



Annual Report 2023



Central Bank of Seychelles

Annual Report 2023

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Letter of Transmittal

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

March 27, 2024

**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 Twentieth Annual Report of the Central Bank together with a copy of the Financial Statements for the year ended December 31, 2023. The Financial Statements have been certified and signed by the Auditor General, following the audit review on behalf of the Auditor General by Grant Thornton Audit and Accounting Limited – Abu Dhabi, appointed under section 19 of the Auditor General Act 2010, read with Section 47(3) of the Central Bank of Seychelles Act.

Yours sincerely,



**C. Abel (Ms)
Governor**

Our Core Values

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

In her message for the year, Governor Abel dedicated 2023 to consolidating **Team Spirit** and to supporting each other in order to achieve our goals, as individuals and as an institution, especially as the Bank was going through a period of transformation. Staff was encouraged to remain humble in their endeavours whilst going the extra mile to keep the CBS flag flying high.

CENTRAL BANK OF SEYCHELLES

Board of Directors

(as at December 31, 2023)

| | | |
|-----------------------|---|---------------------------------|
| Caroline Abel | - | Governor and Chairperson |
| Brian Commettant | - | First Deputy Governor - Member |
| Jenifer Sullivan | - | Second Deputy Governor - Member |
| William Otiende Ogara | - | Director |
| Bertrand Rassool | - | Director |
| Sherley Marie | - | Director |
| Frank Ally | - | Director - Ex-Officio |
| James Jean | - | Director |

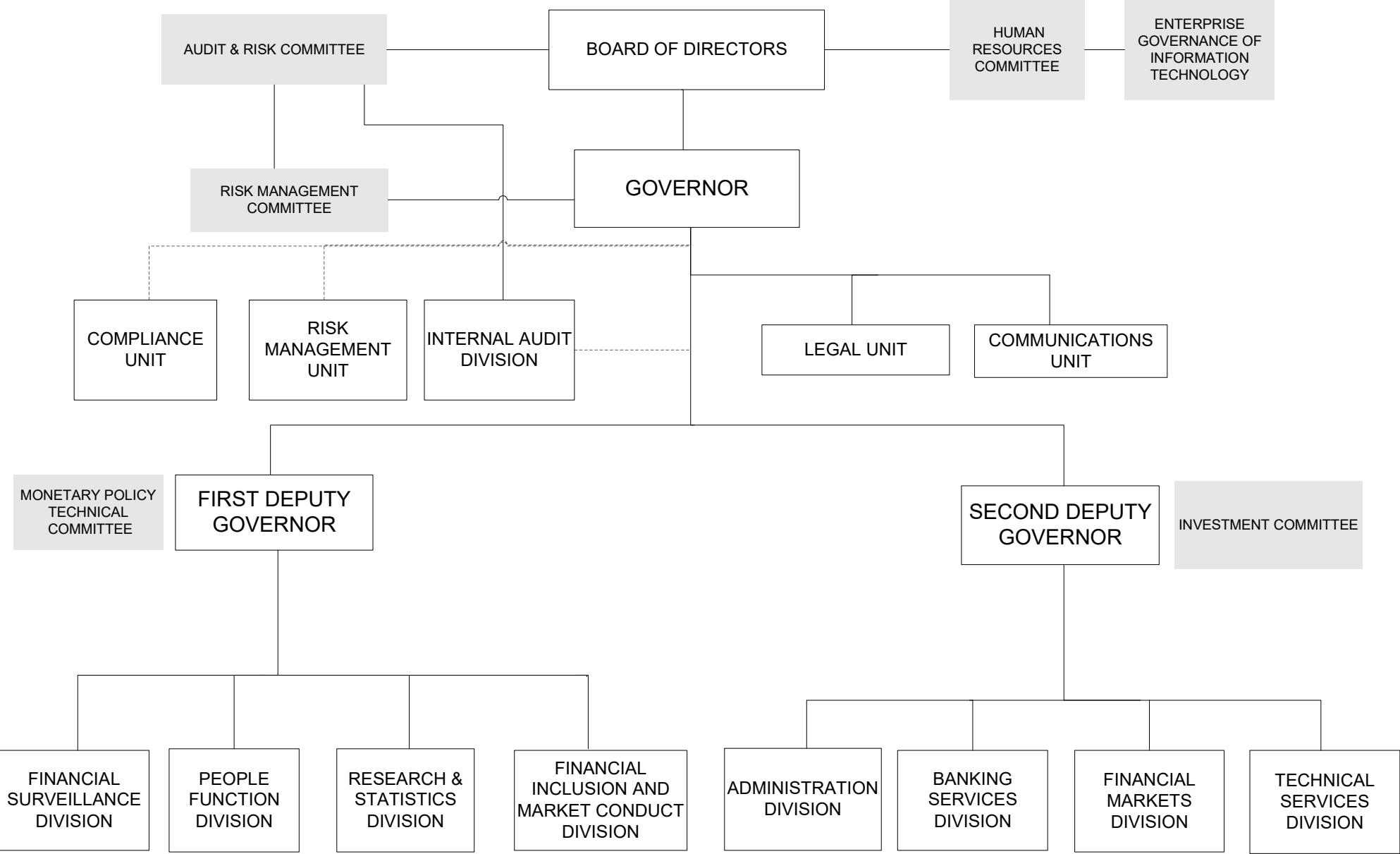
Secretary to the Board
Annarose Clarisse

