilot review to be assessed against the Code. In June, IMF conducted an onsite evaluation and reported on the status of CBS' implementation of transparency initiatives outlined in the Code. The Board approved the report and its disclosure on the CBS website as well as the action plan to be undertaken by the Bank to improve its transparency and disclosure practices further. IMF also published the Report on September 28. Going forward, the Board will also review its Charter to improve its corporate governance practices and explore higher standards of transparency and disclosures relating to the Board's work.

6.10.4.2 Audit and Risk Committee (ARC)

ARC was established to provide independent oversight of the financial reporting process, risk management systems, and internal controls, inclusive of the internal and external audit process. ARC consisted of three non-executive Board Directors; Chairperson Professor Ogara, Mr. Rassool, and Mr. Dias. As per the ARC Charter, the Committee is required to convene for a minimum of 4 meetings per year. ARC convened for 9 meetings in 2022, compared to 11 in 2021.

During the year under review, ARC approved the work plan for the Governance functions; the Multi-Year Audit Plan for 2022 to 2024, Compliance Unit Workplan 2022, and the Risk Management Unit Workplan 2022, and was apprised on a quarterly basis on the status of the Multi-Year Audit plan and the findings of audits completed. In addition, ARC was informed on the status of the Bank's risk-mitigating actions, the cybersecurity and BC initiatives, the results of the Business Continuity Maturity Assessment, and the Expected Credit Loss (ECL) Model, as well as updates on the status of the recommendations made following the External Quality Assessment. ARC also participated in the selection process for the new external auditors for the Bank.

Furthermore, ARC reviewed and endorsed for approval by the Board of Directors the Business Continuity Policy, Emergency Response Handbook, and Guideline for BC Tests and Exercises. ARC also scrutinised the CBS Financial Statements 2021, Management's Commentary on the Financial Statements, the 2022 Budget, and the Budget virement ending December 31, 2021.

In 2022, ARC worked closely with HRC to listen to the summary of staff concerns collated by the Risk Management Unit on the gaps pertaining to the environment underpinning human resources within the Bank.

Going forward, ARC will review its Charter to improve its oversight mandate. The revised Charter will be published on the Central Bank's website as per the IMF Central Bank Transparency Code's recommendations.

6.10.4.3 Human Resources Committee (HRC)

HRC was established to provide the principles and parameters for strategic people management across the institution. HRC consists of two non-executive Board members; Chairperson Dr. Marie and Mr. Dias. As per the HRC Charter, the Committee is required to convene for a minimum of 4 meetings per year. For the year under review, HRC conducted 5 meetings, compared to 8 in 2021.

HRC endorsed several human resources policies, including the Employee Benefit Framework, Business Interest Framework, Employee Development Framework, and an update to the Performance Management Policy and Procedures. Additionally, HRC endorsed the adjustment of the salary grid for approval by the Board of Directors. HRC also approved for employees to assume various external roles, such as Board and Committee positions in other Institutions or Associations, after assessing any potential conflict of interest for the Bank.

In 2023, HRC will review its Charter to realign its functions with the different developments and restructuring that occurred in 2022.

6.11 Appreciation

The Board and Management of the Central Bank wish to express their appreciation to all staff members for their valuable contributions and absolute commitment to the operation of the institution. Despite the challenging environment and the increased exigencies, the Bank's staff have continued to discharge their responsibilities in a professional, ethical and exemplary manner as befitting a central monetary institution and in doing so, further assisted the Bank to attain its statutory objectives, amongst other things. The Board and Management urge staff members to take on the opportunities that the evolving central banking landscape offers to broaden their knowledge for their personal development, as well as that of the Bank. On this note, the Board and Management look forward to another successful year ahead.

CENTRAL BANK OF SEYCHELLES
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022
Management's commentary on the audited financial statements
for the year ended December 31, 2022

The financial statements of the Central Bank of Seychelles (CBS) for the year ended December 31, 2022 were approved and signed by the Board on March 24, 2023. The Auditor General certified and signed the financial statements on March 27, 2023 following the audit review by the external auditors, Deloitte Touche Tohmatsu Limited (South Africa). These financial statements are being prepared in accordance with the CBS Act, 2004 as amended and are in line with the International Financial Reporting Standards (IFRS). The financial statements comprise the following primary statements; the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, as well as the statement of distribution. In addition, the notes to the financial statements are also included.

The Bank's financial statements for 2022 have been audited by the Bank's external auditors, Deloitte Touche Tohmatsu Limited (South Africa), on behalf of the Auditor General as per Section 47(3) of the CBS Act, 2004 as amended. The auditors were appointed for a period of five years, subject to annual reviews, and 2022 was their final year of audit. The anticipated auditors' opinion will be that these financial statements give a true and fair view of the financial position, the financial performance and the cash flows of the Bank, which are in line with IFRS and in accordance with the CBS Act, 2004 as amended.

The presentation of the figures in the statement of financial position is consistent with the prior year and shows all foreign and local currency comparative figures for the years 2021 and 2022. For the year-end 2022, total assets stood at R10,721 million, total liabilities were R9,932 million and total equity stood at R789 million. Total value of foreign currency assets decreased from R10,368 million in 2021 to R9,076 million in 2022, which is a decrease of approximately 12.5 per cent. This was mainly due to a decrease in cash and cash equivalents where in 2022, the Bank received relatively fewer foreign exchange inflows from international organisations such as the World Bank, African Development Bank (AfDB) and International Monetary Fund (IMF). The decrease was also as a result of the appreciation of the domestic currency against the major foreign currencies which in turn reduced the SCR equivalent of the holdings. The total foreign assets as at December 31, 2022 after adjusting for expected credit loss, comprised of R3,898 million as cash and cash equivalents with short-term maturities, R1,762 million as other balances and placements with maturities of more than three months, and R3,428 million as financial assets at fair value through profit or loss (FVTPL). The latter represents an aggregate of

funds with the Bank's external fund managers, investments in shares as well as US dollar treasury securities and UBS Money Market Funds being managed externally.

The statement of profit or loss and other comprehensive income shows a total comprehensive income of R423 million for the year 2022. This is made up of R41 million as actual operating loss as well as other non-distributable earnings in the form of unrealised revaluation losses arising from foreign currency monetary assets and liabilities at R151 million, unrealised losses from fair valuation of financial assets at FVTPL at R227 million and actuarial losses amounting to R0.8 million. The revaluation losses recorded are a direct result of the overall appreciation of the Rupee vis-à-vis the other major foreign currencies. These are treated as unrealised losses and do not form part of the computation of distributable earnings to the Government. In addition, the effects of the actuarial losses on the employee benefit obligations are treated as other comprehensive income and these do not form part of distributable earnings but are accumulated under actuarial reserve. Prior years' unrealised gains and losses on financial assets at FVTPL are only considered for distribution upon disposal of these financial assets in the following year. For the year 2022, these net realised losses amounted to R2.6 million. Prior years' unrealised gains and losses are also adjusted in the Bank's computation of distributable earnings. In 2022, these unrealised losses amounted to R381 million. Therefore, distributable earnings for the year 2022 amounted to negative R44 million and this was offset against General reserve.

The Bank's actual operating profit and distributable earnings for the year 2022 were made up primarily of interest income, interest expense, fees and commission, professional charges, IMF charges as well as other income and expenses. The primary contributor to the total revenue of R160 million was interest income with a total of R138 million. Interest earned from deposits with banks was the main source of interest income. This was a result of high deposit interest rates during the year from the Bank's international counterparts.

In terms of non-interest income, Fees and Commission recorded a total of R28 million which was a 26.3 per cent decrease from a recorded R38 million in 2021. This was a result of a decrease in transactions' value and volume of payments and receipts processed during the year. Also, in non-interest income was a decrease of R0.3 million in Other income, which was partly due to lower high-value miscellaneous receipts received in 2022 compared to 2021. Another element negatively impacting non-interest income were changes in gains/losses from dealings in foreign currency transactions whereby the balances moved from a net gain of R35 million in 2021 to a net loss of R1.8 million in 2022. This was mainly as a result of a decrease recorded in gains arising from conducting Foreign Exchange Auction (FEA) transactions, due to the Bank having to intervene only once in the domestic foreign exchange market in 2022 compared to multiple interventions in 2021 in order to provide support and to ensure the domestic foreign exchange market functions in an orderly manner. Furthermore, a loss of R2.5 million for the year 2022 compared to no gain or loss in 2021, due to trades conducted in the CAIM Portfolio.

On the expenditure side, interest expenses decreased from R9.0 million in 2021 to R8.6 million in 2022. This was mainly due to the fact that lower interest rates were recorded in 2022 compared to the previous

year, for the execution of the Deposit Auction Arrangement (DAA) monetary policy instrument, whilst the Bank maintained its accommodative monetary policy stance throughout the year 2022. Losses arising from fair valuation of financial assets at FVTPL and losses arising from revaluation of foreign currency monetary assets and liabilities decreased from R1,548 million and R1,049 million in 2021 to R217 million and R151 million in 2022 respectively, mainly due to the appreciation of domestic currency against the major currencies in 2022 compared to the same period in 2021. Professional charges increased from R6.3 million in 2021 to R12 million in 2022 mainly as a result of a R5.5 million support that the Bank provided to the Office of the Attorney General to facilitate the engagement of the services of two Legislative Drafters to assist in the development of the financial sector legal framework and its capacity building. IMF charges for 2022 amounted to R11 million compared to a credit balance of R1.5 million in 2021, which was due to an overstated closing balance of R4.5 million for the year 2020 in respect of IMF charges to be refunded by Government as per the MoU between CBS and Government for the Rapid Financing Instrument (RFI) and third the Extended Fund Facility (EFF).

On the equity side, at 2.7 per cent, the current aggregate balances under Authorised capital and General reserve of the Bank, fell short of the minimum 10.0 per cent of total monetary liabilities required at the end of every year. Total monetary liabilities decreased from R7,406 million in 2021 to R7,242 million in 2022. For the year 2022, the distributable earnings were less than zero and as per Section 16(3) of the CBS Act, 2004 as amended, which states; “where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve”, the negative distributable earnings of R44 million was offset against the General reserve causing it to drop from 1.2 per cent to 0.6 per cent of total monetary liabilities. Given no distributable earnings for 2022, no funds were paid to the Government Consolidated Fund as dividends for the year 2022 and no transfers were made to build up Authorised capital.

The full set of the Bank’s audited financial statements and detailed explanatory notes prepared for the year ended December 31, 2022 are shown overleaf.

CENTRAL BANK OF SEYCHELLES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

CENTRAL BANK OF SEYCHELLES**FINANCIAL STATEMENTS***FOR THE YEAR ENDED 31 DECEMBER 2022*

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OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CENTRAL BANK OF SEYCHELLES FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

The accompanying financial statements set out on pages 5 to 102, which comprise of the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Deloitte & Touche (South Africa) auditors, appointed under Section 19 of the Auditor General Act, 2010 read with Section 47(3) of the Central Bank of Seychelles Act, 2004 (as amended). As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Bank as far as it appears from examination of those records; and
- (b) the financial statements on pages 5 to 102 give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Central Bank of Seychelles Act, 2004 (as amended).

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Bank in accordance with the INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

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

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

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

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

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Central Bank of Seychelles Act, 2004, (as amended) and for such internal control as Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in accordance with Part IV of the Central Bank of Seychelles Act 2004, (as amended).

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Central Bank of Seychelles Act, 2004 (as amended). Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluates the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concludes on the appropriateness of the Board of Directors' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Bank to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Bank to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion;
- communicates with directors among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



Gamini Herath
Auditor General

27 March 2023
Victoria, Seychelles



CENTRAL BANK OF SEYCHELLES**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		2022			2021		
	Note	Foreign Currency SCR' 000	Local currency SCR' 000	Total SCR' 000	Foreign currency SCR' 000	Local currency SCR' 000	Total SCR' 000
ASSETS							
Cash and cash equivalents	7	3,898,008	-	3,898,008	5,792,643	-	5,792,643
Other balances and placements	8	1,761,793	-	1,761,793	1,276,427	-	1,276,427
Financial assets at fair value							
through profit or loss	9	3,415,775	12,480	3,428,255	3,298,899	6,826	3,305,725
Investment securities	10	-	1,187,114	1,187,114	-	1,184,709	1,184,709
Loans and advances	11	-	242,455	242,455	-	381,345	381,345
Other assets	12	-	81,001	81,001	-	82,727	82,727
Currency replacement costs	13	-	19,877	19,877	-	15,363	15,363
Property and equipment	14	-	94,256	94,256	-	91,548	91,548
Intangible assets	15	-	7,847	7,847	-	294	294
Total assets		9,075,576	1,645,030	10,720,606	10,367,969	1,762,812	12,130,781
LIABILITIES							
Currency in circulation	16	-	1,658,006	1,658,006	-	1,769,943	1,769,943
Deposits from Government	17	532,125	1,347,794	1,879,919	659,730	1,917,765	2,577,495
Deposits from banks	18	1,769,570	3,409,794	5,179,364	1,736,945	3,570,744	5,307,689
Deposits from other financial institutions	19	-	116,279	116,279	-	69,741	69,741
Other deposits	20	46,301	46,714	93,015	23,580	42,989	66,569
Open Market Operations	21	-	200,011	200,011	-	200,008	200,008
Other liabilities	22	-	104,534	104,534	-	84,983	84,983
International Monetary Fund obligations	23	698,988	1,534	700,522	841,257	1,229	842,486
Total liabilities		3,046,984	6,884,666	9,931,650	3,261,512	7,657,402	10,918,914
EQUITY							
Capital and reserves							
Authorised capital	24	-	151,377	151,377	-	151,377	151,377
General reserve	24	-	46,197	46,197	-	90,140	90,140
Revaluation reserve	25	-	600,543	600,543	-	978,724	978,724
Actuarial reserve	26	-	(9,161)	(9,161)	-	(8,374)	(8,374)
Total equity		-	788,956	788,956	-	1,211,867	1,211,867
Total equity and liabilities		3,046,984	7,673,622	10,720,606	3,261,512	8,869,269	12,130,781

These financial statements were approved and authorised for issue on 24 March 2023 by the undersigned:


C. Abel
Governor


B. Commettant
First Deputy
Governor


B. Rassool
Director


W. Ogara
Director


S. Marie
Director

The notes on pages 10 to 102 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 SCR' 000	2021 SCR' 000
Interest income	27	138,386	102,219
Interest expense	28	(8,594)	(9,041)
Net interest income		129,792	93,178
Fees and commission income	29	27,604	37,775
Other income	30	2,788	3,070
Gains arising from fair valuation of domestic financial assets at fair value through profit or loss	31	182	897
Revenue		160,366	134,920
(Losses)/gains arising from dealings in foreign currency transactions	32	(1,758)	35,299
Losses arising from fair valuation of foreign financial assets at fair value through profit or loss	32	(217,283)	(1,548,381)
Losses arising from revaluation of foreign currency monetary assets and liabilities	32	(150,635)	(1,049,148)
Staff costs	33	(115,697)	(109,063)
Currency expenses	34	(6,733)	(11,880)
Depreciation charge	14	(6,596)	(8,077)
Amortisation charge	15	(317)	(690)
Professional charges	35	(11,622)	(6,288)
International Monetary Fund ("IMF") charges		(10,879)	1,548
Policy costs	36	(408)	(26)
Private sector relief credit line facilities costs	37	(3,961)	(77,241)
Expected credit loss on financial assets	38	3,439	(339)
Administrative expenses	39	(18,660)	(20,687)
Other operating expenses	40	(41,380)	(47,653)
Loss for the year		(422,124)	(2,707,706)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial losses	22(a)	(787)	(20,053)
		(787)	(20,053)
<i>Items that are or may be reclassified to profit or loss</i>		-	-
Other comprehensive income		(787)	(20,053)
Total comprehensive income for the year		(422,911)	(2,727,759)

The notes on pages 10 to 102 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES**STATEMENT OF DISTRIBUTION**
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	SCR' 000	SCR' 000
Total comprehensive income for the year	(422,911)	(2,727,759)
<i>Adjusted as follows:</i>		
Realised (losses)/gains transferred (from)/to revaluation reserve	(2,569)	20,986
Unrealised losses transferred from revaluation reserve	380,750	2,623,423
Actuarial losses as per IAS 19	787	20,053
	-----	-----
Distributable earnings	(43,943)	(63,297)
	=====	=====
<i>Amount distributed</i>		
<i>Distributed as specified by the Central Bank of Seychelles Act, 2004 as amended</i>		
Transfer from General reserve	(43,943)	(63,297)
	-----	-----
	(43,943)	(63,297)
	=====	=====

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

The notes on pages 10 to 102 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES**STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Authorised Capital SCR' 000	General Reserve SCR' 000	Revaluation Reserve SCR' 000	Actuarial Reserve SCR' 000	Retained Earnings SCR' 000	Total Equity SCR' 000
At 1 January 2021	151,377	153,437	3,623,133	11,679	-	3,939,626
Loss for the year	-	-	-	-	(2,707,706)	(2,707,706)
<i>Other comprehensive income:</i>						
Actuarial losses	-	-	-	(20,053)	-	(20,053)
	-----	-----	-----	-----	-----	-----
	151,377	153,437	3,623,133	(8,374)	(2,707,706)	1,211,867
Transfer to revaluation reserve (realised gains)	-	-	(20,986)	-	20,986	-
Transfer from revaluation reserve (realised losses)	-	-	(2,623,423)	-	2,623,423	-
Transfer from General reserve	-	(63,297)	-	-	63,297	-
	-----	-----	-----	-----	-----	-----
At 31 December 2021	151,377	90,140	978,724	(8,374)	-	1,211,867
Loss for the year	-	-	-	-	(422,124)	(422,124)
<i>Other comprehensive income:</i>						
Actuarial losses	-	-	-	(787)	-	(787)
	-----	-----	-----	-----	-----	-----
	151,377	90,140	978,724	(9,161)	(422,124)	788,956
Transfer from revaluation reserve (realised losses)	-	-	2,569	-	(2,569)	-
Transfer from revaluation reserve (unrealised losses)	-	-	(380,750)	-	380,750	-
Transfer from General reserve	-	(43,943)	-	-	43,943	-
	-----	-----	-----	-----	-----	-----
At 31 December 2022	151,377	46,197	600,543	(9,161)	-	788,956
	=====	=====	=====	=====	=====	=====

The notes on pages 10 to 102 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SCR' 000	2021 SCR' 000
Net cash (outflow)/inflow from operating activities	41	(798,240)	2,057,739
Cash flows from investing activities			
Payments for acquisition of other balances and placements		(488,226)	(1,179,729)
Payments for acquisition of financial assets at fair value through profit or loss		(2,207,229)	(2,332,743)
Proceeds from sale of financial assets at fair value through profit or loss		1,214,894	1,609,898
Payments for currency replacement	13	(11,195)	(3,832)
Payments for acquisition of property and equipment	14	(9,853)	(2,834)
Proceeds from disposal of property and equipment		324	-
Payments for acquisition of intangible assets	15	(7,870)	(238)
Dividends received		1,281	775
Interest received		89,940	103,416
Net cash used in investing activities		(1,417,934)	(1,805,287)
Cash flows from financing activities			
Paid to Government Consolidated Fund	6	-	(21,150)
Net cash used in financing activities		-	(21,150)
Net (decrease)/increase in cash and cash equivalents		(2,216,174)	231,302
Cash and cash equivalents at 1 January		5,792,643	7,214,442
Effects of exchange rate changes on cash and cash equivalents		321,539	(1,653,101)
Cash and cash equivalents at 31 December	7	3,898,008	5,792,643

The notes on pages 10 to 102 form an integral part of these financial statements.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

The financial statements for the year ended 31 December 2022 have been approved for issue by the Board of Directors on 24 March 2023. Neither the Bank nor the Government has the power to amend the financial statements after issue.

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

The other objectives of the Bank are:

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

2. CHANGES IN ACCOUNTING POLICIES

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

The Bank has adopted the following new standards and amendments to standards with a date of initial application of 1 January 2022.

	Standard/Interpretation	Effective date Periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS Standards 2018–2020		1 January 2022

The amendments to IAS 16, IAS 37, IFRS 3 and annual improvements to IFRS Standards 2018-2020 did not have a significant impact on the financial statements of the Bank for the year ended 31 December 2022.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

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

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

The disclosures on risks from financial instruments are presented in the financial risk management disclosures contained in Note 44.

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

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

3.2 Foreign currency translation**(a) Functional and presentation currency**

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

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into SCR and recorded at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into SCR at the closing exchange rates ruling on the reporting date.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Foreign currency translation (continued)****(b) Transactions and balances (continued)**

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

Unrealised foreign exchange gains and losses are transferred from retained earnings to revaluation reserve, in accordance with the CBS Act, as these are not allowed for distribution. Unrealised foreign exchange gains and losses consist of revaluation of monetary asset and liabilities denominated in foreign currencies as a result of translation. Where financial assets at fair value through profit or loss ("FVTPL") are re-invested and the portfolios are not exited, the foreign exchange gains and losses as a result of translation are treated as unrealised.

Realised foreign exchange gains and losses are considered for distribution in accordance with the CBS Act (see Note 6). These realised foreign exchange gains and losses result from the settlement of foreign currency receipts and payments as well as foreign exchange gains or losses, due to price movements on financial assets at FVTPL disposed during the year.

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

The following rates of exchange were applied:

	31 December 2022	31 December 2021
IMF Special Drawing Rights	XDR 1 = SCR 18.7964	XDR 1 = SCR 20.5729
United States Dollar	USD 1 = SCR 14.1241	USD 1 = SCR 14.6991
British Pound Sterling	GBP 1 = SCR 17.0604	GBP 1 = SCR 19.8799
Euro	EUR 1 = SCR 15.0997	EUR 1 = SCR 16.5975
Australian Dollar	AUD 1 = SCR 9.6312	AUD 1 = SCR 10.6965
Canadian Dollar	CAD 1 = SCR 10.4391	CAD 1 = SCR 11.6211
South African Rand	ZAR 1 = SCR 0.8274	ZAR 1 = SCR 0.9258
Chinese Yuan Renminbi	CNY 1 = SCR 2.0480	CNY 1 = SCR 2.3122

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments**

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

(a) Initial recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets designated at FVTPL are recognised on settlement-date. In line with settlement-date accounting for financial assets designated at FVTPL, any fair value gains or losses between trade-date and settlement-date are recognised in profit or loss.

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

(b) Classification and subsequent measurement of financial assets

Up to 31 December 2022, the Bank classified its financial assets into one of the following categories:

- as loans and receivables; or
- at FVTPL, and within this category as:
 - held for trading; or
 - designated at FVTPL.

All financial liabilities were measured at amortised cost.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and measured subsequently at amortised cost using the effective interest method. The Bank determines the appropriate effective interest rate applicable (see Note 3.25). Loans and receivables are subject to expected credit loss (“ECL”) requirements. Interest on financial assets is recognised in profit or loss and is reported as ‘interest income’.

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

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

(ii) *Financial assets at FVTPL*

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

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

- at amortised cost; or
- at FVTPL.

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

Debt instruments

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

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

Business model

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

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

(ii) *Financial assets at FVTPL (continued)*

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

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

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

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

- *Amortised cost*

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

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

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

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

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

(ii) *Financial assets at FVTPL (continued)*

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

FVTPL

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

Equity instruments

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

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

(c) Impairment

Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated. At 31 December 2022, the Bank did not have any financial assets measured at FVOCI (2021 – Nil).

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments.

The Bank recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(d) Classification and subsequent measurement of financial liabilities**

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

(e) De-recognition of financial assets and liabilities

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

(f) Fair value measurement

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

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

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

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

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 *Financial instruments (continued)*

(f) Fair value measurement (continued)

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4 *Repurchase agreements*

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

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

3.5 *Balances with International Monetary Fund (“IMF”)*

(a) Receivables

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

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

(b) Liabilities

Borrowings from the IMF are financial liabilities held by the Bank on behalf of the Government of Seychelles, denominated in XDR and are included under the IMF obligations in the statement of financial position. Borrowings from the general resources of the IMF bear interest at rates set by the IMF weekly and are repayable according to the agreed repayment schedules. The interest rate amounted to **2.92 per cent** per annum as at 31 December 2022 (2021 – 0.077 per cent per annum).

All borrowings from the IMF are guaranteed by promissory notes which are issued by the Government and are payable on demand.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.6 Impairment of financial assets**

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

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

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

- a) significant financial difficulty of the issuer or obligor;
 - b) a breach of contract, such as a default or delinquency in interest or principal payments;
 - c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
 - d) it becomes probable that the borrower will enter bankruptcy or another financial reorganisation;
 - e) the disappearance of an active market for that financial asset because of financial difficulties;
- or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.6 *Impairment of financial assets (continued)***

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

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

3.7 *Impairment of non-financial assets*

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

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

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

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

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

An impairment loss in respect of non-financial assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 *Offsetting of financial assets and financial liabilities***

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

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

3.9 *Cash and cash equivalents*

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

3.10 *Other balances and placements*

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

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

3.11 *Financial assets at FVTPL*

Financial assets at FVTPL represents investments in money market funds, securities, equity shares and funds outsourced to fund managers and comprise of medium to long-term deposits, securities and bonds, held for investment purposes. Addedly, it comprises the purchase of treasury bills or other securities issued or guaranteed by the Government in line with Section 41 of the CBS Act. These have been designated at FVTPL with the changes in fair value recognised immediately in profit or loss.

3.12 *Other assets*

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

3.13 *Currency replacement costs*

The Bank defers charging the costs of banknote printing and coin minting to profit or loss until the Bank is in receipt of the banknotes and coins, as then, asset is in the location and condition necessary for it to be used in the manner intended by management.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.13 Currency replacement costs (continued)**

Any portion of production left in storage overseas is accounted as currency prepayments until it is physically received in country. The Bank amortises the expense of received stock over the expected useful life of the currency. Useful lives are currently estimated to be 5 years and this is reviewed on an annual basis. Fully amortised costs of past replacements are treated as disposals and derecognised.

3.14 Property and equipment**(a) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(b) Subsequent costs

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

(c) Depreciation

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

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

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 Property and equipment (continued)****(d) Impairment (continued)**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were impaired as at 31 December 2022 (2021 – Nil).

3.15 Leases**(a) The Bank as lessee**

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The Bank does not have any leases with lease terms longer than 12 months or leases of low value assets.

(b) The Bank as lessor

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

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

3.16 Intangible assets

Intangible assets comprise computer software licences which are recognised at cost less accumulated amortisation and any accumulated impairment losses. The computer software has a definite useful life and is amortised using the straight-line method over its useful economic life. assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16 *Intangible assets (continued)***

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

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

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

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

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

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

3.17 *Currency in circulation*

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

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.18 **Deposits**

Deposits held by the Bank from banks, other financial institutions and the Government, whether SCR or foreign currency deposits are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position. Both SCR and foreign currency deposits are not allowed to be overdrawn and foreign currency deposits are revalued to reflect the market exchange rates at the reporting date.

(a) Deposits from banks

As at the reporting date, banks' demand deposits were earning no interest (see Note 18). These deposits are not normally allowed to be overdrawn. In the event that banks cannot meet daily settlement of payments and the minimum reserve requirement in SCR, the banks make use of the inter-bank market in the first instance to manage their liquidity positions and to meet their payment and settlement obligations. In the event that they fail to obtain the required funds to manage their liquidity positions and to meet their payment and settlement obligations, they are able to request short-term advances from the Bank through the form of the Standing Credit Facility ("SCF") which is an overnight collateralised lending facility and for more severe and persistent short-term liquidity problems they may access the Emergency Lending Facility ("ELF") provided they have adequate and sufficient collateral. The applicable interest rate on SCF was **3.5 per cent** per annum for the year 2022 (2021 – 6.0 per cent for the first to second quarter and 3.5 per cent for the third to fourth quarter) whilst the ELF was not used during the year 2022 and 2021.

(b) Deposits from Government

Deposits from the Government, whether SCR or foreign currency, are not normally allowed to be overdrawn. In accordance with Section 40(1) and 40A of the CBS Act, the Bank may grant temporary short-term advances in SCR to the Government. These advances may be at such rates and on such terms and conditions determined and approved annually by the Board of Directors. Under both sections, the advances granted shall be consistent with the objectives of the Bank, the monetary policy and the established limit on public debt.

Under Section 40(1), temporary advances may be granted in respect of temporary deficiencies in revenue on the Government general account. Under Section 40A, temporary advances may be granted where there is a temporary deficiency of revenue, in the event of force majeure, defined by the CBS Act. With the negative impact of the COVID-19 pandemic at the start of the financial year 2020, the definition of force majeure in the CBS Act was amended to include a public health emergency declared under the Public Health Act, 2015 in order to cover the global pandemic situation.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.18 Deposits (continued)****(b) Deposits from Government (continued)**

The advances provided under Section 40A may be approved by the Board of Directors supported by explanation of the event and the means by which the event has impacted the Government budget. At the discretion of the Board of Directors these may be granted with longer repayment period or at lower interest rates than for those under Section 40(1).

In 2021, the adverse effects of the pandemic persisted, and as such, advances to Government were granted under Section 40A. With the uncertainty that was prevalent at the start of 2022 on how long the pandemic would last, it was decided that advances to government for the year 2022 would be granted under section 40A. The approved limit was **SCR 250.0 million** in 2022 (2021 – SCR 500.0 million). The conditions upon which these were approved were that any advances for the year 2022 be granted at an interest rate equal to the latest average tender rate for the 91-day treasury bills plus a margin of 50 basis points (2021 – interest rate was Nil) and these advances should be repaid not later than one year after the end of the financial year in which they are granted.

The Government did not access the facility in 2022 (2021 – accessed the facility for 16 days in January which were fully repaid by the Government in 2021).

(c) Deposits from other financial institutions

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

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

(d) Other deposits

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.19 Other liabilities**

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

3.20 Employee benefits**(a) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably. Short-term employee benefits, including salaries, paid vacation leave, paid sick leave, accrued leave, accrued performance costs and non-monetary benefits such as medical care for current employees and their dependents are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(b) Defined benefit plan – Compensation

The Bank's defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and this is usually dependent on one or more factors such as age, years of service and compensation rate. As per the Employment Act 1995, as amended, an employee is entitled to compensation upon leaving the services of the Bank. As such, the Bank has to accrue one day's pay for each complete month of service to make provision for these payments when they fall due. The Bank's defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and this is usually dependent on one or more factors such as age, years of service and compensation rate.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.20 Employee benefits****(c) Other long-term employee benefits – Retirement gratuity (Retirement benefit)**

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

Both types of employee benefits, compensation and the retirement gratuity have characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less fair value of plan assets.

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

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

(e) Other post-employment benefits

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

Effective April 2022, the Bank's First Deputy Governor, ceased to hold office. In this case with the Board's recommendation, the President, who determines the terms and conditions of employment of the Governor and Deputy Governors as per the CBS Act, granted approval for the period of restriction from seeking employment in institutions under the supervision of the Bank to be three months and the one-off payment made was apportioned accordingly.

(f) Termination benefits

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.20 Employee benefits****(g) Defined contribution plan**

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank pays contributions to the Seychelles Pension Fund (SPF) on mandatory and voluntary basis. The contributions made are recognised under salaries and allowances.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient amount to pay all employees the benefits relating to employee service in the current and prior period. The Bank contributes towards one defined contribution plan. This contribution goes to the SPF in accordance with the SPF Act. Payments to SPF are charged as an expense as they fall due.

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

3.21 Provisions

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

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

3.22 Authorised capital and General reserve

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.23 Revaluation reserve**

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

3.24 Actuarial reserve

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

3.25 Interest income and expense

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

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

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

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.26 Fees and commission income**

Fees and commissions are generally recognised in profit or loss on an accrual basis when the service has been provided. Commission on foreign exchange dealings are recognised on the date of transaction. Commission income is derived from charges on foreign currency transactions processed on behalf of the Government and is based on the difference between the Bank's reference rate and the buying or selling rate.

Fees are comprised of new licence application processing fee and annual licence fee, charged by the Bank to financial institutions or payment services providers for the right to operate in Seychelles. All fees are recognised upon receipt and annual licence fees are payable in advance on an annual basis. The performance obligation of the Bank arises from fulfilling its supervisory functions under the Financial Institution Act, 2004 as amended and National Payment System Act, 2014.

3.27 International Monetary Fund ("IMF") charges

Charges incurred for IMF membership and on the facilities from the IMF are recognised in profit or loss on an accrual basis for the period in which the charges relate.

3.28 Policy costs

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

3.29 Administrative expenses

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

3.30 Other operating expenses

The costs related to utilisation of digital technologies, maintenance of equipment, fees, contributions, subscriptions to services, required for the Bank's daily operations as well as the services offered by World Bank through the Reimbursable Advisory Services ("RAS") and the Guy Morel High Achievement Scholarship amongst others which are recognised in profit or loss on an accrual basis for the period in which the expenses relate.

3.31 Gains and losses from financial assets at FVTPL

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.32 Distributable earnings**

Under Section 16(2) of the CBS Act, the Bank is required to transfer between 50 to 100 per cent of its distributable earnings to the Government Consolidated Fund on the basis described in Note 6 of the financial statements.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023. Those which may be relevant to the Bank are set out and the Bank is of opinion that the impact of the application will be as per the below. The Bank does not plan to early adopt these standards, they will be adopted in the period that they become mandatory unless otherwise indicated.

	Standard/Interpretation	Effective date Periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

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

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on the financial statements.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)****4.2 *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

The amendments aim to assist with the determination of accounting policies to be disclosed in the financial statements. The amendments to IAS 1 replaced the requirement to disclose 'significant' accounting policies with the requirement to disclose 'material' accounting policies. The IFRS Practice Statement 2 - Making Materiality Judgements, provides additional guidance to explain and demonstrate the application of the 'four-step materiality process' to accounting policy disclosures. The amendments provide clarification that accounting policy information that relates to immaterial transactions, other events or conditions need not be disclosed. The Bank is currently assessing the potential impact on the financial statements resulting from the Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies).

4.3 *Definition of Accounting Estimates (Amendments to IAS 8)*

The amendments aim to clarify the differences between accounting policies and accounting estimates as well as what constitutes a correction of an error. The amendment stipulates that accounting policies are applied retrospectively and changes in accounting estimates are accounted for prospectively. A new definition of 'accounting estimates' is introduced, more clarity provided on the changes in accounting estimates that results from new information or new developments and the effects of a change in an input or a measurement technique used to develop an accounting estimate. The effect of changing accounting estimates on the statement of profit or loss for the current and future periods are also provided. The Bank is currently assessing the potential impact on the financial statements resulting from the Amendments to IAS 8 (Definition of Accounting Estimates).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****5.1 Measurement of the ECL allowance**

The following estimates were made by Management:

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

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

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

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL along with information about the judgements and estimates made by the Bank in the above areas is further detailed in Note 44, which also sets out key sensitivities of the ECL to changes in these elements.

5.2 Employee benefits

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

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

In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****5.3 Termination and post-employment benefits**

The present value of both termination and post-employment benefits depends on assumption of an appropriate discount rate. The Bank determines the appropriate discount rate at the date of making the provision.

This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the termination benefit obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

The Bank also considers expected rate of increase in remuneration and this is estimated from the expected rate of inflation.

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

The carrying amount of the defined benefit obligations at 31 December 2022 is **SCR 31.3 million** (2021 – SCR 27.8 million). Details of the defined benefit obligation is disclosed in Note 22(a).

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

- Discount rate: **6.15 per cent** per annum (2021 – 4.5 per cent per annum)
- Salary increase rate: **5.0 per cent** per annum (2021 – 3.5 per cent per annum)

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

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

5.4 Determination of fair value

Information about assumptions and estimation uncertainties relating to the determination of fair value of financial instruments is included in Note 45.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***6. TRANSFER TO GOVERNMENT CONSOLIDATED FUND**

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

Movements during the year are as follows:

	2022	2021
	SCR' 000	SCR' 000
At 1 January	-	21,150
Paid to Government Consolidated Fund	-	(21,150)
Transfer from retained earnings	-	-
	-----	-----
At 31 December	-	-
	=====	=====

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

- a) net profit, less an amount equal to the total amount of unrealised gains, included in the net profit; and
- b) by adding to the amount remaining after applying paragraph (a), the total amount of unrealised gains, if those unrealised gains, included in the net profit of a previous year, are realised; and
- c) by the retention of the unrealised revaluation losses to the extent that they exceed any balance in the relevant Revaluation Reserve Account.

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

- a) authorised capital reaches 3.33 per cent of monetary liabilities; and
- b) the General reserve reaches 6.67 per cent of monetary liabilities.

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

Where the distributable earnings of the Bank is less than zero, they shall be offset against the General reserve.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***7. CASH AND CASH EQUIVALENTS**

	2022	2021
	SCR' 000	SCR' 000
Balances held abroad and foreign currency notes	3,415,366	5,219,235
Provision for ECL on Balances held abroad	(27)	(32)
Holdings of Special Drawing Rights	415,353	500,855
Reserve tranche with IMF (see Note 17)	67,318	72,587
Provision for ECL on holdings of Special Drawing Rights and Reserve tranche with IMF	(2)	(2)
	-----	-----
	3,898,008	5,792,643
	=====	=====
Current	3,898,008	5,792,643
	=====	=====

Included in cash and cash equivalents are pledged and encumbered balances held abroad equivalent to **SCR 2,157.5 million** and **SCR 76.9 million** respectively (2021 – SCR 2,234.0 million and SCR 90.1 million).

These represent funds held by the Bank on behalf of Government and earmarked for the purpose of developing projects by the Government and Government related entities and funds earmarked as foreign currency minimum reserve requirements of local banks or other pledges and contingent liabilities.

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

8. OTHER BALANCES AND PLACEMENTS

	2022	2021
	SCR' 000	SCR' 000
Other balances and placements held abroad	1,761,809	1,276,431
Provision for ECL on other balances and placements	(16)	(4)
	-----	-----
	1,761,793	1,276,427
	=====	=====
Current	1,761,793	1,276,427
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2022	2021
	SCR' 000	SCR' 000
Financial assets at fair value through profit or loss – domestic securities buybacks	12,480	6,826
Financial assets at fair value through profit or loss – fund manager's investments	2,111,672	1,922,428
Financial assets at fair value through profit or loss – investments in shares	45,099	43,292
Financial assets at fair value through profit or loss – investments in money market funds	151,062	154,593
Financial assets at fair value through profit or loss – others	1,107,942	1,178,586
	-----	-----
	3,428,255	3,305,725
	=====	=====
Current	979,865	908,413
Non-current	2,448,390	2,397,312
	-----	-----
	3,428,255	3,305,725
	=====	=====

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

In addition, in the year 2021, under the force majeure, the Bank, under Section 41(3) of the CBS Act, engaged in the purchase (“buyback”) and re-sell (“sellback”) of Government securities (Government treasury bills, Government bonds as well as other Government-guaranteed securities) to facilitate investors who wish to liquidate their investments due to tight liquidity conditions. In July 2022, as part of the Bank's unwinding strategy of the COVID-19 policy and measures, the Bank closed this facility.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****10. INVESTMENT SECURITIES**

	2022	2021
	SCR' 000	SCR' 000
Investment in Government treasury bills	1,189,918	1,189,126
Provision for ECL on investment in Government treasury bills	(2,804)	(4,417)
	-----	-----
	1,187,114	1,184,709
	=====	=====
Current	1,187,114	1,184,709
	=====	=====

For the year 2022, the Bank's holding of Government treasury bills as at the reporting date carried interest rates as follows: **1.94 per cent** per annum for 182-day treasury bills (2021 – 1.35 per cent to 1.56 per cent) and **2.70 per cent** per annum for the 365-day treasury bills (2021 – 1.49 per cent to 3.0 per cent).

Securities pledged as collateral

As at the reporting date, the balance under repurchase agreements was **Nil** (2021 – Nil) and as such the amount of Government treasury bills pledged as collateral was **Nil** (2021 – Nil).

11. LOANS AND ADVANCES

	2022	2021
	SCR' 000	SCR' 000
Staff loans	56,160	49,771
Provision for ECL on staff loans	(334)	(317)
Private sector (MSME ¹) relief credit line facility	78,328	91,470
Provision for ECL on private sector (MSME) relief credit line facility	(439)	(843)
Private sector (large enterprise) relief credit line facility	109,376	243,347
Provision for ECL on private sector (large enterprise) relief credit line facility	(636)	(2,083)
	-----	-----
	242,455	381,345
	=====	=====
Current	85,791	177,822
Non-current	156,664	203,523
	-----	-----
	242,455	381,345
	=====	=====

The Bank grants loans to its employees at preferential rates. Additionally, loans were provided in the form of relief credit line facilities at zero per cent to the commercial banks and DBS under the private sector relief credit line facilities in accordance with Section 29A of the CBS Act.

¹ Micro, Small and Medium Enterprise ("MSME")

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***12. OTHER ASSETS**

	2022	2021
	SCR' 000	SCR' 000
Cheques held for clearing (including for the ECC)	4,620	7,710
Items due and not yet received	15,571	13,444
IMF charges adjustment receivable	11,946	15,316
Prepaid employee benefit	29,066	28,855
Currency prepayments	16,377	11,394
Settlement receivables for SEFT	1,301	858
Others	2,123	5,152
Provision for ECL on other assets – stage 2	-	(2)
Provision for ECL on other assets – stage 3	(3)	-
	-----	-----
	81,001	82,727
	=====	=====
Current	81,001	82,727
	=====	=====

Seychelles Electronic Funds Transfer (“SEFT”) is a domestic currency denominated electronic funds transfer system operated and used by the Bank which facilitates funds transfers between all banks and SCU. The Electronic Cheque Clearing (“ECC”) is a domestic currency denominated electronic cheque clearing system operated and used by the Bank which facilitates same day cheque clearing and electronic cheque image exchange between all banks and SCU.

The 2022 IMF charges adjustment receivable is **SCR 12.0 million** (2021 – SCR 15.3 million) due from the Government in respect of IMF charges on the Rapid Financing Instrument (“RFI”) and the Extended Fund Facility (“EFF”) in line with the MoUs that were signed between the Bank and the Government in August 2020 and October 2021.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****13. CURRENCY REPLACEMENT COSTS**

	SCR' 000
Cost	
Balance as at 1 January 2021	59,707
Additions	3,832
Disposals	(34,804)

Balance as at 31 December 2021	28,735
Additions	11,195
Disposals	(695)

Balance as at 31 December 2022	39,235
	=====
Accumulated amortisation	
Balance as at 1 January 2021	36,311
Amortisation charge	11,865
Disposals	(34,804)

Balance as at 31 December 2021	13,372
Amortisation charge	6,681
Disposals	(695)

Balance as at 31 December 2022	19,358
	=====
Carrying amounts	
31 December 2021	15,363
	=====
31 December 2022	19,877
	=====

Disposals relate to fully amortised costs derecognised.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***15. INTANGIBLE ASSETS**

	Computer software	Computer software (Work in progress)	Total
	SCR' 000	SCR' 000	SCR' 000
Cost			
Balance as at 1 January 2021	28,128	-	28,128
Additions	238	-	238
Disposals	(190)	-	(190)
	-----	-----	-----
Balance as at 31 December 2021	28,176	-	28,176
Additions	1,096	6,774	7,870
	-----	-----	-----
Balance as at 31 December 2022	29,272	6,774	36,046
	=====	=====	=====
Accumulated amortisation			
Balance as at 1 January 2021	27,382	-	27,382
Amortisation charge	690	-	690
Disposals	(190)	-	(190)
	-----	-----	-----
Balance as at 31 December 2021	27,882	-	27,882
Amortisation charge	317	-	317
	-----	-----	-----
Balance as at 31 December 2022	28,199	-	28,199
	=====	=====	=====
Carrying amounts			
31 December 2021	294	-	294
	=====	=====	=====
31 December 2022	1,073	6,774	7,847
	=====	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***16. CURRENCY IN CIRCULATION**

	2022	2021
	SCR' 000	SCR' 000
Banknotes issued	1,567,934	1,684,689
Coins issued	90,072	85,254
	-----	-----
	1,658,006	1,769,943
	=====	=====
Current	1,658,006	1,769,943
	=====	=====
 Movements were as follows:		
Opening Balance	1,769,943	1,729,374
Total deposits by banks and SCU for the year	(2,284,853)	(2,041,236)
Total withdrawals by banks and SCU for the year	2,453,525	2,243,388
Net deposits by the Bank for the year	(280,609)	(161,583)
	-----	-----
Closing Balance	1,658,006	1,769,943
	=====	=====

Banknotes and coins in circulation are shown at face value.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***17. DEPOSITS FROM GOVERNMENT**

	2022	2021
	SCR' 000	SCR' 000
Government Rupee deposits	1,347,794	1,917,765
Government foreign exchange deposits (project accounts)	439,562	550,819
Government deposits with IMF (see Note 7)	67,318	72,587
Central Bank of Seychelles blocked foreign exchange deposits	25,245	36,324
	1,879,919	2,577,495
	=====	=====
Current	1,879,919	2,577,495
	=====	=====

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

18. DEPOSITS FROM BANKS

	2022	2021
	SCR' 000	SCR' 000
Demand deposits	2,531,782	1,669,368
Foreign currency minimum reserve requirement	1,769,570	1,736,945
Standing deposit facility	878,012	1,901,376
	5,179,364	5,307,689
	=====	=====
Current	5,179,364	5,307,689
	=====	=====

18.1 Demand deposits

Banks hold demand deposit accounts with the Bank to facilitate settlement of inter-bank transactions. Furthermore, as per regulations issued under the CBS Act, they are required to maintain a minimum statutory reserve amount which is adjusted on the basis of the monetary policy stance as approved by the Board of Directors. In 2022, the minimum statutory reserves requirement was **10.0 per cent** from the first to second quarter and **13.0 per cent** from 13 July, 2022 to fourth quarter (2021 – 13 per cent from the first to second quarter and 10 per cent from the third to fourth quarter) on each bank's customers' Rupee deposits (held as demand, savings and time deposits held by residents, excluding inter-bank deposits). The adjustment of the minimum statutory reserves requirement back to **13.0 per cent** in 2022 was part of the unwinding of COVID-19 policy measures. The remuneration on the total minimum statutory reserves remained at **zero per cent** (2021 – zero per cent).