Deputy Secretary to the Board
Antoinette Racombo

CBS Fact Sheet

| | |
|--|--|
| Address | <p>Physical Address:</p> <p>Independence Avenue</p> <p>Victoria, Mahé</p> <p>Postal Address:</p> <p>P.O. Box 701</p> <p>Victoria, Mahé</p> <p>Seychelles</p> <p>CBS does not have any branches</p> |
| Entity website name and link | <p>Central Bank of Seychelles</p> <p>https://www.cbs.sc/</p> |
| Date of establishment | December 01, 1978 |
| Entity type | Statutory corporation |
| Legal entity identifier | 254900T8VTP9P2A44092 |
| Government or state owned | Government-owned |
| Number of employees | 198 |
| Total asset size in reporting currency | <p>R11,329,677,279.36, equivalent to US\$798,162,502.86</p> <p>(as at December 2023)</p> |
| 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 |
| ATI | Africa Training Institute |
| ABC | Anti-Bribery and Corruption |
| AfDB | African Development Bank |
| AFI | Alliance for Financial Inclusion |
| AfPI | African Financial Inclusion Policy Initiative |
| AFRITAC South – AFS | Regional Technical Assistance Centre for Southern Africa |
| AGO | Attorney General's Office |
| AML/CFT | Anti-Money Laundering and Combating the Financing of Terrorism |
| AMLCFTCPF | Anti-Money Laundering, Counter Financing of Terrorism and Countering Proliferation Financing Policy |
| AMLS | Anti-Money Laundering and Counter Terrorism Financing Section |
| ARC | Audit and Risk Committee |
| ASP | Agency for Social Protection |
| BC | Business Continuity |
| BCAW | Business Continuity Awareness Week |
| BCM | Business Continuity Management |
| BCMS | Business Continuity Management Systems |
| BCP | Business Continuity Plan |
| BDCs | Bureaux de Change |
| BIA | Business Impact Analysis |
| BO | Beneficial Ownership |
| BOP | Balance of Payments |
| BSD | Banking Services Division |
| BSFSS | Banking Supervision and Financial Stability Subcommittee |
| BSS | Banking Supervision Subcommittee |
| CAA | Credit Auction Arrangement |
| CAIM | Crown Agents Investment Management |
| CBS | Central Bank of Seychelles |
| CCBG | Committee of Central Bank Governors |
| CCCL | Civil Construction Company Ltd |
| CEMCWG | Consumer Empowerment and Market Conduct Working Group |
| CEPS | Citizens Engagement Platform Seychelles |
| COMESA | Common Market for Eastern and Southern Africa |
| COMFWB | COMESA Federation of Women in Business |
| COP28 | United Nations Climate Change Conference of the Parties, 28 th edition |
| CoS | College of Supervisors |
| CPI | Consumer Price Index |
| CSLs | Company Special Licence |
| CU | Compliance Unit |
| DAA | Deposit Auction Arrangement |
| DBO | Domestic Banking Operations |
| DBS | Development Bank of Seychelles |
| DFS | Digital Financial Services |

| | |
|-----------|--|
| DFSWG | Digital Financial Services Working Group |
| DRC | Democratic Republic of Congo |
| ECB | European Central Bank |
| ECC | Electronic Cheque Clearing |
| ECS | Electoral Commission of Seychelles |
| EFF | Extended Fund Facility |
| EGITC | Enterprise Governance for Information Technology Committee |
| EOIR | Exchange of Information on Request |
| EQA | External Quality Assurance |
| ERM | Enterprise Risk Management |
| 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, 2022 |
| FDG | First Deputy Governor |
| FEA | Foreign Exchange Auction |
| FIA | Financial Institutions Act 2004 |
| FIMCD | Financial Inclusion and Market Conduct Division |
| FMD | Financial Markets Division |
| FIMs | Financial Market Infrastructures |
| FMS | Financial Markets Subcommittee |
| 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 |
| FSPs | Financial Service Providers |
| FSS | Financial Stability Section |
| G + D | Giesecke+Devrient Currency Technology FZE |
| GBP | Great British Pound |
| GDP | Gross Domestic Product |
| GERSP | Governance and Economic Reforms Support Programme |
| GIR | Gross International Reserves |
| GOP | Gainful Occupation Permits |
| GRC | Governance Risk and Compliance |
| HICDP | High Impact Community Development Project |
| HICDP | High Impact Community Development Project |
| 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 |
| IFRS | International Financial Reporting Standards |
| IGFWG | Inclusive Green Finance Working Group |
| IIA | Institute of Internal Auditors |
| IIP | International Investment Position |
| IMF | International Monetary Fund |
| IORWG | International Operational Risk Working Group |
| IOSCO | International Organisation of Securities Commissions |
| IPPF | International Professional Practices Framework |
| IS | Information Security |
| ISE | Identity Services Engine |
| ITZ | International Trade Zone |
| KYC | Know Your Customer |
| MCS | Market Conduct Section |
| MCSCC | Monitoring Control and Surveillance Coordination Centre |
| MDM | Münzhandelsgesellschaft mbH & Co. KG Deutsche Münze |
| MEC | Macroeconomic Convergence |
| MES | Macroeconomic Subcommittee |
| MFSMCG | Monetary and Financial Statistics Manual and Compilation Guide 2016 |
| MoU | Memorandum of Understanding |
| MPF | Monetary Policy Framework |
| MPR | Monetary Policy Rate |
| MPSS | Micro Prudential Surveillance Section |
| MPTC | Monetary Policy Technical Committee |
| MRR | Minimum Reserve Requirement |
| MSMEs | Micro, Small, and Medium Enterprises |
| NAV | Net Asset Value |
| NFA | Net Foreign Assets |
| NIR | Net International Reserves |
| NPLs | Non-performing Loans |
| NPSA | National Payment System Act 2014 |
| NRA | National Risk Assessment |
| ODCs | Other Depository Corporations |
| OECD | Organisation for Economic Cooperation and Development |
| OMFIF | Official Monetary and Financial Institutions Forum |
| OMO | Open Market Operations |
| OPEC | Organisation of the Petroleum Exporting Countries |
| PDF | People Function Division |
| PIMA | Public Investment Management Assessment |
| PIRI | Pacific Islands Regional Initiatives |
| PMC | Property Management Corporation |
| PMU | Project Management Unit |

| | |
|------------|--|
| PRS | Policy and Research Section |
| PSPs | Payment Service Providers |
| PUC | Public Utilities Corporation |
| PwC | PricewaterhouseCoopers Ltd |
| QPCs | Quantitative Performance Criteria |
| RAMP | Reserves Management Advisory Programme |
| RBS | Risk-Based Supervision |
| REX | Registered Exporter System |
| RFIs | Request for Information |
| RFP | Request for Proposal |
| RMC | Risk Management Committee |
| RMF | Risk Management Framework |
| RMU | Risk Management Unit |
| RSD | Research and Statistics Division |
| RSF | Resilience and Sustainability Facility |
| RTGS | Real Time Gross Settlement |
| SA | Settlement and Accounting |
| SADC | Southern African Development Community |
| SADC MCSCC | SADC Fisheries Monitoring Control and Surveillance Coordination Centre |
| SADC-PF | SADC Parliamentary Forum |
| SARPPCO | Southern African Regional Police Chiefs Cooperation Organisation |
| SBA | Seychelles Bankers Association |
| SCF | Standing Credit Facility |
| SCIS | Seychelles Credit Information System |
| SCR | Seychelles rupee |
| SCU | Seychelles Credit Union |
| SDDS | Special Data Dissemination Standards |
| SDF | Standing Deposit Facility |
| SDG | Second Deputy Governor |
| SEFT | Seychelles Electronic Funds Transfer |
| SFA | Seychelles Fisheries Authority |
| SFAs | Strategic Focus Areas |
| SMEFWG | SME Finance Working Group |
| STC | Seychelles Trading Company |
| STRs | Suspicious Transaction Reports |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| SWIOFish3 | South West Indian Ocean Fisheries Governance and Shared Growth Project |
| TAC | Technical AML/CFT Committee |
| TOR | Terms of Reference |
| TSD | Technical Services Division |
| UAE | United Arab Emirates |
| UBS | Union Bank of Switzerland |
| UK | United Kingdom |
| UNYS | UN Youth Seychelles |
| USA | United States of America |
| US Fed | US Federal Reserve Bank |

| | |
|--------|--|
| US OTA | US Department of the Treasury's Office of Technical Assistance |
| USD | United States dollar |
| 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

Global economic growth was estimated at 3.1 per cent in 2023 compared to 3.5 per cent in 2022, according to the World Economic Outlook (WEO) published by the International Monetary Fund (IMF) in January 2024. This outcome was on account of tight monetary conditions, following increases in interest rates by major central banks globally to counter high inflation, in addition to the adverse effects of the war between Russia and Ukraine. In the euro area, growth was subdued as consumer confidence remained low and the lingering effects of high energy prices continued to be felt. Although it remained above the respective target of key central banks, global inflation subsided faster than expected, from 8.7% in 2022 to 6.8% in 2023, following the successive interest rate hikes by major central banks since 2022, and which continued for most of 2023. Additionally, the decline in inflation was supported by improvements in supply chains as well as a decrease in international commodity prices.