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***18. DEPOSITS FROM BANKS (CONTINUED)****18.2 Foreign currency Minimum Reserve Requirement**

All banks are required to maintain a minimum level of statutory reserves of their foreign currency by way of minimum deposits with the Bank. In 2022 the minimum deposit was maintained at **13.0 per cent** (2021 – 13.0 per cent) on each bank’s customers’ foreign currency deposits (held as demand, savings and time deposits held by residents excluding foreign currency deposits held by non-residents). Since its introduction in April 2009 up to the end of 2022, the Bank has not paid any interest on foreign currency minimum statutory reserves requirement.

18.3 Standing Deposit Facility

All banks and SCU can place their excess funds into overnight deposits with the Bank for remuneration, upon request, at a predetermined rate which is set by the Bank. This facility has been offered by the Bank since August 2014. As of June 2017, the interest rate corridor mechanism was adopted, whereby the Board of Directors also approves the interest rates applicable on the Standing Deposit Facility (“SDF”) that is consistent with the Bank’s monetary policy stance. The applicable interest rate on SDF was **0.5 per cent** per annum for the year 2022 (2021 – 1.0 per cent from the first quarter to second quarter and 0.5 per cent from the third to fourth quarter).

19. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	2022	2021
	SCR' 000	SCR' 000
Demand deposit	116,279	69,741
	=====	=====
Current	116,279	69,741
	=====	=====

Other financial institutions hold demand deposit accounts with the Bank to facilitate external transactions. These deposits are non-interest bearing and repayable on demand. SCU which forms part of other financial institutions is also required by the Bank to maintain minimum statutory reserves requirement. This was at **10.0 per cent** from the first to second quarter and as of 13 July 2022 to fourth quarter 2022, was at **13.0 per cent** (2021 – 13.0 per cent from the first to second quarter and 10.0 per cent from the third to fourth quarter), similarly to banks (see Note 18.1).

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***20. OTHER DEPOSITS**

	2022	2021
	SCR' 000	SCR' 000
Special deposits	63	2,915
Abandoned properties		
- Local currency	41,479	34,441
- Foreign currency	46,290	23,569
Unclaimed funds		
- Local currency	448	448
- Foreign currency	11	11
Others	4,724	5,185
	-----	-----
	93,015	66,569
	=====	=====
Current	93,015	66,569
	=====	=====

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

Section 8(1) of schedule 5 of the FIA, states that unclaimed funds which are not subject to other provisions of FIA shall, on the direction of the Bank, be transferred to a special account with the Bank. As at the reporting date the Bank's holding of unclaimed funds was **SCR 0.45 million** (2021 – SCR 0.45 million) in the domestic currency and **SCR 0.01 million** (2021 – SCR 0.01 million) in foreign currencies, namely US Dollars and Euros as unclaimed funds following the winding down of one bank in 2018 and another in 2020.

21. OPEN MARKET OPERATIONS

	2022	2021
	SCR' 000	SCR' 000
Deposit Auction Arrangement	200,011	200,008
	=====	=====
Current	200,011	200,008
	=====	=====

The Deposit Auction Arrangement ("DAA") is a liquidity management tool used by the Bank for Open Market Operations. It is made available by the Bank to the banks and SCU for better liquidity management by both parties. The Bank uses the instrument to mop up excess liquidity in the system whilst the banks and SCU use it as a means for them to invest their excess reserves and earn a return. The maturities offered were for seven (7) days throughout 2022.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***21. OPEN MARKET OPERATIONS (CONTINUED)**

Banks and SCU are called to state the amount of funds they would like to bid and their respective bid interest rates in any of the maturities on offer. Each maturity on offer is set by the Bank and it is up to the Bank to decide on whether to accept or reject any bid.

At the reporting date, an amount of **SCR 200.0 million** was held by the Bank with maturity period of 7 days. For 2021, the corresponding figure stood at SCR 200.0 million with maturity periods of 7 days.

22. OTHER LIABILITIES

	2022	2021
	SCR' 000	SCR' 000
Settlement payable for SEFT	2,306	289
Provision for accrued leave (Note 3.20 (a))	5,525	5,118
Provision for staff gratuities – contractual (Note 3.20 (a))	16,081	14,302
Provision for staff compensation – continuous (Note 3.19 and Note 22(a))	23,353	20,513
Provision for termination benefits (Note 3.19)	3,608	4,832
Provision for post-employment benefits (Note 3.20 (c and e))	21,548	22,326
Items due and not yet paid	24,912	10,488
Local currency cheques issued	200	200
Other payables	2,582	2,432
Income received in advance	3,172	3,221
Others	1,247	1,262
	104,534	84,983
	=====	=====
Current	59,111	40,050
Non-current	45,423	44,933
	104,534	84,983
	=====	=====

As at the reporting date, all permanent employees were on contracts which are considered continuous in nature. Continuous employment refers to a permanent employment with no pre-determined end date. As statutory appointees, Key Management personnel, namely the Governor, First Deputy Governor and Second Deputy Governor were on fixed term contracts.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****22. OTHER LIABILITIES (CONTINUED)****(a) Employee Benefit Obligations**

	Total		Compensation		Retirement gratuity	
	2022	2021	2022	2021	2022	2021
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Present value of obligation:						
At 1 January	27,768	8,512	20,513	6,272	7,255	2,240
Included in profit or loss						
Current service cost	2,500	550	1,887	414	613	136
Interest cost	1,227	891	904	650	323	241
	3,727	1,441	2,791	1,064	936	377
Included in OCI						
Actuarial losses/(gains) arising from:						
- Financial assumptions	(476)	19,449	(325)	14,335	(151)	5,114
- Experience adjustment	1,263	604	1,254	596	9	8
	787	20,053	929	14,931	(142)	5,122
Others						
Employer contributions paid	(1,017)	(2,238)	(880)	(1,754)	(137)	(484)
Balance at 31 December	31,265	27,768	23,353	20,513	7,912	7,255
Represented by:						
Net defined benefit liability – Compensation	23,353	20,513	23,353	20,513	-	-
Net defined benefit liability – Retirement gratuity	7,912	7,255	-	-	7,912	7,255
Expected employer contribution	1,336	-	1,295	-	41	-
Discount rate			6.15%	4.5%	6.15%	4.5%
Future salary increases			5.00%	3.5%	5.00%	3.5%

The Bank does not have any plan assets as the employee benefit relates to unfunded obligation in relation to compensation and gratuities.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***22. OTHER LIABILITIES (CONTINUED)****(a) *Employee Benefit Obligations (continued)*****Compensation plan**

All employees of the Bank, except for Key Management personnel, are entitled to compensation for their years of continuous service at retirement or upon leaving the services of the Bank. Provisions for this compensation cost is made on an annual basis for every year completed by the employee and payments are made immediately after the last day of service. The Bank has recognised a net liability of **SCR 23.4 million** for this compensation plan as at 31 December 2022 (2021 – SCR 20.5 million).

Retirement gratuity plan (Retirement benefit plan)

The Bank provides for a payment of ex-gratia retirement benefit to permanent employees reaching a minimum of 20 years of continuous service upon retirement or resignation. The Bank has recognised a net liability of **SCR 7.9 million** for this retirement gratuity plan (retirement benefit plan) as at 31 December 2022 (2021 – SCR 7.3 million).

Funding

The Bank provides for the compensation and retirement gratuity costs for its permanent employees on an accrual basis and expenses the accrued amount in the financial year in which the service is rendered.

Duration

At 31 December 2022, the weighted-average duration of the defined benefit obligation was **18 years** for the compensation plan and **19 years** for the retirement benefit plan (2021 – 20 years for the compensation plan and 20 years for the retirement benefit plan).

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***22. OTHER LIABILITIES (CONTINUED)****(b) Sensitivity analysis**

Possible reasonable changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown overleaf.

	Compensation plan		Retirement gratuity plan	
	Increase	Decrease	Increase	Decrease
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
2022				
Discount rate (1.0% increase)	-	3,743	-	1,345
Discount rate (1.0% decrease)	4,767	-	1,718	-
2021				
Discount rate (1.0% increase)	-	3,557	-	1,276
Discount rate (1.0% decrease)	4,546	-	1,636	-

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The sensitivity analysis has been carried out by recalculating the present value of obligations at end of each period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***23. INTERNATIONAL MONETARY FUND OBLIGATIONS**

	2022	2021
	SCR' 000	SCR' 000
Purchases outstanding		
- Extended Fund Facility	130,752	219,316
Allocation of Special Drawing Rights	568,236	621,941
IMF no. 1 account	1,096	1,211
IMF no. 2 account	438	18
	-----	-----
	700,522	842,486
	=====	=====
Current	51,361	76,206
Non-current	649,161	766,280
	-----	-----
	700,522	842,486
	=====	=====

Seychelles became a member of the IMF on 30 June 1977 and was initially assigned a quota of XDR 1.0 million. The quota allocation determines the financial and organisational relation with the IMF. Subsequent increases in quota subscription were effected over the years which have brought the quota subscription to **XDR 22.9 million** as at reporting date (2021 – XDR 22.9 million). The portion payable in SCR is paid by way of non-negotiable, non-interest-bearing promissory notes issued by the Government in favour of the IMF, are payable on demand. These promissory notes are lodged with the Bank acting as custodian for the IMF.

In August 2021, the IMF approved a general allocation of Special Drawing Rights (SDR Allocation) to boost the global economy of all its members. Seychelles was allocated an additional XDR 21.9 million in proportion to its existing quota of funds. As at 31 December 2022, SDR Allocation stood at **XDR 30.2 million** (2021 – XDR 30.2 million).

Seychelles continues to maintain the following balance sheet accounts with the IMF under heading IMF Obligations: IMF Purchases Outstanding account for the EFF, SDR Allocation account, IMF no.1 account and IMF no. 2 account. Other balance sheet accounts classified under cash and cash equivalents include SDR Holdings account and Reserve Tranche account, both denominated in XDR. SDR Allocations are subject to charges while SDR holdings earn interest on a quarterly basis.

Seychelles holds off balance sheet records, in order to report the account movements and balances to the IMF on behalf of the Government, for the IMF Securities account backed by Government issued promissory notes amounting to **SCR 2,107.9 million** as at the reporting date (2021 – SCR 2,133.0 million), the IMF Purchases Outstanding account for the RFI amounting to **XDR 22.9 million** (2021 – XDR 22.9 million) and for the third EFF amounting to **XDR 61.0 million** (2021 – XDR 48.0 million).

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***23. INTERNATIONAL MONETARY FUND OBLIGATIONS (CONTINUED)**

In May 2020 and July 2021, the IMF approved financial assistance for Seychelles under the RFI and EFF, respectively both for Government budget support. Respective MoUs were signed in August 2020 and October 2021 between the Government and the Bank to establish the framework on the modalities for the repayment and the servicing of interest and other charges. These MoUs shall remain in force until all repayments related to the RFI and EFF disbursements, charges, fees, interest payments have been made in full to the IMF.

In May 2020, the Government's request for emergency funding under the RFI amounting to XDR 22.9 million (equivalent to 100 per cent of quota) was approved. The funds received were used primarily to provide budget support to the Government as a result of the negative impact of the COVID-19 pandemic on the economy.

In June 2017, the Government successfully completed a three-year EFF which was the second EFF program that the Seychelles had with the IMF under its reform initiatives. These repayments will continue until December 2025. As at 31 December 2022, the outstanding repurchase stood at **XDR 7.0 million** (2021 – XDR 10.7 million).

In July 2021, the Government's request for a third EFF was approved for XDR 74.0 million (equivalent to 323.0 per cent of quota). This was for the purpose of Government budget support and governed by the terms of the MoU signed between the Government and the Bank in October 2021. As at 31 December 2022, total disbursement under the third EFF was **XDR 61.0 million** (2021 – XDR 48.0 million).

Total repayments made throughout the year 2022 under the two EFFs amounted to **XDR 3.7 million** (2021 – XDR 4.1 million).

The Bank revalues the IMF accounts in its statement of financial position in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually on 30 April and whenever the Fund makes use of SCR in accordance with the IMF designated plan. For accounting purposes, the IMF accounts have been revalued using exchange rates as at the reporting date.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***24. STATUTORY CAPITAL**

	2022	2021
	SCR' 000	SCR' 000
Authorised capital	151,377	151,377
General reserve	46,197	90,140
	-----	-----
	197,574	241,517
	=====	=====

As per Section 14 of the CBS Act, the initial Authorised capital of the Bank shall be SCR 1.0 million and accumulate as per the distributable earnings under Section 16 of the CBS Act (see Note 6). The statutory capital of the Bank shall accumulate until it reaches 10.0 per cent of monetary liabilities of which 3.33 per cent shall relate to Authorised capital and the remaining 6.67 per cent shall relate to General reserve.

As at the reporting date the statutory capital of the Bank stood at **2.73 per cent** of total monetary liabilities (2021 – 3.26 per cent). As at the reporting date, the Authorised capital was fully paid up.

As indicated in Note 6, where the Bank has distributable earnings for any financial year, 50 per cent of those distributable earnings shall be distributed to Authorised capital and General reserve, subject to the limits stated therein. However, where the distributable earnings of the Bank are less than zero, they shall be offset against the General reserve. For the year 2022, the Bank recorded negative distributable earnings amounting to **SCR 43.9 million** (2021 – negative SCR 63.3 million) which was offset against General reserve and the transfer made to Authorised capital was **Nil** (2021 – Nil).

Following the above, the Authorised capital and General reserve stood at **2.09 per cent** (2021 – 2.04 per cent) and **0.64 per cent** (2021 – 1.22 per cent) of monetary liabilities, respectively. Where the General reserve accumulates a balance of less than zero, the Government shall within 30 days of publication of the annual accounts, recapitalise the Bank by transferring marketable securities to the ownership of the Bank to restore the General reserve to zero. For the year 2022, **no recapitalisation** was required (2021 – Nil).

25. REVALUATION RESERVE

Unrealised gains and losses arising from changes in the valuation of the Bank's assets and liabilities and fair valuation of financial assets at FVTPL, including financial assets at FVTPL denominated in foreign currencies and other units of account as a result of alterations of parity of the Seychelles Rupee and fluctuations in market prices, have been credited or charged to profit or loss and subsequently transferred to the Revaluation Reserve Account in accordance with Section 45(5) and 45(6) of the CBS Act. Revaluation gains and losses do not form part of distributable earnings and are offset against Revaluation Reserve Account.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***25. REVALUATION RESERVE (CONTINUED)**

In 2022, despite the challenging environment, positive economic activity was observed, mainly due to the robust performance of the tourism industry. This led to sustained inflows of foreign exchange which, notwithstanding the higher demand, resulted in an appreciation of the domestic currency against the major foreign currencies. This resulted in a net loss from the revaluation of foreign currency monetary assets and liabilities of SCR 383.4 million. Moreover, a net loss of SCR 369.7 million on fair valuation of financial assets at FVTPL was also recorded as a result of declines in the market prices of the financial assets due to a rise in interest rates throughout the year. The revaluation and fair valuation losses were transferred to the revaluation reserve account and therefore total revaluation reserve amounted to **SCR 600.5 million** at the reporting date (2021 – SCR 978.7 million).

26. ACTUARIAL RESERVE

In line with IAS 19 (Revised), the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited immediately to other comprehensive income and the accumulated gains and losses form part of the Actuarial reserve. Actuarial gains and losses do not form part of distributable earnings and are accumulated in Actuarial reserve. The total Actuarial reserve for the year 2022 amounts to negative **SCR 9.2 million** (2021 – negative SCR 8.4 million).

27. INTEREST INCOME

	2022	2021
	SCR' 000	SCR' 000
Interest on investment securities	19,427	60,213
Interest on deposits with banks	91,626	13,085
Interest on advances to staff and local banks	5,911	5,772
Interest unwind on private sector relief credit line facilities	21,422	23,149
	138,386	102,219
	=====	=====

All interest income are at amortised cost and are calculated using the effective interest method.

28. INTEREST EXPENSE

	2022	2021
	SCR' 000	SCR' 000
Interest on Deposit Auction Arrangement	945	2,216
Interest on Standing deposit facility	7,373	6,198
Other interests	276	627
	8,594	9,041
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***29. FEES AND COMMISSION INCOME**

	2022	2021
	SCR' 000	SCR' 000
Commission income	21,362	30,681
Licence fees – Financial institutions	6,081	6,371
Licence fees – Payment service providers	120	50
Others	41	673
	27,604	37,775
	=====	=====

30. OTHER INCOME

	2022	2021
	SCR' 000	SCR' 000
Rent and contribution for building maintenance	396	285
Contributions received for participation in ECC	599	654
Dividends received	1,281	1,032
Others	512	1,099
	2,788	3,070
	=====	=====

All banks and SCU are participants in the ECC and SEFT systems. Annual contribution due for system use is calculated based on their previous year's average usage levels. For the year 2021 and 2022, contributions were made for the ECC system only. From March 2020, up to the end of 2022 the Bank continued to absorb the costs related to the SEFT system to encourage the development and use of more digital payment platforms and the participants in the SEFT system agreed to waive the SEFT transfer fees and charges for their customers' payments done electronically.

31. FAIR VALUE GAINS AND LOSSES ARISING FROM DOMESTIC SECURITIES TRANSACTIONS

	2022	2021
	SCR' 000	SCR' 000
Gains arising from fair value of financial assets at fair value through profit or loss (domestic securities buybacks) – realised	717	363
(Losses)/gains arising from fair value of financial assets at fair value through profit or loss (domestic securities buybacks) – unrealised	(535)	534
	182	897
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***32. LOSSES AND GAINS ARISING FROM FOREIGN CURRENCY TRANSACTIONS**

	2022	2021
	SCR' 000	SCR' 000
Gains arising from dealings in foreign currency transactions – realised	757	35,299
Losses arising from dealings in foreign currency transactions - unrealised	(2,515)	-
Gains arising from fair value of financial assets at fair value through profit or loss – realised	9,782	26,428
Losses arising from fair value of financial assets at fair value through profit or loss – unrealised	(227,065)	(1,574,809)
Losses arising from revaluation of foreign currency monetary assets and liabilities – unrealised	(150,635)	(1,049,148)
	(369,676)	(2,562,230)
	=====	=====

33. STAFF COSTS

	2022	2021
	SCR' 000	SCR' 000
Salaries and allowances	76,649	72,291
Staff accrued leave	407	514
Staff training and development	6,558	4,878
Gratuity costs	18,550	16,626
Compensation costs	4,077	1,064
Termination benefits	(723)	2,404
Post-employment benefits	3,836	5,978
Other staff costs	6,343	5,308
	115,697	109,063
	=====	=====

34. CURRENCY EXPENSES

	2022	2021
	SCR' 000	SCR' 000
Banknotes and coins expense	52	15
Amortisation of currency replacement costs (Note 13)	6,681	11,865
	6,733	11,880
	=====	=====

35. PROFESSIONAL CHARGES

	2022	2021
	SCR' 000	SCR' 000
Fees payable to auditor:		
- Statutory audit (including disbursements)	2,387	2,002
Consultancy fees	2,182	2,825
Legal fees	5,823	352
Directors fees and allowances	975	975
Others	255	134
	11,622	6,288
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***36. POLICY COSTS**

	2022	2021
	SCR' 000	SCR' 000
Policy costs	408	26
	-----	-----
	408	26
	=====	=====

Policy costs pertain to losses incurred by the Bank due to difference between the Bank's foreign exchange mid-rates on transaction value date and the participant's accepted Foreign Exchange Auction ("FEA") exchange bid or offer rates. FEA is a policy instrument used in the domestic foreign exchange market for the purchase and sale of foreign currency as part of the Bank's monetary and foreign operations, for liquidity management purposes, accumulation of foreign exchange reserves and ensuring orderly market conduct. The purchase and sale of foreign currency through FEAs will be at the individual participant's accepted bid or offer exchanges rates or at a fixed price as determined by the Monetary Policy Technical Committee ("MPTC").

37. PRIVATE SECTOR RELIEF CREDIT LINE FACILITIES COSTS

	2022	2021
	SCR' 000	SCR' 000
Interest cost for fair value adjustment benefits on Private Sector Relief Credit Line Facility ("PSRCLF")	1,913	28,827
Interest cost for fair value adjustment benefits on Private Sector (Large Enterprise) Relief Credit Line Facility ("PSLERCLF")	2,048	48,414
	-----	-----
	3,961	77,241
	=====	=====

In 2020, the Bank introduced two credit facilities to provide support to businesses facing revenue constraints as a consequence of the COVID-19 pandemic, in the form of the Private Sector Relief Credit Line Facility ("PSRCLF") for MSMEs and the Private Sector (Large Enterprise) Relief Credit Line Facility ("PSLERCLF"). The funds were administered by commercial banks, DBS and SCU, and were extended in line with section 29A of the CBS Act. The funds were disbursed from the Bank to the commercial banks, DBS and SCU at zero per cent interest. At inception, these facilities were recognised at fair value and subsequently measured at amortised cost. The difference between the present value and carrying value of the financial instruments are recognised in profit or loss. As of March 2022, these facilities have been closed as per the Bank's unwinding strategy.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***38. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS**

	2022	2021
	SCR' 000	SCR' 000
Net gains from expected credit loss on Balances held abroad	(5)	(35)
Net (gains)/losses from expected credit loss on holdings of Special Drawing Rights and Reserve tranche with IMF	-	1
Net losses from expected credit loss on other balances and placements held abroad	12	3
Net (gains) from expected credit loss on investment in Government treasury bills	(1,613)	(1,361)
Net losses/(gains) from expected credit loss on staff loans	17	(31)
Net (gains)/losses from expected credit loss on staff loans – Stage 2	(2)	2
Net losses/(gains) from expected credit loss on staff loans – Stage 3	3	(9)
Net (gains)/losses from expected credit loss on private sector (MSME) relief credit line facilities	(404)	358
Net (gains)/losses from expected credit loss on private sector (large enterprise) relief credit line facilities	(1,447)	1,411
	-----	-----
	(3,439)	339
	=====	=====

39. ADMINISTRATIVE EXPENSES

	2022	2021
	SCR' 000	SCR' 000
Utilities costs	2,888	2,631
Upkeep of premises, motor vehicles and equipment	5,774	5,440
Insurance costs	4,889	6,687
Archiving costs	30	835
Security expenses	2,805	2,709
Telephone expenses	1,320	1,365
Loss on disposal of fixed assets	8	46
Communications and advertising expenses	210	310
Others	736	664
	-----	-----
	18,660	20,687
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***40. OTHER OPERATING EXPENSES**

	2022	2021
	SCR' 000	SCR' 000
Upkeep of intangible assets	18,276	16,993
Upkeep of office machines	121	2,657
Subscriptions	8,891	9,311
Reserve management fees	6,254	5,763
Reimbursable Advisory Services	1,440	6,304
Membership fees and contributions	1,964	1,432
SWIFT costs	1,391	1,725
Financial education and consumer protection	102	255
Board development and related costs	537	639
Guy Morel High Achievement Scholarship	1,801	1,433
Others	603	1,141
	-----	-----
	41,380	47,653
	=====	=====

41. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022	2021
	SCR' 000	SCR' 000
Loss for the year	(422,124)	(2,707,706)
Adjustments for:		
- Interest income	(138,386)	(102,219)
- Interest expense	8,594	9,041
- Depreciation and amortisation charges	6,913	8,767
- Amortisation of currency replacement costs	6,681	11,865
- Prepaid employee benefits	3,408	3,369
- Private sector relief credit line facilities costs	3,961	77,241
- Expected credit loss on financial assets	(3,439)	339
- Loss on disposal of property and equipment	8	46
- Unrealised fair valuation and exchange losses on assets	601,897	3,842,282
- Realised fair valuation and exchange gains on assets	(10,500)	(26,791)
	-----	-----
	57,013	1,116,234
Changes in:		
- Loans and advances	138,890	(200,869)
- Other assets	1,726	(20,012)
- Currency in circulation	(111,937)	40,569
- Deposits	(752,917)	1,429,734
- Open Market Operations	3	(435,212)
- Other liabilities	16,527	(17,485)
- Provisions for employee benefits	3,024	29,316
- International Monetary Fund obligations	(141,964)	124,701
	-----	-----
Cash (used in)/from operating activities	(789,635)	2,066,976
Interest paid	(8,605)	(9,237)
	-----	-----
Net cash (outflow)/inflow from operating activities	(798,240)	2,057,739
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***42. RELATED PARTY TRANSACTIONS**

The Bank, in its capacity as fiscal agent to the Government raises domestic debt, executes auctions, carries out back office operations, promotes financial education and the development of financial markets and works towards improving trading and settlement infrastructure.

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include Government and Key Management personnel, consisting of members of the Board of Directors. Unless stated, all transactions with related parties take place at arm's length.

As banker to the Government, the following are transactions entered into:

- Banking services;
- Foreign exchange transactions;
- Payment and settlement facility;
- Investment in Government Securities; and
- Agent to the Government in raising domestic debt.

Material transactions with the Government are as follows:

42.1 Foreign Exchange Transactions

	2022	2021
	SCR' 000	SCR' 000
Purchase of foreign currency	990,363	2,186,873
	=====	=====
Sale of foreign currency	1,807,795	1,752,162
	=====	=====

42.2 Investment in Government Securities

	2022	2021
	SCR' 000	SCR' 000
182-day treasury bills	747,053	747,053
365-day treasury bills	438,000	438,000
	-----	-----
Total face value	1,185,053	1,185,053
Accrued interest	4,865	4,073
	-----	-----
Total Investment in Government Securities	1,189,918	1,189,126
	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***42. RELATED PARTY TRANSACTIONS (CONTINUED)****42.2 *Investment in Government Securities (continued)***

The Government treasury bills being managed by the Bank is derived from monetisation of past advances to the Government in 2008 (SCR 1.0 billion) and the Government bonds issued to recapitalise the Bank in 2010 (SCR 200.0 million). An MoU was signed between the Government and the Bank in 2011 in regards to the long-term Government debt held by the Bank which was converted to Government treasury bills with automatic roll-over at maturity at above-market rates (see Note 10).

Other transactions with the Government consist of receipts and payments in SCR made on behalf of the Government.

Outstanding balances from the Government consist of investment securities whilst outstanding balances to the Government consist of deposits from Government as disclosed in the financial statements and corresponding notes.

42.3 *Management of Domestic Securities and Buybacks***(a) Securities Buybacks**

Due to the health emergency caused by the COVID-19 pandemic, in 2021, the Bank put in place a buyback facility to purchase or otherwise acquire securities such as Government treasury bills and Government bonds, issued or guaranteed by the Government. This is permissible under Section 41(3) of the CBS Act, which states that “Notwithstanding subsection (2), in the event of a force majeure, the Bank may purchase or acquire treasury bills and other securities or guaranteed by the Government.” The same may be re-sold to the market or held until maturity in line with Section 41(6) of the CBS Act. As at 18 July 2022, the Bank has closed access to the buyback facility in line with its unwinding strategy of the COVID-19 policy and measures.

In accordance to the requirements of IFRS 9, the securities purchased under Section 41(3) of the CBS Act have been accounted as financial assets at FVTPL given the objective and the business model for these securities, that is, they will be available-for-sale rather than solely held-to-maturity for the purpose of collecting contractual cash flows.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***42. RELATED PARTY TRANSACTIONS (CONTINUED)**42.3 **Management of Domestic Securities and Buy-Backs (continued)**

(a) Securities Buybacks (continued)

	2022	2021
	SCR' 000	SCR' 000
Government treasury bills buybacks at FVTPL	-	270
Government bonds buybacks at FVTPL	6,302	1,512
Government guaranteed bonds buybacks at FVTPL	6,536	5,044
	-----	-----
Total Government treasury bills and bonds buybacks at FVTPL	12,838	6,826
	=====	=====

The Bank accounted for fair value gains and losses arising from domestic securities transactions in the books.

(b) Bond Issuance

In 2022, the Bank managed the issuance of eleven bonds on behalf of the Government for fiscal purposes as detailed below.

Auction Month	Government bonds term	Coupon rate p.a. (%)	Issuance limits (SCR million)
March	3-year	2.50	250.0
	7-year	5.00	250.0
May	3-year	2.70	150.0
	5-year	4.30	150.0
	7-year	5.90	200.0
August	3-year	2.90	50.0
	5-year	4.40	75.0
	7-year	5.90	75.0
October	3-year	3.15	50.0
	5-year	4.65	75.0
	7-year	6.15	75.0

The coupon payment terms for the bonds were semi-annual and the bonds were issued through an auction comprising of competitive and non-competitive biddings. The competitive bidding was available to all commercial banks and SCU, the SPF and Insurance Companies. Non-competitive bidding was available to all other eligible investors.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***42. RELATED PARTY TRANSACTIONS (CONTINUED)****42.4 Deposits from Government - Central Bank of Seychelles blocked foreign exchange deposits**

	2022	2021
	SCR' 000	SCR' 000
Central Bank of Seychelles blocked foreign exchange Deposits (GBP)	687	68
Central Bank of Seychelles blocked foreign exchange Deposits (USD)	7,809	6,380
Central Bank of Seychelles blocked foreign exchange Deposits (EUR)	16,749	29,876
Total blocked foreign exchange deposits	25,245	36,324

The blocked foreign exchange deposits relate to unidentified Government foreign exchange denominated funds received by the Bank in the three main currencies, namely GBP, USD and EUR. The deposits are non-interest bearing and are placed in these blocked deposit accounts pending such time that information is received as to the correct Government accounts into which the proceeds are credited. The deposits from Government as at 31 December 2022 are disclosed in Note 17.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***42. RELATED PARTY TRANSACTIONS (CONTINUED)****42.5 Key Management Personnel**

Key Management personnel comprises the Governor, First Deputy Governor, Second Deputy Governor and the Non-Executive Board members. The latter are considered to be part of the Key Management personnel as they have the authority and responsibility for planning, directing and controlling the activities of the Bank.

The aggregate remuneration provided for and paid to Key Management personnel comprised:

	2022	2021
	SCR' 000	SCR' 000
Salary and allowances	3,958	4,377
Gratuity costs	1,979	2,018
Car benefits	329	430
Post-employment benefits	2,853	5,600
Others	278	456
	-----	-----
Total	9,397	12,881
	=====	=====

Movements in loans to key management personnel are as follows:

	2022	2021
	SCR' 000	SCR' 000
Balance as at 1 January	-	-
Transfer	594	-
Total repayments	(25)	-
	-----	-----
Balance as at 31 December	569	-
	=====	=====

In 2022, there was a transfer of **SCR 0.59 million** under loans to key management personnel. This represents the transfer of a loan balance disbursed to a key management personnel prior to their appointment to the post in August 2022 for which the outstanding amount is now recognised under related party.

43. COMMITMENTS

Commitments not otherwise provided for in the financial statements and which existed at 31 December 2022 are as follows:

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***43. COMMITMENTS (CONTINUED)****43.1 Capital subscription in Afreximbank**

The Bank has a commitment to pay on call **USD 1.16 million** (2021 – USD 1.04 million) of nominal share value for capital subscription in Afreximbank. This amount has not been accounted for as a liability in the financial statements due to the unknown factor of the time and expected value of the shares to be called up. Furthermore, during the year, the Bank has applied part of its accumulated dividend earnings towards the acquisition of additional shares in Afreximbank.

43.2 Advances to the Government

The Bank is mandated under Sections 40(1) and 40A of the CBS Act to grant temporary advances in SCR to the Government (see Note 3.18(b)). For the year 2022, no advances were made to the Government under Section 40(1) (2021 – Nil) nor were any made under Section 40A (2021 – 16 days in January).

The overall borrowing limit for the year 2022 of **SCR 1.44 billion** (2021 – SCR 1.69 billion) comprised of investment securities of **SCR 1.19 billion** (2021 – SCR 1.19 billion) and the Board of Directors approved short-term advances to the Government for the year up to the limit of **SCR 250.0 million** under Section 40A (2021 – SCR 500.0 million).

43.3 Employee loans approved but not yet disbursed

The Bank has a loans policy under which it disburses loans to its staff at a preferential rate. For the year 2022, staff loans approved but not yet disbursed amounted to **SCR 2.63 million** (2021 – SCR 4.12 million). Employees shall be eligible for loans under the loans policy if they have worked with the Bank for a continuous period of at least 2 years from the date of appointment. All loans are disbursed in full in one instalment except loans for the construction of personal residential housing which are disbursed in a minimum of three instalments and in the case of loans for further education whereby the amount of the loan shall be drawn in annual instalments.

43.4 Emergency Lending Facility

As part of its prudential toolkit, the Bank has an emergency liquidity support facility primarily aimed at preventing severe and persistent short-term liquidity problems and thus minimising bank runs. As at year end 2022, the total lending under this facility was **Nil** (2021 – Nil). Access to this facility requires banks and SCU to provide adequate and sufficient collateral among other pre-requisites.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****44. FINANCIAL RISK MANAGEMENT**

The Bank's risks are principally attributed to its functional obligations. The Bank is exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

44.1 Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk.

The Bank's exposure to market risk comes in the form of general and specific market fluctuations which affect the investments in interest bearing and foreign currency denominated financial instruments. Further to that, the exposure to market risk is generated from both trading and asset/liability management activities. The measures taken by the Bank to manage such risk are disclosed below:

(a) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed as follows:

- Foreign reserve interest rate risk management

Interest rate risk increases or reduces the total return on the portfolio which consists mainly of demand and short-term deposits and is measured by daily calculation of the weighted average portfolio duration of the foreign exchange reserves as prescribed in the Bank's Investment Policy and Guidelines. Limits are set on interest rate risk with the aim of avoiding reporting losses as a result of market valuation changes over one-year reporting period.

- Domestic market operations interest rate risk

The Bank's exposure to domestic market interest rate risk arises from its domestic market operations which are short-term in nature. These may include standing deposit and credit facilities, deposit and credit auctions, the buyback facility with other depository corporations and investment in Government treasury bills. The Bank cannot eliminate domestic market interest rate risk as it is a function of its monetary policy.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022**44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 **Market risk (continued)**

(a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2022							
Financial assets							
Cash and cash equivalents	1,963,021	1,923,528	-	-	-	11,459	3,898,008
Other balances and placements	793,039	566,352	402,402	-	-	-	1,761,793
Financial assets at fair value through profit or loss	79,503	130,901	769,461	2,402,932	359	45,099	3,428,255
Investment securities ²	-	-	1,187,114	-	-	-	1,187,114
Loans and advances	102	23,154	62,536	99,659	56,947	57	242,455
Total financial assets	2,835,665	2,643,935	2,421,513	2,502,591	57,306	56,615	10,517,625
Financial liabilities							
Currency in circulation	-	-	-	-	-	1,658,006	1,658,006
Deposits from Government	-	-	-	-	-	1,879,919	1,879,919
Deposits from banks	878,012	-	-	-	-	4,301,352	5,179,364
Deposits from other financial institutions	-	-	-	-	-	116,279	116,279
Other deposits	-	-	-	-	-	93,015	93,015
Open Market Operations	200,011	-	-	-	-	-	200,011
International Monetary Fund obligations	5,122	-	46,239	79,391	568,236	1,534	700,522
Total financial liabilities	1,083,145	-	46,239	79,391	568,236	8,050,105	9,827,116
Net financial position	1,752,520	2,643,935	2,375,274	2,423,200	(510,930)	(7,993,490)	690,509

² Though Investment securities mature within 12 months, it is the intention of the Bank to hold the asset to perpetuity.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 **Market risk (continued)**

(a) Interest rate risk (continued)

The table below summarises concentration of the interest rate re-pricing risk categorised by the earlier of contractual re-pricing or maturity dates:

	Demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2021							
Financial assets							
Cash and cash equivalents	5,511,031	270,112	-	-	-	11,500	5,792,643
Other balances and placements	1,276,427	-	-	-	-	-	1,276,427
Financial assets at fair value through profit or loss	100,724	96,656	711,033	2,353,749	271	43,292	3,305,725
Investment securities ³	-	-	1,184,709	-	-	-	1,184,709
Loans and advances	281	128,992	48,549	139,148	64,293	82	381,345
Total financial assets	6,888,463	495,760	1,944,291	2,492,897	64,564	54,874	11,940,849
Financial liabilities							
Currency in circulation	-	-	-	-	-	1,769,943	1,769,943
Deposits from Government	-	-	-	-	-	2,577,495	2,577,495
Deposits from banks	1,901,376	-	-	-	-	3,406,313	5,307,689
Deposits from other financial institutions	-	-	-	-	-	69,741	69,741
Other deposits	-	-	-	-	-	66,569	66,569
Open Market Operations	200,008	-	-	-	-	-	200,008
International Monetary Fund obligations	10,887	-	65,319	134,701	630,350	1,229	842,486
Total financial liabilities	2,112,271	-	65,319	134,701	630,350	7,891,290	10,833,931
Net financial position	4,776,192	495,760	1,878,972	2,358,196	(565,786)	(7,836,416)	1,106,918

³ Though Investment securities mature within 12 months, it is the intention of the Bank to hold the asset to perpetuity.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 **Market risk (continued)**

(a) Interest rate risk (continued)

Sensitivity to interest rate risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank's financial assets and liabilities in relation to changes in interest rates.

	Total gain/(loss) impacting equity 2022 SCR' 000	Total gain/(loss) impacting equity 2021 SCR' 000	Total gain/(loss) impacting profit or loss 2022 SCR' 000	Total gain/(loss) impacting profit or loss 2021 SCR' 000
Impact of:				
An increase of 100 basis points in the domestic market interest rates	207	161	207	161
A decrease of 100 basis points in the domestic market interest rates	(207)	(161)	(207)	(161)
An increase of 100 basis points in the market interest rates for foreign currencies	5,413	1,511	5,413	1,511
A decrease of 100 basis points in the market interest rates for foreign currencies	(5,413)	(1,511)	(5,413)	(1,511)

The Bank's exposure to interest rate risk might remain unchanged on both its local and foreign financial assets, despite the Guidelines for the latter allowing for a more active approach and the former being solely inclusive of Government treasury bills in the Bank's portfolio of securities.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 ***Market risk (continued)***

(b) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank through its reserve management function assumes currency risks, being changes in the prices of one currency against another. The currency composition of the reserves is strategically selected to mirror the country's foreign currency liabilities which forms a natural currency risk hedge. In addition to this strategic currency hedge, the Bank attempts to further mitigate exposures to short-term currency volatility through tactical management of the currency risk around the strategic currency composition. Exchange gains and losses arising from the revaluation of assets and liabilities denominated in foreign currencies are recognised in profit or loss and are transferred to the Revaluation Reserve Account in accordance with Section 16 of the CBS Act.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 *Market risk (continued)*

(b) Currency risk (continued)

The table below discloses the financial assets and financial liabilities by concentration of currency risk.

	EUR	USD	GBP	XDR	SCR	CAD	AUD	ZAR	CNY	CNH	TOTAL
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2022											
Financial assets											
Cash and cash equivalents	84,590	2,810,352	78,556	482,669	-	204,357	55	4,430	228,590	4,409	3,898,008
Other balances and placements	-	1,761,793	-	-	-	-	-	-	-	-	1,761,793
Financial assets at fair value through profit or loss	-	3,072,598	-	-	12,480	-	-	-	343,177	-	3,428,255
Investment securities	-	-	-	-	1,187,114	-	-	-	-	-	1,187,114
Loans and advances	-	-	-	-	242,455	-	-	-	-	-	242,455
Total financial assets	84,590	7,644,743	78,556	482,669	1,442,049	204,357	55	4,430	571,767	4,409	10,517,625
Financial liabilities											
Currency in circulation	-	-	-	-	1,658,006	-	-	-	-	-	1,658,006
Deposits from Government	323,662	140,457	688	67,318	1,347,794	-	-	-	-	-	1,879,919
Deposits from banks	540,416	1,229,154	-	-	3,409,794	-	-	-	-	-	5,179,364
Deposits from other financial institutions	-	-	-	-	116,279	-	-	-	-	-	116,279
Other deposits	8,005	36,442	1,854	-	46,714	-	-	-	-	-	93,015
Open Market Operations	-	-	-	-	200,011	-	-	-	-	-	200,011
International Monetary Fund obligations	-	-	-	698,988	1,534	-	-	-	-	-	700,522
Total financial liabilities	872,083	1,406,053	2,542	766,306	6,780,132	-	-	-	-	-	9,827,116
Net financial position	(787,493)	6,238,690	76,014	(283,637)	(5,338,083)	204,357	55	4,430	571,767	4,409	690,509

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 *Market risk (continued)*

(b) Currency risk (continued)

	EUR	USD	GBP	XDR	SCR	CAD	AUD	ZAR	CNY	CNH	TOTAL
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
As at 31 December 2021											
Financial assets											
Cash and cash equivalents	109,342	5,018,686	86,305	573,440	-	29	60	4,744	37	-	5,792,643
Other balances and placements	-	1,024,091	-	-	-	-	-	-	252,336	-	1,276,427
Financial assets at fair value through profit or loss	-	3,298,899	-	-	6,826	-	-	-	-	-	3,305,725
Investment securities	-	-	-	-	1,184,709	-	-	-	-	-	1,184,709
Loans and advances	-	-	-	-	381,345	-	-	-	-	-	381,345
Total financial assets	109,342	9,341,676	86,305	573,440	1,572,880	29	60	4,744	252,373	-	11,940,849
Financial liabilities											
Currency in circulation	-	-	-	-	1,769,943	-	-	-	-	-	1,769,943
Deposits from Government	388,763	198,311	69	72,587	1,917,765	-	-	-	-	-	2,577,495
Deposits from banks	603,046	1,133,899	-	-	3,570,744	-	-	-	-	-	5,307,689
Deposits from other financial institutions	-	-	-	-	69,741	-	-	-	-	-	69,741
Other deposits	3,906	18,821	853	-	42,989	-	-	-	-	-	66,569
Open Market Operations	-	-	-	-	200,008	-	-	-	-	-	200,008
International Monetary Fund obligations	-	-	-	841,257	1,229	-	-	-	-	-	842,486
Total financial liabilities	995,715	1,351,031	922	913,844	7,572,419	-	-	-	-	-	10,833,931
Net financial position	(886,373)	7,990,645	85,383	(340,404)	(5,999,539)	29	60	4,744	252,373	-	1,106,918

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022**44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 **Market risk (continued)**

(b) Currency risk (continued)

Sensitivity to currency risk

A sensitivity analysis is performed for each type of market risk to which the Bank is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

The table below presents the sensitivity analysis of the Bank's financial assets and liabilities in relation to changes in foreign exchange rates.

	Currency	(Increase)/Decrease in impact on equity		(Increase)/Decrease in profit or loss	
		2022 SCR' 000	2021 SCR' 000	2022 SCR' 000	2021 SCR' 000
Impact of:					
An appreciation of 5.0% in the value of the Seychelles Rupee against all other currencies	EUR	(39,375)	(44,319)	(39,375)	(44,319)
	USD	311,935	399,533	311,935	399,533
	GBP	3,801	4,269	3,801	4,269
	Others ⁴	25,069	(4,160)	25,069	(4,160)
A depreciation of 5.0% in the value of the Seychelles Rupee against all other currencies	EUR	39,375	44,319	39,375	44,319
	USD	(311,935)	(399,533)	(311,935)	(399,533)
	GBP	(3,801)	(4,269)	(3,801)	(4,269)
	Others	(25,069)	4,160	(25,069)	4,160

Adherence to its Investment Policy and Guidelines implies that the Bank will continue to be exposed to foreign currency risk. Nonetheless, the Bank's foreign currency risk is limited by its investment in cash and cash equivalents, short-term investment and financial assets at FVTPL.

(c) Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is assisted by external fund managers in its strategy to maximise investment returns. All assets managed by fund managers and all buy and sell decisions are approved by same in compliance with the agreement which reflects compliance to the Investment Policy and Guidelines.

⁴ The others category consists of XDR, AUD, CAD, ZAR, CNY and CNH

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.1 **Market risk (continued)**

(c) Other price risk (continued)

Other price risks stemming from the money market fund and foreign treasury securities portfolio are generally managed according to parameters stipulated within the Investment Policy and Guidelines. However, since the money market fund is not a standalone eligible asset class as stipulated in the Investment Policy and Guidelines, it was expressly authorised by the Board of Directors. Therefore, the management of associated risks is conducted with reference made to the underlying assets making up the fund. In addition, the nature of the fund requires that consideration is also given to tolerable risk thresholds related to external asset management.