1.1 Domestic Economic Developments

Despite the various adverse developments that directly or indirectly impacted domestic activity, the Seychelles economy remained resilient in 2023. Even in the face of adversity, with the disasters¹ that occurred in December, there was a concerted effort by numerous local stakeholders as well as bilateral partners to address the challenges, so as to enable the affected businesses and households to resume their activities in the shortest delay. However, whilst some businesses were able to reopen their doors by the end of the year, several others were still not in a position to do so, given the extent of the damage to their physical infrastructure.

During the year under review, developments in the domestic economy was underpinned by the strong performance of the tourism sector. Visitor arrivals stood at 350,879, which was an expansion of 5.7 per cent compared to 2022. This was mainly on account of an increase in the number of tourists from traditional source markets such as Germany, Italy, Russia and the Middle East. In year-on-year terms, tourism earnings were estimated to have increased by 5.8 per cent to stand at US\$989 million.

¹On December 06, heavy rainfall affected residents in the north of Mahé, causing loss of life and damage to property. This was followed by an explosion in the early hours of December 07, at the Civil Construction Company Ltd (CCCL), a company that manufactures aggregates and blocks for the construction industry. Given the nature of their business, there was a certain amount of explosives on their premises. The explosion caused significant damage to businesses at the Providence Industrial Estate and houses in the surrounding areas.

The positive performance of the tourism industry supported a sustained inflow of foreign exchange in the domestic economy. Compared to 2022, both purchases and sales of foreign exchange were higher. In line with the increase in domestic activity, the volume of transactions in the foreign exchange market rose in the second half of 2023. With the exception of December, demand exceeded supply in the latter half of the year compared to the first half when there was excess supply. This led to an overall weakening of the Seychelles rupee (SCR) in the latter half of the year compared to the first six months of 2023. However, in annual average terms, in 2023, the SCR traded at R14.0187, an appreciation of 25 cents or 1.8 per cent against the US dollar (USD) relative to R14.2727 in 2022.

The favourable conditions in the foreign exchange market in the first half of 2023 allowed the Bank to accumulate reserves. By the end of the year, Gross International Reserves (GIR) stood at US\$682 million, equivalent to 3.8 months of import cover, whilst Net International Reserves (NIR) amounted to US\$529 million.

Provisional Balance of Payments estimates for the year under review showed a current account deficit of US\$144 million compared to US\$142 million in 2022. This outcome was due to higher imports compared to exports, in addition to a worsening of the secondary income account over that period. However, as a percentage of GDP, the current account deficit narrowed from 8.3 per cent in 2022 to 7.4 per cent in 2023.

As mentioned above, the positive performance of the tourism sector remained the main driver of the domestic economy. The estimated real GDP² growth of 3.8 per cent in 2023 was also supported by an expansion of 5.0 per cent in the fisheries sector, primarily on account of higher fish catch. In addition, the manufacturing sector grew by 1.9 per cent due to increases in the output of various categories, such as beverages and tobacco, fishery products and other foods, as well as construction materials. Furthermore, as a result of a significant growth in data traffic, the telecommunications sector expanded by 16 per cent.

In terms of price developments, there was a deflationary trend in the average prices of goods and services as of May. This was mainly as a result of a decline in international prices of food and fuel, as well as the relatively lower freight costs. In December, the year-on-year inflation rate stood at *negative* 2.7%, whilst the 12-month average inflation rate was at *negative* 1.0%. Whilst such developments reflected the moderation in inflation externally, there was a strengthening of the SCR against the USD in annual average terms in 2023, which supported the pass-through from lower international commodity prices into domestic prices.

As has been the case since Q3 2021, the Central Bank maintained an accommodative monetary policy stance throughout 2023. As such, the Monetary Policy Rate (MPR) remained unchanged at 2.0%, whilst

² Indicative Estimates - Seychelles Macroeconomic Framework Working Group as at January 2024

the Standing Credit Facility (SCF) and Standing Deposit Facility (SDF) stood at 3.5% and 0.5%, respectively. During the year, the main focus of monetary policy operations was on addressing the excess liquidity and achieving optimal liquidity conditions. As such, whilst for the first three quarters of the year, only the 7-day Deposit Auction Arrangement (DAA) was used in the Open Market Operations (OMOs), the Bank issued a longer-term DAA of 364 days in October, to address this structural liquidity surplus. Moreover, as of November, the 1-month and 2-month DAAs were offered on a fortnightly basis in addition to the 7-day DAA, to optimise the liquidity management operations.

In line with the higher economic activity and supported by the accommodative monetary policy conditions, there was an increase in credit disbursed to the private sector during the year under review. In December, the stock of outstanding credit to the private sector expanded by 7.4 per cent compared to the same period in 2022, mainly on account of a growth of 13 per cent in rupee-denominated loans. Conversely, credit extended in foreign currency fell by 14 per cent in rupee terms, primarily due to an increase in interest rates domestically, which led to lower demand for such facility. The rise in interest rates on loans denominated in foreign currency reflected the tighter global financial conditions.