Sensitivity to price risk

The table below presents the sensitivity analysis of the Bank's financial assets and liabilities in relation to changes in market price.

	Increase/(Decrease) in impact on equity		Increase/(Decrease) in profit or loss	
	2022 SCR' 000	2021 SCR' 000	2022 SCR' 000	2021 SCR' 000
Impact of:				
An increase of 5% in the market price of foreign investments	171,413	165,286	171,413	165,286
A decrease of 5% in the market price of foreign investments	(171,413)	(165,286)	(171,413)	(165,286)

The Bank's foreign price risk is limited by its investment in financial assets classified as financial assets at FVTPL.

44.2 **Credit risk**

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk also arises from loans and advances. Staff loans are managed by the Bank under the ambit of the staff loans policy which is approved by the Board of Directors. Depending on the staff loans category, appropriate security or collateral is taken in order to limit the impact of any potential default event. For staff still employed with the Bank, the risk of default is very unlikely in view that loan repayments are made from salary deductions and other dues to service the loans. The two relief credit line facilities, the PSRCLF and PSLERCLF are also subject to credit risk in view that the Bank provided loans to commercial banks, DBS and SCU to further assist eligible micro, small, medium and large enterprises impacted by the COVID-19 pandemic.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.2 Credit risk (continued)**

In the event of a default by the enterprises, the commercial banks, DBS and SCU shall be liable to settle 30 per cent of the loans under PSRCLF and 50 per cent of the loans under PSLERCLF. The Government has provided a guarantee to cover 70 per cent of the loans for MSMEs under the PSRCLF and 50 per cent of the loans for the large enterprises under the PSLERCLF.

(a) Credit risk measurement

The Bank's maximum exposure is reflected in the carrying amount of financial assets in the statement of financial position.

The Bank's investments in short-term deposit instruments coupled with institutions of acceptable credit worthiness allows it to manage its credit risk effectively. As such, the Bank is not exposed to significant credit risk, which is the risk that its counterparts will be unable to fulfil their contractual obligations.

Credit risk related to the placement of deposits with international banks and other financial institutions, including correspondent banks, is guided by credit ratings obtained from Standard and Poor's, Moody's Investors Services, or Fitch Ratings. To be eligible for deposits, including holdings on correspondent account, the international bank must be rated investment grade and above.

To limit credit risk, no more than 35 per cent of reserves are invested in claims on international banks and other financial institutions with a minimum credit rating of 'A-'. Reflecting uncertainties regarding international banks and other financial institutions, the maturity of these deposits should not exceed 6 months. The exposure to credit risk in the local markets is limited due to the largest amount of domestic financial assets in the Bank's portfolio being Government securities which carry sovereign risk. Furthermore, given that the Bank is the regulatory authority for banks, any investment and transactions with them such as reverse repurchase agreements and foreign exchange swaps will be treated as low risk as such transactions are secured.

The following table presents the Bank's financial assets based on a composite of Standard and Poor's, Fitch and Moody's credit ratings. 'AAA' is the rating used for identification of highly reliable international financial institutions. This rating indicates that the entity has an extremely strong capacity to pay interest and principal. 'AA' is a high-grade rating and 'A' is an upper-medium grade rating, indicating a very strong capacity to pay interest and principal, respectively. 'BBB' is the lowest investment grade rating, indicating an adequate capacity to pay interest and principal. Ratings lower than 'AAA' can be modified by '+' or '-' signs to indicate relative standing within the major categories. 'N/R' indicates the entity has not been rated by any of the above-mentioned rating agencies.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022**44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 **Credit risk (continued)**

(a) Credit risk measurement (continued)

		2022		2021	
	Credit Rating	Amount SCR' 000	% of Financial Assets	Amount SCR' 000	% of Financial Assets
Financial assets					
Cash and cash equivalents					
– Demand deposits	AA	89,428	0.85%	113,408	0.95%
	AA-	198,748	1.89%	337,894	2.83%
	A	253,998	2.41%	431,874	3.62%
	A-	19,892	0.19%	22,729	0.19%
	BB	22,981	0.22%	19,861	0.17%
	BB-	4,430	0.04%	4,744	0.04%
	N/R	2,814,400	26.76%	4,277,193	35.82%
– SDR holdings and reserve Tranche	N/R	482,672	4.59%	573,440	4.80%
– Foreign currency cash	No risk	11,459	0.11%	11,500	0.10%
Other balances and Placements					
	AA-	226,070	2.15%	92,945	0.78%
	A	71,969	0.68%	-	0.00%
	N/R	1,463,754	13.91%	1,183,482	9.91%
Financial assets at fair value through profit or loss					
	AAA	2,567,023	24.41%	3,063,832	25.66%
	AA	212,278	2.02%	37,182	0.31%
	A+	354,322	3.37%	154,593	1.29%
	A-	151,062	1.43%	-	0.00%
	BBB	45,099	0.43%	43,292	0.36%
	BB+	38,950	0.37%	-	0.00%
	BB-	35,432	0.34%	-	0.00%
	B+	-	0.00%	6,826	0.06%
	N/R	24,089	0.23%	-	0.00%
Investment in Government Securities					
	BB-	1,187,114	11.29%	-	0.00%
	B+	-	0.00%	1,184,709	9.92%
Loans and advances					
	N/R	242,455	2.31%	381,345	3.19%
		10,517,625	100.00%	11,940,849	100.00%
		=====	=====	=====	=====

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 31 DECEMBER 2022*

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Credit risk (continued)

(a) Credit risk measurement (continued)

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The Bank uses PD obtained from the credit rating agency as a baseline and these are further recalibrated.

Balances with other banks and financial institutions, including other central banks

The Bank uses external credit risk ratings that reflect its assessment of the PD of individual and sovereign counterparties. The PD's are recalibrated to adjust the deviations in rankings.

Staff loans

After the date of initial recognition, for staff loans, the default event is determined as the staff leaving the Bank, having loans and not settled within 6 months as per stated policy.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.2 Credit risk (continued)****(a) Credit risk measurement (continued)**

Further explanation is also provided on how the Bank determines appropriate groupings when ECL is measured on a collective basis.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

The remaining lifetime PD at the reporting date has increased, compared to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

Balances with other banks and financial institutions, including other central banks: This is determined by a change/downgrade in external rating and depending on the original rating more than one may be needed to trigger a SICR transfer. Many of these exposures are short-term so it should be noted that the ratings changes required to trigger SICR would have to happen in a very short-timeframe.

Investment Securities will follow a similar approach to other counterparty exposures above. This is a longer-term exposure and the effect to moving to a lifetime ECL would be significant.

Qualitative criteria

The assessment of SICR incorporates forward-looking information in so far as the external ratings are constructed to reflect macro-economic outlook and impact.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 90 days past due on its contractual payments. The Bank has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2022.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower has failed to meet contractual obligations on repayment being either 90 days in arrears or in the case of staff lending has left the Bank and failed to meet contractual requirement on settling the outstanding loan.

Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Bank's expected loss calculations.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate as at date or an approximation thereof.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PDs, EADs and LGDs. These assumptions vary by product type. Refer to the note overleaf for an explanation of forward-looking information and its inclusion in ECL calculations. The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed based upon new parameters being released by the rating agencies.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information on the corporate and sovereign exposures derived through the external rating and outlook.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 31 DECEMBER 2022*

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Credit risk (continued)

(a) Credit risk measurement (continued)

On staff lending, the data is very sparse and does not practically lend itself to macroeconomic modelling without undue cost and effort. A Pluto-Tasche adjustment is applied to the staff loan parameters to allow for volatility and prudence.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management overlays can also be applied where justified, as approved by the Risk Management Committee ("RMC").

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- The level of rating downgrade needed to trigger SICR on corporate and sovereign exposure and invoke a lifetime ECL calculation. Depending on the rating at origination, a downgrade of 1, 2 or 3+ notches is required to trigger a SICR and set using the ratings PD ranges.
- The adoption of an LGD of 45 per cent on corporate and sovereign exposures.
Recent industry research has shown this LGD to range between 13 per cent and 73 per cent with an average in the range of 35 per cent to 45 per cent. Applying the LGD at the upper end of the range as a sensitivity has an ECL impact of SCR 0.87 million (2021– SCR 1.64 million)
- The benchmarking and assumptions used in setting the ECL parameters for staff lending given the low loan volumes and very limited default history. This has been offset by invoking a Pluto-Tasche calculation to set some upper confidence limits. Additional information will need to be gathered and incorporated over time.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Bank. The characteristics and any supplementary data used to determine groupings are outlined below:

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.2 Credit risk (continued)****(a) Credit risk measurement (continued)**

As shown in the above tables, the overall allowance for ECL for the financial instruments has decreased from SCR 7.70 million at 31 December 2021 to **SCR 4.26 million** at 31 December 2022. The significant changes are the decrease in the investment securities and the loans and advances. The investment securities have decreased due to a risk in the Effective Interest Rate (EIR) as a result of a decline in the tender prices and the subsequent increase in the weighted average years to maturity. The decline in Loans and Advances is due to the repayment of the credit line facility by the commercial banks and improvement in the country's rating from B+ to BB-.

The following tables explain the changes in the loss allowance between the previous period and the current reporting period due to change in credit risk factors.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- Month ECL	Lifetime ECL	Lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Cash and cash equivalents				
Loss Allowance as at 31 December 2021	34	-	-	34
	-----	-----	-----	-----
Changes in loss allowance				
New financial assets originated or purchased	4	-	-	4
Financial assets that have been derecognised	(13)	-	-	(13)
Changes in models/risk parameters	4	-	-	4
	-----	-----	-----	-----
Loss Allowance as at 31 December 2022	29	-	-	29
	=====	=====	=====	=====
	2021			
	Stage 1	Stage 2	Stage 3	Total
	12- Month ECL	Lifetime ECL	Lifetime ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Cash and cash equivalents				
Loss Allowance as at 31 December 2020	68	-	-	68
	-----	-----	-----	-----
Changes in loss allowance				
New Financial Assets originated or purchased	5	-	-	5
Financial assets that have been derecognised	(30)	-	-	(30)
Changes in models/risk parameters	(9)	-	-	(9)
	-----	-----	-----	-----
Loss Allowance as at 31 December 2021	34	-	-	34
	=====	=====	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- Month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Other Balances and Placements				
Loss Allowance as at 31 December 2021	4	-	-	4
	-----	-----	-----	-----
Changes in loss allowance				
New Financial Assets originated or purchased	7	-	-	7
Changes in models/risk parameters	5	-	-	5
	-----	-----	-----	-----
Loss Allowance as at 31 December 2022	16	-	-	16
	=====	=====	=====	=====

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12- Month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Other Balances and Placements				
Loss Allowance as at 31 December 2020	1	-	-	1
	-----	-----	-----	-----
Changes in loss allowance				
New Financial Assets originated or purchased	3	-	-	3
	-----	-----	-----	-----
Loss Allowance as at 31 December 2021	4	-	-	4
	=====	=====	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 ***Credit risk (continued)***

(a) Credit risk measurement (continued)

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12- Month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Investment Securities				
Loss Allowance as at 31 December 2021	4,417	-	-	4,417
	-----	-----	-----	-----
Changes in loss allowance				
New Financial Assets originated or purchased	2	-	-	2
Financial assets that have been derecognised	(1,615)			(1,615)
	-----	-----	-----	-----
Loss Allowance as at 31 December 2022	2,804	-	-	2,804
	=====	=====	=====	=====
	2021			
	Stage 1	Stage 2	Stage 3	Total
	12- Month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Investment Securities				
Loss Allowance as at 31 December 2020	5,778	-	-	5,778
	-----	-----	-----	-----
Changes in loss allowance				
Financial assets that have been derecognised	(34)	-	-	(34)
Changes in models/risk parameters	(1,327)	-	-	(1,327)
	-----	-----	-----	-----
Loss Allowance as at 31 December 2021	4,417	-	-	4,417
	=====	=====	=====	=====

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022**44. FINANCIAL RISK MANAGEMENT (CONTINUED)**44.2 **Credit risk (continued)**

(a) Credit risk measurement (continued)

Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (a) ceasing enforcement activity and (b) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off for the year ended 31 December 2022 was Nil (2021 – Nil). The Bank will seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Maximum exposure to credit risk — Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts (including loans not yet disbursed) of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

	2022			Total	2021 Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Investment grade	6,044,629	-	-	6,044,629	7,341,414
Standard monitoring	283,120	-	-	283,120	443,927
Default	-	-	11	11	-
	-----	-----	-----	-----	-----
Gross carrying amount	6,327,749	-	11	6,327,760	7,785,341
Loss allowance	(4,258)	-	(3)	(4,261)	(7,700)
	-----	-----	-----	-----	-----
Carrying amount	6,323,491	-	8	6,323,499	7,777,641
	=====	=====	=====	=====	=====

Collateral and other credit enhancements

The Bank has collateral for certain categories of staff loans in the form of guarantees, charges, property and pledge of insurance.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.2 Credit risk (continued)****(b) Concentration of risk – Geographical sectors**

The table below breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical region as of 31 December 2022. Exposures have been allocated by region of the country of domicile of the relevant counterparties.

	Europe	America	Seychelles	Asia	Middle East	Africa	Australia	Total
	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000	SCR' 000
At 31 December 2022								
Financial assets								
Cash and cash equivalents	2,465,790	963,581	11,459	452,748	-	4,430	-	3,898,008
Other balances and placements	1,463,754	-	-	298,039	-	-	-	1,761,793
Financial assets at fair value through profit or loss	517,229	2,330,469	12,480	445,923	-	45,099	77,055	3,428,255
Investment securities	-	-	1,187,114	-	-	-	-	1,187,114
Loans and advances	-	-	242,455	-	-	-	-	242,455
Total financial assets	4,446,773	3,294,050	1,453,508	1,196,710	-	49,529	77,055	10,517,625
At 31 December 2021								
Financial assets								
Cash and cash equivalents	2,967,879	2,038,752	11,500	769,767	-	4,745	-	5,792,643
Other balances and placements	1,183,483	-	-	92,944	-	-	-	1,276,427
Financial assets at fair value through profit or loss	215,407	3,025,368	6,826	-	-	58,124	-	3,305,725
Investment securities	-	-	1,184,709	-	-	-	-	1,184,709
Loans and advances	-	-	381,345	-	-	-	-	381,345
Total financial assets	4,366,769	5,064,120	1,584,380	862,711	-	62,869	-	11,940,849

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.3 *Liquidity risk***

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities. It refers to the possible difficulties in selling (liquidating) large amounts of assets quickly, possibly in a situation where market conditions are also unfavourable, resulting in adverse price movement. As the Bank is the sole issuer of the national currency this channels its liquidity risk towards its foreign currency positions. On that basis, the liquidity of each financial instrument eligible for investment is duly considered by the Bank before an investment is made.

To reduce liquidity risk, the Bank can only invest in instruments with an active and liquid secondary market or instruments which can be prematurely traded or cancelled without incurring significant costs.

(a) Contractual maturity of financial assets and liabilities

The table overleaf analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the maturity table are the undiscounted cash flows which are adjusted for ECL. Such undiscounted cash flows differ from the amount included in the statement of financial position which is based on discounted cash flows. Balances due within one month equal their carrying balances, as the impact of discounting is not significant.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 *Liquidity risk (continued)*

(a) Contractual maturity of financial assets and liabilities (continued)

	Demand and up to 1 month SCR' 000	1 to 3 months SCR' 000	3 to 12 months SCR' 000	1 to 5 years SCR' 000	Over 5 years SCR' 000	Gross nominal inflow/ (outflow) SCR' 000	Carrying amount SCR' 000
At 31 December 2022							
Financial liabilities							
Currency in circulation	1,658,006	-	-	-	-	(1,658,006)	1,658,006
Deposits from Government	1,879,919	-	-	-	-	(1,879,919)	1,879,919
Deposits from banks	5,179,364	-	-	-	-	(5,179,364)	5,179,364
Deposits from other financial institutions	116,279	-	-	-	-	(116,279)	116,279
Other deposits	93,015	-	-	-	-	(93,015)	93,015
Open Market Operations	200,018	-	-	-	-	(200,018)	200,011
International Monetary Fund obligations	6,656	21,481	111,492	318,078	712,709	(1,170,416)	700,522
Total financial liabilities	9,133,257	21,481	111,492	318,078	712,709	(10,297,017)	9,827,116
Financial assets							
Cash and cash equivalents	1,975,784	1,937,500	-	-	-	3,913,284	3,898,008
Other balances and placements	794,580	570,133	407,428	-	-	1,772,141	1,761,793
Financial assets at fair value through profit or loss	79,503	130,901	769,461	2,402,932	45,458	3,428,255	3,428,255
Investment securities	-	-	1,201,321	-	-	1,201,321	1,187,114
Loans and advances	776	28,523	77,909	141,623	86,179	335,010	242,455
Total financial assets	2,850,643	2,667,057	2,456,119	2,544,555	131,637	10,650,011	10,517,625
Net liquidity gap	6,282,614	(2,645,576)	(2,344,627)	(2,226,477)	581,072	(352,994)	(690,509)

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.4 Capital management**

The statutory capital of the Bank which comprises the Authorised capital and General reserve shall be built up to 10 per cent of monetary liabilities and can be more in one year should the monetary liabilities decrease. Section 16(2) of the CBS Act states that where the Bank has distributable earnings for any financial year, 50 per cent of those earnings shall be distributed in the following priority, to the statutory capital until:

- a) authorised capital reaches 3.33 per cent of monetary liabilities; and
- b) the General reserve reaches 6.67 per cent of monetary liabilities.

As at 31 December 2022, statutory capital stood at **2.73 per cent** of monetary liabilities (2021 – 3.26 per cent). In the event that the General reserve accumulates a balance of less than zero, the Government shall within 30 days of publication of the annual accounts, recapitalise the Bank by transferring marketable securities to the ownership of the Bank to restore the General reserve to zero.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**45.1 *Fair value of financial assets and liabilities*

The table below summarises the carrying amounts and fair values of investment securities which are not presented on the Bank's statement of financial position at fair value:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
	SCR' 000	SCR' 000	SCR' 000	SCR' 000
Financial assets				
Investment securities	1,187,114	1,189,786	1,184,709	1,193,452
	=====	=====	=====	=====

The fair value of investment securities classified at amortised cost is based on market prices of Government treasury bills as at the reporting date. The fair value of Government treasury bills has been computed using the compounded interest method at interest rates of **1.39 per cent** per annum for the 182-day treasury bills (2021 – 0.56 per cent per annum) and **2.19 per cent** per annum for the 365-day treasury bills (2021 – 1.01 per cent per annum). For all other financial assets and liabilities, their carrying amounts are a reasonable approximation of fair value.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****45.2 Valuation models**

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within level 1 that are observables either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

45.3 Accounting classifications and fair values

The following tables overleaf set out the fair values of financial instruments measured at fair value and analyse them by the level in the fair value hierarchy into which each fair value measurement is categorised. The tables also set out the other financial instruments not measured at fair value.

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****45.3 Accounting classifications and fair values (continued)**

	Carrying amount			Total SCR' 000	Fair value			
	At fair value through profit or loss SCR' 000	At Amortised Cost SCR' 000	Other financial liabilities SCR' 000		Level 1 SCR' 000	Level 2 SCR' 000	Level 3 SCR' 000	Total SCR' 000
	At 31 December 2022							
Financial assets measured at fair value								
Financial assets at fair value through profit or loss	3,428,255	-	-	3,428,255	3,383,156	-	45,099	3,428,255
Financial assets not measured at fair value								
Cash and cash equivalents	-	3,898,008	-	3,898,008	-	3,898,008	-	3,898,008
Other balances and placements	-	1,761,793	-	1,761,793	-	1,761,793	-	1,761,793
Investment securities	-	1,187,114	-	1,187,114	-	1,189,786	-	1,189,786
Loans and advances	-	242,455	-	242,455	-	-	242,455	242,455
Total assets not measured at fair value	-	7,089,370	-	7,089,370	-	6,849,587	242,455	7,092,042
Financial liabilities not measured at fair value								
Currency in circulation	-	-	1,658,006	1,658,006	-	-	-	-
Deposit from Government	-	-	1,879,919	1,879,919	-	-	-	-
Deposit from banks	-	-	5,179,364	5,179,364	-	878,012	-	878,012
Deposit from other financial Institutions	-	-	116,279	116,279	-	-	-	-
Other deposits	-	-	93,015	93,015	-	-	-	-
Open Markets Operations	-	-	200,011	200,011	-	200,011	-	200,011
International Monetary Fund obligations	-	-	700,522	700,522	-	700,522	-	700,522
Total liabilities not measured at fair value	-	-	9,827,116	9,827,116	-	1,778,545	-	1,778,545

CENTRAL BANK OF SEYCHELLES**NOTES TO THE FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31 DECEMBER 2022***45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****45.3 Accounting classifications and fair values (continued)**

There have been no transfers during the year between levels 1 and 2. A reconciliation of fair value measurements in level 3 is set out below:

	Equity Securities	
	2022	2021
	SCR' 000	SCR' 000
Balance as at 1 January	43,292	57,652
Additions	1,307	969
Change in fair value	500	(15,329)
	-----	-----
Balance as at 31 December	45,099	43,292
	=====	=====

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

45.4 Valuation techniques used

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For the other financial instruments, the Bank determines fair values using the valuation technique as per table below:

Description	Valuation technique	Sensitivity analysis
Investments in shares with Afreximbank	Net asset value of the investee company	The estimated fair value would increase/decrease if the net asset value of the investee company increases/decreases
Loans and Advances	Discounted cash flow model based on various assumptions, including expected future cash flows, market rates of interest. Present value is used	

46. TAXATION

The Bank is exempted from taxation under Section 49 of the CBS Act and particular revenue laws, but is subject to payments of value added tax and makes retention in respect of withholding taxes on services acquired from foreign entities.

CENTRAL BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

47. CURRENCY

The financial statements are presented in Seychelles Rupees and figures are stated in thousands of Seychelles Rupees.



CENTRAL BANK OF SEYCHELLES

ACCESS TO INFORMATION ANNUAL REPORT 2022

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ANNEX SEYCHELLES CENTRAL BANK TRANSPARENCY CODE REVIEW

INTRODUCTION

The Central Bank of Seychelles (CBS) is an autonomous institution established under the CBS Act, 2004, as amended.

The CBS is entrusted with the following roles and functions, amongst others:

- Conduct monetary policy
- Issue currency. The Bank has the sole right to issue legal tender notes and coins denominated in Seychelles rupee
- Regulate and supervise (inclusive of its role to conduct Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) supervision) financial institutions under its purview, namely commercial banks, bureaux de change, non-bank credit institutions, financial leasing institutions, payment service providers and non-bank deposit-taking institutions
- Banker and advisor to the Government
- Administer the issuance of Government Securities
- Regulate and oversee the National Payment Systems
- Hold and manage the country's official foreign reserves
- Implement the Financial Consumer Protection law
- Collect information and statistical data
- Banker of last resort
- Implement macro prudential policies
- Implement exchange rate policies. It is the CBS Board, in consultation with the President, that decides on the exchange rate regime to be adopted by the CBS. To note, Seychelles has a free-floating exchange rate regime since 2008.

The CBS is also focused on various key areas to assist the attainment of its objectives. This includes work to improve financial literacy amongst the population – encompassing efforts to enhance financial inclusion, encourage innovation and use of financial technology, empower consumers to make informed decisions and be more aware of their rights and responsibilities, as well as efforts to combat criminal activities, such as money laundering, terrorism financing and cybercrimes.

In line with its commitment to transparency, accountability and good governance, CBS ensures adherence to the Access to Information Act (ATIA), 2018. Mrs Sharon Uranie, one of the Communications Officers of the institution, is the Information Officer.

In addition, CBS has been actively implementing the International Monetary Fund (IMF) Central Bank Transparency Code since 2020, which underscores the institution's efforts for greater transparency, accountability and good governance.

MISSION, VISION AND OBJECTIVES

The Mission of CBS

To contribute towards inclusive growth and development of Seychelles. The mission corresponds to the core mandate for which CBS was created.

The Vision of CBS

A model Central Bank delivering price stability and financial system soundness. The vision represents what CBS wants to become as an institution over time.

The Objectives of CBS

The primary objective of the Bank is to promote domestic price stability. The other objectives of the Bank are -

- a. 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
- b. to promote a sound financial system

ANNUAL REPORT REQUIREMENTS

SR No	ATI ACT REQUIREMENTS	No
1)	The total number of ATI requests for access received;	1
2)	<u>TYPE OF INFORMATION</u>	
	The number of requests for personal information	1
	The number of requests for public domain information	0
	The number of request for third party information	0
	The number of requests for commercial and confidential Information	0
	The number of requests for law enforcement information	0
	The number of requests for privileged documents	0
	The number of requests for protection of life and safety of an individual information	0
	The number of requests for National Security and defence	0
	The number of requests for International relations	0
	The number of request for Economic interest of the state	0
	The number of requests for Academic or professional examination and recruitment process information	0
	The number of requests for proposal submitted to Cabinet	0
3)	The number of requests for access granted in full;	1
4)	The number of requests for access refuse in full;	0

	The number of requests for access refuse in part;	0
5)	The number of times each provision of Part III (<i>EXEMPTIONS</i>) was relied on to refuse access in full;	0
	The number of times each provision of Part III (<i>EXEMPTIONS</i>) was relied on to refuse access in part;	0
6)	The number of requests abandoned after request	0
7)	The number of requests but no records exist	0
8)	The number of cases in which the periods stipulated in section 11 were extended in terms of section 12;	0
9)	The number of review applications lodged with the head of the information holder;	0
10)	The number of reviews lodged on the ground that a request for access was regarded as having been refused in terms of section 14;	0
11)	The number of cases in which, as a result of a review, access was given to information;	0
12)	The number of requests transferred to another Public Body	0

I. A description of the steps or efforts taken by the head of the body to encourage all officers of that body to comply with the provisions of this Act;

The CBS Governor places great emphasis on the timely dissemination of information on the institution's policies and other relevant matters. This is primarily done through media and public engagement.

In 2022, CBS continued to respond to numerous enquiries from the media, stakeholders and general public (both local and international), most of which are received through the Communications Office. During the reporting year, CBS also published a calendar of regular media engagements on its website. In line with this, it maintained the live press conferences initiated in 2020. As the head of the institution, the Governor took the lead in delivering the Press Conferences or assigning relevant CBS officials to perform this task.

The Bank's commitment to timely, effective and transparent communication with key stakeholders, including the public and its financial education efforts, were among the areas commended in a report published by the International Monetary Fund (IMF) following its evaluation of CBS' transparency practices. The review was conducted at the request of CBS from June 23 to July 5, 2022, following its adoption of the IMF Central Bank Transparency Code in 2020.

The IMF Report (**Annexed**) states that CBS sets a high benchmark for transparency. Foreign exchange management, foreign exchange reserve management, communications, financial stability, and institutional relations with the domestic official stakeholders are areas where the IMF evaluation notes that the institution has an advanced transparency framework. The CBS is also viewed to be suitably transparent about its monetary policy strategy for achieving its primary statutory mandate of price stability and appropriately discloses its operational framework, policy actions and outcomes.

Nevertheless, the report notes that there is room for improved transparency practices, mostly in the areas of governance and accountability arrangements, confidentiality policy, Anti-Money laundering/countering the financing of terrorism (AML/CFT) supervisory policies and internal AML/CFT controls.

An action plan detailing immediate and short-term proposals to address various recommendations to further improve transparency in areas identified following the IMF review has been outlined in the report.

II. Any facts which indicate an effort by the body to administer and implement the spirit and intention of the Act according to its submitted plan;

Even before the coming into force of the ATIA, CBS was already making available information such as legislation, policies, reports, statistics and press releases on its website. In 2022, CBS continued to be proactive in making more information available, improving how information is presented and ensuring that the public is aware of these developments through appropriate means of communication.

To provide examples:

- CBS initiated the publication of [Research](#) conducted by the institution to provide greater insights, broaden understanding and stimulate discussions among economic agents and the general public. The first paper to be published was an Analysis of the Price Structure in Seychelles in March 2022. A paper on Climate change and its implications for inflation in the SADC region was published in June 2022. Relevant analyses, briefs, discussion papers and other publications will be published as and when available.
- CBS initiated the publication of a [Monetary Policy Report](#) aimed at enhancing the provision of information to local and international audiences on the various elements examined and considered in the formulation of monetary policy. The report is to be published biannually. The inaugural report was published in July 2022.
- In line with Section 14 of the Financial Consumer Protection Act, 2022, which was enforced in November 2022, CBS started the publication of a [Summary of Complaints](#) received from financial consumers in December 2022, where data for the year 2021 and the first half of 2022 was published. The summary of complaints is to be published on a half-yearly basis.
- CBS also revamped its [Careers](#) page in May 2022 to provide prospective employees and the public with information relevant to working at CBS, including the institution's values and culture, what is required and expected from employees, available job opportunities and the recruitment process.

	<ul style="list-style-type: none"> • One of the initiatives undertaken to make it easier for the public to access and use the information published by CBS is the revamping of the presentation of the Comparative Fees and Charges of commercial banks and the Seychelles Credit Union, which CBS makes available to the public as received from these financial institutions every three months. <p>These are some of the main undertakings of 2022 in line with the spirit and intention of the ATIA.</p>
III.	<p>Particulars of any penalties imposed against any person under this Act; YES <input type="checkbox"/> NO <input type="checkbox"/> (If yes, list down)</p> <p>NO</p>
IV.	<p>Particulars of any disciplinary action taken against any person under this Act; YES <input type="checkbox"/> NO <input type="checkbox"/> (If yes, list down)</p> <p>NO</p>

CHALLENGES

No particular challenge was encountered during the reporting year in regard to requests for information. Nevertheless, the Information Officer recognises the need to devise a plan to create more awareness of the ATIA among staff and engage more with other Divisions/Units so that they are more familiar with the law and the requirements to facilitate interaction and access to information when requests relating to their specific divisions are received. This will also assist the Information Officer in being thoroughly familiar with the categories of information held by the institution, which would help maintain a database for the prompt and easy identification and access to information when receiving requests. This endeavour has been a challenge given that the Communications Unit, where one of the Officers also discharges the role of Information Officer, has had a crucial role to play as the communications adviser of CBS given the institutions' increased media and stakeholder engagement and financial education initiatives. The planned expansion of the Unit in 2023 is expected to enhance its ability to discharge the two functions more effectively.

RECOMMENDATIONS

The CBS maintains recommendations for amendments to the ATIA in relation to the concerns highlighted in the Access to Information Annual Reports for July 2018 – December 2019 and 2020.

Dedicated sessions for Information Officers to improve their understanding of the ATIA and implementation of its various provisions and share experiences on the challenges highlighted and recommendations made in their respective Access to Information Annual Reports submitted thus far should continue. This provides insightful learning opportunities for the officers and a platform to engage with the Information Commission.


Another recommendation would be for the Information Commission to continue with the outreach sessions targeting the public bodies that adhere to the ATIA, which would allow more staff, other than the Information Officer, to better understand the provisions, requirements and implementation of the Act. This is also important to assist the preparedness of public institutions for compliance audits, which the Information Commission is mandated to undertake.

DECLARATION

I declare that in accordance to Section 54 of the Access to Information, Act 2018, the Annual Report are to the best of my knowledge, true, accurate and complete as per the requirements.

Sharon Uranie	 <small>Sharon Uranie Senior Communications Officer Mar 29 2023 11:34 AM DocuSign</small>	29.03.2023
.....
Name of Information Officer	Signature	Date

I confirm that this Annual Report is verified and true, accurate and complete to my knowledge as the Head of Information Holder of the **Central Bank of Seychelles** on the date stated below.

Governor Caroline Abel	
.....	 <small>Caroline Abel Mar 29 2023 11:37 AM DocuSign</small>
Name of Head of Information Holder	Signature

Dated this **29th** Day **March** of, **2023**



Caroline Abel
Mar 29 2023 11:37 AM

DocuSign

OFFICIAL STAMP



SEYCHELLES

CENTRAL BANK TRANSPARENCY CODE REVIEW

September 16, 2022

DETAILED REVIEW REPORT

Prepared By
**Monetary and Capital
Markets Department**

This report was prepared based on the work of a hybrid IMF mission to Seychelles in June-July 2022. The IMF team for the Central Bank Transparency Code (CBT) Review mission was led by Dmytro Solohub (MCM) and comprised Matevz Zbasnik (FIN); Jonathan Pampolina (LEG); and Natia Gvazava, Elias Kazarian, Bernard Laurens, and Marcela Matamoros (IMF External Experts); and overseen by the Monetary and Capital Markets Department (MCM) at the IMF.

The production assistance was provided by Julie Vaselopoulos. The team extends its warm appreciation to the Board, senior management, and staff of the Central Bank of Seychelles, who provided excellent cooperation, and to outside stakeholders and interested public for their valuable views and insights.

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Glossary

AFI	Alliance for Financial Inclusion
AML/CFT/CPF	Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing
AREAER	IMF Annual Report on Exchange Arrangement and Exchange Restrictions
ATIA	Access to Information Act
BSD	Banking Services Division
CBS	Central Bank of Seychelles
CBT	IMF Central Bank Transparency Code
DAA	Deposit Auction Arrangement
EFF	IMF Extended Fund Facility
ELA	Emergency Liquidity Assistance
ELF	Emergency Loan Facility
FCPA	Financial Consumer Protection Act
FEA	Foreign Exchange Auction
FIA	Financial Institutions Act
FIMCD	Financial Inclusion and Market Conduct Division
FIU	Financial Intelligence Unit
FMD	Financial Markets Division
FMI	Financial Market Infrastructure
FPAS	Forecasting and Policy Analysis System
FSA	Financial Services Authority
FSC	Financial Stability Committee
FSD	Financial Surveillance Division
FSP	Financial Services Provider
FSR	Financial Stability Report
FX	Foreign Exchange
FXI	Foreign Exchange Interventions
IC	Information Commissioner
IRC	Interest Rate Corridor
IT	Inflation Targeting
ML/TF	Money Laundering/Terrorism Financing
MoU	Memorandum of Understanding
MPF	Monetary Policy Framework
MPR	Monetary Policy Rate
MPTC	Monetary Policy Technical Committee
MRR	Minimum Reserve Requirement
MSME	Micro, Small, and Medium Enterprises
OMO	Open Market Operations
RFI	Rapid Financing Instrument
RSD	Research and Statistics Division
SAA	Strategic Asset Allocation
SCF	Standing Credit Facility
SDF	Standing Deposit Facility

EXECUTIVE SUMMARY

The Central Bank of Seychelles (CBS) sets a high benchmark for transparency, given the economic, and financial development and literacy circumstances of Seychelles, which is recognized by the stakeholders, thus maintaining a high level of trust and accountability.

Despite constrained human capital resources, the CBS has taken commendable actions to facilitate an open and dynamic dialogue with key stakeholders. The CBS took the lead in communications on extraordinary support programs during the COVID-19 pandemic, regularly engaging with the public using plain language and various communication tools. It is also making great efforts to promote financial inclusion in Seychelles by developing and implementing a broad agenda on financial education and enhancing consumer protection in the financial sector.

The CBS has an advanced transparency framework in the areas of foreign exchange (FX) management, FX reserve management, communications, financial stability, and institutional relations with the domestic official stakeholders.

The CBS has in place comprehensive transparency practices for most of its actions in the areas of FX management and international reserves management. Furthermore, it has a clearly defined framework for financial stability, disclosing the objectives, strategy, instruments, and risks, as well as publicly and timely announcing its financial stability policy decisions taken through a transparent decision-making process. However, the activities of the Financial Stability Committee (FSC), chaired by the CBS, could be enhanced. Moreover, it has made great efforts in multiplying the tools and channels of communication to reach different audiences. Finally, the CBS has a solid and well-developed practice of disclosing its interactions with the government and other public financial agencies.

The CBS has been suitably transparent about its monetary policy strategy for achieving its primary statutory mandate of price stability, and it discloses appropriately its operational framework, policy actions, and outcomes.

At the same time, the CBS has yet to introduce some key elements of its announced inflation targeting (IT) regime, notably a numerical medium-term inflation objective and operational interest rate target. Therefore, with the ongoing transitioning to a full-fledged IT monetary regime, the CBS is expected to gradually enhance further transparency of its monetary policy framework to support monetary policy transmission and strengthen dialogue with stakeholders.

There is room for improved transparency practices mostly in the areas of governance and accountability arrangements, confidentiality policy, anti-money laundering/countering the financing of terrorism (AML/CFT) supervisory policies, and internal AML/CFT controls.

The CBS is disclosing on its website the information on legal structure, mandate, and some key elements of risk and human resource management, accountability, and anti-corruption arrangements. To better support the public's perception of the CBS as a well governed institution, it should consider highlighting these aspects in its annual report, and/or provide additional information on its website, particularly on human capital management, anti-corruption policies and decision-making arrangements. The CBS could also improve the accessibility of the information on its internal governance arrangements by overhauling the respective sections of the Annual Report and its

website and proceeding with the publication of its Code of Conduct and Ethics. The legal mechanism for confidentiality issues has been established but the dissemination and disclosure of the confidentiality framework could be enhanced. The CBS discloses basic information on its AML/CFT supervisory powers and policies, as well as on its related internal control framework, but disclosures on the processes and outcomes of its AML/CFT external policies and internal controls are limited.

Going forward, the CBS will benefit by ensuring the alignment of its transparency practices with the new powers and functions acquired under recently adopted and forthcoming legislative acts. In the last few years, the CBS's regulatory powers have been substantially expanded with the adoption of AML/CFT Act and Financial Consumer Protection Act. Moreover, the forthcoming Financial Stability Act is expected to provide a transparent legal basis for the CBS's (and other financial sector regulators) actions on financial stability. These legislative acts will require an expansion of the CBS's transparency practices so that the related CBS activities continue to be appropriately disclosed to stakeholders.

Table 1. Seychelles: Central Bank Transparency Overview for Central Bank of Seychelles

Pillar	Principle	Sub-principle		Practices			
				Core	Expanded	Comp.	
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
			1.6.4.	Human Capital Management			
	1.7.	Communication	1.7.1.	Arrangements			
			1.7.2.	Strategy/Tools			
	1.8.	Confidentiality					
	II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework		
				2.1.2.	Policy Decisions		
2.1.3.				Supporting Analysis			
2.2.		FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
2.3.		FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
2.4.		FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
2.5.		Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
			2.5.3.	Supporting Analysis			
2.6.		Microprudential Supervision					
2.7.		Emergency Liquidity Assistance (ELA)					
2.8.	Resolution						
2.9.	FMI						
2.10.	Financial Integrity						
2.11.	Consumer Protection		***	***	***		
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			
			3.2.2.	Coverage			
	3.3.	FX Management	3.3.1.	Instruments			
3.3.2.			Coverage				

Table 1. Seychelles: Central Bank Transparency Overview for Central Bank of Seychelles (concluded)

Pillar	Principle	Sub-principle	Practices			
			Core	Expanded	Comp.	
	3.4.	FX Reserve Management	3.4.1.	Instruments		
			3.4.2.	Coverage		
			3.4.3.	Assessment		
	3.5.	Stress Testing	3.5.1.	FS Assessments		
			3.5.2.	ST Methods		
			3.5.3.	ST Coverage		
			3.5.4.	Use of ST Results		
	3.6.	Macroprudential	3.6.1.	Instruments		
			3.6.2.	Enforcement		
	3.7.	Microprudential Supervision				
	3.8.	Emergency Liquidity Assistance (ELA)				
	3.9.	Resolution				
3.10.	FMI					
3.11.	Financial Integrity					
3.12.	Consumer Protection		***	***	***	
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions		
			4.1.2.	Policies		
			4.1.3.	Operations		
	4.2.	FX Administration	4.2.1.	Governance Actions		
			4.2.2.	Policies		
			4.2.3.	Implementation		
	4.3.	FX Management	4.3.1.	Governance Actions		
			4.3.2.	Policies		
			4.3.3.	Operations		
	4.4.	FX Reserve Management	4.4.1.	Governance Actions		
			4.4.2.	Reporting on Imp.		
4.4.3.			Financial Results			
4.5.	Macroprudential	4.5.1.	Governance Actions			
		4.5.2.	Policies			
4.6.	Microprudential Supervision					
4.7.	ELA					
4.8.	Resolution					
4.9.	FMI					
4.10.	Financial Integrity					
4.11.	Consumer Protection		***	***	***	
V. Official Relations	5.1.	Government	5.1.1.	Institutional		
			5.1.2.	Financial		
			5.1.3.	Instruments		
			5.1.4.	Outcome		
	5.2.	Domestic Agencies	5.2.1.	Institutional		
			5.2.2.	Instruments		
			5.2.3.	Macroprudential		
			5.2.4.	Financial Stability		
5.3.	Foreign Agencies					
5.4.	Other Relations					
	Denotes "Not Applicable"		Denotes "Not Implemented"	*** No range of practices is assigned		

A. Key Recommendations¹

1. **Transparency of legal framework and governance arrangements** would benefit from the consolidation of legal instruments in a unified section of the website as well as an explanation in plain language of the relation between the CBS's statutory functions and its objectives. The potential for conflicts, and related resolution processes, between some provisions of the Act and other legal documents may need to be better explained to the public. Publication on the website of charters of the Board and other key committees, selection criteria and procedure of board members, as well as remunerations of key officials would also boost transparency of the CBS's governance arrangements.
2. **Transparency on the CBS's financial autonomy** would benefit from disclosures in layman's terms of the concept and rationale for its financial autonomy, key related safeguards observed by the CBS as well as how they correspond to the relevant provisions in the CBS Act and central bank's operations. Disclosures on the process of adopting the annual budget, and how it is realized would also enhance transparency.
3. **Transparency on risk management and accountability mechanisms (governance and oversight, external and internal audit mechanism)** could be enhanced by revising the concept of the corporate section in the CBS annual report to give more prominence to oversight and accountability, complemented by additional disclosures on the CBS website.
4. **To better support the perception of the CBS as a well governed institution,** consideration should be given to including in the annual report and/or website additional information on **human capital management**, including the staff salary scale, salaries of key officials, and (summary of) related key policies and governance arrangements.
5. **The CBS could consider to publicly disclose the Code of Conduct and Ethics, a Code of Ethical Businesses (for stakeholders that engage with the CBS),** as well as the information on enforcement activities, including statistics on sanctions imposed for ethical violations.
6. **The confidentiality provisions of the CBS Act and its complementary legislation under the Access to Information Act provide a framework that should be enhanced through rules and regulations, voluntary policies or guidelines disclosed to the public.** The confidentiality system could be disclosed and explained to the public, including the data classification system
7. **Going forward, the CBS may gradually progress with further enhancing transparency of its monetary policy and FX operations framework to support monetary policy transmission and strengthen dialogue with the stakeholders (i.e., academics, banks etc.).** Suggested improvements include publication of a Monetary Policy Report (including disclosures on the components of the Forecasting and Policy Analysis System (FPAS)), disclosure of an explicit numerical

¹ Please refer to the Detailed Review Table in Annex I for the complete overview of principle wise transparency recommendations.

medium-term inflation objective and of a numerical operational target, disclosures of activation of the standing facilities, as well as of the aggregate bank balances at the CBS and of the realized autonomous factors, and disclosure of ex-post evaluations of the impact of foreign exchange interventions (FXI).

8. The transparency and accessibility of information on financial stability might be further improved by: (i) enhancing the disclosure of FSC activities; (ii) promoting CBS's financial stability messages more broadly to the public; and (iii) enhancing transparency on financial stability data and ex-post evaluation.

9. The CBS could consider enhancing disclosure of the bilateral Emergency Liquidity Assistance (ELA) framework for the financial institutions, including objectives, general rules, financial parameters, and terms and conditions.

10. The transparency of AML/CFT regulations could be enhanced by encouraging disclosure of quantitative and qualitative information on the risk-based supervisory activities and internal AML/CFT activities (including statistical information on off-site and on-site supervisory activities as well as enforcement actions in cases of AML/CFT violations) and prioritizing the establishment of the appeals mechanism under the AML/CFT Act of 2020 to enable imposition of sanctions by the CBS.

SCOPE AND OBJECTIVE

11. In response to a request from the CBS, the mission conducted the Central Bank Transparency Code (CBT) review. This was the seventh mission conducted under the pilot CBT review program. The scope of the review covers all CBT principles, excluding those that are not performed by the CBS (i.e., FX administration) or which fall outside of the scope of CBT reviews, given the existence of established international standards (i.e., microprudential supervision and resolution, and Financial Markets Infrastructure). These principles are denoted as "Not Applicable" in the review. As the CBS has formal mandate on financial consumer protection, its transparency practices in this area have been appropriately reviewed. However, no range of practices has been assigned as the CBT Code did not develop a differentiated range of practices (i.e., *core*, *expanded*, *comprehensive*) for the principles 2.11, 3.12 and 4.11.

12. The review is intended to allow the CBS to evaluate its transparency practices, aimed at identifying its strengths and areas for improvement. The review maps CBS's transparency choices compared to a range of practices across three categories (core, expanded and comprehensive), as detailed in the [Central Bank Transparency Code](#), covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review aims to help the CBS in further strengthening the dialogue with the stakeholders and finding the proper balance between independence and accountability. While it is important to note that CBT review is not an assessment of central bank policies, the comprehensive review of transparency practices would be beneficial for

the CBS in its efforts to advance policy effectiveness. CBT's range of practices are not intended to be a tool for transparency ranking of central banks.

APPROACH AND METHODOLOGY

13. The mission's review approach consisted of a desk review and in-depth discussions with the CBS and its key stakeholders. The mission team conducted preliminary desk review based on the publicly available information and the Self-Review questionnaire provided by the CBS prior to the mission.² These desk reviews formed the basis for discussions with CBS's management and staff, as well as meetings with the key stakeholders (from the public and private sector, including academia, think tanks and journalists).³ The meetings facilitated understanding and collecting views on, and experiences with, the CBS on its transparency practices. Around thirty meetings (in hybrid and virtual formats) were conducted over the course of two weeks. The meetings with key stakeholders were planned in coordination with the central bank, though CBS's staff did not attend those meetings. The team highly appreciated the very high quality of cooperation, including provision of self-review, documentation, technical support, as well as facilitating the mission meetings schedule, and extends its warm thanks to the staff of the CBS.

14. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency. The review maps CBS's transparency practices across a range of best practices and was reviewed in the context of CBS's legal mandate and policy context, and prevailing general legal framework. The review also considered important dimensions of transparency, including: (i) timeliness; (ii) periodicity; and (iii) quality of disclosure. The latter is considered in terms of accessibility and ease of understanding, especially by the general public. The review also took into account views expressed by the CBS stakeholders.

BACKGROUND

15. The economy has rebounded strongly from the severe contraction caused by the COVID-19 pandemic. Seychelles was hit hard by travel restrictions and the global economic downturn that caused an unprecedented economic contraction. The authorities adopted various measures to mitigate the impact on businesses and households. In May 2020, they secured emergency financial assistance of SDR 22.9 million from the IMF under the Rapid Financing Instrument (RFI), followed by an arrangement under the Extended Fund Facility (EFF) for SDR 74 million in July 2021. As part of the mitigating measures implemented by the authorities, the CBS in close collaboration with the Ministry of Finance, National Planning and Trade (Ministry of Finance) and the Bankers Association, took a broad range of measures, some of them requiring amendments to CBS Act, which were widely communicated to all stakeholders (Box 1). In January 2022, the CBS announced an unwinding of these measures. More recently, growth has rebounded driven by a swift

² The mission took place during June 23–July 5, 2022, and initiatives implemented after the review date have not been considered.

³ See Annex III for the list of CBS's units and external stakeholders.

recovery of tourism, fiscal deficits have narrowed, and public debt ratios have been put on a downward trajectory. However, the economy is now facing headwinds from spikes in energy and food prices that were triggered by Russia's invasion of Ukraine. The economic outlook is conditional on authorities' success in maintaining macroeconomic stability and implementing structural reforms agreed under the EFF arrangement with the IMF.

Box 1. COVID-19 Measures Taken by CBS and Their Unwinding¹

As the effects of the pandemic impacted the economy the CBS took a number of mitigating measures.

In close collaboration with the Ministry of Finance and the Seychelles Bankers Association, CBS measures included adjustments to monetary policy and international reserves management; setting-up private sector relief schemes; moratorium and rescheduling of loan facilities; and adjustments to CBS funding of the government. Some of the measures required amendments to the CBS Act (i.e., the Act). In January 2022, the CBS announced an unwinding of the measures.

The efficiency of CBS communications proved to be crucial to effectively disclose mitigating measures to stakeholders.

The Communications Unit maintained its role as coordinator for external communications on CBS policy measures. Information was conveyed to stakeholders through several media events. Different tools (i.e., press releases, live press conferences, digital platforms, awareness campaigns) were widely used, and CBS institutional website was expanded to that end.

Adjustments to monetary policy involved: (i) cutting the Monetary Policy Rate (MPR) by 400 basis points as well as corresponding cuts to the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) interest rates, leading to a structural shift in the Interest Rate Corridor-IRC (i.e., setting the MPR at 2.0 percent, and interest rates on the SDF and SCF at 0.5 and 3.5 percent, respectively); and (ii) lowering the Minimum Reserve Requirement (MRR) on SCR to 10 percent from 13 percent.

Approved Unwinding Measure: Monetary policy stance to remain accommodative in the near-term subject to alterations in economic conditions such as inflationary pressures remaining subdued. MRR is to be set back to 13 percent in mid-July 2022.

Adjustments to the international reserves management and FX intervention strategies involved the following: (i) the CBS secured support from international partners to bolster the level of the international reserves; (ii) it carried out a review of the agreements, policies and guidelines underpinning reserves management activities and it adopted a cautious stance in the currency allocation (i.e., maintaining a share of the USD above the prescribed benchmark), and it monitored closely counterparty credit ratings leading to discontinuing investments with counterparties that could not accommodate adequate liquidity requirements; and (iii) the CBS took a conservative approach in the appropriation of FX to the market through FX Auctions and bilateral sales with the initial aim of clearing goods already imported but requiring a final payment in FX. Currently, the CBS is committed to allocating FX reserves for fuel, essential goods, and medicine purchases.

Approved Unwinding Measure: CBS FX interventions in 2022 will only deal with commercial banks.

Setting up Private Sector Relief Schemes aimed at assisting businesses: (i) the CBS made available SCR500 million for participating credit-granting institutions² to lend to Small and Medium Enterprises (MSMEs), in the form of overdrafts or term loans with an annual fixed interest rate of 1.5 percent, that included a moratorium of up to 18 months, and a maximum repayment period of eight years; (ii) the CBS

¹ The Box does not include measures related to the prudential framework for banks and credit unions.

² Consists of commercial banks, Seychelles Credit Union and Development Bank of Seychelles.

Box 1. COVID-19 Measures Taken by CBS and Their Unwinding (concluded)

made available SCR750 million for participating credit granting institutions to lend to Large Enterprises in the form of overdrafts or term loans with an annual fixed interest rate of 4.5 percent, that included a moratorium of up to 18 months, and a maximum repayment period of eight years.

Recommended Unwinding Measures: To re-open as of February 2022 until end-March 2022. Effectively closed as of March 31, 2022.

Banks, Seychelles Credit Union and the Development Bank of Seychelles provided moratoriums or deferment of repayment of loans. Given the uptick in economic activity since the re-opening of the borders in March 2021, businesses with secured income opted out of such measures, with some even starting to repay their facilities. Hence, financial institutions have progressively unwound these measures.

Approved Unwinding Measure: In January 2022 the CBS indicated that credit granting institutions shall still consider moratorium and debt restructuring on a case-by-case basis. The CBS is to ensure proper monitoring of NPL trends and implications of the system's asset quality and capital positions, and it is prepared to apply flexibility if needed. The measure was terminated as of July 1, 2022.

Following CBS Act amendments to the effect of broadening Force Majeure Events to cater for COVID related events, the CBS approved exceptional advances to the government. CBS Board of Directors approved advances up to a limit of SCR500 million at no cost for the government. Except for January 2021, no advances were provided due to lower government expenditures.

Approved Unwinding Measure: The CBS set limit of SCR250 million for 2022, with an interest payable equal to the latest average tender rate for the 91-day Treasury bills plus a margin of 50 basis points.

Following CBS Act amendments, the CBS was allowed greater flexibility for the purchase of government securities on the secondary market in Force Majeure Events. In consultation with the Ministry of Finance, the CBS set a limit of SCR750 million for 2022. Only SCR40 million was utilized in 2021.

Approved Unwinding Measure: In January 2022 the CBS issued a limit of SCR50 million for 2022. The measure was terminated as of July 18, 2022.

Source: CBS [Unwinding Strategy Covid-19 Policy and Relief Measures](#), January 2022, and June 2022 Update.

16. The banking system appears to have weathered the crisis well. At end-2021, banks were well capitalized and highly liquid despite declining interest income and loan quality. The authorities are in the process of phasing out regulatory forbearance measures which were introduced during the pandemic. The CBS does not expect a significant negative impact of unwinding the COVID-19 measures announced in January 2022 on banks' asset quality. They continue to closely monitor financial sector soundness and banks' ability to support economic recovery and remain committed to reforms for strengthening financial sector resilience, enhancing the AML/CFT framework, improving transparency, and promoting financial inclusion (Box 2).⁴

⁴ The authorities' ambitious financial sector reform agenda also includes the enhancement of crisis management, resolution, and safety net frameworks, strengthening of AML/CFT regulations, facilitating access to affordable and sustainable finance, and building a robust financial consumer protection system.

Box 2. Transparency of Financial Inclusion

Institutional Arrangement for Financial Inclusion

Financial inclusion addresses issues related to the accessibility, usage and quality of financial services and products. The CBS has partnered with the Financial Services Authority (FSA) to improve the usage and quality of financial services. Joint efforts have been made to fortify consumer trust in the financial system with the Financial Consumer Protection Act (FCPA) recently enacted. The CBS, through the National Financial Education Strategy, envisages educating on financial services and products. The Credit Information System, operational since 2012 and the Modernization of the payment systems complement CBS strategies and initiatives on Financial Inclusion.

Modernization of Payment System as a Component of Financial Inclusion

The CBS embarked on a reform program to modernize the national payments landscape. The main objective was to enhance the availability, affordability, reliability, effectiveness, and soundness of payment infrastructure. One of the main strategic focuses is to promote greater financial inclusion. While the majority of the population are banked (94 percent), most of them cash-out their income and other revenues from their bank accounts and rely on cash transactions as a mean of payment. The CBS aims to increase the use of electronic and mobile payment services in Seychelles. Furthermore, the modernization plan promotes the general public awareness of mobile digital payment means aimed to reduce the dominance of using cash and checks. Another objective is to enhance transparency of the terms and conditions of payment services including pricing, fee structure, and speed allowing the users to make informed choices.

Dispute Resolution Mechanism on Consumer Protection and FCPA Implementation

The financial institution is always the first one to receive a claim; if there is no solution or satisfaction the individual could lodge the claim at the CBS. Decisions of the CBS are binding on banks. Some consumer protection functions will be enhanced with the new FCPA like further developments of regulatory standards, regarding fair treatment and business conduct and the monitoring system to supervise implementation by credit institutions of transparency and disclosure of consumer protection measures.

Financial Education Initiatives of the CBS

The CBS has a prominent role in the implementation of the national financial education strategy, which is carried out designing education programs, coordinating with stakeholders, implementing specific programs tailored to vulnerable sectors of society, and disseminating educational material on consumer protection. Just to illustrate the CBS implemented in 2021 the following educational programs for the youth; it launched the Youth 4 Youth financial education Ambassadors program. In addition, it participated in national events such as the Global Money Week, Youth Week, Global Entrepreneurship Week and Fraud Awareness Week. These initiatives provided the opportunity to support awareness around specific issues, reaching specific target segments, in this case the young people in Seychelles.

Source: CBS website.

17. CBS's statutory objectives are defined in the legislation and ranked in order of priority.

The CBS is established as a corporate body under CBS Act of 2004 and vested with both private and public law powers to allow it to perform its functions. The Act establishes the promotion of price stability as the primary objective, while other responsibilities include an advisory role to the government on banking, monetary and financial matters including the monetary implications of proposed fiscal, credit policies or operations of the Government, and to promote a sound financial system. The CBS determines the foreign exchange rate regime in consultation with the President. Pursuant to the Foreign Exchange Act 2009, responsibility for cross-border flows and administration

of foreign exchange rests with the Minister of Finance, who may delegate certain powers to the CBS Governor. As reflected in the IMF's Annual Report on Exchange Arrangement and Exchange Restrictions (AREAER), and in CBS publications, the current and capital accounts are fully liberalized.

18. The CBS has made progress enhancing its governance framework, however legal amendments are needed to reinforce certain autonomy aspects. The 2021 IMF safeguards assessment found external audit arrangements remain robust and financial reporting practices broadly adhere to international standards. While steps have been taken to improve the internal audit function, oversight needed to be enhanced to ensure continued development of the internal audit and risk management functions. In addition, CBS's legal framework needs to be amended to enhance autonomy provisions (institutional, personal, and financial).

19. The overhaul of CBS's monetary policy framework should facilitate the delivery of statutory objective of the price stability. Following the shift from a fixed to a floating exchange rate regime in late 2008, monetary policy design and implementation was overhauled. CBS foreign exchange interventions aim at smoothing out excessive volatility and ensuring orderly market conditions, as well as increasing official reserves. In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rate. This was achieved through the introduction of a Monetary Policy Rate within a standard interest rate corridor as the key policy variable used for signaling the monetary policy stance; reliance on FPAS to guide monetary policy decisions on the policy stance; and a short-term liquidity management framework to support the calibration of open market operations. The transition to the full-fledged IT regime is yet to be completed as the CBS for the moment does not explicitly disclose the inflation target, or an operational target for monetary policy implementation. It is now aiming at strengthening monetary transmission mechanism, by taking measures to improve the functioning of the interbank market and enhance policy communication. These efforts are supported by IMF technical assistance. The CBS is also enhancing its management of foreign reserves through capacity building and strengthening risk management practices.

20. The CBS is active in promoting a sound, transparent, and inclusive financial system. CBS has the powers to regulate and supervise banks, grant licenses to banks and non-bank financial institutions, and conduct oversight of the payment systems. Following the adoption of the AML/CFT Act in 2020, CBS also assumed responsibility for AML/CFT supervision. The CBS governor also chairs the Financial Stability Committee—an interagency advisory body that also includes the Ministry of Finance, the Financial Services Authority, and the Financial Intelligence Unit (FIU). Finally, the CBS shares with the FSA the mandate for protecting consumer rights in the financial sector.

21. CBS's commitment to an open and transparent communication has been enshrined in its strategic documents. CBS Strategic Plan for 2019-2023 emphasizes the importance of building trust and confidence of external stakeholders in bank's policies and actions. Therefore, managing stakeholders' expectations and building strategic communication are identified as key strategic pillars. The CBS seeks to communicate with the public in a way that is straightforward, clear, and engaging. It is in that context that the CBS expressed strong interest in undertaking a CBT review.

MAIN FINDINGS

A. Pillar I. Transparency in Governance

Legal Structure, Mandate, and Decision-Making

22. The legal framework governing CBS activities (i.e., mandate and overall legal structure) is publicly available. However, disclosures on certain key components in relation to the functions, personal autonomy, conflict of laws and judicial review are missing. The legal acts section of CBS website contains key legislative documents and regulations, however, disclosure of some other legal acts should be featured more prominently at the website to improve their accessibility. The website also lacks clear and understandable descriptions on relation between the objectives, functions, and powers of the CBS, which would be very valuable as disclosures on CBS functions and powers are scattered around several legislative documents, whereas objectives are stated in the CBS Act. The clarity on judicial review is lacking from the Act as well as from other publicity material. Transparency on personal autonomy aspect of governance lacks disclosure on the remuneration of the key officials. Charters of CBS Board and some key internal committees are not disclosed.

23. The CBS should consider explaining to the public the rationale for its financial autonomy and how it is implemented in practice. The CBS Act provides for core financial autonomy provisions, including the rules on capital and profit distribution, limits on monetary financing of the public sector, publication of audited financial statements, and approval of CBS's budget. That said, to avoid the risk of perception of an unjustified privilege, the CBS should consider explaining to the public, in layman's terms, the concept and the rationale for its financial autonomy, key related safeguards observed by the CBS in practice as well as how they relate to the relevant provisions in CBS Act and central bank's operations. This information could be provided on CBS website and referenced in the corporate section of CBS annual report. It could also be accompanied by a description of CBS's budgeting process, approved, and realized annual budgets, as well as accountability mechanisms ensuring oversight of the effectual use of central bank's resources (see below).

Risk Management and Accountability Framework

24. Disclosures on risks are quite detailed, however these could be complemented by a consolidated institutional overview in the corporate section of CBS annual report. CBS's transparency on risk management comprises information about CBS's risk management framework published on the CBS website and detailed financial statements' disclosures. While CBS annual report also includes information on risk management activities, the information is scattered among various subsections related to organizational units of the CBS. Thus, CBS annual report does not provide an institutional birds-eye overview of management of risks at the CBS. To improve transparency, it could consider revisiting the concept of the corporate section in its annual report and including in its high-level information on: (i) key risks as they relate to CBS's mandate and the bank's risk tolerance; (ii) main strategies to manage these risks; (iii) CBS risk management process; and (iv) key developments during the year.

25. Featuring CBS accountability mechanisms more prominently in the corporate section of the annual report and publishing additional information on the website would support CBS's reputation as a well-governed autonomous institution.

As suggested above, the concept of the corporate section in CBS annual report could be revisited. With respect to accountability arrangements, the section could be enhanced by featuring more prominently the description on the oversight role of the Board and of the Audit and Risk Committee, and the external and internal audit arrangements, and risk management at the level of the institution. The CBS will likely keep information in the annual report high-level; it should therefore also consider providing greater detail on its website including by explaining: (i) the oversight role of the Board and of the Audit and Risk Committee; (ii) the arrangement between the CBS and the Auditor General on the appointment of external auditors and related eligibility requirements (independence, reputation, experience); and (iii) the importance, role, and reporting lines of the internal audit function as well as criteria for the appointment of its head. Internal regulations, such as the Audit Committee Charter and Internal Audit Charter could also be published. Finally, the Audit and Risk Committee's annual report could be published on CBS website or as part of the corporate section in the annual report.

26. The CBS should aim at enhancing transparency on governance practices and management of human capital.

CBS annual report includes a summary of key activities of the Human Resources Division during the year. The CBS is working on enhancing information in this area and has acknowledged that significant opportunities exist to better support the perception of the CBS as a well-governed institution. Staff noted that additional disclosures in CBS's annual report and/or its website could include: (i) enhanced statistics on CBS staff; (ii) the staff salary scale and salaries of key officials; (iii) other allowances and benefits such as the staff pensions scheme and loans provided to staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning.

27. Domestic anti-corruption laws are applicable to CBS decision-makers, staff, and agents, but are not explicitly stated in publicly available materials produced or published by the CBS.

It publishes core values, which include integrity and transparency and accountability, which is expected of all CBS staff. A code of Conduct and Ethics is in place but is not published on the CBS website. CBS staff is currently working on anti-bribery and corruption policy, which is expected to be made publicly available. In addition, a public version of the Code of Conduct and Ethics as well as a Code of Ethical Businesses (for stakeholders that engage with the CBS) are being drafted, but the authorities should also consider disclosure of enforcement activities and statistics on sanctions imposed for ethical violations.

Communications and Confidentiality

28. CBS Act and Access to Information Act provide a solid legal foundation to disclose information and implement transparency practices. Institutional communication policies, guidelines, measures, and practices should be progressively developed and disclosed as a system of institutional communications. This would be beneficial for a more articulated transparency policy

anchored in existing and implemented legislation. A corresponding communications strategy may be fully incorporated in its transparency framework.

29. The CBS has made great efforts in multiplying the tools and channels of communication to reach different audiences. The CBS has been creative in implementing live press conferences in Creole language to better disseminate its message to the public in a timely and efficient manner. To increase accessibility and ease of understanding of economic and financial information is still a challenge. Therefore, the CBS should continue expanding its educational outreach programs for journalists, students, and citizens. Regarding other tools of communication, the CBS should continue actively disseminating its messages through mass and social media, to better engage with target audiences. The quality and quantity of information available on the website is satisfactory, although search methods could be enhanced by allocating more tabs and increasing visibility of certain important subjects and outreach efforts.

30. There is a need to strengthen the dissemination and disclosure of the confidentiality framework of the CBS. CBS Act and the Access to Information Act (ATIA) establish a legal framework that must be used to further develop confidentiality policies and practices. Such policies and practices must be disclosed to enhance transparency and legal certainty to the public, especially if a request for information is denied due to confidentiality reasons. The CBS has established the Information Officer function as required by ATIA. The Information Officer is entrusted with the determination of confidential information, based on legal grounds, as exceptions to free access to information exist under Seychelles legal system.

B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

Monetary Policy and Foreign Exchange Management

31. The CBS has been suitably transparent about its monetary and FX policy strategy for achieving its statutory price stability mandate, and it discloses appropriately its operational framework, policy actions, and outcomes. The CBS is transparent about the process by which monetary policy decisions are taken. It relies on a model-based forecast as an input to support monetary policy decisions, and the related communication system aims to make decisions understood by both market participants and the general public through a comprehensive range of communication tools. The CBS fully discloses the type and characteristics of its monetary policy instruments, eligibility criteria, the collateral framework for liquidity providing operations, and the related decision-making process. Finally, CBS's foreign exchange interventions (FXI) have also been activated in a transparent manner, including in the context of the mitigating policy measures implemented in response to the COVID-19 pandemic.

32. At this juncture, transparency gaps in monetary policy design and implementation do not call for urgent or imperative remedial actions in the short term. Capacity and financial market constraints pose understandable communication challenges for actual reliance on a fully-fledged inflation targeting monetary framework at this juncture of financial markets development and financial education. Discussions with stakeholders suggest that the transparency gaps identified

by the mission against the full range of practices of the CBT Code do not seem to present insuperable challenges for stakeholders. Yet, as soon as feasible, beneficial for stakeholders, and desirable to support monetary policy transmission, additional disclosures would help ensure a better alignment of CBS's *de facto* monetary policy framework with the *de jure* inflation targeting monetary regime reported by the authorities in the AREAER:

- Publication of a Monetary Policy Report,⁵ including a discussion of the forecast of key economic variables, as well as the risks to the baseline scenario (in a first stage), and of alternative scenarios and details of macroeconomic model (in a second phase).
- Disclosure of an explicit numerical medium-term inflation objective and of a numerical operational target (different from CBS policy rates).
- Frequent and timely disclosure of the activation of the standing facilities, as well as of the aggregate bank balances at the CBS and the realized autonomous factors.
- Disclosures of ex-post evaluations of the impact of FXI, as well as expanded discussion of FXI in the context of the quarterly press conference.

Foreign Exchange Reserve Management

33. The CBS has in place comprehensive transparency practices for most of its actions in the area of international reserves management. Through the Annual Report and Annual Reserves Management Report, the CBS is disclosing the broad investment objectives of its FX reserve management; and how oversight responsibilities are allocated among the various involved bodies (CBS Board of Directors, Investment Committee, CBS operational units including those involved in risk management). The CBS also discloses explanations backing the critical policy decisions taken over the course of the year as well as their rationale, in particular, in the context of the COVID-19 pandemic. It also discloses key elements of policy formulation, related risk exposures (most notably in the Notes to the audited financial statements), instruments, decision-making hierarchy, and the oversight allocation process.

34. The following additional disclosures would enhance even further an already high level of transparency: (i) periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions; disclosures of the risk exposures; (ii) disclosures of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets; and (iii) disclosures of stress tests specific to liquidity risk.

Financial Stability and Macroprudential Policies

35. While the CBS has not yet developed its macroprudential policy, it has a defined framework for financial stability. The CBS discloses its financial stability objectives, strategy, and

⁵ The inaugural issue of CBS Monetary Policy Report was published on August 2, 2022, and, thus, was not included into the scope of the review.

instruments for achieving the objective of promoting a sound financial system. The CBS publishes the Financial Stability Report (FSR) annually, under the auspices of the Financial Stability Committee, that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles, including debt sustainability, resilience of the banking and non-bank financial sectors. Furthermore, the CBS chairs the FSC responsible for identifying and monitoring systemic risk surveillance and policy deliberation to mitigating systemic risk. The CBS is empowered to enforce macroprudential and financial stability measures by relying on its prudential regulation and supervision power. Public information on the activities of FSC is relatively limited, although a press release is issued following each FSC meeting. The CBS may consider publishing non-market sensitive information on the discussed items and outcomes, after consulting the other authorities involved.

36. The CBS publicly announces its financial stability policy decisions in a timely manner and discloses the decision-making process. It communicates financial stability policy decisions to the public through reports, press releases and statements on various media channels. Furthermore, the CBS discloses the underlying analysis that led to financial stability measures. During the pandemic, the CBS put in place several measures aimed at weathering the severe impact on the economy in close collaboration with the Ministry of Finance and other relevant authorities, as well as other stakeholders, such as the Seychelles Bankers Association. CBS's disclosure framework is timely, and channeled through regular press conferences, press releases and notes published on its website. While the CBS is active on various social media, it may consider devoting resources to promote its financial stability messages more broadly to the general public, and by promoting media education and using "plain language."

37. The CBS periodically discloses its comprehensive assessment of risks to financial stability, although enhanced transparency on financial stability data and ex-post evaluation would be desirable. The CBS publishes on a regular basis information on its comprehensive assessments of financial vulnerabilities and is transparent on the methods to address systemic risk. It discloses the tools and methods to identify vulnerabilities. While the stress testing assumptions and scenarios, defined in general terms, are publicly available, the CBS may consider publishing details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon, and more granular data set used to run stress tests to the extent such a disclosure is compatible with CBS data confidentiality. Furthermore, it may consider enhancing its transparency practice by undertaking and publishing analytical studies covering ex-post evaluations of whether the implemented measures have achieved the intended effects.

Emergency Liquidity Assistance

38. While the CBS provides detailed information on market-wide emergency liquidity assistance, it may consider enhancing its transparency practice of bilateral ELA. The CBS publishes the scope, objective, and tools for market-wide liquidity support. It also discloses the intention of market-wide liquidity support to maintaining market functioning by providing liquidity to households and businesses. However, the CBS may consider disclosing the ELA framework for bilateral financial institutions, including objectives, general rules, and parameters. The general rules and applicable parameters should include institutional eligibility such as the entities that are eligible

for liquidity support. Furthermore, it may disclose the financial parameters, including the applied interest rate, eligible collateral, and maturity.

Financial Integrity

39. The CBS was designated as the AML/CFT supervisor for entities under its regulatory ambit when the AML/CFT Act was enacted in 2020. Its related policies and powers are disclosed, and all relevant legislations, regulations, guidelines, notices/circulars, and directives are available in a dedicated page of CBS website. However, information about the CBS's risk-approach to off-site and on-site AML/CFT supervision (approved by CBS Board in August 2021) as well as the allocated human and technical resources are not disclosed. Given the relatively recent transfer of AML/CFT supervisory responsibility to the CBS (from the Financial Intelligence Unit), as of now no sanctions have been imposed under the AML/CFT Act of 2020. The constitution of the Appeals Board should be prioritized, since its absence prevents the CBS from imposing the range of sanctions available for AML/CFT violations.

40. The AMLCFTCPF (Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing) Policy of 2020 is publicly available and establishes the responsibility of CBS in terms of internal control measures. It provides for procedures and methodologies for assessing risks, performing due diligence, record keeping and reporting of suspicious/unusual transactions, among others. CBS's Compliance Unit implements the 2020 MLCFTCPF Policy and is responsible for submitting reports to the Audit and Review Committee on the status and progress of policy implementation. General information on the implementation of the internal AML/CFT control activities is provided in CBS annual report (e.g., discussion of amendments, staff awareness-raising sessions, and due diligence screening). The authorities are encouraged to disclose further information on the implementation of its AMLCFTCPF Policy covering relevant internal activities.

Consumer Protection

41. Consumer Protection function at the CBS has been significantly expanded with the newly enacted Financial Consumer Protection Act, that came into effect in May 2022. This new law is the result of an interinstitutional effort made by the CBS and the FSA as the main authorities responsible for implementing the new law. The CBS had a limited function monitoring fair treatment and business conduct of financial institutions under its supervisory scope. A claims system was developed, since 2016, and the outcome of this grievance mechanism has been consistently disclosed in the financial surveillance reports and the annual report. There is also a tab on the website to easily access the claims system. The challenge with the new FCPA will be to disseminate broadly the claims system and the consumer surveillance system. The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; continuous disclosure regarding financial education surveys could be beneficial to enhance transparency.⁴

⁴ The CBS conducted the [financial literacy baseline survey](#) in 2016 and may consider repeating this exercise in the near future.

C. Pillar V. Transparency in Official Relations

42. Relations with the Government are disclosed and transparent, and the CBS has made efforts to disclose and disseminate financial transactions with the government in a clear and accessible manner. The CBS Act contains a clear mechanism for the establishment of the terms and conditions of the central bank's functions with respect to the government. The CBS also discloses detailed terms and conditions of the central bank's functions and policies with respect to the government as contained in the Memorandum of Understanding (MoU) with the Ministry of Finance. Disclosure is done consistently on the website where there is a tab dedicated to financial transactions with the government. CBS annual reports and press releases are other tools used to disclose policies and terms and conditions with the Government. During the COVID-19 pandemic, live press conferences were established to explain to the public remediate and urgent measures that were taken by the CBS regarding credit to the government.

43. There is room to disclose further international cooperation arrangements, mostly in CBS institutional website as a permanent and consistent practice. The CBS Act contains clear provisions regarding interaction and cooperation between the CBS and foreign institutions, including transactions with other central banks. The CBS describes such interactions in the annual report and explains instruments used in financial transactions with foreign agencies. Actions regarding international cooperation and exchange of information, engagements with international institutions and financial transactions with other central banks are also disclosed in press releases, as a regular transparency practice. Not all the agreements with foreign entities are disclosed, so disclosure of agreements is done on a case-by-case basis. Further disclosure and publication of international agreements, if possible, and in accordance with their counterparts would improve transparency practices.

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

The Central Bank of Seychelles expresses gratitude to the International Monetary Fund for the opportunity to participate in the pilot review of the Central Bank Transparency Code. The CBS appreciates the Mission that occurred between the June 13 and July 5, 2022. The CBS thanks stakeholders who willingly participated in the mission. The review of the CBS practices compared to best practices outlined in the CBTC will aid the CBS in strengthening its transparency and accountability practices.

The Mission noted that *"the transparency of the legal framework and governance arrangements could benefit from the consolidate of legal instruments in a unified section of the website as well as an explanation in plain language of the relation between the CBS's statutory functions and its objectives"*. The CBS intends to unify all legal instruments on the CBS website and provide a clear explanation of same. The Mission noted that the CBS transparency could be boosted by *"public publication on the website of charters of the Board and other key committees, selection criteria and procedure of board*

members, as well as remunerations of key officials". The CBS intends to publish the Board and Board subcommittee charters and the remuneration policy for Board members.

In terms of financial autonomy, the Mission highlighted that *"transparency on the CBS's financial autonomy would benefit from disclosures in layman's terms of the concept and rationale for its financial autonomy, key related safeguards observed by the CBS as well as how they correspond to the relevant provisions in the CBS Act and central bank's operations."* The CBS will consider including a section on the website explaining the different aspects of its financial autonomy such as the legal provisions, governance, capital structure and profit distribution.

The Mission noted that *"transparency on risk management and accountability mechanisms (governance and oversight, external and internal audit mechanism) could be enhanced by revising the concept of the corporate section in the CBS annual report to give more prominence to oversight and accountability, complemented by additional disclosures on the CBS website."* The CBS intends to revise its corporate section in the CBS annual report to include all the points raised by the Mission.

In terms of human capital management, the Mission noted that *"consideration should be given to including in the annual report and/or website additional information on human capital management, including the staff salary scale, salaries of key officials, etc."* The CBS shall endeavor to disclose statistical information on its human capital management through the CBS website, intranet or CBS Annual Report.

The Mission highlighted that the *"CBS could consider to publicly disclose the Code of Conduct and Ethics, a Code of Ethical Businesses for stakeholders that engage with the CBS"*. The CBS shall endeavor to publish its Code of Ethics within the coming year.

In terms of the confidentiality provisions the Mission noted that *"transparency of the rules and regulations, voluntary policies or guidelines could be enhanced with regards to the confidentiality provisions of the CBS"* The CBS shall endeavor to develop a confidentiality policy taking into account the Data Classification policy and its obligations under the Access to Information Act 2018.

The Mission highlighted that *"the CBS may gradually progress with enhancing further transparency of its monetary policy and FX operations framework to support monetary policy transmission strengthen dialogue with the stakeholders"* The CBS will enhance the relevant documentations/publications to improve its transparency.

In terms of financial stability, that the Mission noted that CBS's *"transparency and accessibility of information on financial stability might be further improved"* The CBS will revamp the relevant documents and discuss ways to facilitate the disclosure of Financial Stability Committee activities.

The Mission highlighted that *"the CBS could consider enhancing disclosure of the bilateral Emergency Lending Assistance framework for the financial institutions"*. The CBS shall make the ELA guidelines public.

In terms of transparency relating to Anti Money Laundering/Countering the Finance of Terrorism, the Mission noted that the *“transparency of AML/CFT regulations could be enhanced by encouraging disclosure of the risk-based supervisory activities and internal AML/CFT activities”* and the CBS shall publish and enhance its transparency by publication of the policies and statistical information on the examinations conducted.

The Mission’s report provided recommendations on the pillars of the CBTC and a roadmap for each of the recommendations can be found in Annex II. These actions are classified under (i) “Immediate implementation”; and (ii) “Implementation in short-term period”. In the first category, it corresponds to gathering and properly ordering existing information and including official documents and other publications to be published and disseminated through the website in the corresponding menu. In the second category, the recommendations will be addressed in accordance with the necessary time to make analysis for the suggested improvements.

Table 2. Seychelles: CBT Review—Detailed Review Report for Central Bank of Seychelles**Central Bank Transparency Code—Detailed Review****Central Bank of Seychelles****Pillar I—Central Bank Governance**

Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Key legal instruments governing the establishment and operation of the Central Bank of Seychelles are published on the website of the CBS. The Central Bank of Seychelles Act of 2004 which contains most of the relevant provisions regarding the CBS's legal framework, legal nature and legal protection, is maintained in the updated and consolidated form and can be freely accessed and downloaded.</p> <p>The CBS has also published an overview of its historic evolution. The overview shortly describes significant improvements over the previous arrangement, which enhanced CBS's autonomy and provided clear definition of the CBS objectives.</p> <p>Legal Framework:</p> <p>The publications available at the website include primary legislation adopted by the National Assembly, as well as many regulations adopted by the CBS. The consolidated version of the Act is available on the website. The legal unit of CBS monitors amendments published in the official Gazette and incorporates those manually into the consolidated text following the publication</p> <p>Section 4 of the Act sets out the objectives of the CBS, whereas Section 4A refers to functions in broad terms. The statement is limited to general reference to other provisions of the Act "and such other functions as may be given to it by any other written law." The CBS website also contains such "other written laws."</p> <p>Legal Nature:</p> <p>The CBS is the "body corporate" (sec. 3.1) and the shareholder of 100 percent of stock is the Government of Seychelles (sec. 14.2). The stock of the CBS is protected from transfer to third parties or any encumbrance. The Act stipulates that the CBS shall have a perpetual succession and provides transitional provisions which ensure continuity in all aspects of operations from the predecessor of the current CBS. The CBS has the power to act independently, however, no list of specific powers is contained in the law. Rather, the Act attributes general power to act in performance of its functions deriving from the mandate of the CBS. Specific chapters of the Act are more detailed in relation to powers.</p> <p>Additionally, the Act empowers the Governor to "act, contract and sign instruments and documents on behalf of the Bank and to delegate such powers to other employees of the Bank" subject to the regulations, rules or decisions issued by the Board.</p> <p>Legal Protection:</p> <p>The Act does not contain any reference to hierarchy of norms within the remit of the CBS activities, neither a general reference to the scope of judicial review of its decisions. However, a specific clause related to the certificate on validity of notes and coins (sec. 22) specifies, that even the courts cannot overturn such a certificate issued by the CBS</p>

	<p>employee. Additionally, the Financial Institutions Act, section 68 states, that the CBS “acts, directions, orders, determinations or decisions” under the mentioned act shall be subject to judicial review.</p> <p>Certain decisions envisaged by the Financial Institutions Act, retain supremacy over other laws.</p>
Review	<p><i>Core</i></p> <p>The legal framework governing the CBS and its legal nature is disclosed. The laws and several pieces of secondary legislation is accessible via the CBS website. The legal provisions pertaining to certain components of legal protection are also disclosed in the published legal document.</p> <p>Legal Framework: The Act does not refer to the source of the CBS objectives and powers. The legal framework disclosed by the CBS is not clear on which law prevails in the event that the provisions of the Act conflict with other laws. The CBS discloses some key regulations and guidelines adopted in relation to the regulated entities.</p> <p>Legal Nature: Legal Nature of CBS is disclosed in the Act along with its ownership. The Act disclosed by CBS establishes its general legal capacity to act and to some extent—available legal instruments. Certain powers and legal instruments are also disclosed in other relevant laws assigning and regulating various functions of the CBS.</p> <p>Legal Protection: The Act is published and accessible, it is not clear on the extent of judicial review of CBS activities or the enforceability of pre-judgment attachment in relation to the CBS.</p>
Comments	<p>Various sections of the website, as well as Board Secretary’s Report, and the overview of the Role of Central Bank of Seychelles refer to some components of the legal framework, but do not provide any detailed description or rationale for those.</p> <p>The publication of binding legal documents or non-binding guidelines or recommendations is not centralized as various structural divisions publish guidelines or regulations of their respective fields in relevant sections of the CBS website, without legal unit being aware of those. The CBS occasionally communicates to the market the drafts of new regulations and guidelines, those are not disclosed publicly, or easily accessible and feedback mechanism is not clear.</p> <p>In relation to the prevalence of CBS Act over other laws, the CBS clarified that the general legal principle of <i>lex specialist derogate legi generalis</i> would apply to cases of conflict between provisions of the Act and those of other Laws, however, this is not clearly communicated to the public.</p> <p>Transparency could be further enhanced by providing detailed explanation on CBS legal framework, its legal nature and legal protection on the CBS website. The lack of transparency on important components of the conflict of laws, judicial review and pre-judgment attachment can be eliminated by introducing respective provisions to the Act.</p> <p>Ensuring that relevant laws, secondary legislation, regulations and guidelines are available under the unified section (with links to such unified legislation section from other relevant sections) of the website, as well as consistency (all the texts are updated and consolidated) and accessibility (readability and text-related functions) of the texts of the document would contribute to enhanced transparency. The new draft regulations</p>

	and guidelines can also be made available on the website, along with the mechanism to receive input from stakeholders and providing feedback on the input in transparent manner.
Principle 1.2.	Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.
Description	<p>The Mandate of the CBS is set out in the Act, which lists the objectives, functions—to certain extent, and the legal powers available to the CBS to implement its objectives. The Mission statement, along with the vision and the objective of the CBS is available on the CBS webpage, under the “About us” section. A two-page overview of the mandate—“The Role of the Central Bank of Seychelles” is published in the consumer education section of the website.</p> <p>Objectives:</p> <p>The objectives are disclosed in the form of primary legislation—the Act—available on the webpage, as well as in a separate section of the same webpage. In both sources, the primary objective is identified and clearly understandable.</p> <p>Functions:</p> <p>The high-level statement on the functions of the CBS is laid out in section 4A and in specific chapters of the Act. Other relevant legal instruments specifying other functions of the CBS are available on the website. Notably there is no list of functions in the CBS law and the reference to the functions that “may be given...by any other written law” establishes the open-ended possibility to add further areas of activities to the list of CBS functions.</p> <p>Powers:</p> <p>The Board is the body of the CBS “in which all the powers of the Bank shall be vested”. The CBS may carry out actions that are incidental to or consequential to its duties under this Act. Such general authority is balanced by the list of prohibited activities, which is also disclosed in the published Act. Similar to the functions of CBS, the specific powers to exercise those functions are scattered around respective provisions of the Act as well as other respective laws. Private and public law powers of the CBS are also briefly mentioned in the latest Board Secretary Report of 2019.</p>
Review	<p><i>Core</i></p> <p>The publicity of objectives and functions are disclosed and discussed in detail in various sections of the website, however, neither the disclosed law, nor the website provide clear mapping of functions and powers in relation to the objectives of the CBS.</p> <p>Objectives: The Act contains the set of CBS objectives along with establishing hierarchy between those. No legal foundations of the objectives are disclosed on the website.</p> <p>Functions: The Act does not detail how the various functions are derived from the objectives of CBS. Additional functions attributed by separate laws are set out in the respective legislative instruments without reference to the CBS objectives.</p> <p>Powers: The public and private law powers of the CBS are scattered around various chapters of the CBS Act and other relevant laws, which attribute additional functions to the CBS, thereby ensuring the transparent link with respective function. The prohibitions</p>

	on certain activities are also publicly disclosed in the Act. The act clearly refers to ancillary powers and the scope thereof.
Comments	<p>The laws and website fail to provide clear linkages between the objectives and functions. This is further amplified by additional powers being assigned to the CBS by the executive branch without clear connection with the objectives. To enhance transparency on mandate of the CBS, clear explanation on relation between objectives, functions and powers may need to be disclosed.</p> <p>Greater transparency on the mission statement is linked with the objectives could be achieved by disclosing on the website how the mission and vision are related to the mandate and the Act that govern the activities of the CBS.</p>
Principle 1.3.	Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.
Principle 1.3.1.	Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank’s autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, a central bank’s governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.
Description	The Act, available on CBS webpage, clearly declares CBS autonomy at the very beginning of the Act by stating that the CBS “shall, in discharging its functions, act independently.” The Board and the employees are prohibited from seeking or receiving instructions from or being influenced by any person other than the Bank, and any third parties are prohibited from trying to influence the CBS in its activities. In relation to the activities of the Board where the Attorney General serves as the ex-officio member, the Act is very clear that such a position does not possess voting rights.
Review	<p><i>Expanded</i></p> <p>The CBS Act published on the webpage states the obligation to act independently and transparently, and unequivocally prohibits the officials and the staff of the CBS from seeking the instructions from any person outside of the CBS. The Act clearly sets out which members of the Board are prohibited from voting. The role and scope of the Auditor General in relation to CBS accounts and financial statements is clearly disclosed in the law.</p>
Comments	The Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the limitation on the scope of the review.
Principle 1.3.2.	Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	The Board of Directors is responsible “for the policy and affairs” of the CBS. The Act requires the CBS and the Government to consult each other on all matters that may

	<p>affect the discharge of their respective functions. Such consultations are required to be conducted without prejudice to any other provision of the Act.</p> <p>The Act conspicuously states that the foreign exchange rate regime to be adopted by the CBS is decided in consultation with the President, therefore clearly stating that certain aspects of its are somewhat dependent on external stakeholders.</p>
Review	<p><i>Expanded</i></p> <p>The requirement to act independently and not to be influenced by third parties while performing its activities is clearly disclosed in the Act. The high-level mechanism for establishment of the foreign exchange regime is disclosed in the law. The procedure for determination of the monetary policy goal is disclosed on the CBS website.</p>
Comments	<p>In relation to consultations and foreign exchange regime, the procedure of consultation and the mechanism for resolution of differences, if any, should be clearly disclosed.</p> <p>Several functions of the CBS are delegated to it by the decisions of the President and the Minister of Finance (see Principle 1.2. "Functions"). the legislation and the website are silent on the scope and/or limitations attached to the power of the executive branch to delegate functions and powers to the CBS.</p>
Principle 1.3.3.	<p>Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.</p>
Description	<p>The Act is clear on the composition, the appointment (to be differentiated from the selection criteria and procedure), incompatibility, and dismissal criteria as well as term of service of the Board members. The terms and conditions of appointment are not published on CBS website. The Act is also silent on the matter of decreasing the remuneration of the Governor, Deputy Governor, and the Board Members.</p> <p>The law includes provision protecting Board members and the employees from financial liability in relation to third parties for the acts or omissions done in good faith in the discharge their responsibilities. The Act is, however, silent on the matter of recovery of indemnified costs, losses and/or expenses from such employees, neither is the matter clarified by the CBS on the website. Additionally, only the Supreme Court may order the CBS or its employees to disclose confidential information obtained while exercising supervisory function.</p>
Review	<p><i>Core</i></p> <p>Duration of the term of office of the Board members is disclosed in the Act. The procedure of appointment, along with the responsible bodies, as well as eligibility and dismissal criteria of the Board members, are also spelled out in the legislative document.</p>
Comments	<p>Transparency on personal autonomy could be enhanced by disclosing on the website the selection procedure as well as the eligible professional experience (e.g., number of years, level of position, etc.) along with the approval and publication of the Board Remuneration Policy. The disclosure of protection from decreasing the remuneration</p>

	could also serve the objective of greater transparency on personal autonomy. The disclosure on application of legal protection of the former Board members and former employees may also benefit overall transparency.
Principle 1.3.4.	Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.
Description	<p>The financial autonomy of the CBS is enshrined in the CBS Act:</p> <ul style="list-style-type: none"> • According to Section 3 of the CBS Act, the CBS is established as a body corporate that shall discharge its duties free from outside interference. • Provisions on the CBS's financial resources to fulfill its mandate, including capital, general and revaluation reserves (for unrealized revaluation gains), profit calculation and distribution mechanism, as well as recapitalization are stipulated in Sections 14-16 and 45 of the CBS Act. • Monetary financing of the government is allowed under Section 40 of the CBS Act and is limited to a percentage of the government's previous year's ordinary revenue set by the Ministry for Finance and published in the Gazette. The CBS may, subject to approval by the President, grant a temporary waiver to this limit. Advances that are not repaid within six months shall be converted into government securities at market rates as determined by CBS. The CBS may also grant temporary advances in the event of force majeure at lower interest rates and for a longer period, as provided in Section 40A of the CBS Act. Purchases of government securities and securities guaranteed by the Government are also regulated in Sections 41, 43, and 44. Section 44 includes a general prohibition of other means of credit to government that are not explicitly allowed under the CBS Act. • The CBS prepares its own annual budget, which is adopted by the Board by December 15 of the previous year, as stipulated in Section 45 of the CBS Act. The CBS's budget is not published on the CBS website or in its reports. • The CBS financial statements shall be prepared in accordance with an internationally recognized financial reporting framework, audited by the Auditor General, submitted to the president, and published within three months after the end of the fiscal year (Sections 45 and 47 of the CBS Act). In practice, the financial reporting framework applied by the CBS are the International Financial Reporting Standards, as clarified in Note 3.1 of the CBS financial statements. <p>The CBS also publishes in the Gazette and on its website (https://www.cbs.sc/Publications/CBSBalanceSheet.html) its monthly balance sheet, as stipulated in Section 45 of the CBS Act.</p>
Review	<p><i>Expanded</i></p> <p>The CBS financial arrangements are regulated in the CBS Act and disclosed in notes to the financial statements which are published on the CBS's website and include the</p>

	<p>opinion of the Auditor General (https://www.cbs.sc/Publications/FinancialStatements.html).</p> <p>The CBS website and other publications do not explain the rationale for the central bank's financial autonomy, key provisions in the CBS Act that underpin this autonomy, and the related decisions of the Board (e.g., on credit to government).</p> <p>Also, the CBS administrative and operating budget is not published, i.e., there is no information made publicly available pertaining to budgetary allocations.</p>
Comments	<p>Transparency could be enhanced by:</p> <ul style="list-style-type: none"> • <i>Explaining to the public the concept of the CBS's financial autonomy.</i> The purpose of this would be to conceptualize to the public the concept of autonomy and to explain how it is implemented in practice. The CBS could explain in its annual report and, in more detail, on the CBS website the concept of central bank's financial autonomy including the rationale, the related legal provisions, and implementation of the concept of financial autonomy in practice. The latter could include explanation of CBS's actions to safeguard its autonomy and, in that context, references to related resolutions (e.g., links to resolutions on provision of credit to the government). • <i>Publishing the CBS annual budget.</i> The purpose would be to explain, e.g., in the annual report, the budget process, the approved and executed budgets, and key determinants of the budget. The budget should include: (i) staff costs; (ii) remuneration of key management personnel; (iii) investments in fixed assets; (iv) administrative expenses; and (v) other operating expenses. <p>The abovementioned information can easily be included on the CBS website. However, incorporating it (at a high level) in the annual report would also be beneficial. This would require revisiting the concept of the annual report which currently focuses primarily on past year's economic developments. While it also provides an overview of CBS's key activities (Section 6), it does so at the level of CBS organizational units and committees—not at the level of the CBS as would be expected from a corporate annual report. Thus, the CBS would need to first revisit the structure of the annual report before incorporating the abovementioned information. Revisiting the concept of the annual report is also recommended to address observations under principle 1.5 (Risk Management) and principle 1.6 (Accountability Framework).</p>
Principle 1.4.	Decision-making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	<p>The Board is the main decision-making structure referred to in the Act. It has broad powers and is responsible for the policy and affairs of the CBS. The law is not clear on the oversight function; however, the Governance of the Central Bank chapter of the CBS website underlines the oversight function of the Board. In the law, the separate section is devoted to the Board authority of establishment of committees, with such terms of reference, as the Board may see fit. The procedures for convening meetings, quorum, voting rights and casting vote are transparently set out in the Act. The law clarifies that the Attorney General, ex-officio represented on the Board does not have voting powers.</p>

	<p>The organizational structure of the CBS is disclosed on the website in the form of an Organizational Chart. The organizational chart lays out the list of structural units and divisions of the CBS, their reporting lines and the key committees of CBS. The website also contains high-level descriptions of the structural divisions and units of the CBS, however no links to the legal instruments establishing them is provided.</p> <p>The Act clearly designated the Governor as the CEO of the CBS, responsible for the execution of the Board-approved policies and the day-to-day management of the Bank. The Governor’s power to act on behalf of the CBS is also clearly stipulated, along with the authority to delegate parts of her/his functions to other employees of the CBS. At the same time, the Act assigns the responsibility for the “affairs” of the Bank to the Board of Directors. The two deputy governors act under authorities delegated by the Governor. The instrument establishing such a delegation is not disclosed.</p> <p>The CVs/biographies of the Board members are published on CBS website.</p>
Review	<p><i>Core</i></p> <p>The organizational structure of the CBS, the description of responsibilities of structural sub-divisions is published on the website. The composition of the Board of Directors and the Monetary Policy Technical Committee (MPTC) is disclosed. The high-level description of the composition, functions and decision-making procedure of the MPTC is available on the website. The charters of the decision-making bodies as well as by-laws establishing functions and responsibilities of the structural sub-divisions are not publicized.</p>
Comments	<p>The allocation of the responsibilities between the Governor and the Board is not clearly spelled out in the Act, neither is further clarification or explanation provided on the CBS website. The transparency of governance arrangements would benefit greatly from the publication of such information.</p> <p>Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>
Principle 1.5.	Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Principle 1.5.1.	Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	<p>The CBS Act sets out the main financial operations that drive the CBS’s exposure to financial risks:</p> <ul style="list-style-type: none"> • Sections 25 and 27 mandate the CBS to: (i) hold official foreign reserves at a level it considers necessary for the fulfillment of its objectives; (ii) invest them in internationally recognized foreign reserve assets taking into account risk levels it considers acceptable and consistent with objectives on security, liquidity, and return; and (iii) conduct other related operations.