Mixed movements were observed in interest rates during the review period. In December, the average savings rate on local currency deposits stood at 1.50%, an increase of 0.1 basis point relative to the same period in 2022. In comparison, there was a decrease of 3.1 basis points in the average return on savings denominated in foreign currency, from 0.93% in December 2022 to 0.90% at end-2023, due to a decline in the stock of such deposits at higher interest rate brackets. The average return on fixed-term rupee deposits fell by 13 basis points, from 2.57% in December 2022 to 2.44% at the end of the period under review. With regard to the average yield on fixed-term foreign currency deposits, it rose by 1.7 percentage points to 4.20%, as a result of higher placements across all maturity brackets. The growth in fixed-term deposits denominated in foreign currency was consistent with the elevated interest rate observed throughout 2023 compared to 2022.

In terms of fiscal performance, according to preliminary statistics, a primary surplus of 1.7 per cent of GDP was recorded at the end of 2023 compared to a budgeted shortfall of 0.01 per cent of GDP. The better-than-anticipated result was mainly due to lower expenditure, which helped to offset the underperformance on the revenue side. Total revenue, excluding grants, was below the forecasted amount by 3.3 per cent, whilst expenditure and net lending fell short of the budgeted figure by 7.8 per cent.

The authorities continued to emphasise on the need for fiscal consolidation and pledged to reduce overall public debt to 50 per cent of GDP by 2030. Thus, there was a decrease in the aggregated stock of public debt, including government guarantees, from 69 per cent of GDP at end-2022 to 60 per cent of GDP at end-2023.

Following reviews conducted in March and September, Fitch Ratings affirmed Seychelles' Long-Term Foreign-Currency Issuer Default Rating at 'BB-' with a stable outlook. The relatively high-income level, strong governance indicators, support from multilateral partners and stable policymaking were key factors that supported the rating.

In May, the Executive Board of the IMF approved Seychelles' request for two new facilities – a three-year programme under the Extended Fund Facility (EFF) and a three-year arrangement under the Resilience and Sustainability Facility (RSF). Whilst the new EFF aims to consolidate progress achieved under previous programmes to strengthen macroeconomic stability, the focus under the RSF will be on building resilience to climate change by addressing bottlenecks to climate-related investments and by integrating climate-related considerations into macroeconomic policies and frameworks. To note that Seychelles was the second country in Africa to access the RSF³. Over the duration of the two facilities, the country is expected to benefit from financial assistance amounting to approximately US\$56 million for the EFF and US\$46 million for the RSF.

The first review of the country's performance under the two arrangements was completed in December, whereby all quantitative performance criteria (QPCs) were met. Seychelles received a total amount of US\$20 million during 2023, as combined disbursements under the two facilities.

The Central Bank met its 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} | 2021 Q4 | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2022 Q4 | 2023 Q1 | 2023 Q2 | 2023 Q3 | 2023 Q4 |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | USD million | | | | | | | | |
| Target | 394 | 407 | 416 | 423 | 426 | 450 | 474 | 476 | 478 |
| Actual | 529 | 518 | 496 | 490 | 472 | 526 | 562 | 545 | 529 |

¹ The stated target is a floor

² The target dates are end of Q2 and Q4

³ Rwanda was the first country in Africa to receive funding under the RSF in December 2022.

Global economic growth is expected to remain unchanged at 3.1 per cent in 2024, reflecting the persisting challenges such as tight monetary conditions, escalating geopolitical tensions and withdrawal of fiscal support. In addition, numerous factors, such as possible international trade disruptions as a result of geo-economic fragmentation, oil production cuts by OPEC+ countries⁴, cessation of the Black Sea Grain Initiative since July 2023, attacks on cargo ships in the Red Sea as well as climate-related events, could lead to a rise in international commodity prices in 2024. It is anticipated that whilst the rate of inflation will decline further externally, it will remain elevated at around 5.8% in annual average terms.

On the domestic front, the continued positive performance of the tourism industry in 2024 is expected to provide a sustained inflow of foreign exchange. However, the forecasted rise in international commodity prices may lead to higher demand for foreign exchange. If the demand for foreign currency exceeds supply, the Seychelles rupee is anticipated to weaken. Consequently, domestic inflation is forecasted to increase in 2024 relative to 2023. In regards to the country's external position, the Bank is mindful of the need to build a buffer against potential external shocks. As such, it is anticipated that international reserves will remain relatively strong as the Bank will continue with its strategy to accumulate reserves should the opportunity for same arise. Given the above-mentioned developments, real GDP growth is forecasted at 4.0 per cent in 2024 as compared to 3.8 per cent in 2023.