	<ul style="list-style-type: none"> • Section 29 mandates the CBS to: (i) open accounts for and accept deposits from banks and other financial institutions; (ii) provide loans, advances, and rediscounts to resident banks and other financial institutions for periods up to 180 days; and (iii) provide, in case of force majeure, loans, advances, and rediscounts to resident banks and other financial institutions for periods of up to eight years. • Sections 40 and 40A allow the CBS to provide temporary advances to the government, subject to certain restrictions and circumstances (i.e., force majeure). • Sections 34, 36, and 44 mandate the CBS to: (i) open accounts for and accept deposits from the government, official aid agencies, and international organizations; (ii) undertake, on behalf of the government, issuance of government securities; (iii) undertake transactions and other such responsibilities related to the government's participation in international organizations; and (iv) provide banking services for the benefit of foreign governments, central banks and monetary authorities, and international organizations. • Section 46 of the CBS Act requires the CBS to establish and maintain proper risk management procedures and practices, and to report at least quarterly to the CBS Board on risk management. <p>Note 42 of the CBS FY 2021 Financial Statements: https://www.cbs.sc/Downloads/publications/Financial%20Statements%202021.pdf provides disclosures on the CBS's exposures to:</p> <ul style="list-style-type: none"> • <i>Financial risks</i> from foreign reserves as well as domestic market operations, such as the Private Sector Relief Credit Loan Facility. Exposures are quantified (by carrying amounts) and broken down by type of instrument, maturity, currency of denomination, credit rating, accounting treatment, geographical sectors etc. There is also a basic description of calculation of Expected Credit Losses and risk strategies for managing risks from specific operations. • <i>Operational risks</i>. Exposure to operational risks is not elaborate in detail, nor quantified. <p>Section 6 of the CBS 2021 Annual Report: https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf includes some information on developments on risks at the CBS during 2021. However, information is scattered among various subsections and does not provide a comprehensive birds-eye view of the CBS's overall risk profile, and mapping of key risks to the CBS's objectives.</p>
Review	<p><i>Expanded</i></p> <p>The CBS FY 2021 financial statements contain comprehensive disclosures on financial risks from foreign reserves and domestic market operations, and the annual report an overview of key activities related to risks in the CBS's organizational units.</p> <p>However, information on risks is scattered among several subsections of the annual report related to the CBS's organizational units and committees, instead of being presented in a consolidated manner at the institutional level in a dedicated subsection of the report. As such, the annual report does not provide: (i) clear high-level overview</p>

	of the CBS's key risks; (ii) explanation or mapping of risks against the CBS's mandate or objectives; (iii) a brief risk statement; and (iv) developments related to key risks.
Comments	<p>The CBS discloses a lot of information on its risk exposures that include foreign reserves as well as domestic market operations. However, transparency could be enhanced by revisiting the concept of the annual report, as suggested in comments under principle 1.3.4, and including in the report a dedicated subsection on risk management that should provide: (i) a high-level overview of the CBS's key risks (financial and non-financial); (ii) an explanation or mapping of these against the CBS's mandate or objectives; (iii) a short risks statement; and (iv) key developments in these risks. Presenting this information in a dedicated subsection would also allow for a clearer picture of the relative importance of sources of CBS's risks.</p> <p>Also, in its financial statements the CBS quantifies financial risks in terms of carrying values and Expected Credit Losses. It could also consider calculating and disclosing in the annual report and/or financial statements Value at Risk and Expected Shortfall figures (a short note on the methodology would need to be included in the annual report or the financial statements). This should also help stakeholders to understand the importance of CBS's financial buffers (capital, general reserves, retained earnings, revaluation accounts etc.).</p>
Principle 1.5.2.	Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.
Description	<p>Section 46 of the CBS Act requires the CBS to establish and maintain proper risk management procedures and practices, and to report at least quarterly to the CBS Board on risk management.</p> <p>Section 6 of the CBS 2021 Annual Report: https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf provides a high level overview of the CBS's decentralized risk management function performed in several organizational units (e.g., the Risk Management Unit and the Financial and Risk Analysis Section in the Financial Markets Department) and committees (e.g., Audit and Risk Committee, Risk Management Committee, Investment Committee, and Monetary Policy Technical Committee), and key developments during 2021. However, information is scattered among various subsections in Section 6.</p> <p>The CBS website provides further details on the CBS risk governance and the risk management process:</p> <ul style="list-style-type: none"> • A description of the role of the CBS's risk management function (https://www.cbs.sc/Aboutus/RiskManagement.html), with links to • The CBS Risk Management Framework, Policy, and Guidelines Document (https://www.cbs.sc/Downloads/ERM%20Framework%20Introductory%20Docu ment%20-%20November%202021.pdf); • The CBS Risk Management Policy (https://www.cbs.sc/Downloads/Risk%20Management%20Policy%20-%20November%202021.pdf); and

	<ul style="list-style-type: none"> The CBS Risk Appetite and Tolerance Statement (https://www.cbs.sc/Downloads/Risk%20Appetite%20and%20Tolerance%20Statement%20-%20November%202021.pdf)
Review	<i>Expanded</i>
Comments	The CBS's disclosures on the risk framework are quite comprehensive. Transparency, nonetheless, could be enhanced by revisiting the structure of the annual report, as mentioned in comments under principles 1.3.4 and 1.5.1, and including in it a subsection dedicated to risk management that would (in addition to items mentioned under 1.5.1) provide: (i) a high-level overview of risk governance; (ii) the process of continuous identification and evaluation of risks (financial, operational, and legal); (iii) risk strategies (risk avoidance, mitigation, and transfer) in key areas; and (iv) key tools and internal controls for managing operational risks. Presenting this information in a dedicated subsection would also force prioritization and consistency in the level of detail provided with respect to developments in key risks and related risk strategies at the CBS.
Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>Independently Audited Financial Statements and the Annual Report:</p> <p>The CBS Act includes provisions on the preparation and publication of the annual report and financial statements. It requires CBS to publish its annual report and audited financial statements within three months after the fiscal year-end. It also requires the financial statements to be prepared in accordance with an internationally recognized financial reporting framework (Section 45). In practice, CBS has chosen international Financial Reporting Standards as its financial reporting framework, as clarified in Note 3.1 to the CBS financial statements.</p> <p>The CBS Act assigns responsibility to audit the CBS financial statements to the Auditor General (Section 47). In practice, the Auditor General appoints an external audit firm to assist him with auditing CBS in accordance with International Standards on Auditing, as explained in the Auditor General's audit opinion. However, the Auditor General and the CBS do not publish information with respect to their arrangement on the appointment of the external audit firm.</p> <p>Internal Audit:</p> <p>Section 46 of the CBS Act provides for an internal audit division charged with periodic audit of the CBS, audits of monthly financial statements, and quarterly reporting to the Board on observations related to the CBS's accounts and records, budgetary and accounting procedures, risk management and other controls, and efficiency and effectiveness of the CBS's operations. While the CBS website and the 2021 annual report also mention that the function is governed by an Internal Audit Charter and that it reports functionally to the Audit and Risk Committee, the rules on the appointment and</p>

	<p>dismissal, term of appointment, and eligibility criteria for the head of internal audit are not mentioned.</p> <p>Audit and Risk Committee:</p> <p>The CBS Act does not explicitly assign to the Board the responsibility for overseeing the internal and external audit, internal controls and risk management, and the CBS's system of financial reporting; nor does it provide for an audit committee. Nonetheless, the 2021 annual report clarifies that the Board does perform this role and has established an Audit and Risk Committee comprising three non-executive Board members for that purpose. The existence of the Audit and Risk Committee is also acknowledged in the CBS's organizational chart that is published on the CBS's website (https://www.cbs.sc/Aboutus/Organisation.html), and in short bios of non-executive Board members (https://www.cbs.sc/Aboutus/BoardMembers.html).</p> <p>The CBS used to disclose additional information on the above in the Board Secretary Report; however, this report has only been published for 2018 and 2019 (https://www.cbs.sc/Publications/BoardSecretaryPub.html).</p>
Review	<p><i>Expanded</i></p> <p>Independently Audited Financial Statements and Annual Report:</p> <p>The CBS Act contains provisions for the preparation and publication of the CBS annual report and financial statements. However, the arrangement on the appointment of audit firms that assist the Auditor General with audits of the CBS financial statements are not published.</p> <p>Internal Audit:</p> <p>The CBS Act clearly establishes the roles and duties of an internal audit function. However, it does not provide for a reporting line to the Board Audit and Risk Committee (which is explained in the 2021 annual report and clarified on the CBS website), nor for explicit criteria on the appointment, dismissal, and eligibility criteria for the head of internal audit. These rules are provided in a Board-approved Internal Audit Charter, which is not published.</p> <p>Audit and Risk Committee:</p> <p>The CBS Act does not explicitly provide for the Board's oversight role nor for an audit committee. The Board, however, does perform this role and has established the Audit and Risk Committee through a charter that states the committee's responsibilities along with a reporting mechanism to the Board. This is acknowledged in the 2021 annual report on the and is evident from the organizational charter on the CBS website. However, the charter of the Audit and Risk Committee is not published, nor is there a section on the CBS website dedicated to the Audit and Risk Committee as a subcommittee of the Board.</p>
Comments	<p>Independently Audited Financial Statements and Annual Report:</p> <p>Transparency could be improved by disclosing on the CBS website the arrangement between the CBS and the Auditor General on the appointment of audit firms that conduct audits of the CBS financial statements on the Auditor General's behalf.</p> <p>Internal Audit:</p> <p>Transparency could be improved by: (i) disclosing on the CBS website a short summary</p>

	<p>of rules on the appointment and dismissal of the head of internal audit; and/or (ii) publishing the Internal Audit Charter.</p> <p>Audit and Risk Committee:</p> <p>Transparency could be improved by: (i) explaining the role of the Audit and Risk Committee on the CBS website; and by (ii) publishing the Audit and Risk Committee charter.</p> <p>Finally, the Board’s oversight role as well as the role of the Audit and Risk Committee could feature more prominently in the CBS annual report, together with other assurance providers, once the concept of the annual report is revisited, as already suggested in comments under principles 1.3.4, 1.5.1, and 1.5.2. The Board Secretary Report published in 2018 and 2019 could provide a good basis for the corporate section of the CBS annual report.</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank’s financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <ul style="list-style-type: none"> • Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.
Description	<p>Independently Audited Financial Statements and Annual Report:</p> <p>The CBS FY 2021 financial statements have all key transparency features: (i) they were prepared in accordance with International Financial Reporting Standards; (ii) audited in accordance with International Standards on Auditing; (iii) finalized and published within the three months statutory deadline specified in Section 47 of the CBS; and (iv) provide broadly adequate disclosures on key core and non-core financial operations of the CBS.</p> <p>The 2021 annual report provides additional information on operations conducted by the CBS during 2021, such as operations performed with and on behalf of the government and other key third parties and stakeholders.</p> <p>Internal Audit:</p> <p>The role of the CBS’s internal audit function is specified in Section 46 of the CBS Act and the CBS website. The 2021 annual report also includes a short summary of the function’s activities during the fiscal year, states conformance with International Standards for the Professional Practice of Internal Audit and clarifies that an External Quality Assessment is undertaken every five years (without disclosing the overall opinion of the last such assessment).</p> <p>Audit and Risk Committee:</p> <p>The 2021 annual report includes: (i) a short summary of the committee’s role; (ii) its composition; (iii) key activities related to internal and external audit, financial reporting,</p>

	risk management and other internal controls; and (iii) number of meetings held during the year.
Review	<p><i>Expanded</i></p> <p>Independently Audited Financial Statements and Annual Report:</p> <p>The FY 2021 financial statements are comprehensive, and Annex I to the 2021 annual report provides a high-level overview of the use of the CBS's financial resources and key activities which the public may find useful when assessing the CBS's financial performance.</p> <p>Internal Audit:</p> <p>The role of the internal audit function is explained on the CBS website and its activities further detailed in the 2021 annual report, although without disclosing the basis for the audit methodology, and the result of the last External Quality Assessment.</p> <p>Audit and Risk Committee:</p> <p>Key information on the Audit and Risk Committee is included in the 2021 annual report but could be featured more prominently given the committee's role in assisting the Board with independent oversight over CBS. The committee's annual report is not published.</p>
Comments	<p>Independently Audited Financial Statement and Annual Report:</p> <p>Opportunities for improvement always exist. CBS should continue improving the management's commentary on the audited financial statements in Annex I to the 2021 annual report, e.g., by including additional tabular information or infographics. CBS could also consider repositioning the commentary, especially once it has revised the concept of its annual report, as suggested in comments under other principles (e.g., 1.3.4, 1.5.1, 1.5.2).</p> <p>Internal Audit:</p> <p>Transparency could be enhanced by including in the relevant section of the CBS annual report the basis for the audit methodology and the result of the last External Quality Assessment.</p> <p>Audit and Risk Committee:</p> <p>Transparency could be enhanced by featuring the description of the Board and the Audit and Risk Committee oversight function more prominently in the CBS annual report, once the concept of the report has been revisited by CBS as mentioned above. CBS could also consider including in the annual report (or on the CBS website) the committee's annual report on its work (signed by the chair of the committee).</p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Legal Framework</p> <p>The Anti-Corruption Act of 2016 https://www.accsey.com/filing/Publications&Resources/Act2of2016Anti-</p>

	<p>CorruptionAct2016.pdf) establishes the Anti-Corruption Commission, which is primarily tasked for investigating corruption committed by public officers (including CBS staff). The law also provides whistleblower protection for a person or public servant who has made a disclosure or rendered assistance under the Act (Section 69.1): “The Commission shall ensure that a person or public servant who has made a disclosure under this Act is not victimized on the ground that such person or public servant has made a disclosure or rendered assistance in inquiry under this Act.”</p> <p>The Public Officers’ Ethics Act of 2008 sets out the general Code of Conduct and Ethics for public officers in Seychelles and created the Public Officers’ Ethics Commission that investigates complaints against any contraventions. It also provides a duty for certain categories of public officers to annually submit accurate declarations of their income, assets and liabilities, and includes penalties for failure to submit and non-submission. (Part IV – Declaration of Income, Assets and Liabilities)</p> <p>The Access to Information Act of 2018 requires all public bodies (including CBS) to create, keep, organize and maintain its information in a manner which facilitates access to information. (Section 4.1) It requires proactive disclosure of public bodies within 30 days of the information being generated or received, including manuals, policies, procedures or rules or similar instruments which have been prepared for, or are used by officers of the body in discharging that body’s functions. (Section 5)</p> <p>The Central Bank of Seychelles Act of 2004 includes specific provisions on avoidance of conflict of interest by members of the CBS Board of Directors (Section 10.3): “All members of the Board shall fully disclose to the Board any commercial, financial, agricultural, industrial or other interest that they may have in any matter which becomes the subject of consideration or action by the Board. If such interest appears to the Board to constitute a conflict of interests, the relevant member shall refrain from taking any part whatsoever in any decision affecting that matter.” https://www.cbs.sc/Downloads/legislations/Central%20Bank%20of%20Seychelles%20Act%202004.pdf</p> <p>The CBS’s Code of Conduct and Ethics specifies the standards of correct and ethical behavior (including conflict of interest and acceptance of gifts and entertainment).</p>
Review	<p><i>Core</i></p> <p>Domestic anti-corruption laws (e.g., Anti-Corruption Act of 2016, Public Officers’ Ethics Act of 2008) are applicable to CBS decision-makers, staff and agents, but this is not explicitly stated in publicly available materials produced or published by the CBS. The CBS Act of 2004 does not include any reference to the applicability of the domestic anti-corruption laws but does provide for avoidance of conflict of interest by members of the CBS Board of Directors. While the CBS Board, staff and agents are not liable for damages for anything done or omitted to be done in good faith in the discharge or purported discharge of their functions (Section 2, CBS Act of 2004), they are not given immunity for criminal liability under the domestic anti-corruption laws.</p> <p>While not covered in the legal framework, senior CBS management are ordinarily subject to “cooling off” periods in their contracts to avoid conflict of interests (i.e., senior management when taking a new position in a supervised institution enters into a three-month cool off period from the time of resignation from CBS to taking on new functions, pending regulatory approval). See CBS Press Release dated April 5, 2022 with respect to the resignation of the First Deputy Governor,</p>

	<p>https://www.cbs.sc/Downloads/Pressrelease/First%20Deputy%20Governor%20steps%20down%20in%20anticipation%20of%20new%20role.pdf.</p> <p>The CBS has a designated Information Officer that receives and responds to requests submitted under the Access to Information Act of 2018. In addition, the CBS Information Officer submitted the CBS's 2nd Access to Information Annual Report to the Information Commission (covering the period of January to December 2020). (https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf)</p> <p>The CBS has a Code of Conduct and Ethics in place, but it is not published in the CBS website. Integrity ("responsible behaviours") and transparency and accountability ("personal ownership and accountability") are part of the CBS's published core values expected of all decision-makers, staff and agents of the CBS (https://www.cbs.sc/Aboutus/AboutUs.html). Internal CBS efforts to disseminate and raise awareness by staff is noted in the 2021 Annual Report. (https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf)</p>
Comments	<p>Relevant domestic anticorruption laws should be explicitly referred to in the CBS's legal framework and website. In this regard, CBS staff is currently working on an anti-bribery and corruption policy, which is expected to be made publicly available. In compliance with the requirements under the Anti-Corruption Act of 2016, transparent procedures for whistleblowing within CBS should also be considered.</p> <p>A publicly available version of the Code of Conduct and Ethics is likewise being drafted. The authorities should also consider a methodology for disclosing enforcement activities with respect to the Code of Conduct and Ethics, including transparency on the statistics on sanctions imposed for violations. CBS's Procurement Policy is also undergoing review, which will cover a Code of Ethical Business when dealing with contract bidders for CBS's procurement needs.</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	The 2021 annual report includes a summary of high-level information and key activities of the Human Resources Division during the year, including (i) basic statistics such as staff levels, number of new recruitments, retirements, and breakdown of CBS by gender (but not by age, nationality, or education); (ii) initiatives addressing challenges experienced by staff during the year (e.g., due to Covid-19 pandemic); and (iii) training plans, scholarships, and similar initiatives. The 2021 annual report provides basic information on the Human Resources Committee.
Review	<p><i>Core</i></p> <p>The 2021 annual report includes a summary of high-level information and key activities of the Human Resources Division during the year. However, this information is relatively basic, and falls short of disclosures associated with enhanced or comprehensive practices.</p>
Comments	Transparency could be significantly improved by including in the CBS's annual report and/or the CBS website information on the CBS human capital management, such as: (i) enhanced statistics on CBS staff; (ii) staff salary scale and salaries of key officials; (iii) allowances and other benefits such as the staff pensions scheme and loans provided to

	<p>staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning. Where appropriate, CBS should provide the rationale for these policies and measures, e.g., by explaining that loans are provided to staff to minimize risk of actual or perceived conflict of interest.</p>
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>CBS Responsibility to Disclose Information:</p> <p>The Central Bank of Seychelles Act, 2004, article 48 establish the following reporting obligations: "1) to publish a summary of the decisions taken by the Bank on Monetary Policy, as soon as possible thereafter. 2) the Bank shall publish regular reports on issues related to monetary policy, financial stability, or any other matter within its competence and shall annually report to the National Assembly on its activities in the preceding year and on the achievement of its objectives set out on Section 4. 3) the Governor may appear before the National Assembly for the purposes of explaining and answering questions on monetary policy and any other activity of the Bank." In accordance to the above mentioned responsibilities, CBS discloses monetary policy decisions and reports, specially the annual report, financial surveillance and financial stability reports by different means, website, press releases and permanent publications (see 1.7.2 on calendar of publications and sub-principles by subject). The ATIA requires the Central Bank to make accessible to the public requested information in maximum period of 21 days once the request for information is received.</p> <p>Organizational Structure:</p> <p>The CBS website discloses the CBS organizational structure, which shows the placement of the communications function, under the Governor's office.</p> <p>The CBS Annual Report discloses and explains in detail the responsibilities and institutional functions of the Communications Unit, including receiving, documenting, and responding to requests for information in accordance with the Access to Information Act, 2018. (Pages 128 and 129 of the 2021 annual Report)</p> <p>Internal Processes Relevant for Communication:</p> <p>The Governor is the spokesperson of the Central Bank and has the responsibility to communicate monetary policy and exchange rate issues; the two deputy governors can communicate with media and public in general regarding their own sphere of responsibilities. Technical Staff of the Central Bank can communicate with media and public with delegated authority from the Governor. This arrangement is mentioned in the Board Secretary Report.</p>
Review	<i>Expanded</i>

	<p>Functions, responsibilities, and outcomes of the Communications Unit are clear and well communicated in the Annual Reports. Although there is no disclosure of communications policy or guidelines on the central bank website.</p> <p>CBS also implements a comprehensive disclosure and regular publication of reports and information of Monetary Policy and Financial Stability issues, as well as other reports in accordance with its functions as required by the CBS Act. No public dissemination or press release is done regarding the presentation of the Annual Report or Monetary Policy issues to Parliament. Reporting responsibilities under the Access to Information Act are timely fulfilled in accordance with the implementation of this Act by the CBS.</p>
Comments	<p>The communications policy is a work in progress as communicated by the CBS Communications Unit. The development of a communication policy or guideline will facilitate the institutional processes for communication, and a better understanding of the institutional communication arrangement. For transparency purposes it would be beneficial to publish the CBS institutional communications policies and guidelines on the CBS website. Disclosure, dissemination, or further explanation to the public of the annual report to the National Assembly could reinforce transparency practices of the CBS.</p>
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Disclosure of Communication Objectives/Strategy:</p> <p>The topic of communications is widely covered in the Strategic Plan 2019-2023 as one of the five pillars to be developed, improved, and reinforced during that specific time frame by the CBS. General goals and objectives, responsibilities, functions, and challenges for institutional communications are mentioned (page 55) in the CBS Strategic Plan.</p> <p>The CBS has not a published specific strategy for institutional communications; explaining its actions in accordance with specific audiences. Financial education actions are explained by target audience as part of the Financial Inclusion objective.</p> <p>Channels and Tools of Communication:</p> <p>CBS uses a variety of tools to communicate its policy decisions and main associated messages we do the following:</p> <ul style="list-style-type: none"> • Publications on the CBS website • Press releases both to press and to special audiences • Presentations with special audiences in special occasions • Interviews of Board members/Division Managers in the media <ul style="list-style-type: none"> ○ Participation of Board members in seminars, conferences, and round tables <p>Website:</p> <p>The CBS website is the main source of information for the public. Main functions of the CBS are featured prominently on the CBS website. CBS timely discloses website updates</p>

regarding specific thematic pages or features through press releases and press conferences to keep the public informed. The website is in English.

Press Releases:

[Press releases](#) are the main method of communication used by the Bank to disseminate information on various subjects, notably regular communication of its monetary policy stance, financial stability, procurement plan and government bond issuance. Press releases are done primarily in English and in Creole when deemed necessary.

Press Conferences:

The CBS implemented during the pandemic [live press conferences](#), covering topics such as regulatory changes, the Private Sector Relief Schemes, Reserves Management Strategy and Monetary Policy Decisions. The live press conferences provided a platform for the Bank's messages to be communicated directly to the various stakeholders and the public. They are handled in Creole to reach as many people as possible. A press release is done immediately after the press conference in English and Creole. For live press conferences the power point presentations are posted on the web.

Interviews, Speeches, and Conferences:

Press interviews (both print and broadcast media) on topical issues and live interaction on television and radio are held by the Governor or by other CBS official as delegated by the Governor, depending on the technical area. Authority's speeches and conferences are also published on the [central bank website](#).

Publications Calendar and Dissemination of Reports:

CBS has a calendar for publications including articles, notices and awareness materials related to financial education, financial stability and business continuity, among other topics, all accessible on the central bank website.

There is also a specific calendar for the main central bank's reports like:

PUBLICATION NAME	FREQUENCY OF PUBLICATION
CBS Strategic Plan	Every 5 years
Central Bank of Seychelles Annual Report	Annually, by end of March
Central Bank of Seychelles Financial Statements	Annually, by end of March
International Reserves Management Report	Annually, by end of March
Financial Surveillance Report	Annually
Financial Stability Report	Annually
In Vision Newsletter	Annually
Board Secretary Report	Annually

PUBLICATION NAME	FREQUENCY OF PUBLICATION
Central Bank of Seychelles Procurement Plan (Abridged Version)	Annually
Monetary Policy Decision	Quarterly (last week March, June, September and December)
Comparative Bank Charges	Quarterly
Key Economic Developments	Monthly
Statistical Bulletin	Monthly
CBS Balance Sheet (Statement of Financial Position)	Monthly
Applicable Bank Interest Rates	Weekly
Research and Working Papers	Ad hoc

Public Events:

Events held by the CBS are disclosed on the CBS website and through newspaper/television/radio adverts, stating the channel for the event (physical, broadcast media, virtual platforms) and the target audience. The majority of events organized by the Bank, or in which participated, were held virtually due to COVID-19 pandemic during 2020 and 2021; including meetings, conferences and seminars held both locally and internationally.

Target Audiences:

Targeted audiences are not mentioned in a specific communications strategy. Public events and workshops are organized for specific audiences or stakeholders and are disclosed in the annual report as events. The calendar of events is available on the website where targeted audiences are determined. Such events are disseminated through press releases that explain the reason for the event.

Communications with Journalists and Media in General:

Procedure for [press enquiries](#) is disclosed on the "Media Centre" page of the CBS website. The Communication Unit organizes workshops with journalists on central bank topics and CBS has established a scholarship, with financial journalism being one of the study areas on offer for journalists as an educational measure to improve financial journalism.

Educational Initiatives:

The CBS has a vast program on financial education which is made available through platforms such as the CBS website, television, radio, newspapers, social media, mailing lists, on screens in Victoria, and displayed in public areas wherever possible. Awareness programs are implemented especially on the social media platforms—Facebook and Instagram. There is a whole program of financial education under the financial inclusion initiative that is developed by the CBS also in conjunction with other institutions.

	<p>Access to Information System:</p> <p>Procedure for general enquiries is disclosed through the Contact Us tab found in the footer of the CBS website. The Access to Information System is well explained and disclosed on the CBS website and the Annual Report.</p> <p>The CBS provides different ways to Access and request Information; through the website, emailing the form, or by telephone contacting the Information Officer.</p> <p>A page dedicated to access to information also went live on the CBS website in July 2021. "This provides for a centralized platform that can be used by anyone submitting a request for information to the CBS under the ATIA. The page contains an Access to Information Request form that can be downloaded or completed online, facilitating the process of recording and responding to such requests. It also features contact details of the Information Officer and other useful information." (CBS annual Report page 131). The CBS has 21 days to respond to an information request, under Section 11 of the ATIA.</p> <p>Evaluation of Communication Policies:</p> <p>The CBS does not publish evaluations of its communications policy, like surveys or any other evaluation method. The annual report and the website could disclose those evaluation actions performed by the Communications Unit.</p>
Review	<p><i>Expanded</i></p> <p>The CBS has a broad menu of tools implemented to communicate with the public and stakeholders. Press Conferences established during the pandemic as a means to directly communicate with the public is highly appreciated by stakeholders and regarded as the most useful tool to communicate with the public at large. It was also mentioned by stakeholders that the Governor's presentations to the press were done using plain language and in an explanatory manner to improve and ease understanding of technical economical and financial issues.</p> <p>Accessibility to different topics could be enhanced on the CBS website. On this regard, stakeholders mentioned the need to make the search engine of the website more user friendly and intuitive, but the completeness and the quality of the information disclosed on the website was valued and praised.</p> <p>Different channels used to communicate with the media and to attend media requests seem to work in an efficient manner, especially with the creation of a media network that facilitates the exchange of information. Although responses to media queries are expected to be more expedited.</p> <p>Educational actions, events and workshops targeted for specific audiences are highly appreciated by all stakeholders. This promotes willingness from CBS counterparts to further engage formally and informally with CBS.</p> <p>There is no disclosure of the specific communications strategy in accordance with specific target audiences. Disclosure of the results of the surveys or methods used to analyze policy effectiveness are not disclosed.</p> <p>The CBS has put in place different institutional mechanisms and channels required by the new Access to Information Act, including the reports on access to information required by the ATIA.</p>

Comments	<p>The press conference is done in Creole, and it is a direct message in plain language from the CBS itself (Governor) to the public. It is further disseminated through press releases in English and Creole, but it seems important to facilitate access to complementary information in English. This will easily disseminate such information across the English-speaking community.</p> <p>The use of social media could be reinforced specially to target specific groups. CBS, in its role of Secretariat for the Financial Education Steering Committee, is using digital platforms like Facebook and Instagram to disseminate financial education-related information. There is a need to further disseminate to specific audiences the availability of information under this platform.</p> <p>More workshops and educational activities for specific audiences like journalists, academics, parliamentarians, and the public seem to be a need to accelerate understanding of the CBS role and mandate but also to broaden financial literacy in general. Engagement with the CBS seems to be an interest by different institutions and stakeholders; especially regarding knowledge sharing on economic and financial matters.</p> <p>CBS actively engages with the public and stakeholders, but since the communications policy or a specific communications strategy are not disclosed to the public it is difficult to follow the outcomes of the communications actions. At the same time, active evaluation like surveys or other evaluation methods like focus group queries and workshops could benefit CBS efficiency and transparency regarding communications.</p>
Principle 1.8.	Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.
Description	<p>Under the Central Bank of Seychelles Act, 2004 Article 9 (7) determines that “the proceedings of the Board shall be confidential unless the Board decides to publish all or any part of its deliberations or decisions” with the exception under article 48 of the obligation to publish a summary of the decisions taken by the Bank with respect to monetary policy as soon as possible thereafter.”</p> <p>The Board Secretary Report of 2019, page 53, states the following regarding the treatment of confidential information as prescribed by Art. 9 of the CBS Act “The Board members and employees of the CBS are restricted from disclosing any confidential information relating to the affairs of the Bank or any bank or other financial institution or other person, which he or she has acquired in the performance of his or her duties under the CBS Act or any other law. The publication or reporting of confidential market-sensitive information should be subject to restrictions and publication of sensitive information may be controlled or delayed to that effect as the CBS needs to safeguard the confidentiality and privacy of information on individual firms. There are exceptions to this restriction, whereby information can be disclosed for the purpose of the performance of the Board or employee’s duties or when required by law or ordered by a court to do so.”</p> <p>Under article 11 of the Central Bank of Seychelles Act, there is confidentiality system established for the CBS Staff, as well as members of the Board, it says “ A member of the Board or employee of the Bank shall not disclose to any person any confidential information relating to the affairs of the Bank or any bank or other financial institution</p>

	<p>or other person, which he or she has acquired in the performance of his or her duties... otherwise a sanction or imprisonment... (Art 11(2)).</p> <p>This confidentiality system is operationalized by CBS in the following manner:</p> <p>New employees are made to sign a Confidentiality Agreement. In addition, CBS implemented a Data Classification Policy in 2014 which guides staff on how to handle information based on their classification. The Policy classifies information into 4 categories, Public, Internal, Confidential and Restricted. The policy also defines and gives examples of information falling within each category, but it is not disclosed or explained to the public.</p> <p>Request of Confidential Information by the Public:</p> <p>The Access to Information Act Section 26 establishes an exception to grant free access to information "if the disclosure of such information would cause serious prejudice to the economy of the state by disclosing prematurely decisions to charge or continue economic or financial policy relating to:</p> <p>Exchange rates, the regulation of banking or credit, the stability, control, and adjustment of prices of goods and services, rents and other costs and rates of wages, salaries, and other income..."</p>
Review	<p><i>Core</i></p> <p>The CBS Act has general provisions regarding confidentiality establishing a legal framework for confidentiality issues. The Access to Information Act, establishes the need to determine the reasoning that triggers confidentiality when information is requested by the public. More explanation and disclosure of confidentiality measures and policies would benefit transparency practices and will reinforce clarity regarding access to information general practices.</p>
Comments	<p>Rules and regulations, voluntary policies or guidelines could be developed to implement the confidentiality provisions of the CBS Act. The confidentiality system could be explained to the public including the data classification system. With the implementation of the ATIA the CBS reinforces its confidentiality legal framework, bringing clarity to determine which type of information could be classified as sensitive information.</p>
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: <i>The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.</i>
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The CBS's monetary policy framework and strategy for achieving its objectives is clearly disclosed on the CBS's website in a summary fashion, as well as in greater detail in the document "Central Bank of Seychelles – Monetary Policy Framework" also available on the website. The key features of the CBS monetary policy framework and strategy are as follows:</p>

As stipulated in the CBS Act, the primary objective of CBS is to promote domestic price stability. While the CBS has not indicated an actual numerical target for price stability, the CBS [Strategic Plan 2019-2023](#) (page 34) sets the following Key Performance Indicator: *"Inflation measures by the 12-month average CPI shall not exceed mid-single digit level."*

The Monetary Policy Framework (MPF) is approved by the Board, whilst the oversight function for its implementation is delegated to the Monetary Policy Technical Committee. Publication of the MPF on the CBS website ensures its accessibility for the relevant financial institutions as well as for the general public.

Since the shift from a fixed to a floating exchange rate regime in late 2008, CBS interventions in the foreign exchange play a more limited role; managing money supply has shifted to reliance on market-based monetary policy instruments. In that context, CBS's FXI aims at smoothing out excessive volatility and ensure orderly market conditions, as well as increasing official reserves.

In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rates (see Figure below). This was done through the introduction of: (i) a Monetary Policy Rate as the key policy variable used for signaling the monetary policy stance; (ii) a Forecasting and Policy Analysis System; and (iii) a short-term liquidity management framework.

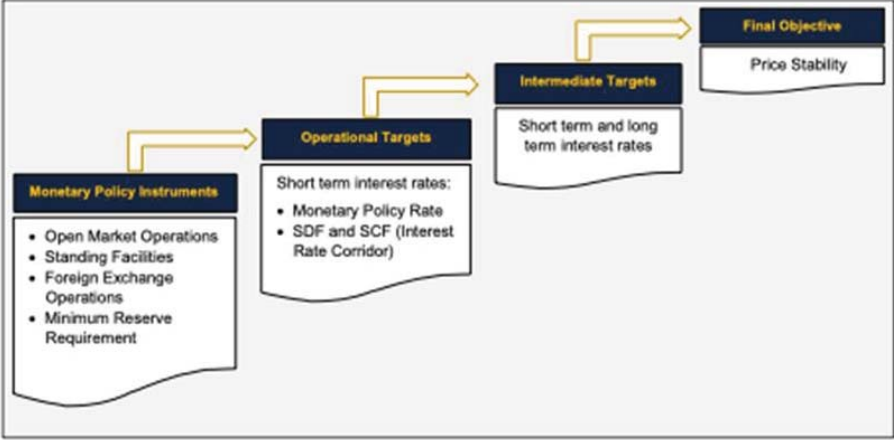
The MPR is complemented by open market operations, and a symmetrical interest rate corridor (IRC), which is adjusted following changes in the MPR. The MPR lies within the IRC, with the Standing Deposit Facility and the Standing Credit Facility serving as the floor and ceiling respectively. The interbank market rate is expected to fluctuate between the floor and ceiling of the IRC. No operational target for the interbank market rate has been set (see Figure below).

The MPR is set at a level consistent with the desirable general price level deemed stable for the Seychelles economy in the medium term. It is formulated based on analyses and projections of inflation and other key macroeconomic variables, determined by the CBS's macroeconomic modeling and forecasting framework.

The [Press Release](#) that is published following the meetings of the CBS's Board convened to decide on monetary policy clearly explains the rationale for the decision, in line with the monetary policy strategy in place (see Principle 2.1.2 for a description of the decision-making process).

As part of its efforts to enhance the quality of communication on monetary policy, the CBS maintains a dialogue with all relevant stakeholders, mainly through quarterly press communiqués and press conferences subsequent to CBS's decisions on monetary policy.

Some publications label the monetary policy framework as an inflation targeting framework (see for instance the 2020 AREAER for Seychelles). Yet, so far, the CBS has not disclosed an explicit numerical medium-term inflation objective (distinct from the short-term inflation forecast) that would serve as the cornerstone for its monetary policy actions and communications.

	<p style="text-align: center;">Monetary Policy Framework</p>  <p>Source: CBS, Monetary Policy Framework document</p>
Review	<p><i>Expanded</i></p> <p>The MPF document available on the CBS website provides detailed information on the current monetary policy framework, in particular the rationale for the changes that took place at the time of the shift from a fixed to a floating exchange rate regime and the role of CBS FX interventions in that context, as well as the changes in the operational framework that followed the transition from reserve money targeting to an interest rate-based operational framework. So far, the CBS has not disclosed an actual explicit numerical medium-term inflation objective that would serve as the cornerstone for its monetary policy actions and communications.</p>
Comments	<p>While the monetary policy framework is qualified as an inflation targeting framework in some publications (i.e., IMF AREAER Annual Report), monetary policy is currently in a transition phase with the goal to introduce a fully-fledged inflation targeting framework at a later stage. Greater clarity in CBS communications in that regard would enhance transparency of the monetary policy framework in place at this juncture.</p> <p>To support a fully-fledged IT framework better alignment of the de jure and the de facto monetary policy framework in the CBS communication would be desirable. In that context, disclosure of an explicit numerical medium-term inflation objective in the MPF document (different from the near-term inflation forecast) would enhance transparency of the monetary policy framework as it would provide a cornerstone for its monetary policy actions and communications. Similarly, disclosure of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>
Principle 2.1.2.	<p>Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The above-mentioned MPF document explains in detail the decision-making process for monetary policy implementation:</p>

- As stipulated in Article 5 of the CBS Act, the Board of Directors is responsible for monetary policy, while the responsibility to oversee its operational implementation is delegated to the Monetary Policy Technical Committee.
- The Terms of Reference of the MPTC are provided in the MPF document, including: (i) consider matters pertaining to the formulation and implementation of monetary policy; (ii) advise on the operational aspect; (iii) recommend policy proposals for the Board's consideration, consistent with the Bank's objectives; and (iv) decide on parameters relating to the implementation of monetary policy.
- The MPTC reports on its activities to the Board of Directors at least on a quarterly basis.
- The composition of the MPTC is disclosed on the MPF. It includes the following CBS officials: (i) First Deputy Governor (Chairperson); (ii) Second Deputy Governor; and (iii) the Head or a designated representative from the following CBS Divisions: Banking Services Division (BSD), Financial Inclusion and Market Conduct Division (FIMCD), Financial Markets Division (FMD), Financial Surveillance Division (FSD), Research and Statistics Division (RSD). FMD shall act as Secretariat to the MPTC.
- The MPTC reports on its activities to the Board and makes recommendations on appropriate future implementation of monetary policy.

The MPF document provides detailed norms for the meetings of the MPTC as follows, consistent with the [Terms of Reference of the MPTC](#) posted on the CBS website:

- FMD sets up the meetings, subject to the approval of the Chairperson. Any member may request to have non-scheduled MPTC meetings if approved by the Chairperson.
- The MPTC shall meet at least once a month to coincide with the start of a new MRR maintenance period.
- Minutes of MPTC meetings shall be taken and forwarded via email to all members within 10 working days following the meeting.
- If the First Deputy Governor is not present or acting as CBS Chief Executive Officer, the Second Deputy Governor shall chair the meeting. In the event that the Second Deputy Governor is unable to chair the meeting, a designated Head of Division shall act as Chairperson. The Head of FMD cannot be Chairperson.

The MPF document sets the decision-making process for MPTC meetings as follows:

- *Deliberations:* (i) a quorum of majority of members in office is required. Each member shall express his/her views, and decisions are taken by majority vote. In the event of an equality of votes, the Chairperson shall have a casting vote in addition to his/her deliberative vote.
- *Governor's approval:* MPTC decisions are communicated to the Governor, for his/her views. All policy recommendations submitted to the Board are to be supported by the Governor.