⁴ Organisation of the Petroleum Exporting Countries and their partners

SECTION TWO

Real Sector: Production, Labour and Prices

2.0 Overview

Economic growth across the world remained slow and uneven in 2023. This outcome was on account of tight global monetary conditions, geo-economic fragmentation and increased geopolitical tensions, namely between Russia and Ukraine, as well as the escalation of the conflict between Israel and Hamas. Consequently, global economic growth was estimated at 3.1 per cent in 2023, as compared to 3.5 per cent in the preceding year.

The continued recovery in global travel sentiments underpinned the increase in the number of visitors who disembarked in Seychelles. In 2023, the total number of tourists to Seychelles amounted to 350,879, which was an expansion of 5.7 per cent relative to 2022. The rise in the number of visitors was mainly driven by arrivals from the traditional western European markets such as Germany and Italy, Russia as well as the Middle-Eastern countries. Nevertheless, visitor arrivals in 2023 was 91 per cent of the total number of tourists recorded in 2019. As for tourism earnings estimate, it totalled US\$989 million, which was an increase by 5.8 per cent in year-on-year terms.

In 2023, the domestic economy was primarily supported by the positive performance of the tourism industry. Preliminary estimates showed an annual real GDP growth of 3.8 per cent for the year under review. Output from the fisheries sector expanded by 5.0 per cent as a result of a double-digit increase in fish catch, whilst that of the agriculture segment remained relatively unchanged. The manufacturing sector grew by 1.9 per cent on account of expansions in the manufacture of beverages and tobacco, fishery products and other food, as well as the production of construction materials. Output of the telecommunications industry expanded by 16 per cent as a result of robust growth in data traffic.

Following its review in March and September, Fitch Ratings affirmed Seychelles' Long-Term Foreign-Currency Issuer Default Rating at 'BB-' with a stable outlook. The rating reflected the positive economic performance attributed to the increase in tourism earnings, strong growth in the telecommunications sector, robust multilateral support and stable policymaking.

With regard to price developments, a deflationary trend in the average prices of goods and services was observed as of May. The headline Consumer Price Index (CPI) which is compiled and published by the National Bureau of Statistics, indicated a 12-month average inflation rate of *negative* 1.0% in December, as compared to 2.6% as at end-2022. In year-on-year terms, the average prices of goods and services declined by 2.7% in December. This outcome was mainly underpinned by the moderation in global inflation,

reduction in international fuel and food prices, as well as the decline in freight costs. Moreover, the Seychelles rupee strengthened against the US dollar in 2023 relative to 2022 in annual average terms, which further supported the pass-through from lower international commodity prices to the domestic prices of goods and services. As for the year-on-year core inflation rate, it stood at *negative* 1.2% at the end of the year.

The positive performance of the domestic economy was partially marred by the disasters that occurred in the first week of December. These included the effects of the adverse weather events on several households in the North of Mahé, as well as the explosion which led to significant structural damages to numerous buildings at the Providence Industrial Estate and households in the surrounding areas. Given that the disasters occurred towards end-2023, the repercussions on the output of key sectors such as wholesale and retail trade, construction and manufacturing, are anticipated to materialise in 2024. Additionally, the impact on the real sector is expected to be dependent on a number of factors, such as how quickly businesses resume operations, the ease of replenishing the stock of goods that were destroyed, as well the increase in demand for materials related to the reconstruction efforts.

2.1 Primary Sector

Activities related to the extraction and collection of natural resources fall under the primary sector. During the year under review, the main focus was on promoting sustainable practices and enhancing youth engagement within the fisheries and agricultural sectors. Output in the primary sector was estimated to have increased by 2.4 per cent in 2023. This outcome was consistent with a double-digit increase in fish catch, although it was offset by contractions in the number of livestock slaughtered.

2.1.1 Fisheries

Production statistics from January to September showed an expansion of 36 per cent in total fish catch. As such, preliminary GDP estimates indicated an increase of 5.0 per cent in fisheries activities relative to 2022.

In January, the Development Bank of Seychelles (DBS) in collaboration with the Seychelles Fishing Authority (SFA), invited investors to apply for the Blue Investment Fund to encourage investment in sustainable fisheries activities. Subsequently, the first large-scale loan of approximately US\$2.8 million was issued to a Seychellois business in March. This enabled the by-catch processing company to enhance its processing capacity and increase the value-addition of fish products.

Licensed fishermen that were already harvesting sea cucumbers were encouraged by SFA to collect the species in the Mascarene Plateau region which is outside the Seychelles' Exclusive Economic Zone. This

outcome was possible after discussions between Seychelles and Mauritius – who share joint jurisdiction of the region – reached a consensus in February, following two years of discussions.

Following the successful relaunch of the prawn farm on Coëtivy Island, the Island Development Company made available the first batch of white shrimps to the Seychelles Trading Company (STC) in April. With an approximate weight of 650 kilograms, the initial batch was sold in trays of 400 grams and 800 grams on Mahé, Praslin and La Digue. Given the positive response from consumers, subsequent batches of shrimps were made available in the second half of 2023.

A new Fisheries Information Management System was launched by the Minister for Fisheries and the Blue Economy in July. The system was developed under the Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3) with the aim of enhancing the accessibility of fisheries-related information.

2.1.2 Agriculture

Output from the agricultural sector was estimated to have remained flat in 2023. Production statistics up to September showed a decrease in both livestock slaughtered and production of eggs. Notwithstanding an increase of 7.5 per cent in the number of culled pigs, the quantity of slaughtered cattle and broiler chicken contracted by 59 per cent and 25 per cent, respectively. As for the production of eggs, it fell by 3.0 per cent.

There was a significant reduction in crop production in year-on-year terms, as tea leaves and cinnamon bark were not harvested during the first three quarters of 2023.

In collaboration with STC, the Agriculture Department imported and distributed animal feed to local livestock producers as of June. The aim of this arrangement – which was set for an initial period of 6 to 12 months – was to encourage competition in the domestic market such that the local prices align to that of the global market. In line with that, the animal feed subsidy that had been in effect since 2020 was discontinued as of September 15.

Table 2.1: Gross Domestic Product by kind of Economic Activity (2019 - 2023)
at constant prices

| | 2019 ⁽¹⁾ | 2020 ⁽¹⁾ | 2021 ⁽¹⁾ | 2022 ⁽²⁾ | 2023 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | (R million) | | | | |
| GDP at 2014 constant market prices | 26,009.6 | 23,810.3 | 24,410.4 | 26,593.3 | 27,603.6 |
| Change | 5.2% | -8.5% | 2.5% | 8.9% | 3.8% |
| Agriculture | 239.0 | 241.4 | 254.6 | 262.3 | 262.3 |
| Fishing | 348.1 | 266.6 | 257.3 | 244.4 | 256.6 |
| Manufacture of fishery products | 634.9 | 900.0 | 1,048.1 | 985.3 | 998.1 |
| Manufacture of other food | 71.4 | 88.7 | 83.3 | 84.2 | 85.0 |
| Manufacture of beverages and tobacco | 313.2 | 287.6 | 291.4 | 320.5 | 333.4 |
| Manufacturing, other | 283.7 | 254.9 | 280.8 | 323.0 | 329.4 |
| Electricity, gas, steam and air conditioning supply | 579.2 | 580.0 | 715.3 | 736.7 | 751.5 |
| Water supply; sewerage, waste management and remediation activities | 76.0 | 74.3 | 73.2 | 74.7 | 76.9 |
| Construction | 1,259.0 | 1,201.0 | 727.2 | 799.9 | 823.9 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 1,487.3 | 1,424.7 | 1,344.6 | 1,385.8 | 1,410.5 |
| Transportation and storage | 1,266.6 | 616.7 | 598.4 | 664.2 | 743.1 |
| Accommodation and food service activities | 2,982.9 | 1,465.8 | 1,975.7 | 2,904.3 | 2,962.4 |
| Information and communication | 1,274.2 | 1,436.6 | 1,789.6 | 2,220.7 | 2,572.0 |
| Financial and insurance activities | 1,424.0 | 1,322.8 | 1,087.4 | 1,069.2 | 1,090.6 |
| Real estate activities | 302.8 | 236.7 | 375.8 | 357.0 | 360.5 |
| Owner occupied dwellings | 1,770.5 | 1,835.6 | 1,894.2 | 1,913.1 | 1,932.3 |
| Professional, scientific and technical activities | 625.0 | 552.7 | 484.3 | 489.1 | 494.0 |
| Administrative and support service activities | 625.8 | 313.4 | 343.3 | 398.2 | 410.1 |
| Public administration and defence; compulsory social security | 3,310.7 | 4,082.0 | 3,951.0 | 3,990.5 | 3,990.5 |
| Education | 1,184.8 | 1,191.5 | 1,106.7 | 1,106.7 | 1,117.8 |
| Human health and social work activities | 848.2 | 874.6 | 1,165.2 | 1,165.2 | 1,176.9 |
| Arts, entertainment and recreation | 464.9 | 292.1 | 210.6 | 326.5 | 333.0 |
| Other service activities | 199.3 | 207.7 | 187.4 | 253.0 | 258.0 |
| Allocation of FISIM ³ to Nominal Sector | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Value Added at basic prices | 21,571.6 | 19,747.3 | 20,245.4 | 22,074.3 | 22,768.6 |
| Taxes Less subsidies | 4,438.0 | 4,063.0 | 4,165.0 | 4,519.0 | 4,835.0 |

Notes:

¹ Provisional Estimates- National Bureau of Statistics

² Indicative Estimates - Seychelles Macroeconomic Framework Working Group as at January 2024