As stipulated in Article 5 of the CBS Act, "...the Board of Directors is responsible for the policy and affairs of the Bank and in which all powers of the Bank shall be vested."

	<ul style="list-style-type: none"> • Article 5 also sets the composition of the Board. • Article 6 of the CBA Act sets the modalities for the appointment of the Board. • Article 9 of the CBA Act set the minimum frequency of Board meetings; the process for convening meetings; and a rule of confidentiality attached to the proceedings. For matters related to monetary policy “<i>The Bank shall publish a summary of the decisions taken by the Bank with respect to monetary policy as soon as possible thereafter</i>” (Article 48). <p>As stipulated in the MPF, the Board of Directors meets at pre-set quarterly meetings to discuss monetary policy related issues. Following the meetings, to Governor holds a press conference to convey the decisions taken at the latest by two days following the meeting, supported by a media presentation which highlights: (i) the decision of the Board regarding the stance of monetary policy; (ii) a summary of recent developments; (iii) external and domestic economic developments and assumptions supporting the decision; (iv) price dynamics for headline and core inflation; and (v) developments regarding exchange rates, interest rates and credit growth. The Press communiqué issued on that day also provides an analysis of the key factors supporting the decision.</p> <p>The calendar of media engagements is disclosed on the website. It includes, inter alia, the planned quarterly monetary policy press conferences to discuss recent economic developments and the outcome of the Board meetings convened to discuss monetary policy.</p>
Review	<p><i>Expanded</i></p> <p>The CBS has in place a well-defined and transparent monetary policy decision making process. The CBS uses the model-based forecast as an input in the monetary policy decision making process. The CBS’s monetary policy communication strategy aims to make their policy decisions understood by both market participants and the general public. The absence of a publication of a monetary policy report that would elaborate on the detailed presentation discussed at the quarterly press conference constraints the scope for monetary policy transparency. Preparations for the publication of a Monetary Policy Report by the end of the current calendar year are being made.</p>
Comments	<p>While most market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to the policy decision making process, the publication of a Monetary Policy Report would enhance further transparency. The CBS may also consider systematically publishing the Governor’s speech given at the monetary policy briefing, as well as regularly posting video recordings of the press conference which have been sporadic in the past.</p>
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>In line with its strategic objectives, the CBS has been building internal research capacity with the aim of better understanding the broader economic environment, which contributes towards policy formulation, as well as the more topical issues. Consistent with its endeavor to improve financial education in the country and commitment to greater transparency in line with its adoption of the IMF Central Bank Transparency Code, the CBS will be publishing the findings of these undertakings.</p>

	<p>Such publications aim to provide the general public with some insight into the various issues and topics that require more in-depth understanding, thus improving the level of economic and financial awareness in the country. The first paper that has been published is an analysis of domestic and external factors influencing prices in Seychelles. CBS will be publishing on the Research and Working Papers section of the website the other relevant research papers going forward as part of efforts to further develop its research agenda.</p> <p>As for now, the detailed presentation provided at the quarterly press conference provides relevant economic data and analysis underlying monetary policy decisions, including a review of recent developments and forecast of macroeconomic indicators relevant for the Seychelles.</p> <p>In addition to the quarterly decision-announcement press conferences the Governor holds monthly media briefings on economic developments, which highlights CBS's commitment to open and transparent communications with stakeholders.</p>
Review	<p><i>Core</i></p> <p>In the context of the quarterly press conferences the CBS provides economic data and analysis underlying monetary policy decisions, including a review of recent developments, and forecast of macroeconomic indicators relevant for the Seychelles; the Governor also holds monthly media briefings on economic developments. The CBS has started to publish the outcome of internal research projects aimed at better understanding the broader economic environment which contributes towards monetary policy formulation.</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to supporting analysis for monetary policy decisions, transparency in that dimension of monetary policy would be enhanced by the disclosure of key elements of the macroeconomic forecasts (i.e., scenario analysis, risks to the outlook, and models used for the forecast and the scenario analysis). In the first stage, CBS may consider publishing the forecast of key economic variables for the medium-term and risks to the baseline scenario. At a later stage, CBS may also consider disclosing alternative scenarios and details of its macroeconomic model. Such publications could set the stage for greater involvement of relevant stakeholders, such as collaborative projects with academia on matters related to macroeconomic management in general, and monetary policy conduct in particular.</p>
Principle 2.2.	<p><i>Cross-Border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</i></p>
Principle 2.2.1.	<p>Objectives and Framework: The central bank discloses the policy's objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.</p>
Description	<p>As stipulated in Article 25 (5) of the CBS Act, <i>"The Board, in consultation with the President, shall decide the foreign exchange regime to be adopted by the Bank. The</i></p>

	<p><i>foreign exchange rate regime so adopted shall be published by notice in the Gazette</i>". Seychelles' de jure floating exchange rate regime in place since November 2008 is clearly disclosed on the website. In particular, the MPF document explains the rationale for the move to that exchange rate regime in the context of a move at the time to a monetary targeting framework.</p> <p>The Foreign Exchange Act posted on the CBS website assigns policy responsibility in relation to cross-border flows and foreign exchange administration to the Minister of Finance, who "may delegate to the governor of the Central Bank any power or duty imposed on the Minister by this Act other than the power to make regulations and this power of delegation". By an Act of the Minister of Finance dated August 12, 2009, posted on the CBS website, the exercise of the powers and duties conferred on the Minister of Finance under the Foreign Exchange Act – other than the power to make regulations which rests with the Ministry of Finance – have been delegated to the CBS Governor.</p> <p>As disclosed in the MPF, and reflected in the IMF's Annual Report on Exchange Arrangement and Exchange Restrictions, the current and capital accounts are fully liberalized.</p>
Review	Not Applicable
Comments	Not Applicable
Principle 2.2.2.	Policy Decisions: Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.
Description	See 2.2.1
Review	Not Applicable
Comments	Given that the current and capital accounts are fully liberalized, no powers and duties conferred on the Minister of Finance under the Foreign Exchange Act have been delegated to the CBS Governor.
Principle 2.2.3.	Supporting Analysis: The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 2.3.	Foreign Exchange Management: The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.

Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>As stipulated in Article 25 (5) of the CBS Act, <i>"The Board, in consultation with the President, shall decide the foreign exchange regime to be adopted by the Bank. The foreign exchange rate regime so adopted shall be published by notice in the Gazette."</i> Seychelles' de jure floating exchange rate regime in place since November 2008 is clearly disclosed on the website. In particular, the MPF document explains the rationale for the move to that exchange rate regime in the context of a move at the time to a monetary targeting framework.</p> <p>The Foreign Exchange Act posted on the CBS website assigns policy responsibility in relation to cross-border flows and foreign exchange administration to the Minister of Finance, who <i>"may delegate to the governor of the Central Bank any power or duty imposed on the Minister by this Act other than the power to make regulations and this power of delegation"</i>. By an Act of the Minister of Finance dated August 12, 2009, posted on the CBS website, the exercise of the powers and duties conferred on the Minister of Finance under the Foreign Exchange Act – other than the power to make regulations which rests with the Ministry of Finance – have been delegated to the CBS Governor.</p> <p>As explained in the MPF document, <i>"The Bank intervenes in the foreign exchange market for external reserves management purposes or to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions. Purchases from the market add liquidity whilst also increasing the official reserves; a sale has the opposite effect."</i> The MPF document explains how the shift from a fixed to a floating exchange rate regime in late 2008, CBS interventions in the foreign exchange play a more limited role; managing money supply has shifted to reliance on market-based monetary policy instruments. In that context, CBS's FX interventions aim at smoothing out excessive volatility and ensuring orderly market conditions, as well as increasing official reserves.</p> <p>The MPF document details the instruments utilized for conducting FX interventions as follows:</p> <ul style="list-style-type: none"> • <i>Foreign exchange auctions (FEA).</i> This instrument allows for the purchase and sale of foreign exchange (EURO, USD and GBP only) by the Bank as part of its foreign exchange and monetary operations. Auctions are carried out as and when necessary, in the context of the current foreign exchange and monetary policies as well as the reserves management and investment guidelines. • <i>Foreign exchange swaps.</i> FX swap transactions shall be backed by a Foreign Exchange Swap Agreement, with provisions for both legs of the transaction. FX Swap transactions are to be managed and initiated by the Bank. Over time, this may also help to develop the domestic foreign exchange market. FX Swap may also be used by the Bank to temporarily change the composition of international reserves, as determined by the Reserves Management and Investment Guidelines. • <i>Article VII considerations.</i> The MPF discloses that the CBS, in conducting its FX transactions on the FX market, is guided by Article VIII of Fund's Articles of Agreement with respect to the MCP rule.

	<p><i>Operations on behalf of the government.</i> For transactions undertaken on behalf of government and government-related agencies, the Bank shall use the previous day's mid-rate based on the average traded exchange rates of authorized dealers.</p> <p>The MPF document summarizes the eligibility criteria for participation in CBS's FX interventions, as well as penalties in the event of default as follows:</p> <ul style="list-style-type: none"> • <i>Eligible counterparties.</i> Any participant subject to reserve requirements; in a "generally sound financial condition" and not having any existing arrangement under the Emergency Loan Facility (ELF); any additional criteria as set out in the relevant sections of the instruments as per the document "Operational Guidelines for Foreign Exchange Auctions" that provides a detailed description of the processes in place for the CBS's FX auctions (terms of the auction, procedural instructions for participating). Participation is entirely on a voluntary basis. <p><i>Clause on penalties.</i> The type of financial and non-financial penalties applied in the event of late payment in a FX transaction are described in detail.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses through various channels the objectives of the FX interventions in the context of the move to a flexible exchange rate regime in place since 2008, whereby FX interventions have taken a secondary and only supporting role in the conduct of monetary policy. The set of instruments (and their operational activation) utilized by the CBS are clearly disclosed.</p>
Comments	
Principle 2.3.2.	<p>Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.</p>
Description	<p>The "Operational Guidelines for Foreign Exchange Auctions" posted on the website provide a detailed description of the processes in place for the CBS's FX interventions (terms of the auction, procedural instructions for participating). The MPTC (see Principle 2.1.2) has responsibility for approving the use of all instruments under the control of the Bank in line with decisions adopted by the Board pertaining to the implementation of monetary policy (see also Principle 2.1.2).</p> <p>The general impact of FX interventions on bank's liquidity is described in the MPF document.</p> <p>The Presentations provided in the context of the quarterly Press Conferences following the CBS Board meetings dealing with monetary policy include a Chart providing information on CBS FX sales and purchases, together with data on net inflows in the foreign exchange market. This chart illustrates the role of FX interventions to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions, in the context of the domestic FX market characterized by elevated short-term volatility of FX inflows and outflows.</p> <p>The Central Bank holds regular press conferences about developments in the foreign exchange market to provide information to market players and the general public.</p>

	The monthly publication “Key Economic Developments” discusses in broad terms developments in the domestic FX market, including exchange rate movements, FX flows (i.e., gross purchases and sales during the period) as well as a year-on-year comparison, and changes in the international reserve position (gross and net position). These developments are also covered in the Reserves Management Annual Report.
Review	<i>Comprehensive</i> The CBS discloses the processes for activating its FX interventions, including the way FX auctions are announced, and allocated among participants. The role of its internal committee with regard to the activation of FX interventions is also clearly disclosed.
Comments	
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	Since 2020, the Governor conducts regular live press conferences on developments in the FX market, in view of its importance in the domestic economy. Hence, the rationale and outcomes of any action taken is explained to the media. The calendar of media engagements for 2022 is posted on the website.
Review	<i>Expanded</i>
Comments	Disclosure of ex-post evaluations of the economic impact of the FX interventions would enhance transparency of foreign exchange management.
Principle 2.4.	Foreign Exchange Reserve Management: <i>The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.</i>
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	Part VI of the CBS Act entrusts to the CBS the responsibility for holding and managing the official foreign reserves of Seychelles. The following provisions are included: <ul style="list-style-type: none"> • The list of eligible assets, “on such terms and conditions as the Board may determine.” • The duty for the CBS to “maintain the official foreign reserves at a level that would, in the opinion of the Board, enable the Bank to fulfill its functions under various foreign exchange rate regimes. The Bank shall determine, within limits set out by the Board and taking into account the risk levels it considers acceptable, the composition of the official foreign reserve assets so as to achieve the goals determined by the Board on security, liquidity and return, in that order.”

- The ability for the CBS to “purchase, sell and conduct any other financial transaction with assets that may be included in the official foreign reserves...”
- The ability for the CBS to “open and maintain accounts abroad with such banks, financial institutions or other depositories and appoint such correspondents or agents outside Seychelles as may be determined by the Board.”

Through the website and publication of the [Annual Reserves Management Report](#) the CBS discloses the detailed internal governance structure in place for FX reserve management (see Figure below). The structure is based on a three-tier framework with the CBS Board of Directors as the strategic direction setting body, the Investment Committee (IC) responsible for operational decisions, and the operational units responsible for managing the FX reserves.

- **The Board** approves the broad criteria for reserves management through the Investment Policy of International Reserves Management (the Investment Policy or the Policy, a document not disclosed). The Policy outlines the rationale for holding reserves, the objectives for investing the reserves and defines the risk constraints for its prudent management. As per the CBS Act, the international reserves are held and managed at an adequate level that supports the functions of the Bank under the FX regime in place. As derived from the Act, the Investment Policy outlines that the international reserves must provide FX for daily operational needs, maintain confidence in the exchange rate policy, support credibility of the country in relation to international counterparties and safeguard the country against the balance of payment shocks and emergencies. With regards to the investment objectives, the CBS Act stipulates that the international reserves must be managed in a way that promotes, in order of priority—security or capital preservation, liquidity and return generation.
- **The Investment Committee (IC).** The IC has operational oversight of the Investment Policy and translates the strategic decisions of the Board into Investment Guidelines (the Investment Guidelines or the Guidelines). The Guidelines define the eligible asset classes and counterparties for investment, the currency composition of reserves and size of reserve tranches. As per its Terms of Reference, the IC has six members including the Second Deputy Governor as the Chairperson, the First Deputy Governor and the Heads of Banking Services Division, Financial Markets Division, Financial Surveillance Division and Research and Statistics Division. The Risk Management Unit (RMU), Compliance Unit (CU) and Internal Audit Division (IAD) also attend the IC meetings.
- **CBS Operational Units—Policy Implementation.** The Financial Markets Division is responsible for FX reserve management. FMD’s activities are organized with a clear separation of functions to ensure independent validation of processes, compliance and reporting (see Figure below): FMD units include the front, middle and back offices, with each team performing segregated duties (see Principle 4.4 for details).

The core values of CBS encompass the principles of good governance that also guide activities relating to FX reserves management. The Board and IC have regular oversight of quantitative and qualitative performance indicators for international reserves management through performance, risks and compliance reports prepared by the FMD. The BSD also provides daily reports on reserves management income and expenditures.

These reports allow the Board and IC to formulate policy direction and investment strategies, respectively.

The governance framework is supported by three lines of defense to enhance risk management:

- Firstly, the operational units, being FMD and BSD, have ownership for the management of risks arising from day-to-day activities. In 2021, the CBS implemented an ORM framework which supported daily risk management within the FMD.
- Secondly, the RMU and CU are responsible for monitoring and reporting enterprise-wide risks and Bank-wide compliance risks, respectively.
- Thirdly, the IAD conducts regular audit of the processes and reports prepared by the operational units in line with International Standards on Auditing (ISA) and standards of the IMF. The RMU, CU and IAD report to the Audit and Risk Committee (ARC), which is a sub-committee of the Board.

CBS Governance Structure for Foreign Reserves Management



Source: CBS Monetary Policy Framework document

The CBS holds and manages the FX reserves to meet multiple objectives. To this end, the reserves are segregated into three sub-portfolios-tranches.

- The operational tranche maintained to fund short-term payment obligations and potential FX market interventions. It is the tranche with the shortest investment horizon, being only three months, and it is invested in the most liquid and low risk investments.
- The liquidity tranche is funded to cover debt repayments due within one year as well as three months' worth of prospective imports. It is also used to replenish the operational tranche as needed. The funds are invested in low-risk liquid assets with an investment horizon of not more than one year. The operational and liquidity tranches make up the core reserves and any excess reserves are managed in the investment tranche.
- The investment tranche is funded to meet the last investment objective of return generation. It has an investment horizon of three years.

This also include details of operational and oversight aspects in reserves management as follows:

1. *Operational arrangements.* The [Financial Markets Division](#) is divided into three sections dealing with FX reserve management:
 - The Reserve Management Section (From Office) handles day-to-day FX reserve management in compliance with the Board's approved Investment Policy and the Investment Guidelines set by the Investment Committee (IC). FX reserves are managed considering the investment policy objectives of capital preservation, liquidity management and maximizing returns in that order of priority. The section makes recommendations to IC with regards to investment strategies and executes investment decisions on behalf of the CBS.
 - The Financial and Risk Analysis Section (Middle Office) is responsible for undertaking market research and in-depth analysis on the domestic/international financial markets and FX reserves management so as to provide analytical support to the front office and IC. In addition, it constructs appropriate benchmarks, develops models and/or tools for use by the front office as well as designs strategies so as to meet set targets/objectives. Moreover, the section is responsible for measuring and reporting financial risks involved in undertaking FX reserves management activities as well as monitoring compliance of these activities against set limits, guidelines, policies and approved strategies.
 - The Settlement and Accounting Section (Back Office) is responsible for the back-office functions of FX reserve management. It is divided into two units: (i) the Trade Settlement unit which is mainly responsible for the confirmation and settlement of investment management operations, as well as the management of custodian account(s); and (ii) the Treasury Accounting unit, responsible for the accurate recording and reconciliations of transactions, in line with IFRS.

Disclosures in the CBS Annual Report and in the Annual Reserves Management Report allow stakeholders to understand the rationale for the CBS policy actions and decisions:

2. The 2021 Annual Report explains actions taken during 2021 in the context of the economic uncertainties ensuing from the pandemic (pages 93-94).
3. The 2021 Annual Reserves Management Report elaborates on the observations provided in the Annual Report in a number of dimensions as follows:
 - Support from international partners to bolster international reserves (page 1).
 - Against the background of economic uncertainties, the CBS carried out comprehensive reviews of agreements, policies and guidelines underpinning the reserves management activities (page 1).
 - Adoption of a cautious stance in the currency allocation for 2021 in view of current uncertainties (i.e., maintaining a share of the USD above the prescribed benchmark in view of the safe haven status of the currency during times of crisis (page 10).

	<ul style="list-style-type: none"> Continued diligent monitoring of counterparty credit rating in view of concerns related to potential downgrades due to effects of the COVID-19 pandemic (page 18). <p>Discontinuation of investments with counterparties that could not accommodate the liquidity requirement for the investment of the international reserves (page 20).</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS is disclosing: (i) the broad investment objectives of its FX reserve management (fund short-term payment obligations and potential FX interventions, cover debt repayments due within one year as well as three months' worth of prospective imports, return generation and longer-term contingencies); and (ii) how oversight responsibilities are allocated among the various involved bodies (Bord, Investment Committee, CBS operational Units including those involved in risk management). All in all, disclosures provide a highly transparent description of the objectives and frameworks in place for CBS actions related to FX reserve management. CBS also discloses explanations backing the critical policy decisions taken over the course of the year.</p>
Comments	
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	<p>The Annual Reserves Management Report (which publication is accompanied by a Press Communiqué) includes details on key decisions undertaken over the course of the year, and it explains the strategic asset allocation principles and risk management approach adopted. For instance:</p> <ul style="list-style-type: none"> The 2021 Report has discussed the challenges for FX reserve management posed by the Covid 19 crisis, and the actions taken by the authorities to mitigate them (i.e., entering into an EFF program with the IMF, increase in Seychelles' SDR allocation, support from other budget support funds received from other international bodies). The 2021 Report as well as the 2021 CBS Annual Report discussed the IC decision taken related to the SSA whereby the IC endorsed recommendations to increase the Chinese Yuan Renminbi (CNY) exposure. The recommendation followed the outcome of simulation and optimization of the various asset composition within the international reserves portfolio. The persistently low yield environment of the major G6 countries precipitated the move to a more modest-yield investment as a way to adhere to the prime objective of capital preservation. The Board approved this proposal and requested a review in six months given the strategic position assumed and persistent uncertainty pertaining to the effects of the pandemic on the international financial markets. <p>The Annual Reserves Management Report provides also information on the asset allocation and currency composition of the FX reserves, including the benchmark for the strategic currency composition per tranche (operational, liquidity, and investment tranches); the currency composition of the gross international reserves (ideal composition and actual composition by year end); and the rationale for maintaining the</p>

	<p>majority of the reserves in USD given the haven status of the currency and the fact that CBS FX interventions are in that currency. The report also discusses the adjustments made during the year regarding the currency composition of the tranches and the rationale for such adjustments by the Board, as well as trends in overall currency composition over the last five years.</p> <p>The Report also details the oversight arrangements and the segregations of various duties and actions related to FX reserve management (see Principle 2.4.1 for a description, as summarized in the Figure).</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses through the Annual Reserves Management Report and its Annual Report discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.</p>
Comments	Disclosures with regard to the Investment Committee deliberations related to substantial changes in the Investment Policy would enhance further transparency of international reserves management.
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and assessment process related to its policy decisions.
Description	As part of its Annual Reserve Management Report the CBS provides details of key decisions it undertakes in relation to foreign exchange reserves management. In recent times, these topics have also been addressed in press conferences delivered by the CBS. For instance, as described in Principle 2.4.2, the 2021 Report discusses the rationale for reviewing the Strategic Assets Allocation (SAA) that was decided by the Board (see also last paragraph of Principle 2.4.1).
Review	<p><i>Expanded</i></p> <p>Annual publications disclose the rationale for critical policy decisions. Fully-fledged analysis supporting those decisions is, however, lacking.</p>
Comments	Periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions would enhance further transparency.
Principle 2.5.	Macprudential: <i>The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.</i>
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	The CBS is in the process of establishing a macroprudential policy framework. According to the Central Bank of Seychelles Act (Part II, art. 4), the CBS has the objective to promote a sound financial system. As the financial market has been expanded in recent years, the CBS in cooperation with other relevant authorities recognized the importance

	<p>of institutionalizing the financial stability policy framework. A Financial Stability Committee was established in March 2016, by a Presidential Decree. It is an advisory body aimed at identifying vulnerabilities and risks related to individual financial institutions, including possible spillovers affecting broader financial stability. The committee's mandate is to maintain financial stability (See 5.2.4). It is chaired by CBS and comprises the CBS, the Ministry of Finance, Financial Services Authority and Financial Intelligence Unit. The FSC meets on a quarterly basis to be apprised of the financial stability environment, following which a public statement is issued.</p> <p>https://www.cbs.sc/finstability/MandateAndCommittee.html</p> <p>After each meeting, the FSC issues a press release which is posted on the CBS's website. It describes at a very high level the items that were discussed without providing further information on whether policy actions or recommendations are issued.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p> <p>Furthermore, the CBS established the Financial Stability Section (FSS) which resides within the Financial Surveillance Division. The FSS collects and analyses data from financial institutions aimed at producing a comprehensive overview of the financial situation and proposes tools or policy changes to maintain financial stability. In addition, the FSS conducts market surveillance, performs systemic risk management, stress tests the financial system and manages risks arising from potential disruptions to the payment and settlement systems.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf</p> <p>The CBS publishes on a regular basis the Financial Stability Report under auspice of the FSC that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles. The FSR presents the assessment of the financial stability vulnerabilities of the domestic financial system, including debt sustainability, the resilience of the banking and the non-bank financial sectors.</p> <p>https://www.cbs.sc/finstability/Reports.html</p>
Review	<p><i>Comprehensive</i></p> <p>While the CBS has not developed a macroprudential policy framework, it has a defined framework for financial stability. It discloses its financial stability objectives, instruments, and strategy for achieving the objective of promoting a sound financial system. The CBS publishes annually the FSR and press conferences and press releases that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles.</p>
Comments	<p>As the FSC is considered the forum in Seychelles to discuss financial stability issues, the disclosure of its activities and outcome could be further improved. In this context, the CBS may discuss with other involved authorities in the FSC the possibility to publish agendas and sanitized minutes or summary of the outcomes.</p> <p>The FSC lacks the appropriate legal basis to effectively discharge its mandate. Consequently, groundwork was undertaken to draft a Financial Stability Act aimed at addressing the shortcomings. Moreover, as part of the CBS's plan to enhance the</p>

	<p>financial stability framework, work began on drafting a Macroprudential Framework and Toolkit, which will set out the objectives of the macroprudential policy and outline the macroprudential tools. In this context, the CBS should consider to be more transparent on the process of strengthening the macroprudential and financial stability framework, which would allow the relevant stakeholders to be involved in the deliberations in order to achieve an effective framework.</p>
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner and discloses the decision-making process leading up to macroprudential action.
Description	<p>While the CBS does not have a formal macroprudential policy, it takes actions aimed at strengthening financial stability and the well-functioning of the financial market. Financial stability policy decisions taken by the CBS are communicated to the public through reports, press releases and statements. For instance, during the pandemic, the CBS undertook several actions and measures aimed at weathering the severe impact on the economy, including supporting the flow of credit to households and businesses. In particular, the CBS provided support, primarily in the form of two credit line facilities administered by the relevant credit-granting institutions, targeting both Micro, Small and Medium Enterprises and large businesses facing revenue constraints.</p> <p>The CBS disclosed the measures undertaken to support the well-functioning of the financial system and to encourage the flow of credit to the economy:</p> <ul style="list-style-type: none"> • The Monetary Policy Rate was reduced by 100 basis points in Q2 2020 to 4.0% and further cut to 3.0% in Q3 2020. • Introduction of two credit line facilities to assist COVID-19 impacted businesses in meeting their critical expenditures. The Private Sector (MSMEs) Relief Scheme and the Private Sector (Large Enterprises) Relief Scheme became operational in May 2020 and June 2020, respectively. • Foreign exchange support to the market, as from April 2020, through: (i) direct sale of foreign exchange to specific entities for the purchase of essential commodities, namely food and fuel; and (ii) sale of foreign reserves through FEA to banks. • In June 2020, the Board approved the reduction in the MRR from 13 per cent to 10 per cent of applicable deposit liabilities should condition warrant the change. • Provision of financial support to the Government through short-term advances up to a limit of SCR500 million at zero interest rate. <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>Furthermore, the CBS disclosed the regulatory measures aimed at providing relief to individuals, businesses, and the banking system as a whole, including:</p> <ul style="list-style-type: none"> • Provision of moratorium and rescheduling of loan facilities by credit-granting institutions to their customers. Pursuant to this, changes were made to the Financial Institutions (Credit Classification and Provisioning) Regulations 2010

	<p>to prevent the worsening of classification and provisioning of performing restructured loans at the time of restructuring.</p> <ul style="list-style-type: none"> • Relaxation of foreign currency exposure limit through the revision of the Financial Institutions (Foreign Currency Exposure) Regulations 2009 in June 2020, to allow the total short position to capital ratio limit to vary up to 50 per cent, as opposed to the set limit of 30 per cent. • Prohibition of declaration and payment of dividends by commercial banks, Development Bank of Seychelles (DBS) and the Seychelles Credit Union (SCU), applicable to the financial years ending December 31, 2019, and December 31, 2020. The aim is to enhance the capital buffers and strengthen the resilience of Financial Institutions as the crisis endures.
Review	<p><i>Comprehensive</i></p> <p>Decisions that affect financial stability that are within the remit of the CBS are communicated to the public through reports, press releases, and statements.</p>
Comments	
Principle 2.5.3.	<p>Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.</p>
Description	<p>The CBS undertakes analysis on how to mitigate systemic risk in the financial system, including models to stress test the banking system. Furthermore, it analyzes structural changes that affect the economy, as these changes could increase vulnerabilities to the financial system.</p> <p>The CBS prepares analyses that are needed to formulate a macrofinancial policy relying on supervisory data and analytical tools. In general, the CBS monitors and assesses the financial situation and decisions of financial sector agents and components. The assessment of the financial systems is published annually in its FSR.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>The CBS uses several indicators such as growth of credit to GDP as a measurement of risks to the financial sector. It disclosed that, for example, the credit-to-GDP ratio maintained an upward trend in 2020, owing to the growth in total domestic credit compared to 2019. This was mainly reflected in the valuation effects of foreign currency denominated private sector loans arising from the weaker domestic currency and the issuance of bonds by the government for its additional financing needs. A more in-depth analysis of the evolution of domestic credit in 2020 is provided in the Annual Report of the CBS published in March 2021.</p> <p>https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS publishes FSR, analyzing financial stability issues and discloses how macroprudential tools are expected to mitigate the risk. Furthermore, it publishes some</p>

	indicators as the stress testing results and explains how they relate to the need for financial stability policy action.
Comments	The CBS should periodically publish key indicators, such as early warning indicators, and explain how they relate to the need for financial stability policy action.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>The CBS briefly describes the scope and objectives of the Emergency Loan Facility —an emergency liquidity support facility – without providing any details on its modality, requirements, terms and conditions, procedures, eligibility, coordination, etc.</p> <p>The CBS disclosed on its website that the ELF is provided to prevent severe and persistent liquidity problems at any deposit taking institution and thus minimize bank runs. Hence, compared to the Standing Credit Facility, which aims mainly at meeting payment obligations at end-of-day settlement, the ELF primarily addresses the issue of severe short-term liquidity shocks which cannot be met from an alternative source. As the lender of last resort facility, it is not purely procedural in nature and has the scope to cater for the specificities of the circumstance. Such bespoke tailoring must adhere to all the conditions. To ensure that the facility is sought as a means of last resort, it will be provided at a penalty rate.</p> <p>As wide-market liquidity support, the CBS discloses ample information on the scope and objectives of its actions and measures. To respond to severe system-wide liquidity stress, the CBS disclosed the means to provide market-wide liquidity, including by:</p> <ul style="list-style-type: none"> • Introduction of two credit line facilities to assist COVID-19 impacted businesses in meeting their critical expenditures. The Private Sector (MSMEs) Relief Scheme and the Private Sector (Large Enterprises) Relief Scheme became operational in May 2020 and June 2020, respectively; • Foreign exchange support to the market, as from April 2020, through: (i) direct sale of foreign exchange to specific entities for the purchase of essential commodities, namely food and fuel; and (ii) sale of foreign reserves through FEAs to banks; and • Provision of financial support to the Government through short-term advances up to a limit of SCR500 million at zero interest rate. to facilitate government’s financing requirements. <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p>

Review	<p><i>Core</i></p> <p>While the CBS discloses the very basic features of its bilateral ELA mechanism, it provides detailed information on market-wide emergency liquidity support to the financial system.</p>
Comments	<p>The CBS may consider disclosing the general rules, parameters, terms and conditions for bilateral liquidity support. General rules and applicable parameters should include: (i) institutional eligibility (including the set of entities or markets that are generally eligible for liquidity support); (ii) conditionality (including the ability of the central bank or supervisory authority to collect, monitor, and assess information on whether the use of the liquidity provided is consistent with the objectives of the liquidity support); (iii) supervisory intrusion (including the central bank's or supervisor's legal power to conduct enhanced supervisory oversight and the ability to adopt early intervention measures); and (iv) financial parameters (including the applied interest rate, eligible collateral, maturity, and currency in which liquidity support is provided).</p>
Principle 2.8.	Resolution: Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>AML/CFT Supervisory Policies and Powers:</p> <p>The AML/CFT Act of 2020 designates the CBS as the AML/CFT supervisor of all reporting Institutions under its regulatory ambit and licensed under Part A of the Act's First Schedule (Section 55.1). (https://www.cbs.sc/Downloads/publications/aml/Anti-Money%20Laundering%20and%20Countering%20the%20Financing%20of%20Terrorism%20Act.%202020.pdf) Thus, the CBS assumed its mandate as AML/CFT supervisor in March 2020 over the following institutions: (1) a licensee under the Financial Institutions Act; (2) any entity to which the Financial Institutions (Application of Act) Regulations, 2010 apply; (3) a licensee under the Credit Union Act; (4) a licensee under the Financial Leasing Act; (5) a payment services provider and operator of a payment, clearing or settlement system under the National Payment System Act.</p>

	<p>The AML/CFT Act also empowers the CBS (as AML/CFT supervisor) to issue direction, directives or guidelines in relation to requirements under the Act (Section 57.2) and requires them to develop and implement a risk-based approach to supervision (Section 58.2).</p> <p>AML/CFT Internal Control Framework:</p> <p>The CBS's AMLCFTCPF Policy of 2020 establishes the responsibility of the CBS in terms of AMLCFTCPF control measures, in alignment with obligations of reporting institutions under the AML, CFT and CPF legislations and standards. https://www.cbs.sc/Downloads/publications/aml/Anti-Money%20Laundering%20Policy.pdf The AMLCFTCPF Policy is applicable to the Board, all divisions, units and staff of the CBS and shall be applied in all of its relevant activities and engagements that present a risk of ML, TF and PF (including procurement of services and goods, all transactions being processed by the CBS, and issuance and management of securities being issued by CBS). It provides for procedures and methodologies for assessing risks, performing due diligence, record keeping, and reporting of suspicious/unusual transactions, among others.</p> <p>Under the AMLCFTCPF Policy of 2020, the CBS's Compliance Unit is also tasked to report (twice a year) to the CBS's Audit and Review Committee on the status and progress of the implementation of the policy (including risk assessments conducted by divisions/units, RFIs and any related AML/CFT issues. (Section XXIII, Reporting to the ARC).</p>
Review	<p><i>Core</i></p> <p>The CBS discloses information on its AML/CFT supervisory powers as well as general information on its AML/CFT supervisory policies and related guidance. The CBS website explains its responsibility for conducting risk-based AML/CFT supervision of financial institutions and other entities falling under the regulatory purview of CBS. https://www.cbs.sc/AMLCFT/cbsRole.html It also describes the types of entities that are subject to CBS AML/CFT supervision, namely commercial banks, bureaux de change, non-bank credit institutions, financial leasing institutions, payment service providers/operators, and non-bank deposit taking institutions.</p> <p>Relevant legislations, regulations, guidelines, notices/circulars and directives on AML/CFT are also publicly disclosed in the CBS website. https://www.cbs.sc/AMLCFT/RegulatoryFramework.html</p> <p>Through the AMLCFTCPF Policy of 2020, CBS discloses information on its internal AML/CFT control framework, relating to its activities/services that give risk to ML/TF risks.</p>
Comments	<p>CBS can further disclose information on procedures for revising its supervisory policies and guidance and how it ensures consideration of private sector feedback.</p> <p>Reporting on the implementation of the AMLCFTCPF Policy by the CBS Compliance Unit and its audit could be disclosed, including timely remediation of identified weaknesses.</p>
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	Institutional Arrangement and Strategy:

	<p>The Consumer Protection function is undertaken by the Market Conduct Section (MCS) of the Financial Inclusion and Market Conduct Division (FIMCD). The CBS organizational structure is published on its website.</p> <p>Consumer Protection was an issue identified in the 2014 Financial Sector Development Implementation Plan which resulted from a study commissioned by the Government to identify ways to develop the financial sector. CBS Strategic Plan 2019-2023 mentions Financial Consumer Protection as one of the strategic pillars.</p> <p>With the enactment of the Financial Consumer Protection Act, CBS along with the FSA now have the mandate for financial consumer protection. The Financial Consumer Protection Act commenced on May 01, 2022, with a transitional period of 6 months. The function for financial consumer protection will continue to be discharged by the Market Conduct Section of CBS. The scope of financial institutions supervised by CBS regarding consumer protection is determined within Schedule 4 (Part A) of the FCPA.</p> <p>-Disclosure of measures and transparency of financial Institutions and legal framework for consumer protection that relates to fair treatment and business conduct.</p> <p>The new FCPA on Market Conduct Supervision and Consumer Protection gives authority to CBS to regulate supervised FSPs and to monitor the disclosure and transparency of financial products and services. CBS currently performs a limited regulatory function whereby it supervises the behavior of regulated entities. Given that the function is still relatively new to CBS, the frameworks are still being developed to allow the level of supervision required by the new FCPA.</p> <p>-Data protection and privacy usage of customer data and information sharing of consumer data.</p> <p>Data Protection is included as a consumer protection issue in the newly enacted FCPA; part VII that covers protection of consumer data and confidentiality.</p>
Review	***
Comments	<p>The newly enacted Financial Consumer Protection Act grants the CBS more authority to act where necessary against Financial Services Providers (FSPs) where any infringements have been identified. In addition, the law sets out the minimum standards by which these FSPs should be abiding, which did not exist previously. CBS has an ongoing process of developing secondary regulations to modify the complaints procedure in accordance with the new law and to secure the implementation of fair treatment and business conduct measures. The complaints mechanism will be also enhanced in accordance with the new legislation and efforts on this regard are work in progress.</p>
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: <i>The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.</i>
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	The MPF document defines the CBS policy rates as the operational targets, the decision-making process for its implementation, as well as the policy instruments (including

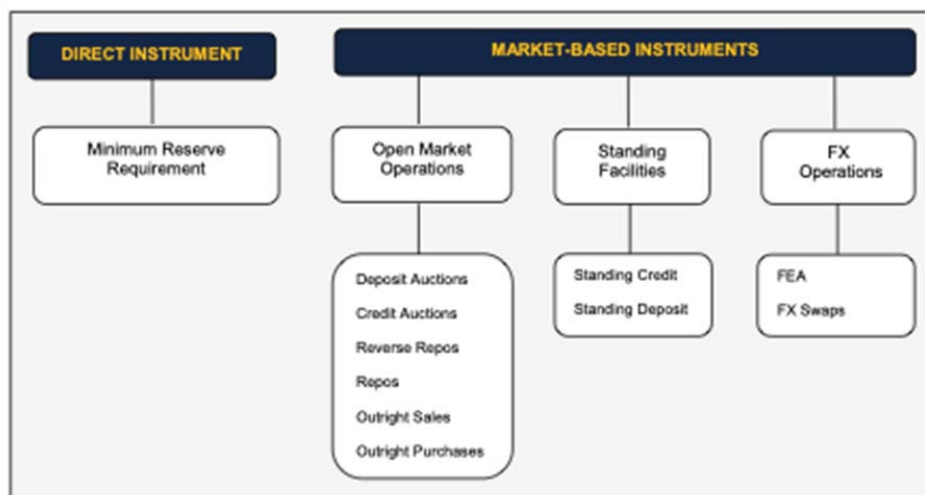
	<p>reserve requirements), collaterals and eligibility criteria as follows (see also Principle 2.1.1).</p> <ul style="list-style-type: none"> • In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rates. This was done through the introduction of a MPR that serves as the key policy variable used for signaling the monetary policy stance. • The MPR is complemented by: (i) open market operations; (ii) a symmetrical interest rate corridor, which is adjusted following changes in the MPR. The MPR lies within the IRC, with the Standing Deposit Facility and the Standing Credit Facility serving as the floor and ceiling respectively. The interbank market rate is expected to fluctuate between the floor and ceiling of the IRC; and (iii) minimum reserve requirement. • The changes introduced in 2019 also involved: (i) the reduction of the frequency of short-term Deposit Auction Arrangement (DAA) to one per week; (ii) the decision on allotment amount for DAA based on liquidity forecasts; (iii) the discontinuation of the internal interest rate corridor applied to DAA auctions; and (iv) the use of the standing facilities through an online portal. • Some of the changes were paused during the COVID-19 period: (i) the excess reserves (as determined by the short-term liquidity forecasting exercise) have not been systematically mopped-up; (ii) a maximum bid rate for regular DAA has not been systematically announced; and (iii) fine-tuning operations in case of significant unforeseen liquidity imbalance, (especially at the end of the reserve requirement maintenance periods) have not been activated.
Review	<p><i>Core</i></p> <p>CBS disclosures on its monetary policy instruments are comprehensive except for a numerical operational target within the corridor that would be different from the CBS policy rates.</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to disclosure of its monetary policy operational framework, publication of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>
Principle 3.1.2.	<p>Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.</p>
Description	<p>Details of each instrument are specified in the Operational Guidelines for Policy Tools:</p> <ul style="list-style-type: none"> • Minimum reserve requirement : The MRR has been an integral part of the Central Bank of Seychelles' range of monetary policy instruments since its inception in 1981. The system has evolved from its accommodative role with respect to the predominant fiscal policy to an important monetary policy

instrument. The ratio has changed several times within a range of 2.5% and 20%. Currently, it stands at 10% on rupee deposits and 13% for foreign currency deposits of residents. The [Operational Guidelines on MRR](#) provide detailed and updated information on specifications of the instrument.

- *Open market operations*: utilized to send signals about the stance of monetary policy and to guide interest rate formation by managing the level of liquidity in the banking system. OMOs are conducted through an auction mechanism.
 - Deposit auctions may be conducted from 2 days to 7-days, and thereafter multiple of 7 up to 91 days, as well as for longer-term of 182 and 365 days. The [Operational Guidelines on Deposit Auction Arrangement](#) provide detailed and updated information on the specifications of the instrument.
 - Credit auctions may be conducted against eligible collateral. The [Operational Guidelines on Credit Auction Arrangement](#) provide detailed and updated information on the specifications of the instrument.
- *Standing facilities*: an overnight Standing Credit Facility and Standing Deposit Facility provide a corridor for interbank market transactions. The [Operational Guidelines for Standing Facilities](#) provide detailed and updated information on the specifications of these instruments.
- *FX Operations*, including Foreign Exchange Auctions and Foreign Exchange Swaps.
 - FEA allows for the purchase and sale of foreign exchange (EURO, USD, and GBP only) by CBS. This policy tool can be used by CBS for both liquidity and international reserves management purposes. Auctions are carried out as and when necessary, in the context of the current foreign exchange and monetary policies as well as the reserves management and investment guidelines. The features of the FEA are disclosed in the [Operation Guidelines for Foreign Exchange Auctions](#).
 - FX swaps may be used for liquidity management by the CBS, at its own initiative. FS swaps transactions shall be backed by a FX Swap Agreement. Besides their use to temporarily change the composition of international reserves, FX swaps may be used for fine-tuning liquidity conditions in the system. As disclosed in the CBS 2021 Annual Report, this instrument is yet to be used by the Bank since its inception in 2010.
- *Collateral arrangements*: the [Operational Guidelines for Values of Collateral](#) defined the eligible collateral for all CBS lending facilities. The assets considered as eligible collaterals against CBS's lending consists of instruments issued by the CBS, the government and financial corporations. Additionally, other assets such as balances due are also taken to be qualified. These assets are classified according to their respective risk profile. They are classified in three categories, with category 1 having the lowest risks and category 3 the highest. In all circumstances, the value of the collateral shall be equal to or greater than the credit being sought. The term-to-maturity of the collateral should not be less than the term of the credit facility. A haircut shall be applicable to the value of

these collaterals in a bid to protect the Bank from the risks associated with holding them, notably market risk and credit risk of the issuer. This document provides the haircuts applicable on eligible collaterals, as well as the methodology to determine the market value of securities.

Monetary Policy Instruments



Source: CBS Monetary Policy Framework document

Review	<i>Comprehensive</i>
Comments	
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	While a counterparties' framework per se does not exist, the MPF document and the Operational Guidelines for Policy Tools define eligibility criteria for participation in the CBS's monetary and FX operations as follows: (i) any participant liable to reserve requirements; (ii) participants must be in a 'generally sound financial condition' and must not have any existing arrangement under the Emergency Loan Facility; (iii) any additional criteria as set out in the relevant sections of the instruments as per the Operational Guidelines for Policy Tools . Participation is entirely on a voluntary basis.
Review	<i>Comprehensive</i>
Comments	
Principle 3.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.
Principle 3.2.1.	Instruments: The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.

Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 3.2.2.	Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 3.3.	Foreign Exchange Management: The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>CBS FX Instruments are set out in the MPF and the modes of access are defined under the Operation Guidelines for Foreign Exchange Auctions as follows:</p> <ul style="list-style-type: none"> • The CBS intervenes in the domestic FX market to buy or sell foreign exchange (EURO, USD, and GBP only) as part of its foreign exchange and monetary operations, through FEA. While CBS disclosures make reference to a FX swaps instrument for temporarily changing the composition of international reserves, the CBS 2021 Annual Report indicates that this instrument has never been by CBS since its inception in 2010. • The CBS intervenes in the FX market for external reserves management purposes or to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions. Purchases from the market add liquidity whilst also increasing the official reserves; a sale has the opposite effect.” • Eligibility criteria for participation in CBS’s FX operations are limited to: (i) any participant liable to reserve requirements; (ii) participants must be in a “generally sound financial condition” and must not have any existing arrangement under the Emergency Loan Facility. • CBS announcements related to FX interventions are published to authorized counterparties through the OMO portal developed and managed by the CBS. <p>Key considerations for the choice of mode of access, more than choice of instrument, are outlined in the announcement for the operation posted on the CBS website.</p> <p>As regards licensing, the CBS publishes on its website names of entities licensed to conduct foreign exchange business (i.e. Class A and Class B Bureaux de Change as well as banks). It also publishes their location as well as contact details and website links, as</p>

	applicable. Criteria required to be met to be granted a license is outlined in relevant legislation (i.e., the Financial Institutions Act, 2004). The conditions to be met to be granted a Bureaux de Change license are posted on the website.
Review	<i>Comprehensive</i> The CBS is transparent with regard to the set of instruments used for FX management policy and has disclosed the objectives for its FX interventions as well as eligibility criteria for its counterparties.
Comments	Should the FX swaps instrument be activated for international reserves management purposes, operational guidelines would need to be disclosed to ensure full transparency.
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	The MPF defines the depository corporations as the target for foreign exchange auctions. The list of counterparties to the CBS FX operations is posted on the website. The MPF discloses the type of FX interventions (FX spot auctions and FX swaps), as well as their intended objectives (see also Principle 2.3.1). The MPF discloses Sanctions rules in cases of a default are also disclosed in detail in the MPF, including the type of financial and non-financial penalties.
Review	<i>Comprehensive</i> The CBS is transparent with regard to the markets and agents who are targeted by the FX management policy, including the list of counterparties, the type of FX interventions, and penalties in the event of default by a counterparty.
Comments	
Principle 3.4.	Foreign Exchange Reserve Management: <i>The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.</i>
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	The provisions of Part VI of the CBS Act regarding eligible asset classes and the composition of instruments (see Principle 2.3.1) are supplemented by additional disclosures in the Annual Reserves Management Report with regard to risk considerations and composition of assets and currencies as follows: <ul style="list-style-type: none"> • Segregation of the reserves into three sub-portfolios-tranches (see Principle 2.4.1 for details) to promote operational efficiency and ensure that the investment objectives of capital preservation, liquidity and return are achieved, in line with the provisions of the CBS Act. • The benchmark regarding the investment horizon and currency composition of each sub-portfolio tranches.

	<ul style="list-style-type: none"> Data on the ideal currency composition of the international reserves and their actual composition on an annual basis, with explanations if and when changes in the benchmark have been decided by the Board. <p>Note 42 to the audited financial statements provides useful information with regard to the section of instruments. However, the risk exposures are not disclosed.</p>
Review	<i>Expanded</i>
Comments	Transparency in this dimension of FX reserve management would be enhanced by the publication of the risk exposures.
Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	<p>The Annual Reserve Management Report discloses the criteria to select eligible market counterparties and service providers and eligible market to conduct FX management operations as follows:</p> <ul style="list-style-type: none"> Eligible market counterparties and eligible markets to conduct its FX reserve management operations are mentioned on an exceptional basis in the Annual International Reserves Management Report. Disclosure of the key elements of the arrangement with an external fund management service in place since 2014 to actively invest a portfolio of fixed income securities, including the benchmark against which the fund is managed, as well as actual performance during the year under review. <p>Disclosure of the arrangement with the World Bank as part of the RAMP, including related performance during the year under review.</p>
Review	<p><i>Core</i></p> <p>While limits to credit risks are disclosed (see Note 42.2 to the audited financial statements published in the CBS Annual Report, indicating that “no more than 35 percent of reserves are invested in claims on international banks and other financial institutions with a minimum rating of A-), there is not disclosures of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets. In addition, there is no disclosures related to the assessment of the performance of the RAMP.</p>
Comments	Disclosure of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets would enhance transparency, as would disclosure of the methodology for assessing performance of the RAMP.
Principle 3.4.3.	Assessment: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	The foreign exchange reserves level on gross and net terms are published on the CBS website (International Reserves Template and Gross Official Reserves) on a monthly basis, with one month lag. This information is also published in the monthly Statistical Bulletin. Details on adequacy are published annually through both the CBS Annual Report and the Annual Reserves Management Report.

	<p>In recent times increased regular disclosures have been made in terms of reserves adequacy through more active press presence by the CBS amid the COVID-19 pandemic.</p> <p>Note 42 to the audited financial statements published in the CBS Annual Report dealing with <i>Financial Risks Management</i> provides detailed information on the sensitivity analysis stress tests performed annually with regard to currency risk, market price risk, credit risk, as well as information on the net liquidity gap with regard to liquidity risk.</p>
Review	<p><i>Expanded</i></p> <p>The CBS conduct and discloses on an annual basis in the Annual Report the criteria to assess adequacy and liquidity parameters as well as sensitivity analysis conducted to assess currency, market price and credit risks associated with its international reserves' portfolios.</p>
Comments	<p>Disclosures of stress tests specific to liquidity risk (for instance in Note 42 to the audited financial statements) would enhance further transparency of financial risks management with regard to international reserves management.</p>
Principle 3.5.	<p><i>Financial Stability Assessments and Stress Testing:</i> <i>The central bank periodically discloses its assessment of domestic financial stability to the public and is transparent about the methods used for such assessments, including its framework for stress testing.</i></p>
Principle 3.5.1.	<p>Financial Stability Assessments: The central bank periodically provides to the public its assessment of risk to financial stability, including new and emerging sources of vulnerability.</p>
Description	<p>The CBS publishes annually the FSR under the auspices of the FSC, which CBS chairs. The Report highlights the key developments and risks which were predominant during the year under review. The report also contains a chapter highlighting the outcome of the annual stress test of the domestic banking system.</p> <p>https://www.cbs.sc/finstability/Reports.html</p> <p>Moreover, towards the end of each quarter, the FSC convenes to discuss pertinent matters, which may pose a threat to financial stability and outlines policy directions going forward. The CBS issues a press release thereafter to outline some of the key matters discussed, as well as the Committee undertaking press conferences.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS publishes, on a regular basis, information on its assessments of the vulnerabilities of the financial system and is transparent on the methods underpinning such assessments.</p>
Comments	<p>The CBS may consider disclosing the methods and underlying data used for the assessments of the financial stability, including stress testing data, to the extent such disclosure is compatible with the CBS access to data protection rules.</p>

Principle 3.5.2.	Macroprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>To assess the resilience of the domestic banking sector, the CBS conducts periodic and ad-hoc stress tests. The CBS discloses in the FSR the methods and key assumptions of stress testing. Stress testing is carried out once a year. It focuses on systemic risk. The objective is to gain an overall understanding of how the banking system would respond to major shocks. The resilience of the domestic banking sector is assessed using three hypothetical scenarios - baseline, adverse and severe. The scenarios are based on the length of time the banking sector remains stressed and the severity of the shocks. The scenario analysis focused on adverse macroeconomic shocks to GDP, as well as interest rate and exchange rate risks.</p> <p>Furthermore, the CBS ran a liquidity test to assess the ability of the domestic banking system to resist liquidity shocks. The liquidity test was conducted over five rounds with available liquid assets reducing after each round based on estimated withdrawal rates. The result of the recent test showed that after week five all banks remained liquid, thus indicating they have sufficient liquid assets to withstand liquidity shocks for a minimum period of five weeks.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>Furthermore, the CBS published the methodology and outcome of the solvency stress testing aimed at assessing the resilience of financial institutions in the event that the CBS unwinds its policy measures implemented throughout 2020. Accordingly, the test aimed to assess whether financial institutions have sufficient loss-absorbing capital in the event of unforeseen loan default consequent to the removal of the COVID-19 measures. The outcome of the solvency stress test assisted in the decision-making process; to determine the timing of policy unwinding; and whether the CBS should completely withdraw the measures or adopt a targeted approach. A dedicated press conference was arranged to discuss the unwinding strategy.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Media%20Presentation%20-%20CBS%20Unwinding%20Strategy%20of%20COVID-19%20Policy%20and%20Relief%20Measures.pdf</p> <p>Two scenarios have been considered in this exercise—a baseline scenario and adverse scenario. The scenarios are mainly distinguished by the level of economic performance domestically, influenced mostly by a resurgence of COVID-19 cases globally and the potential spill-over effects on the financial system and economy in general.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the methods and key assumptions of the stress testing framework.</p>
Comments	<p>The CBS may consider disclosing information on the data is used and more details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon and evolution of financial statements over the stress test horizon, and the regulatory framework considered.</p>

Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	<p>The CBS discloses that the stress testing covers the domestic banking sector. The outcomes of the stress tests, presented in the FSR, are for the entire banking sector, and the impact on foreign banks are used for comparative purposes. The CBS discloses the size of the banks covered in its stress testing, which are divided into three categories: all banks, large banks with more than 10 per cent of the industry's depositors and small banks with less than 10 per cent of the industry's depositors.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the types of institutions covered in stress testing.</p>
Comments	The CBS may consider disclosing the number and the type of banks covered by the stress testing.
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	<p>The CBS discloses the benefit of using stress testing tools to identify and prevent systemic risk. It also discusses possible remedial measures to mitigate the vulnerabilities in the financial sector. In particular, the CBS has utilized the results of the stress test in order to calibrate its unwinding strategy of the measure introduced during the pandemic. Based on the stress test outcomes, the CBS undertook a phased and targeted approach in respect of the unwinding strategy, such as with the dividend payment measure. As indicated, the financial system remains resilient in the face of adverse economic shocks and the withdrawal of policy measures. For instance, based on the adverse scenario, the CBS closely monitors financial institutions with capital adequacy that is marginally above the minimum capital requirement. Moreover, all financial institutions are encouraged to strengthen their capital positions to minimize losses arising from potential adverse shocks.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the main purpose of stress testing.</p>
Comments	While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.
Principle 3.6.	Macprudential Policy Implementation: The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.

Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	<p>The CBS discloses the design and objectives of its financial stability instruments. In the last two years, COVID-19 pandemic has been the main preoccupation as the source of risks to the domestic financial system. Furthermore, the sustainability of the country's overall debt level and government finances remains a concern, which was further worsened by the pandemic and its spillover effects.</p> <p>The CBS disclosed several actions and measures to preserve and enhance the resilience of the domestic financial system. These measures were aimed to cope with the financial impact of the pandemic include amendments to relevant legislative frameworks, adjustment in the Monetary Policy Rate, setting-up of a credit facility to assist affected individuals and businesses with their cash flow, moratorium and rescheduling of loan facilities, new policy allowing CBS to buy-back and re-sell government securities, and the strategy on the use of foreign exchange reserves. (See Principle 2.5.2).</p> <p>https://www.cbs.sc/COVID-19/PolicyMeasures.html</p> <p>The CBS also organized press conferences to inform the general public on the measures taken to address the impact of the pandemic on the financial sector. Regular press conferences are also arranged to update the public on the macrofinancial situation and any amendment to the relief measures taken.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Media%20Presentation%20-%20CBS%20Unwinding%20Strategy%20of%20COVID-19%20Policy%20and%20Relief%20Measures.pdf</p> <p>The CBS organized jointly with the Seychelles Bankers Association press conferences to discuss COVID-19 measures to address the economic challenges for the banking sector, as well private sector relief schemes. Through the Private Sector for Relief Credit Line Facilities (one for micro, small and medium enterprises, and another for large enterprises), the CBS has made SCR1.250 billion available for affected individuals and businesses. It aims to complement other measures implemented by the Government. The scheme is being managed by commercial banks.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Joint%20CBS%20and%20SBA%20Press%20Conference%20on%20COVID-19%20Relief%20Measures%20Status%20Update.pdf</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the design and scope of application of financial stability tools. It consults the relevant stakeholders before enacting major changes to the design of financial stability tools.</p>
Comments	
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.

Description	<p>The CBS enforces its financial stability measures through its prudential regulatory and supervisory power as part of its mandate, based on the provisions set forth in the banking regulation.</p> <p>The Financial Institutions Act (FIA) allows CBS, as a prudential supervisory authority, to issue rules and regulations, and notices, to enforce its financial stability measures for the banking sector. The CBS is also empowered to monitor the implementation of these measures.</p> <p>https://www.cbs.sc/Downloads/legislations/2020.06.08%20-%20Bank%20Notice.pdf https://www.cbs.sc/Downloads/legislations/Bank%20Notice%2027-07-2020.pdf</p> <p>As the relief scheme, amendment was introduced to the Financial Institution Act, to cover the scheme established for banks to provide financing from advances obtained from the CBS to customers affected by the COVID-19 pandemic.</p> <p>https://www.cbs.sc/Downloads/legislations/10.08.2020%20Notice%20to%20banks%20issued%20under%20section%2074A%20of%20the%20FIA.pdf https://www.cbs.sc/Downloads/legislations/Bank%20Notice%2031-08-2020.pdf</p> <p>For the prohibition on declaration and payment of dividend, the following notice was issued.</p> <p>https://www.cbs.sc/Downloads/legislations/2020.04.07%20Circular%20to%20all%20banks%20Measures%20on%20declaration%20and%20payment%20of%20dividends%20in%20light%20of%20Covid%2019.pdf</p> <p>As overseer of the payment system, the CBS disclosed its legislative powers to regulate and oversee payment systems that may potentially pose systemic risk. It also disclosed the enforcement mechanisms that are available to influence the design and operation of FMI.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the enforcement mechanism of financial stability measures.</p>
Comments	
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.

Description	<p>According to the CBS, no emergency liquidity assistance has ever been provided for individual banks thus no information is disclosed on its website.</p> <p>The CBS disclosed the type and size of liquidity support that was provided for the market. In particular, it made available SCR1.250 billion as relief loans for the private sector channeled via the banking sector. Furthermore, the CBS updates monthly the public on the size of the relief loans that have been utilized.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Private%20Sector%20Relief%20Schemes%20Update%2004-05-2022.pdf</p>
Review	<p><i>Expanded</i></p> <p>Through various channels of information, the CBS discloses the forms and size of market-wide liquidity support and provide timely and complete information in support of the financial stability objective, including the delineation of liquidity support operations from standard operations, with information regarding maturity, amounts of liquidity support, and financial parameters.</p>
Comments	
Principle 3.9.	Resolution: Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>AML/CFT Supervisory Processes and Allocated Resources:</p> <p>The AML/CFT Unit of the CBS's Financial Surveillance Division is responsible for ensuring that CBS-supervised entities are complying with their AML/CFT obligations. It conducts offsite and onsite surveillance of financial institutions as well as policy-related work in relation to AML supervision.</p> <p>Internal AML/CFT Control Activities and Allocated Resources:</p> <p>The AMLCFTCPF Policy of 2020 clarifies that each CBS stakeholder has roles and responsibilities in implementing the policy, including the CBS Board, Management,</p>

	<p>Compliance Unit, Audit and Review Committee, and all CBS employees. (Section XXI. Roles and Responsibilities)</p> <p>CBS has two staff dedicated to implementing the AMLCFTCPF Policy of 2020.</p>
Review	<p><i>Not Implemented</i></p> <p>The CBS does not disclose general information on its approach to off-site and on-site AML/CFT supervision of supervised entities and on the human and technical resources allocated to these activities. In the 2019 Surveillance Report (which was prior to the designation of the CBS as the AML/CFT supervisor), the CBS disclosed limited scope inspections relating to AML/CFT were conducted in 2015 (4), 2018 (3) and 2019 (1), but did not specify the underlying motivation or criteria for such inspection.</p> <p>(https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf) The CBS Board approved the risk-based AML/CFT supervisory policy in August 2021, which describes the processes on licensing, risk assessments, off-site and on-site supervision.</p> <p>CBS provides general information on its internal AML/CFT control activities in the 2021 Annual Report (c/f Part 6.10.2.4 Compliance Unit) but does not disclose the human and technical resources allocated to internal AML/CFT controls. In the 2021 Annual Report, the Compliance Unit identified efforts to discuss amendments to the AMLCFTCPF policy as well as the conduct of staff awareness raising sessions and due diligence screening. A draft of the Code of Ethical Business Conduct for persons wishing to engage with the CBS is also under internal review and is expected to be finalized in 2022.</p>
Comments	<p>The CBS should disclose key elements of its recently approved risk-based AML/CFT supervisory policy to guide supervised entities on criteria for assessing their AML/CFT compliance. In addition, CBS should publish key statistics on information on completion rates of off-site and on-site AML/CFT assessments of supervised entities.</p> <p>CBS could disclose statistical information on the completion rates of its internal AML/CFT control activities.</p>
Principle 3.12.	Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	<p>Disclosure of Measures and Transparency on Consumer Protection of Financial Institutions, Consumer Protection Actions in Relation to Fair Treatment and Business Conduct:</p> <p>Currently the regulations on fair treatment and business conduct are the Financial Institutions (Bank Charges and Fees) Regulations sets out that banks must publish their list of fees and charges on a quarterly basis. Financial Institutions must submit information on this regard to the CBS. The consolidated fees and charges gives an overview of the information received, which is published on the CBS website.</p> <p>CBS has also developed a tab for consumer awareness actions clearly disclosed on the website. There is another tab regarding consumer alerts and updates to prevent fraud and convey urgent messages to protect the public from abusive or fraudulent actions.</p> <p>Dispute Resolution Mechanism:</p> <p>Another role undertaken by the MCS is the “Complaints Handling” role of CBS. The</p>

	<p>dispute resolution mechanism is easily accessible on the website where it is explained.</p> <p>A complaint about a regulated services provider it should be lodged first with the financial services provider concerned. If there is no satisfaction, then the claim could be presented to the Central Bank of Seychelles by two means telephone or in person contacting the Financial Inclusion and Market Conduct.</p> <p>Regarding queries from the public a 24-hour hotline was created as medium through which complaints and queries relating to the financial sector were received. Queries could be for example on the timeframe to lodge a dispute.</p> <p>Financial Education on Consumer Protection:</p> <p>The CBS has undertaken several initiatives whereby the grievance procedure has been explained to various segments of the population, including the adult population e.g. this has been done through radio shows, short videos broadcasted on television, articles in newspapers and sharing of information through the CBS Social Media platforms like Instagram, YouTube, and Facebook. There is also Financial Education page on the CBS website.</p>
Review	***
Comments	<p>The two main activities of the CBS regarding consumer protection have been claims and financial education on consumer protection. Although it is important to clarify that actions regarding financial education go beyond consumer protection and make part of a broader agenda. The Market Conduct Section has published a few regulations regarding market conduct to ensure fair treatment of consumers, but this role will be enhanced in accordance with the new FCPA. The regulatory process on consumer protection must follow a public consultation process with stakeholders, ensuring good participation of the banking sector and acknowledging feedback and comments from all parties involved in a transparent and inclusive manner as it was mentioned by some CBS stakeholders.</p>
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: <i>The central bank is transparent about the outcome of its monetary policy conduct.</i>
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>As per Section 47 (4) of the CBS Act, the CBS submits its Annual Report within three months after the end of the fiscal year, to the President of the Republic and the Speaker of the National Assembly. A Press Communique is issued to accompany the publication of the Annual Report (together with the publication of the Annual Reserves Management Report) and its presentation to the President of the Republic by the CBS Governor, and submission to the National Assembly of Seychelles.</p> <p>The internal accountability framework/decision making process for monetary policy is disclosed in the MPF document (see Principle 2.1 for details).</p> <p>Regarding the accountability of the CBS on monetary policy to the broader public, the following actions are taken by the CBS:</p>

	<ul style="list-style-type: none"> As part of the analysis for the quarterly monetary policy decision, a review of the current quarter is conducted and presented to the media during the press conference held by the Governor at the end of every quarter (see Principle 2.1 for details). The Governor also holds regular live press conferences to explain developments in the domestic market at least once a month. The CBS also meets with the Chief Executives Officers of the commercial banks and credit unions on a regular basis and holds a Bankers Forum every quarter to discuss the approved monetary policy stance. <p>The CBS issues Press Releases and publications about various aspects of its operations on the CBS website and in the local media (see the Publication section of the CBS website).</p>
Review	<i>Comprehensive</i>
Comments	
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	The performance of key indicators that are monitored in relation to the decision on and transmission of monetary policy are discussed as part of the quarterly Press Communique and related media presentation following the meeting of the CBS Board convened to decide on the stance of monetary policy. The presentation includes an overview of the economic environment and forecast for the upcoming quarter, with a section dedicated to price dynamics (headline and core inflation) with a projection for the next month.
Review	<i>Expanded</i>
Comments	Additional disclosures of methods and data underlying the quarterly monetary policy evaluations would enhance transparency of the action taken to achieve the monetary policy objectives.
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>Details of the approved monetary policy stance, and outcomes of open market operations, are published on CBS's Deposit Auction Arrangement section of the website once the results are known.</p> <p>The information on volumes and interest rates are published on the CBS website including the monetary policy rates and corridor. However, the CBS has not disclosed a numerical operational target within the corridor.</p> <p>Actual usage of the overnight standing facilities is disclosed monthly (stock) through the publication of the monetary survey on the website.</p> <p>Aggregate Liquidity conditions are published weekly (every Monday) on the CBS website including. reserves held, excess from the minimum reserve requirement and aggregate</p>

	forecast for issue and maturity of monetary policy instruments and government securities.
Review	<p><i>Core</i></p> <p>While the CBS discloses a broad range of data related to the outcomes of monetary policy implementation, there are a few gaps. For some of those gaps, measures to address them would require changes in the monetary policy operational framework (see Principle 3.1.1).</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices, publication of the level of the operational target achieved (once such a target is disclosed, see Principle 3.1.1) would enhance transparency on the outcomes of monetary policy. Such disclosure would facilitate the communication of the policy stance, and support the functioning of money markets, by allowing banks to predictably place surplus liquidity with, and obtain short-term funding from each other or the CBS at rates that are reasonably stable.</p> <p>Frequent and timely disclosure of the activation of the standing credit/deposit facilities would also enhance transparency of monetary policy implementation, as would publication of the aggregated bank balances at the CBS and realized autonomous factors of liquidity.</p>
Principle 4.2.	<i>Cross-Border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank discloses the outcome of its policy implementation.</i>
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	See 2.2.1
Review	Not Applicable

Comments	Not Applicable
Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	<p>The Monetary Policy Technical Committee has responsibility for approving the use of all instruments under the control of the CBS in line with decisions adopted by the Board pertaining to the implementation of monetary policy (see also Principle 2.1.2). The terms of reference of the MPTC are published on the CBS website. This document provides information on the mandate, composition, functions of the MPTC, as well as on the procedures in place with regard to its meetings (see Principle 2.1.2 for details).</p> <p>The detailed presentation provided at the quarterly press conference provides data on FX inflows and outflows as well as information on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see for instance June 30, 2021, presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is included in the CBS Annual Report (Table 6.4 in 2021 Annual Report), as well as in the Annual Reserves Management Report (page 7 in 2021 Report).</p>
Review	<i>Comprehensive</i>
Comments	Disclosures/discussion of the CBS FX interventions in the context of the quarterly press conference would allow an evaluation of these policy actions against their expected benefits. By enhancing the transparency of CBS's FX management actions, these disclosures would therefore support enhanced CBS accountability in relation to these policy actions.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	<p>The rationale for holding reserves is outlined in the Annual Report for Reserves Management (see Principle 2.4.1 for details), which includes the objective of ensuring the capacity of the CBS to discharge its other core mandates, such as the implementation of monetary policy (see Principle 2.3.1 for an elaboration). Furthermore, the Monetary Policy Framework Report explains the role of CBS FX interventions in the context of the current monetary regime.</p> <p>The detailed presentation provided at the quarterly press conference provides data on FX inflows and outflows as well as information on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see for instance June 30, 2021, presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is</p>

	included in the CBS Annual Report (see page 94, Table 6.4 in the 2021 Annual Report), as well as in the Annual Reserves Management Report (see page 7 of the 2021).
Review	<i>Comprehensive</i> The CBS clearly discloses the role of FX management towards achieving its policy objectives in the Annual Reserves Management Report as well as in the Annual Report. Interaction of FX interventions with the CBS broader monetary policy objectives are disclosed in the MPF document.
Comments	
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	Details of Foreign Exchange Auctions are published after each auction on the CBS website. This includes bid/offer rate or amount as well as the aggregate details of bids receive and accepted. The monthly publication “Key Economic Developments” discusses in broad terms developments in the domestic FX market, including exchange rate movements, FX flows (i.e., CBS gross purchases and sales during the period) as well as a year-on-year comparison, and changes in the international reserve position (gross and net position). The detailed presentation provided at quarterly press conferences provides data on FX inflows and outflows and on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see June 30, 2021, detailed presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is included in the CBS Annual Report (see page 94, Table 6.4 in the 2021 Annual Report), as well as in the Annual Reserves Management Report (see page 7 of the 2021 Report).
Review	<i>Comprehensive</i> The CBS systematically and timely discloses the results of its FX interventions operations.
Comments	
Principle 4.4.	Foreign Exchange Reserve Management: <i>The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.</i>
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	Through the website and publication of the Annual Reserves Management Report CBS discloses the detailed internal governance structure in place for FX reserve management). The structure is based on a three-tier framework with CBS Board of Directors as the strategic direction setting body, the Investment Committee responsible for operational decisions, and the operational units responsible for managing the FX reserves (see Principle 2.4.1 for details).

	<p>The Annual Reserve Management Report discloses the frameworks in place to monitor and manage the risks related to FX reserve management (i.e., market, liquidity, credit and operational risks). The 2021 Annual Reserve Management Report provided the following information in that regard:</p> <ul style="list-style-type: none"> • <i>Market risk</i>: measures taken by the Board to manage the currency risk, including the Board decision to adjust the SAA and the rationale for this action (currency composition and duration of the instruments). • <i>Liquidity risk</i>: review of agreements with counterparties to ensure the liquidity of investments. • <i>Credit risk</i>: diligent monitoring of counterparty credit rating to ensure continued compliance to approved credit risk rating limits and due diligence reviews on current counterparties to ensure consistency with the institutional risk tolerance. • <i>Operational risk</i>: implementation of the ORM framework formulated in the previous year. <p>The CBS Annual Report and the Annual Reserve Management Report provide an evaluation of the policy actions taken over the period under review, most notably in the “Challenges Encountered” section of the Annual Reserved Management Report. For instance, the 2021 Report discussed the effects of the Covid pandemic on global market developments and their impact on the CBS about to meet the objectives for holding reserves and the definition of reserves (i.e., liquidity and availability of reserves). The Report discusses actions taken to that effect, such as an assessment undertaken with regard to the status of reserves invested with commercial bank counterparties and the BIS to ascertain whether fixed deposit investments could be lifted ahead of their maturity dates, which led to discontinuing investments with counterparties that could not accommodate the liquidity requirement.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the principles and actual organization of its internal governance structure in its Annual Reserve Management Report, as well as policy actions taken to ensure achievement of the objectives for holding reserves and the definition of reserves.</p>
Comments	
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	<p>Information on the level and composition of reserves assets is disclosed on an annual basis through the Annual Reserves Management Report, including:</p> <ul style="list-style-type: none"> • Gross and net international reserves position at the end of the year. • International reserves, expressed in terms of month of exports cover. • Level of Net International Reserves (NIR) considered as the quantitative performance criteria under the EFF program with the IMF.

	<ul style="list-style-type: none"> • Key factors behind the changes in international reserves over the period (i.e., IMF disbursements under the EFF; budget support loans and grants; SRD allocation by the IMF; FX purchases from the market through FX auctions). • Use of international reserves (i.e., purchases of goods and services for the public sector; repayment of external debt; FX auctions sales). <p>Furthermore, the monthly Statistical Bulletin provides monthly data on gross and net international reserves, as well as the number of months of imports these indicators imply.</p>
Review	<i>Comprehensive</i>
Comments	
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	<p>The CBS's audited financial statements prepared in accordance with the CBS Act and IFRS and published in the CBS Annual Report provide information on the amount, composition, profit/loss, and risks arising from foreign exchange reserves particularly as part of the disclosures under the section relating to Financial Risk Management. For instance, the 2021 Annual Report provided the following information:</p> <ul style="list-style-type: none"> • <i>Main body of the Annual Report.</i> Discussion on the return of the portfolio, with a discussion of the developments that negatively impacted the return of the USD bond portfolios managed by the CBS and external managers, including mention of a negative return position and the amount of the corresponding loss. • <i>Profit/loss.</i> Note 27 to the audited financial statements provides information on the interest income on investment securities, and interest on deposits with banks. Note 32 provides information on losses and gains arising from foreign currency transactions (realized and unrealized). • <i>Financial Risk Management.</i> Note 42 to the audited financial statements provides detailed information on the risks arising from the foreign exchange reserves as follows: <ul style="list-style-type: none"> ○ General explanation: (i) policy to have a currency composition of the reserves which mirrors the country's FX liabilities to provide a natural currency risk hedge; (ii) attempts to further mitigate exposures to short-term currency volatility through tactical management of the currency risk around the strategic currency composition; (iii) gains and losses arising from the revaluation of FX denominated assets and liabilities recognized in profit or loss and transferred to the Revaluation Reserve Account in accordance with Section 16 of the CBS Act. ○ Detailed data on the currency risks associated with assets and liabilities; results of sensitive analysis to currency risk performed based on each type of market risks to which CBS is exposed. ○ Detailed data on other price risks (i.e., fluctuation of fair value): results of sensitive analysis in relation to changes in market price.

	<ul style="list-style-type: none"> ○ Detailed data on credit risk: including data on credit risk measurement and expected credit loss measurement following IFRS 9; results of sensitivity analysis. ○ Detailed data on liquidity risk: including data on the contractual maturity of financial assets and liabilities, and the net liquidity gap.
Review	<p><i>Comprehensive</i></p> <p>A Note to CBS's audited financial statements provides detailed information on the risks arising from foreign exchange reserves.</p>
Comments	
Principle 4.5.	Macprudential Policy: <i>The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.</i>
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	<p>While the responsibility for macroprudential policy has not been defined, the FSC is tasked with maintaining financial stability in Seychelles, which is chaired by the Governor of CBS, and comprises representatives of the MOF and other financial regulators. The FSC is an advisory committee and does not undertake any actions or issue recommendations. Towards the end of each quarter, the FSC convenes to discuss pertinent matters which may pose a threat to financial stability and outlines policy directions going forward.</p> <p>The FSC issues press release, published on the CBS website, after each meeting to outline some of the key matters discussed as well as the Committee undertaking press conferences.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p> <p>However, in addition to its core mandate of maintaining price stability, CBS's objective is also to maintain the soundness of financial stability. To this end, the CBS plays a leading role in identifying, monitoring, and addressing risks for the stability of the financial systems. It undertakes actions and measures when needed. The measures are implemented by relying on its power as prudential regulator. In this context, the CBS is subject to the general accountability mechanisms of its mandates through regular reporting, including through an annual report.</p> <p>https://www.cbs.sc/AccessToInfo/AnnualReports.html</p> <p>Additional accountability channels are the publication of the FSR and Financial Surveillance Report.</p> <p>https://www.cbs.sc/finstability/Reports.html</p> <p>https://www.cbs.sc/Publications/SupervisionReports.html</p> <p>Furthermore, CBS organized on regular basis press releases and press conferences dedicated to discussing the CBS roles and responsibilities for financial stability issues.</p> <p>https://www.cbs.sc/COVID-19/PolicyMeasures.html</p>

	Furthermore, CBS has signed an MoU with the members of the FSC regarding financial stability matters. It intends, for example, to assist and the mutual exchange of information for the purpose of meeting the objectives of the FSC. However, this MoU is not publicly available. Work is in progress to draft a new MoU in anticipation of the FSC becoming a decision-making body for financial stability matters.
Review	<i>Expanded</i> ⁵ The CBS discloses the legislation and mechanisms that specify its financial stability policy objectives and its responsibilities.
Comments	The CBS could consider disclosing the main modalities governing the interaction and exchange of information between the CBS and other relevant financial market authorities involved in financial stability though, for example, publication of the existing MoU between the CBS and the authorities participating in the FSC.
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	<p>The CBS discloses ex-post valuation of its financial stability policy through various publications, including the FSR and the press release and conferences. In particular, in the 2020 edition of the FSR, the CBS explains the policy and the intended effects on financial stability and what has been achieved.</p> <p>Furthermore, the CBS dedicated a comprehensive study to serve as a strategy to unwind, withdraw and/or remove the measures implemented since 2020. This study also takes into account the impact of the introduced measures on the financial sector and the economy at large. As the economy in Seychelles is recovering, attention is increasingly being geared towards the phasing-out of the various support measures, whilst avoiding cliff-edge effects. In this context, the CBS understands the challenges of unwinding as recovery is on the horizon. Therefore, it gives careful consideration to both health and economic implications for the unwinding process whereby the outlook of macroeconomic stabilization with consequences on immediate risks to financial stability have been thoroughly assessed.</p> <p>A solvency and liquidity stress tests were carried out to assess the resilience of financial institutions in the event that the CBS unwinds its policy measures implemented throughout 2020. Accordingly, the test aimed to assess whether financial institutions have sufficient loss-absorbing capital in the event of unforeseen loan default consequent to the removal of the COVID-19 measures. The outcome of the solvency stress test assisted in the decision-making process; to determine the timing of policy unwinding; and whether the CBS should completely withdraw the measures or adopt a targeted approach.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<i>Expanded</i> The CBS published dedicated policy evaluations around its specific financial stability tools.

⁵ While Expanded range of practices is not defined for this sub-principle, CBS's accountability policy is above Core level but does not fully reach the Comprehensive level.

Comments	The CBS may undertake and publish analytical studies covering ex-post evaluations of whether the implemented financial stability measures have achieved the intended effects.
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	<p>According to CBS, bilateral ELA to financial institutions was never provided, although this information is not disclosed.</p> <p>For market-wide exceptional liquidity support measures, the CBS discloses the terms and conditions, amount and types of entities that received liquidity support. They are reported on an aggregate basis.</p> <p>The CBS communicates openly the market liquidity conditions and explains how its support measures restored market functioning. It also updates the public on a regular basis the allocated liquidity support and the receiving institutions.</p>
Review	<p><i>Expanded</i></p> <p>For market-wide liquidity support, the framework discloses the amount, conditions, and types of economic entities that received support.</p>
Comments	The CBS may consider disclosing information on how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning. It may also provide more information on the central bank's risk taking in connection with the support.
Principle 4.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>See above principles 2.10 and 3.11 for the overarching legal framework and policies on CBS's AML/CFT supervision (AMLCFT Act, Section 55.1) and AML/CFT internal controls (i.e., AMLCFTCPF Policy of 2020).</p> <p>The AML/CFT Act of 2020 provides the CBS with the power to publish findings of the non-compliance in relation to the imposition of administrative sanctions for AML/CFT violations. (Section 60) Any covered entity aggrieved by the decision of the CBS with respect to administrative sanctions may appeal to the Appeals Board. (Sections 61 and 62) Relevant disclosures are made as deemed relevant through press releases guided by CBS's communication team.</p>
Review	<p><i>Not Implemented</i></p> <p>The CBS does not publish the outcomes of its AML/CFT supervisory activities. While CBS has issued sanctions related to AML/CFT violations under the Financial Institutions Act in the past, no sanctions have yet been issued within the legal framework of the AMLCFT Act of 2020, given its recent approval. In addition, CBS is constrained from issuing any administrative sanctions, until the Appeals Board is constituted, and its procedures established.</p> <p>The CBS also does not publish the outcomes of its internal AML/CFT controls on an annual basis. While the Compliance Unit is required to submit internal reports twice a year to the Audit and Review Committee, public reporting on these activities is not conducted.</p>
Comments	<p>The CBS should publish outcomes of its AML/CFT supervisory activities to better guide and instruct other supervised entities. Prompt establishment of the Appeals Board should be prioritized to ensure that the CBS is fully empowered to impose administrative sanctions for any violations by supervised entities under the AML/CFT Act.</p> <p>The CBS should also publish the outcomes of its internal AML/CFT controls annually, including information on their effectiveness (such as statistical information on filing of suspicious transaction reports to the financial intelligence unit).</p>
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	<p>Dispute Resolution Outcome:</p> <p>The dispute resolution outcomes have been consistently reported in the Annual Reports. For example, the Annual Report 2021 page 111, explains on the results of the 24-hour hotline regarding queries on consumer protection; on this regard it says "Approximately 70 queries were recorded on average during a month, of which, at least 5 required interventions by the Bank, and were dealt with within 1-2 days. Other queries mainly sought clarifications on certain matters relating to financial institutions, namely, commercial banks."</p>

	<p>The annual report 2021 (page 111) explains that MCS received on average 20 complaints per month, 4 of which were upheld by the Bank, whilst others were minor issues that were resolved immediately. It further establishes in detail the complaint handling by Banks and the issues that triggered the complaint.</p> <p>The Financial Surveillance Report also discloses the outcomes of complaints handling by the CBS regarding consumer protection (page 37 of the FSR of 2019).</p> <p>Financial Education measures are widely disclosed on the Annual Reports, Financial Surveillance Report, and the CBS website. Financial Education actions effectiveness are measured through surveys; even using the public transportation system as a channel to conduct the direct surveys with the population</p>
Review	***
Comments	<p>The CBS reports and disseminates consumer protection outcomes in a comprehensive manner. Although the mandate and functions on consumer protection are currently limited there are many ongoing regulatory developments to implement the new FCPA.</p> <p>The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; continuous disclosure regarding financial education surveys could be beneficial to enhance transparency.</p>
Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: <i>The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.</i>
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>The Advisory role to the government by CBS is one of the objectives of CBS as stipulated under article 4(2) of the Central Bank Act, that is to “advise the government on banking, monetary and financial matters, including the monetary implication of proposed fiscal, credit policies or operations of the Government”.</p> <p>As part of its advisory role there is a reporting to the Government (Minister of Finance) responsibility of the CBS under article 38 of the CBS Act. Therefore, in accordance with this article the Central Bank submits regular reports to the Ministry about the various aspects of its operation, e.g., daily, monthly, quarterly. The CBS also submit to the Minister of Finance, National Planning and Trade daily statements of accounts, transaction advice, and any ad-hoc statements and/or confirmations, e.g., confirmation of balances, profit distribution advice and IMF transactions details, most of which are related to transactions which have been booked on bank accounts of the Government held in the books of CBS and respond to ahoy queries on same as and when required.</p> <p>Public disclosure of the interaction and coordination between the Governor and the Ministry of Finance in accordance to Article 37 and 38 of the CBS Act is done through various working groups, joint press conferences are held when the need arises. There are also several MoUs signed between the two parties, for financial transaction, which some of them are made public.</p>

	<p>MoU with Government of Seychelles 2008:</p> <p>The MoU, available on the CBS website, defines the roles of the Government and the Central of Seychelles regarding the institutional arrangements between these two parties. It sets out the working arrangements between the CBS and the Ministry of Finance to set a minimum standard of communication to clarify each party's roles, responsibilities, and obligations. It also sets out an agreed basis for policy and operational co-ordination between CBS and the Ministry of Finance.</p> <p>Profit Distribution:</p> <p>Also, a brief disclosure of the Central Bank's relationship with the Government is done in the Annual Financial statements including disclosure of the profit distribution. Furthermore, the Bank discloses details on its distributable earnings whereby any distribution to the Government's Consolidated Fund is executed in line with the CBS Act, 2004.</p>
Review	<p><i>Comprehensive</i></p> <p>The central bank discloses the detailed terms and conditions of the Central Bank functions and policies with respect with the Government, as contained in a regulation or agreement in this case the disclosure of the MoU with the Ministry of Finance on the website.</p>
Comments	<p>The MoU encompasses detailed terms and conditions of the interaction with the Government including a dispute resolution mechanism.</p>
Principle 5.1.2.	<p>The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.</p>
Description	<p>Financial Transactions with the Government:</p> <p>The Central Bank of Seychelles Act establishes in article 34 the agency and banking functions in relation to the government. In this sense, the CBS may, on such terms and conditions as may agree with the Government.</p> <ul style="list-style-type: none"> • Open account for and accept and remunerate deposits in Seychelles rupees and in any foreign currency. • Undertake, as agent for the Government, the issue and management of Government securities. • Act as banker and fiscal agent of the Government in its dealings with any international financial institution and as depository of such institution, and • Open accounts for and accept deposits in Seychelles rupees and in any foreign currency from any Government agency. <p>Specific terms and conditions are covered by the MoU signed by CBS and the Ministry of Finance regarding financial transactions. The functions listed in the MoU are the following: Advise the Ministry on exchange rate policy and keep it informed prior to major policy changes; act as banker and fiscal agent to the Government; act as agent for the Government for the purchase and sale of foreign exchange; keep the Ministry</p>

	<p>informed of economic and financial developments on a regular basis. Ensure that dividends due to the Government are paid annually as per the CBS Act. Also, where appropriate, in the event of financial distress in the banking sector or financial instability generally, the CBS has responsibilities to keep the Ministry informed. CBS must provide regular reports relating to foreign exchange flows, money supply, buying and selling foreign exchange. Work collaboratively on issues that affect both the CBS and the Ministry. Moreover, the Government-CBS MoU has a “dispute resolution mechanism” if a discrepancy arises between the two parties.</p> <p>Regarding banking services, the Current Account is disclosed at the Annual Report (pages 53 to 56).</p> <p>FMD's (Financial Markets Division) responsibility for CBS's role as agent to the government for issuance and management of government securities which is clearly outlined on the CBS website. The objectives of FMD are to: meet the set targets through the effective conduct of domestic market operations and effectively execute government securities' issuances and management as fiscal agent.</p> <p>In the CBS website there are published guidelines for the purchase and re-sell of Government Securities, procedure for auctions and the Government Liability Management Operations Manual.</p> <p>Regarding credit to the government, article 40 and 40 A of the Central Bank Act establishes the possibility of credit to the government, as well as an overdraft facility to the government. There is also public disclosure of limits on Advances to government, published in the Official Gazette at the beginning of the year and access to this facility is bound by the mutually agreed terms, through an MoU. A press release is published to inform the public, as a general practice regarding the issues related to the overdraft facility.</p> <p>This financial transactions regarding lending is disclosed in the Audited Financial Statements. As part of the notes in the Audited Financial Statements, the general terms are mentioned, including the amounts disbursed.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS Act contains a clear mechanism for the establishment of the terms and conditions of the central bank's functions with respect to the government. The CBS also discloses the details terms and conditions of the central bank's functions and policies with respect to the government as contained in the MoU with the Ministry of Finance. Disclosure is done consistently in the website where there is a tab dedicated to financial transactions with the government, the CBS annual reports and press releases. During COVID-19 pandemic, live press conferences were established to explain to the public remediate and urgent measures that were taking by the CBS regarding credit to the government.</p>
Comments	<p>CBS policies terms and conditions are widely disclosed by the CBS on a permanent basis, which demonstrates strong transparency practices regarding relations with the Government in general but also detail disclosure of terms and conditions that regulate its bilateral interaction.</p>
Principle 5.1.3.	<p>The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.</p>

Description	<p>The CBS website has an special tab on Government Securities, it covers ample information by specific tabs regarding the following topics; treasury bills, bonds, security purchase a re-sell and liability management.</p> <p>The issuance of public securities is done and announced in advance and there is a process to communicate to the public every issuance. So to illustrate this interaction is the issuing and managing government securities and the related information that is disclosed by the CBS website on the matter; the current issuance schedule and a the details of a new government security (included in the current schedule). The auctions calendar for government securities, is regularly disclosed in the CBS website, as well of information on the emission of treasury notes.</p> <p>The CBS website also has ample disclosure, in plain language and easily accessible an explanation of the Liability Management Operation and how it help address financial risk to the government. This information is also disclosed in press releases, giving access to the specific MoU between the CBS and the Government.</p> <p>CBS publishes the Central Bank survey (as part of the Monetary Survey) on its website whereby the holdings of government securities are disclosed monthly. They are disclosed in a summarized way in the Audited Financial Statements.</p> <p>Measures to disclose transactions with the government were reinforced by live Joint press conference. During the pandemic the press conference was done every two weeks, and was an excellent tool to explain to the public the measures that the CBS was taking in relation to financial transactions with the government.</p> <p>Disclosure of regarding the issuance of government securities is published on the CBS website after the Ministry of Finance has published its own T-Bond calendar. Upcoming T-Bills Issuance is updated on the CBS website on a monthly basis, after the last auction of the current month, for the following month.</p> <p>In addition, after every T-Bills auction, the date for the next T-Bill auction is advertised on the national TV, together with the result of the auction. For T-Bonds, the CBS publish a notice prior to every auction, after the Ministry of Finance has published its press release. A similar notice together with the corresponding prospectus is also published in the daily newspapers.</p>
Review	<i>Comprehensive</i>
Comments	The disclosure of financial transactions with the government is and established practice done on the CBS website and reported on detailed in the financial statements and the Annual Report.
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	When the CBS implements its advisory function, it does it along with the Ministry responsible for Finance collaborating through various working groups, the outcomes are usually published in documents issued by either institution, but the CBS publishes them in the Annual Report. When necessary, the Bank and the Ministry hold joint press conferences to address such issues or to convey discussions related to matters of mutual interest.

	<p>The CBS's financial statements (subsection 40.1 to 40.4) make disclosures on transactions of the CBS with related parties which include the Government. Transactions are done at arm's length and include banking services, foreign exchange transactions, payment and settlement facility, investment in Government securities and acting as Agent of Government in raising domestic debt.</p> <p>The annual report 2021 (page 6) of the central bank publishes a paragraph informing on Credit to the Government; and briefly explains the financing of the fiscal deficit. Short term advances to the government from the Central Bank are explained under the Chapter on Monetary and Financial Sector, page 28, of the Annual Report, so disclosure made given on short term advances to cater the shortfall on revenue, as allowed in the CBS Act.</p> <p>Part VI of the CBS Act 2004, as amended, (the CBS Act or the Act) confers powers on the Bank to hold and manage the official international reserves on behalf of the country, The Annual Reserves Management Report discloses in detail such a function.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses publicly and on a regular basis the outcome of its interactions, including financial operations with the government. The outcome of the financial transactions is disclosed in the Financial Statements.</p>
Comments	
Principle 5.2.	<i>Domestic Financial Agencies:</i> <i>The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.</i>
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>The CBS discloses its relationships with domestic financial agencies and other stakeholders including arrangements for formal or informal sharing of information. This is done formally through Memorandum of Understanding between public financial institutions such as the Anti-Corruption Commission Seychelles and the Seychelles Revenue Commission to name a few. Although, the MoU itself is not currently disclosed the CBS and the entity release a joint press release explaining the basis of the MoU, the objectives of the institutions and the nature of the cooperation.</p> <p>The signing of the MoU is done with the presence of media and interviews are done on the occasion. A following press release is done and made available on the CBS's website. At present not all relationships with domestic financial agencies are formalized and published.</p> <p>The CBS receives good cooperation from financial agencies like the FSA with whom it has interaction in relation to different initiatives like Financial Inclusion and the Financial Literacy program.</p> <p>Some MoUs with financial public institutions have been published while others have been disclosed only through press releases. An illustrative MoUs signed by the CBS and disclosed is the MoU with Public Enterprise Monitoring Commission (PEMC) 2017, in</p>

	<p>this press release it is noted that the “exchange of information will address issues of transparency.”</p> <p>CBS Participation in Multiagency Committees:</p> <p>CBS is a member of the National AML/CFT Committee, established under the AML/CFT Act 2020. It is tasked to promote cooperation and collaboration on AML/CFT policy-making and implementation, and is mandated to meet at least once every quarter. CBS actively participates in the topics/issues discussed and currently is also the deputy chairperson of the committee. The AML/CFT strategy was published. Press releases are also done and published by the Seychelles media houses.</p> <p>For the detailed description of FSC activities please see 5.2.4 below.</p>
Review	<p><i>Expanded</i></p> <p>The CBS practice of disclosure of information with public financial counterparts is done consistently through press releases. The MoU terms and conditions are not always disclosed just occasionally. There is better disclosure of information when the arrangement is made with a group of public institutions like the FSC.</p>
Comments	<p>Transparency could be enhanced with a more consistent practice of disclosure and explain further or in a detail manner the bilateral agreements with public institutions in reports and the CBS website.</p>
Principle 5.2.2.	<p>The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.</p>
Description	<p>To ensure that policies and instruments used in the interaction of CBS with financial agencies is disclosed in a transparent manner, CBS releases this information through its ongoing press conferences which are usually held fortnightly. In addition, this information is also disseminated through various forums whereby CBS takes the opportunity to consult various stakeholders e.g., Banker’s meetings, meetings of the National Payments Council NPC and National Payments Task Force NPTF, the Steering Committee for Financial Education, as well as the Financial Stability Committee to name a few. The Bank also issues a joint press release with the institution concerned as a regular practice. The MOU is sometimes disclosed on the CBS’s website and the other party however, this has not been consistent in all cases.</p> <p>Financial Services Authority:</p> <p>In 2016 the CBS and Financial Services Authority collaborated on the Financial Literacy Baseline Survey to better understand the perceptions and behavior of individuals in relation to financial services and products. As per the survey, Seychelles prospers from a highly banked population of 94%, the highest reported in Sub-Saharan Africa. Access to financial services and products in the banking sector is therefore not a key concern in regard to financial inclusion. Alternatively, CBS has focused on improving the usage and quality of financial services. This is being achieved through efforts to fortify consumer trust in the financial system and driven by the introduction of the Financial Consumer Protection Act and relevant by-laws.</p> <p>Furthermore, CBS through the National Financial Education Strategy envisages future generations who are well versed in financial services and products and thus adequately prepared to make optimal use of the financial system.</p>

Review	<p><i>Expanded</i></p> <p>There is an active exchange of information between with the FSA and the CBS on various topics bilaterally like drafting the FCPA along with other measures on consumer protection, financial literacy since there is has a shared mandate on this topic and there was a need to formalize those mandates with appropriate legislation. There is an active disclosure and dissemination of those actions through press releases, conferences, publications, etc.</p>
Comments	<p>Regarding other domestic institutions relations have been established through MoU. These relations are disclosed mostly by press releases, jointly made with the institutions but the MoU are not always disclosed. A more sustained practice of disclosure of MoU or an explanation of the relationship on the website would be beneficial to increase transparency practices.</p>
Principle 5.2.3.	<p>With respect to macroprudential policy, the central bank discloses its role, responsibility, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.</p>
Description	<p>The Financial Stability Committee is the inter-agency arrangement established for Macroprudential Policy issues. Please see below 5.2.4 Regarding disclosure and transparency of the Central Bank as member of the FSC. Please see below 5.2.4 regarding disclosure and transparency of the Central Bank of Seychelles as member of the FSC.</p>
Review	<p><i>Comprehensive</i></p> <p>The Financial Stability Committee discloses its mandate in the CBS website. The role of the CBS is explained regarding financial stability. Press releases are issued after each FSC meeting, and the Financial Stability Report is issued annually among the various members and leadership of the CBS. Please see 2.5.1 and 2.5.2</p>
Comments	<p>Please see 5.2.4.</p>
Principle 5.2.4.	<p>With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.</p>
Description	<p>The Financial Stability Committee was established in March 2016, by a presidential decree, tasked with maintaining financial stability within the domestic economy. Members of this Committee are the:</p> <ul style="list-style-type: none"> • Central Bank of Seychelles, which holds the Chairmanship • Ministry of Finance, Trade, Investment and National Planning • Financial Services Authority; and • Financial Intelligence Unit <p>The CBS website explains that the “Committee is an advisory body where members can inform one another of emerging risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive risks and collectively ascertain the state of financial stability within the country.”</p>

	<p>The CBS website explains the role and responsibilities of the Central Bank regarding the FSC. On this regard, the CBS collects and analyses data from each FSC member institutions to produce a comprehensive overview of the country's financial stability status and proposes tools or policy changes for maintaining financial stability.</p> <p>The Financial Stability Committee convenes on a quarterly basis to discuss pertinent matters which may pose a threat to financial stability and outlines policy directions going forward. The CBS issues a press release thereafter to outline some of the key matters discussed as well as the Committee undertaking press conferences.</p> <p>The FSC publishes an annual report Financial Stability Report which is published on the CBS website. And a press release is published to disseminate it.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses and explains on the website the role of CBS as member and chairman of the FSC. After each meeting there is a press release and there is also the publication of the Financial Stability Report, done by the FSC and published in the CBS website. See principles 2.5.1 and 2.5.2 on this regard.</p>
Comments	<p>The FSC is a formal interagency arrangement to advise and exchange information on financial Stability. It has been conveyed by CB authorities the aim to formalize the arrangement and anchored it on legislation. Further actions of disclosure (upon the consent of all involved parties) could enhance transparency like the disclosure of the agenda of the FSC; but generally speaking, the role and mandate of the CBS regarding Financial Stability issues is well disclosed.</p>
Principle 5.3.	<p>Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.</p>
Description	<p>The CBS's Act, article 36 determines that the Central Bank will be representative of the Government in international meetings, councils, and organizations, also the central bank may provide banking services for the benefit of foreign governments, central banks and monetary authorities and for the benefit of international organizations in which the Government participates.</p> <p>CBS's interactions with foreign agencies are included in the Annual Report, pages 65 to page 74, easily accessible in the central bank website. And whenever necessary, through press releases are issued for specific matters which in addition to being published by the media are also published on the CBS website as well.</p> <p>The central bank itself may participate in international organizations that pursue financial and economic stability through international monetary cooperation. Cooperation Agreements with international counterparts are not published but would be accessible upon request given the access of information regulations.</p> <p>Through the Annual Reserves Management Report CBS publishes an account of its investment activities with foreign counterparts, including the exposure sizes as well as risk-return information. The agreements are not published but general information is disclosed in the Reserves Management Annual Report.</p> <p>Financial Transactions:</p>

	<p>The interaction regarding financial transactions with international counterparts are disclosed annually in Section Four on the Annual Report on Government Finance there is disclosure of EFF programs with the IMF (32-month arrangement). The agreement with the African Development Bank and the World Bank is disclosed under page 45 of the Annual Report. Therefore, financial transactions can be accessed in both CBS Annual Report and Annual Reserves Management Report. All reports are accessible on the website.</p> <p>Other International Institutions/Arrangements:</p> <p>Regarding Financial Inclusion, CBS became a member of the Alliance for Financial Inclusion (AFI) network in 2014. AFI is a policy leadership alliance owned and led by member central banks and financial regulatory institutions with the common objective of advancing financial inclusion at the country, regional and international levels. This information is published under pages 104 and 108 of CBS annual report.</p>
Review	<p><i>Expanded</i></p> <p>The CBS Act contains clear provisions regarding interaction and cooperation between CBS and foreign institutions, including other central banks. CBS describes such interactions in the annual report and explains instruments used in financial transactions with foreign agencies. Actions regarding international cooperation and exchange of information, all sorts of engagements with international institutions and even financial transactions with other central banks are also disclosed in press releases, as a regular transparency practice. Reports and press releases are available on the website.</p> <p>Some of the agreements with foreign entities are disclosed, so disclosure of agreements is done on a case-by-case basis. Further disclosure and publication of international agreements, if possible, and in accordance with its counterparts would also improve transparency practices.</p>
Comments	<p>CBS is a very active central bank regarding membership, participation and leadership in international institutions, organizations, and other central banks. Most of the international relations and interactions and even agreements are disclosed in the annual report. Transparency and dissemination of CBS interaction with international counterparts could be enhanced by highlighting international cooperation and actions on the CBS website with and explanation of terms and conditions of the agreements. The accessibility of press releases could be enhanced by having a specific tab on international relations and cooperation on the website.</p>
Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Appendix I. Central Bank of Seychelles—Proposed Action Plan

Recommendation	Immediate Implementation	Implementation in Short-term Period
<p>1. The various sections of the website, as well as Board Secretary's Report, and the overview of the Role of Central Bank of Seychelles refer to some components of the legal framework, but do not provide any detailed description or rationale for those.</p>		<p>The CBS will review the relevant parts of website to ascertain where more detailed description or rationale can be given. The recommendations will be made to the CBS website committee for consideration.</p> <p>The CBS will also review the report for enhancement of the components for the legal framework. The enhancements will feature in the 2022 Board Secretariat Report</p>
<p>2. The publication of binding legal documents or non-binding guidelines or recommendations is not centralized as various structural divisions publish guidelines or regulations of their respective fields in relevant sections of the CBS website, without legal unit being aware of those. The CBS occasionally communicates to the market the drafts of new regulations and guidelines, those are not disclosed publicly, or easily accessible and feedback mechanism is not clear.</p>		<p>The CBS will reconsider displaying its binding and non-binding instruments on one page.</p> <p>The CBS to consider the formulation of a disclosure/transparency policy which will, in addition to other matters cover the disclosure of drafts to the public and/or stakeholder. The policy can pronounce on public/stakeholder feedback.</p>
<p>3. In relation to the prevalence of CBS Act over other laws, the CBS clarified that the general legal principle of <i>lex specialist derogate legi generalis</i> would apply to cases of conflict</p>	<p>The CBS will propose a conflict of laws provision as part of the CBS Act amendment.</p>	

<p>between provisions of the Act and those of other Laws, however, this is not clearly communicated to the public.</p>		
<p>4. Transparency could be further enhanced by providing detailed explanation on CBS legal framework, its legal nature and legal protection on the CBS website. The lack of transparency on important components of the conflict of laws, judicial review and pre-judgement attachment can be eliminated by introducing respective provisions to the Act.</p>	<p>The CBS will update its website to provide detailed explanation on CBS's legal framework.</p> <p>The CBS will consult with the Attorney General's Office (AG's Office) whether matters provided for in other laws should be included in the CBS Act.</p>	
<p>5. Ensuring that relevant laws, secondary legislation, regulations and guidelines are available under the unified section (with links to such unified legislation section from other relevant sections) of the website, as well as consistency (all the texts are updated and consolidated) and accessibility (readability and text-related functions) of the texts of the document would contribute to enhanced transparency. The new draft regulations and guidelines can also be made available on the website, along with the mechanism to receive input from stakeholders and providing feedback on the input in transparent manner.</p>	<p>The CBS will reconsider the manner its binding and non-binding instruments are displayed.</p>	<p>The CBS will implement a disclosure/transparency policy.</p>
<p>6. The laws and website fail to provide clear linkages</p>	<p>The CBS Act is to be amended to link the functions of the CBS and its objectives</p>	

<p>between the objectives and functions. This is further amplified by additional powers being assigned to the CBS by the executive branch without clear connection with the objectives. To enhance transparency on mandate of the CBS, clear explanation on relation between objectives, functions and powers may need to be disclosed.</p>	<p>and to ensure that functions delegated by the executive is aligned with stated objectives.</p> <p>The CBS website will be reviewed to emphasize the connection between objectives, functions and powers.</p>	
<p>7. Greater transparency on the mission statement is linked with the objectives could be achieved by disclosing on the website how the mission and vision are related to the mandate and the Act that govern the activities of the CBS.</p> <p>The Central Bank Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the limitation on the scope of the review.</p>	<p>The CBS will review the mission statement and suggest amendments where necessary.</p>	
<p>8. The Central Bank Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the</p>	<p>The CBS to expand the CBS Act provisions on audit to clarify the scope of the audit by the Auditor General.</p>	

limitation on the scope of the review.		
9. In relation to consultations and foreign exchange regime, the procedure of consultation and the mechanism for resolution of differences, if any, should be clearly disclosed.	<p>In accordance with the amended CBS Act 2004, section 25 (5), the Board in consultation with the President, decides on the foreign exchange rate regime to be adopted by the Bank and the adopted regime has to be published in the Official Gazette.</p> <p>The Bank will explore the modalities to formalize its procedure of consultation and mechanism for resolution and once approved by the Board will publish same.</p>	
10. Several functions of the CBS are delegated to it by the decisions of the President and the Minister of Finance (see Principle 1.2. "Functions"). The legislation and the website are silent on the scope and/or limitations attached to the power of the executive branch to delegate functions and powers to the CBS.	The CBS will amend the CBS Act to provide that functions delegated by the executive are aligned with statutory objectives.	
11. Transparency on personal autonomy could be enhanced by disclosing on the website the selection procedure as well as the eligible professional experience (e.g., number of years, level of position) along with the approval and publication of the Board Remuneration Policy. The disclosure of protection from decreasing the remuneration could also serve the objective of greater transparency on personal autonomy. The disclosure on application of legal		The CBS shall endeavor to complete its selection procedure by 2023 and the Board Remuneration Policy will be published in 2023.

<p>protection of the former Board members and former employees may also benefit overall transparency.</p>		
<p>12. Explaining to the public the concept of the CBS's financial autonomy. The purpose of this would be to conceptualize to the public the concept of autonomy and to explain how it is implemented in practice. The CBS could explain in its annual report and, in more detail, on the CBS website the concept of central bank's financial autonomy including the rationale, the related legal provisions, and implementation of the concept of financial autonomy in practice. The latter could include explanation of CBS's actions to safeguard its autonomy and, in that context, references to related resolutions (e.g., links to resolutions on provision of credit to the government).</p>	<p>The CBS to consider including a section on the website focusing on its financial autonomy whereby the different aspects contributing to it, such as legal provisions, governance, capital structure and profit distribution, etc. are explained and links to the relevant documents are provided</p>	<p>The CBS to draft documentation that contributes towards the accounting and financial reporting aspect of this exercise whilst other Divisions/units to provide their contributions based on their respective roles and responsibilities. Implementation by Q4 2023</p>
<p>13. Publishing the CBS annual budget. The purpose would be to explain, e.g., in the annual report, the budget process, the approved and executed budgets, and key determinants of the budget. The budget should include: (i) staff costs; (ii) remuneration of key management personnel; (iii) investments in fixed assets;</p>	<p>The CBS will review the Annual Report layout and structure and recommend changes required.</p>	<p>The CBS will conduct research and recommend template of information to be disclosed to Management for approval by Q4, 2023 for implementation in the 2023 Annual Report. It is anticipated that same will be published on the website by March 2024.</p>

<p>(iv) administrative expenses; and (v) other operating expenses.</p> <p>The abovementioned information can easily be included on the CBS website. However, incorporating it (at a high level) in the annual report would also be beneficial. This would require revisiting the concept of the annual report which currently focuses primarily on past year's economic developments. While it also provides an overview of CBS's key activities (Section 6), it does so at the level of CBS organizational units and committees – not at the level of the CBS as would be expected from a corporate annual report. Thus, the CBS would need to first revisit the structure of the annual report before incorporating the abovementioned information. Revisiting the concept of the annual report is also recommended to address observations under principles 1.5 (Risk management) and 1.6 (Accountability Framework).</p>		
<p>14. The allocation of the responsibilities between the Governor and the Board is not clearly spelled out in the Act, neither is further clarification or explanation provided on the CBS website. The transparency of governance arrangements would benefit greatly from</p>	<p>The CBS to consider amending the CBS Act to provide more clarity on the allocation of responsibilities between the Governor and the Board.</p>	

<p>the publication of such information.</p> <p>Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>		
<p>15. Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>		<p>The Board Charter and that of the Sub-Committees will be published on the CBS website in 2023.</p>
<p>16. The CBS discloses a lot of information on its risk exposures that include foreign reserves as well as domestic market operations. However, transparency could be enhanced by revisiting the concept of the annual report, as suggested in comments under principle 1.3.4, and including in the report a</p>		<p>The CBS will discuss this recommendation and consider it in the Annual Report for 2023.</p>

<p>dedicated subsection on risk management that should provide: (i) a high-level overview of the CBS's key risks (financial and non-financial); (ii) an explanation or mapping of these against the CBS's mandate or objectives; (iii) a short risks statement; and (iv) key developments in these risks. Presenting this information in a dedicated subsection would also allow for a clearer picture of the relative importance of sources of CBS's risks.</p>		
<p>17. Also, in its financial statements the CBS quantifies financial risks in terms of carrying values and Expected Credit Losses. It could also consider calculating and disclosing in the annual report and/or financial statements Value at Risk and Expected Shortfall figures (a short note on the methodology would need to be included in the annual report or the financial statements). This should also help stakeholders to understand the importance of CBS's financial buffers (capital, general reserves, retained earnings, revaluation accounts etc.).</p>		<p>The CBS will discuss this recommendation and consider it in the Annual Report for 2024.</p>
<p>18. The CBS's disclosures on the risk framework are quite comprehensive. Transparency, nonetheless, could be enhanced by revisiting the structure of the annual report, as mentioned</p>		<p>The CBS will review this recommendation and consider its inclusion in the Annual Report for 2023.</p>

<p>in comments under principles 1.3.4 and 1.5.1, and including in it a subsection dedicated to risk management that would (in addition to items mentioned under 1.5.1) provide: (i) a high-level overview of risk governance; (ii) the process of continuous identification and evaluation of risks (financial, operational, and legal); (iii) risk strategies (risk avoidance, mitigation, and transfer) in key areas; and (iv) key tools and internal controls for managing operational risks. Presenting this information in a dedicated subsection would also force prioritization and consistency in the level of detail provided with respect to developments in key risks and related risk strategies at the CBS.</p>		
<p>19. Transparency could be improved by disclosing on the CBS website the arrangement between the CBS and the Auditor General on the appointment of audit firms that conduct audits of the CBS financial statements on the Auditor General's behalf.</p>	<p>The CBS will liaise with the Office of Auditor General for consensus on the disclosure of the agreement on the CBS website.</p>	
<p>20. Transparency could be improved by: (i) disclosing on the CBS website a short summary of rules on the appointment and dismissal of the head of internal audit; and/or (ii) publishing the Internal Audit Charter.</p>	<p>The CBS will publish the Audit Charter by end of September 2022.</p>	<p>The CBS will revise its Annual Report to feature the changes recommended.</p>

<p>Transparency could be improved by: (i) explaining the role of the Audit and Risk Committee on the CBS website; and by (ii) publishing the Audit and Risk Committee charter.</p> <p>Finally, the Board's oversight role as well as the role of the Audit and Risk Committee could feature more prominently in the CBS annual report, together with other assurance providers, once the concept of the annual report is revisited, as already suggested in comments under principles 1.3.4, 1.5.1, and 1.5.2. The Board Secretary Report published in 2018 and 2019 could provide a good basis for the corporate section of the CBS annual report.</p>		
<p>21. Opportunities for improvement always exist. CBS should continue improving the Management's commentary on the audited financial statements in Annex I to the 2021 annual report, e.g., by including additional tabular information or infographics. CBS could also consider repositioning the commentary, especially once it has revised the concept of its annual report, as suggested in comments under other principles (e.g., 1.3.4, 1.5.1, 1.5.2).</p>		<p>The recommendation will be evaluated and possible improvements will be made by 2024.</p>
<p>22. Transparency could be enhanced by including in the</p>		<p>The CBS will amend the Annual Report to feature the</p>

<p>relevant section of the CBS annual report the basis for the audit methodology and the result of the last External Quality Assessment.</p>		<p>changes recommended by 2023.</p>
<p>23. Transparency could be enhanced by featuring the description of the Board and the Audit and Risk Committee oversight function more prominently in the CBS annual report, once the concept of the report has been revisited by CBS as mentioned above. CBS could also consider including in the annual report (or on the CBS website) the committee's annual report on its work (signed by the chair of the committee).</p>		<p>The CBS will evaluate its current section in the annual report relating to the Audit and Risk Committee for improvement. The CBS will discuss the possibility of implementing an annual ARC Report.</p>
<p>24. Relevant domestic anticorruption laws should be explicitly referred to in the CBS's legal framework and website. In this regard, CBS staff is currently working on an anti-bribery and corruption policy, which is expected to be made publicly available. In compliance with the requirements under the Anti-Corruption Act of 2016, transparent procedures for whistleblowing within CBS should also be considered.</p>		<p>The CBS will complete and publish its Anti-Bribery and Corruption policy.</p>
<p>25. A publicly available version of the Code of Conduct and Ethics is likewise being drafted. The authorities should also consider a methodology for disclosing enforcement activities with</p>		<p>The CBS will complete its Code of Ethics by December 2022. The Code of Ethical Business will be finalized within the coming years.</p>

<p>respect to the Code of Conduct and Ethics, including transparency on the statistics on sanctions imposed for violations. CBS's Procurement Policy is also undergoing review, which will cover a Code of Ethical Business when dealing with contract bidders for CBS's procurement needs.</p>		
<p>26. Transparency could be significantly improved by including in the CBS's annual report and/or the CBS website information on the CBS human capital management, such as: (i) enhanced statistics on CBS staff; (ii) staff salary scale and salaries of key officials; (iii) allowances and other benefits such as the staff pensions scheme and loans provided to staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning. Where appropriate, CBS should provide the rationale for these policies and measures, e.g., by explaining that loans are provided to staff to minimize risk of actual or perceived conflict of interest.</p>		<p>The CBS will consider publishing statistical information related to human capital by 2023.</p>

<p>27. The communications policy is work in progress as communicated by the CBS communications unit. The development of a communication policy or guideline will facilitate the institutional processes for communication, and a better understanding of the institutional communication arrangement. For transparency purposes it would be beneficial the publication of CBS institutional communications policies and guidelines in the CBS website. Disclosure, dissemination, or further explanation to the public of the annual report while being presented to National Assembly could reinforced transparency practices of the CBS.</p>	<p>The CBS will complete and approve the new Communications policy and create awareness to staff by end of 2022.</p>	
<p>28. The press conference is done in Creole, and it is a direct message in plain language from the CBS itself (Governor) to the public. It is further disseminated through press releases in English and Creole, but it seems important to facilitate access to this information in English language; that is, Governor's presentation and complementary information prepared by the CBS staff. This will easily disseminate such information across the English-speaking community and the written press.</p>	<p>The CBS will publish press conference presentations from pre-recorded press conferences under relevant existing tabs on the CBS website.</p> <p>The CBS will continue using the Financial Education for Seychelles social media pages to disseminate financial education-related materials.</p> <p>The CBS gather stakeholder feedback surveys after interactions/trainings/seminars to evaluate impact.</p>	<p>The CBS will review the website to accommodate a centralized location for press conference presentations.</p> <p>The CBS will build capacity of the Communications Unit to maintain social media accounts through relevant training and establish guidelines for interaction on the official CBS social media page(s).</p> <p>The CBS will complete and approve the Communications Policy and identify suitable evaluation methods for relevant stakeholders/target audiences.</p>

<p>The use of social media could be reinforced specially to target specific groups. CBS is already using digital platforms like Facebook and Instagram. There is a need to further disseminate to specific audiences the availability of information under this platform.</p> <p>CBS actively engages with the public and stakeholders, but since the communications policy or a specific communications strategy are not disclosed to the public it is difficult to follow the outcomes of the communications actions. At the same time, active evaluation like surveys or other evaluation methods like focus group queries and workshops could benefit CBS efficiency and transparency regarding communications.</p>		
<p>More workshops and educational activities for specific audiences like journalists, academics, parliamentarians, and the public seem to be a need to accelerate understanding of the CBS role and mandate but also to broaden financial literacy in general.</p> <p>Engagement with the CBS seems to be an interest by different institutions and stakeholders; especially regarding knowledge sharing on economic and financial matters.</p>		<p>The recommendation will be included in the financial education plan for 2023 which will include targeted activities for the recommended segments.</p>

<p>Rules and regulations, voluntary policies or guidelines could be developed to implement the confidentiality provisions of the CBS Act. The confidentiality system could be explained to the public including the data classification system. With the implementation of the ATIA the CBS reinforces its confidentiality legal framework, bringing clarity to determine which type of information could be classified as sensitive information.</p>		<p>The CBS will develop a confidentiality policy taking into account the Data Classification policy and its obligations under the ATIA. The Policy will be disclosed to the public.</p>
<p>While the monetary policy framework is qualified as an inflation targeting framework in some publications (i.e., IMF AREAER Annual Report), monetary policy is currently in a transition phase with the goal to introduce a fully-fledged inflation targeting framework at a later stage. Greater clarity in CBS communications in that regard would enhance transparency of the monetary policy framework in place at this juncture.</p> <p>To support a fully-fledged IT framework better alignment of the de jure and the de facto monetary policy framework in the CBS communication would be desirable. In that context, disclosure of an explicit numerical medium-term inflation objective (different</p>		<p>The CBS will publish the relevant indicators in line with the prevailing framework and the necessary explanations will be provided to ensure clarity.</p>

<p>from the near-term inflation forecast) would enhance transparency of the monetary policy framework as it would provide a cornerstone for its monetary policy actions and communications. Similarly, disclosure of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>		
<p>While most market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to the policy decision making process, the publication of a Monetary Policy Report would enhance further transparency. The CBS may also consider systematically publishing the Governor's speech given at the monetary policy briefing, as well as regularly posting video recordings of the press conference which have been sporadic in the past.</p>	<p>The CBS has published the Monetary Policy Report on August 2, 2022.</p>	
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to supporting analysis for monetary policy decisions, transparency in that dimension of monetary policy would be enhanced by the disclosure of key elements of</p>		<p>The CBS will publish relevant indicators in line with the prevailing framework; taking into account the requirements of the market.</p>

<p>the macroeconomic forecasts (i.e., scenario analysis, risks to the outlook, and models used for the forecast and the scenario analysis). In the first stage, CBS may consider publishing the forecast of key economic variables for the medium-term and risks to the baseline scenario. At a later stage, CBS may also consider disclosing alternative scenarios and details of its macroeconomic model. Such publications could set the stage for greater involvement of relevant stakeholders, such as collaborative projects with academia on matters related to macroeconomic management in general, and monetary policy conduct in particular.</p>		
<p>Disclosure of ex-post evaluations of the economic impact of the FX interventions would enhance transparency of foreign exchange management.</p>	<p>The CBS will discuss the publication of the current Investment Policy on the CBS website.</p>	<p>The CBS will discuss on the communication of substantial changes in the Investment Policy.</p>
<p>Periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions would enhance further transparency.</p>	<p>The CBS will include in the Annual Report for Reserves Management for 2022.</p>	
<p>As the FSC is considered the forum in Seychelles to discuss financial stability issues, the disclosure of its activities and outcome could be further improved. In this context, the</p>		<p>The CBS will revamp relevant documents and discuss on ways to facilitate the disclosure of FSC activities.</p>

<p>CBS may discuss with other involved authorities in the FSC the possibility to publish agendas and sanitized minutes or summary of the outcomes.</p> <p>The FSC lacks the appropriate legal basis to effectively discharge its mandate. Consequently, groundwork was undertaken to draft a Financial Stability Act aimed at addressing the shortcomings. Moreover, as part of the CBS's plan to enhance the financial stability framework, work began on drafting a Macroprudential Framework and Toolkit, which will set out the objectives of the macroprudential policy and outline the macroprudential tools. In this context, the CBS should consider to be more transparent on the process of strengthening the macroprudential and financial stability framework, which would allow the relevant stakeholders to be involved in the deliberations in order to achieve an effective framework.</p>		
<p>The CBS should periodically publish key indicators, such as early warning indicators, and explain how they relate to the need for financial stability policy action.</p>		<p>The CBS with relevant technical assistance will undertake a risk mapping exercise to identify risk to financial stability so as to update the risk dashboard and accompanying indicators.</p>

<p>The CBS may consider disclosing the general rules, parameters, terms and conditions for bilateral liquidity support. General rules and applicable parameters should include: (i) institutional eligibility (including the set of entities or markets that are generally eligible for liquidity support); (ii) conditionality (including the ability of the central bank or supervisory authority to collect, monitor, and assess information on whether the use of the liquidity provided is consistent with the objectives of the liquidity support); (iii) supervisory intrusion (including the central bank's or supervisor's legal power to conduct enhanced supervisory oversight and the ability to adopt early intervention measures); and (iv) financial parameters (including the applied interest rate, eligible collateral, maturity, and currency in which liquidity support is provided).</p>	<p>The CBS will upload the guidelines on the CBS website after the relevant approvals have been received.</p>	
<p>CBS can further disclose information on procedures for revising its supervisory policies and guidance and how it ensures consideration of private sector feedback.</p>		<p>The CBS will discuss internally on the best way to implement the recommendation and the necessary can be formulated and implemented in 2023-2024</p>
<p>Reporting on the implementation of the AMLCFTCPF Policy by the CBS Compliance Unit and its audit could be disclosed, including</p>		<p>The CBS will evaluate this recommendation and commence implementation in 2023.</p>

timely remediation of identified weaknesses.		
<p>The newly enacted Financial Consumer Protection Act grants the CBS more authority to act where necessary against Financial Services Providers (FSPs) where any infringements have been identified. In addition, the law sets out the minimum standards by which these FSPs should be abiding, which did not exist previously. CBS has an ongoing process of developing secondary regulations to modify the complaints procedure in accordance with the new law and to secure the implementation of fair treatment and business conduct measures. The complaints mechanism will be also enhanced in accordance with the new legislation and efforts on this regard are work in progress</p>		<p>The enactment of the Complaints Handling Regulations will be completed by the end of 2022.</p>
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to disclosure of its monetary policy operational framework, publication of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the</p>	<p>The CBS will conduct a review of monetary policy operational framework and discuss the issue of a numerical operational target within the corridor.</p>	

communication of the policy stance.		
Should the FX swaps instrument be activated for international reserves management purposes, operational guidelines would need to be disclosed to ensure full transparency.	The CBS will upload the Operational Guidelines for FX swaps on the CBS website.	
Transparency in this dimension of FX reserve management would be enhanced by the publication of the risk exposures.	The recommendation will be considered internally for inclusion in the annual report for reserves management for 2022.	
Disclosure of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets would enhance transparency, as would disclosure of the methodology for assessing performance of the RAMP.		The recommendation will be discussed internally for publication on the CBS website.
Disclosures of stress tests specific to liquidity risk (for instance in Note 42 to the audited financial statements) would enhance further transparency of financial risks management with regard to international reserves management.		The CBS will discuss internally to evaluate how the enhancement of disclosure can be incorporated.
The CBS may consider disclosing the methods and underlying data used for the assessments of the financial stability, including stress testing data, to the extent such disclosure is compatible		The CBS will evaluate how the recommendation can be incorporated in the planned work plan to develop a stress testing framework in 2023.

with the CBS access to data protection rules.		
The CBS may consider disclosing information on the data is used and more details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon and evolution of financial statements over the stress test horizon, and the regulatory framework considered.		The CBS will evaluate how the recommendation can be implemented whilst ensuring adherence to the CBS access to data protection rules. The CBS will initiate the discussion in 2023.
<p>The CBS may consider disclosing the number and the type of banks covered by the stress testing.</p> <p>While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.</p>	The recommendation will be implemented in the next stress test.	
While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.		The CBS will discuss how to implement the recommendation.
The CBS should disclose key elements of its recently approved risk-based AML/CFT supervisory policy to guide supervised entities on criteria for assessing their AML/CFT compliance. In addition, CBS should publish	The CBS will publish the approved supervisory policy and also disclose the number and types of examinations conducted.	

<p>key statistics on information on completion rates of off-site and on-site AML/CFT assessments of supervised entities.</p> <p>CBS could disclose statistical information on the completion rates of its internal AML/CFT control activities.</p>	<p>The CBS will discuss on the modality for disclosure of the policy.</p>	
<p>The two main activities of the CBS regarding consumer protection have been claims and financial education on consumer protection. Although it is important to clarify that actions regarding financial education go beyond consumer protection and make part of a broader agenda. The Market Conduct Division has published a few regulations regarding market conduct to ensure fair treatment of consumers, but this role will be enhanced in accordance with the new FCPA. The regulatory process on consumer protection must follow a public consultation process with stakeholders, ensuring good participation of the banking sector and acknowledging feedback and comments from all parties involved in a transparent and inclusive manner as it was mentioned by some CBS stakeholders.</p>	<p>The CBS will ensure direct feedback is provided to stakeholders after they have provided their comments on the complaints handling regulations, and where necessary, meetings can be set to discuss further so as to ensure that the new regulations are as practical as possible for all stakeholders</p>	<p>The CBS will continue to carry out the practice of ensuring stakeholders are well consulted for all regulations to be issued under the FCPA.</p>
<p>Additional disclosures of methods and data underlying the quarterly monetary policy evaluations would enhance</p>		<p>The CBS will amend the relevant documentations/publications, such as the MP press communiqué, media</p>

<p>transparency of the action taken to achieve the monetary policy objectives.</p>		<p>presentation, Monetary Policy Report to reflect the enhanced analytical coverage.</p>
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices, publication of the level of the operational target achieved (once such a target is disclosed, see Principle 3.1.1) would enhance transparency on the outcomes of monetary policy. Such disclosure would facilitate the communication of the policy stance, and support the functioning of money markets, by allowing banks to predictably place surplus liquidity with, and obtain short-term funding from each other or the CBS at rates that are reasonably stable.</p> <p>Frequent and timely disclosure of the activation of the standing credit/deposit facilities would also enhance transparency of monetary policy implementation, as would publication of the aggregated bank balances at the CBS and realized autonomous factors of liquidity.</p>	<p>The CBS will discuss the recommendation internally for publication on the CBS website.</p> <p>The aggregated liquidity condition is currently being published on the CBS website on a weekly basis.</p>	
<p>Disclosures/discussion of the CBS FX interventions in the context of the quarterly press conference would allow an evaluation of these policy actions against their expected benefits. By enhancing the</p>		

<p>transparency of CBS's FX management actions, these disclosures would therefore support enhanced CBS accountability in relation to these policy actions.</p>		
<p>The CBS could consider disclosing the main modalities governing the interaction and exchange of information between the CBS and other relevant financial market authorities involved in financial stability though, for example, publication of the existing MoU between the CBS and the authorities participating in the FSC.</p>		<p>The CBS will finalize the MOU for approval by the FSC by 2023 once the new legislation comes into force.</p>
<p>The CBS may undertake and publish analytical studies covering ex-post evaluations of whether the implemented financial stability measures have achieved the intended effects.</p>		<p>The CBS will discuss how the modalities will be carried out.</p>
<p>The CBS may consider disclosing information on how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning. It may also provide more information on the central bank's risk taking in connection with the support.</p>	<p>The CBS will consider this recommendation for enhanced disclosures in the Annual Report of 2022.</p>	
<p>The CBS should publish outcomes of its AML/CFT supervisory activities to better guide and instruct other supervised entities. Prompt</p>		<p>The CBS is collaborating with the National AML/CFT Committee to establish the Appeals Board. Once established, there will be</p>

<p>establishment of the Appeal Board and publication of its procedures should be prioritized to ensure that the CBS is fully empowered to impose administrative sanctions for any violations by supervised entities under the AML/CFT Act.</p> <p>The CBS should also publish the outcomes of its internal AML/CFT controls annually, including information on their effectiveness (such as statistical information on information on filing of suspicious transaction reports to the financial intelligence unit).</p>		disclosures on the sanctions applied.
<p>The CBS reports and disseminates consumer protection outcomes in a comprehensive manner. Although the mandate and functions on consumer protection are currently limited there are many ongoing regulatory developments to implement the new FCPA.</p> <p>The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; further disclosure regarding financial education surveys could be beneficial to enhance transparency.</p>		Further to the enactment of the FCPA, the CBS will set out in a transparent manner as to the method to which it will implement its market conduct and consumer protection function
<p>Transparency could be enhanced with a more consistent practice of disclosure and explain further or in a detail manner the</p>		The CBS to consider the formulation of a disclosure/transparency policy.

<p>bilateral agreements with public institutions in reports and the CBS website.</p> <p>Regarding other domestic institutions relations have been established through MoU. These relations are disclosed mostly by press releases, jointly made with the institutions but the MoU are not always disclosed. A more sustained practice of disclosure of MoU or an explanation of the relationship on the website would be beneficial to increase transparency practices.</p> <p>CBS is a very active central bank regarding membership, participation and leadership in international institutions, organizations, and other central banks. Most of the international relations and interactions and even agreements are disclosed in the annual report. Transparency and dissemination of CBS interaction with international counterparts could be enhanced by highlighting international cooperation and actions on the CBS website with and explanation of terms and conditions of the agreements. The accessibility of press releases could be enhanced by having a specific tab on international relations and cooperation on the website.</p>		
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Appendix II. List of CBS Units and External Stakeholders

CBS Senior Management and Staff:

- Governor
- Second Deputy Governor
- Members of the Board of Directors
- Banking Services Division
- Communications Unit
- Compliance Unit
- Financial Inclusion and Market Conduct Division
- Financial Markets Division
- Financial Surveillance Division
- Human Resources Division
- Internal Audit Division
- Research & Statistics Division
- Risk Management Unit

External Stakeholders:

- Academia (University of Seychelles)
- Commercial Banks (ABSA Bank, Mauritius Commercial Bank)
- Fair Trading Commission
- Financial Intelligence Unit
- Financial Services Authority
- Information Commission
- Media Commission
- Ministry of Finance, National Planning and Trade
- Media Representatives (Seychelles Broadcasting Corporation, Seychelles Nation, Today in Seychelles)
- National Assembly
- Seychelles Chamber of Commerce

CBS List of Officers**Secretariat**

Ms Caroline Abel

Mr Brian Commettant

Ms Jenifer Sullivan

Designation

Governor

First Deputy Governor

Second Deputy Governor

Communications Unit

Mrs Marie-Angele Thomas

Mrs Sharon Uranie

Communications Officer

Communications Officer

Compliance Unit

Ms Martine Faure

Mr Collin Appoo

Director

Compliance Officer

Legal Unit

Ms Shannon Jolicoeur

Mrs Tanya Thyroomoody

Ms Vivienne Confiance

Ms Annarose Clarisse

Mrs Antoinette Racombo

Director

Senior Legal Officer

Legal Officer

Legal Officer/Board Secretary

Legal Officer /Deputy Board Secretary

Internal Audit Division

Mrs Samanta Esparon

Mrs Danielle Michaud

Ms Juliette Malbrook

Mr Charles Ally

Mr Marty Fanny

Head of Division

Director

Senior Internal Auditor

Internal Auditor

Information Systems Auditor

Risk Management Unit

Ms Laureenda Mathiot

Ms Prisila Laurence

Ms Sophie Morel

Mr Yanick Albert

Mr Kevin Fabien

Mr Jude Woodcock

Director

Senior Risk Analyst

Risk Analyst

Risk Analyst

Business Continuity Manager

Chief Information Security Officer

Administration Division

Mr Francis Payet

Vacant

Ms Nelcie Pierre

Mr Russel Moustache

Mr Philip Simeon

Ms Yvonne Legaie

Head of Division

Director

Finance and Admin Officer

Building and Project Manager

Security Manager

Health and Safety Officer

Banking Services Division

Mr Mike Tirant	Head of Division
Mrs Noemie Gobine	Director
Mrs Patricia Padayachy	Senior Banking Officer
Mr Terry Adrienne	Senior Banking Officer
Mr Govani Valentin	Banking Officer
Mr Michel Moustache	Banking Officer
Mrs Cynthia Sophola	Banking Officer
Ms Shannon Confiance	Banking Officer
Mr Allen Marie-Therese	Banking Officer
Mrs Gesta Balette	Banking Officer
Mr Jonathan Alvis	Banking Officer
Mrs Jeannette Payet	Senior Banking Officer
Ms Claire Pragassen	Senior Banking Officer
Mr Samuel Chang-Sam	Banking Officer
Mr Aubrey Yocette	Banking Officer
Ms Masturah Denis	Banking Officer
Mrs Jennifer Legaie	Banking Officer
Ms Vanessa Bijoux	Senior Financial Reporting Officer
Ms Dianne Pillay	Financial Reporting Officer
Ms Diane Alvis	Financial Reporting Officer
Ms Sabrina Henriette	Financial Reporting Officer
Mrs Angelique Korajkar	Financial Reporting Officer
Ms Sujaa Pillay	Financial Reporting Officer
Mr Jude Adolphe	Senior Currency and Numismatics Officer
Mr Christopher Rousseau	Chief Vault Custodian
Ms Irianna Aglae	Chief Cashier
Ms Annica Estrale	Currency and Numismatics Officer

Financial Markets Division

Ms Moyra Alexis	Head of Division
Mrs Gina Rosette	Director
Ms Vaithegi Naidu	Senior Portfolio Analyst
Mrs Vanessa Mussard	Senior Financial and Risk Analyst
Mrs Shireen Jumaye-Hoareau	Portfolio Analyst
Ms Aneesha Coopoosamy	Portfolio Analyst
Ms Jessica Morel	Portfolio Analyst
Ms Sheera Philoe	Financial and Risk Analyst
Mr Ron Bonne	Financial and Risk Analyst
Ms Melissa Naiken	Financial and Risk Analyst
Mr Marvin Meriton	Financial and Risk Analyst
Ms Shirley Mendes	Market Operations Officer
Ms Marylene Chang-Him	Market Operations Officer
Ms Elaine Desnousse	Market Operations Officer
Ms Jerina Jeanne	Market Operations Officer
Ms Anna Sinon	Market Operations Officer
Mr Chris Loizeau	Senior Settlement and Accounts Officer
Mr Fabien Bristol	Accounts Officer

Financial Inclusion and Market Conduct Division

Vacant	Head of Division
Ms Liz Julienne	Director
Ms Beggita Vital	Senior Market Conduct Analyst
Ms Pauline Moustache	Market Conduct Analyst
Ms Shakirah Mathiot	Market Conduct Analyst
Ms Kelly Rose	Market Conduct Analyst
Mrs Audrey Chetty	Senior Financial Inclusion Analyst
Mrs Rose Larue	Financial Inclusion Analyst
Ms Amelie Desaubin	Financial Inclusion Analyst
Mr Jonathan Valentin	Financial Inclusion Analyst
Ms Brigitte Lucas	Financial Inclusion Analyst
Ms Rubya de Commarmond	Financial Inclusion Analyst

Research and Statistics Division

Vacant	Head of Division
Mrs Hilda Palconit	Director
Ms Trudy Lucas	Senior Economist
Ms Raghavi Naidu	Senior Economist
Mr Lenny Palit	Senior Economist
Ms Audrey Rath	Economist
Mr Ragul Pillay	Economist
Mr Craig Joseph	Economist
Mr Adolf Nourrice	Economist
Ms Dorothea Michel	Senior Statistician
Mr Terence Payet	Senior Statistician
Ms Suza Roselie	Statistician
Mrs Jenny Sinon	Statistician
Ms Stephanie Jean-Louis	Statistician
Mr Graham Adeline	Statistician
Mr Andy Ally	Statistician
Mrs Anne Prea	Statistician
Ms Lilienne William	Statistician

Technical Services Division

Vacant	Head of Division
Mr Desire Larue	Director
Mrs Shanthi Pillay	Senior Business Applications Administrator
Mr Riyad Moustache	Business Applications Administrator
Ms Gracey Johnson	Business Applications Administrator
Mr Rondy Monnaie	Senior Business Analyst Developer
Mr Georges Esparon	Business Analyst Developer
Mr Jose Hoffman	Senior Network Administrator
Mr Davis Dugasse	Systems Administrator
Mr Yanick Sauzier	Systems Administrator
Mr Dean Nanon	Network Administrator
Ms Velma Cafrine	Senior IT Governance Officer



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