³ Financial Intermediation Services Indirectly Measured

Table 2.2: Gross Domestic Product by Kind of Economic Activity (2019 - 2023)
at current prices

| | 2019 ⁽¹⁾ | 2020 ⁽¹⁾ | 2021 ⁽¹⁾ | 2022 ⁽²⁾ | 2023 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| (R million) | | | | | |
| GDP at current market value | 26,216.7 | 24,294.3 | 25,346.9 | 28,220.8 | 29,094.1 |
| Change | 5.6% | -7.3% | 4.3% | 11.3% | 3.1% |
| Agriculture | 248.2 | 262.9 | 316.3 | 278.3 | 276.4 |
| Fishing | 310.3 | 214.8 | 223.6 | 259.3 | 270.5 |
| Manufacture of fishery products | 603.2 | 920.8 | 860.9 | 1,045.5 | 1,051.9 |
| Manufacture of other food | 72.8 | 93.8 | 101.4 | 89.3 | 89.6 |
| Manufacture of beverages and tobacco | 363.3 | 346.3 | 384.6 | 340.1 | 351.4 |
| Manufacturing, other | 277.8 | 264.7 | 299.4 | 342.7 | 347.2 |
| Electricity, gas, steam and air conditioning supply | 545.2 | 502.5 | 723.8 | 781.8 | 792.0 |
| Water supply; sewerage, waste management and remediation activities | 112.8 | 95.6 | 95.8 | 79.3 | 81.1 |
| Construction | 1,229.0 | 1,252.9 | 780.4 | 848.8 | 868.4 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 1,559.0 | 1,612.0 | 1,643.9 | 1,470.6 | 1,486.6 |
| Transportation and storage | 1,554.7 | 920.3 | 985.5 | 704.9 | 783.0 |
| Accommodation and food service activities | 3,065.6 | 2,108.3 | 2,652.1 | 3,082.0 | 3,122.3 |
| Information and communication | 753.7 | 745.4 | 914.8 | 2,356.6 | 2,710.9 |
| Financial and insurance activities | 1,582.0 | 1,484.3 | 1,378.8 | 1,134.6 | 1,149.4 |
| Real estate activities | 355.6 | 268.2 | 476.2 | 378.8 | 380.0 |
| Owner occupied dwellings | 1,980.1 | 2,077.6 | 2,353.3 | 2,030.2 | 2,036.6 |
| Professional, scientific and technical activities | 655.7 | 583.9 | 546.3 | 519.1 | 520.7 |
| Administrative and support service activities | 712.9 | 360.4 | 430.4 | 422.6 | 432.3 |
| Public administration and defence; compulsory social security | 3,479.1 | 4,056.5 | 3,941.9 | 4,234.7 | 4,205.9 |
| Education | 1,267.6 | 1,182.7 | 1,098.9 | 1,174.5 | 1,178.1 |
| Human health and social work activities | 943.5 | 880.3 | 1,142.5 | 1,236.5 | 1,240.4 |
| Arts, entertainment and recreation | 478.2 | 319.2 | 260.0 | 346.5 | 351.0 |
| Other service activities | 209.1 | 219.4 | 211.4 | 268.5 | 272.0 |
| Allocation of FISIM ³ to Nominal Sector | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Value Added at basic prices | 22,359.5 | 20,772.6 | 21,821.8 | 23,425.2 | 23,997.6 |
| Taxes Less subsidies | 3,857.2 | 3,521.7 | 3,525.1 | 4,795.7 | 5,096.5 |

Notes:

¹ Provisional Estimates- National Bureau of Statistics

² Indicative Estimates - Seychelles Macroeconomic Framework Working Group as at January 2024

³ Financial Intermediation Services Indirectly Measured

2.2 Industries

As compared to the preceding year, the output of the industrial sector was estimated to have expanded by 2.3 per cent in 2023. This outcome reflected a rise in the manufacture of beverages and tobacco, fishery products and other food, as well as an increase in construction activities. The latter was due to the progression of several construction projects, primarily in tourism establishments.

2.2.1 Construction

The output of the construction sector was estimated to have expanded by 3.0 per cent during the year under review. Numerous construction projects - predominantly related to tourism establishments – made headway in 2023, which was consistent with the uptick in domestic economic activity. In the third quarter of 2023, the number of employees in the construction sector was higher by 4.0 per cent and 23 per cent when compared to the same period in 2022 and 2021, respectively. From January to September, the production of ‘aggregates’ and ‘crusher dust’ rose by 13 per cent and 3.8 per cent correspondingly, whilst the output of ‘blocks’ fell by 4.7 per cent when compared to the same period in 2022.

In June, the Seychelles Investment Board launched the expression of interest for the Victoria Waterfront Development Project. The latter encompasses five zones, namely the Creole village, commercial area, waterpark, boardwalk with commercial and entertainment activities, as well as an artisanal corridor. The project is due to commence in early 2024 with an expected 5-year timeframe for implementation of the various activities.

As regard to the expansion project for Port Victoria, a Belgian company won the bid for the dredging of the harbour in February. The quay is anticipated to be extended by 10 metres, whilst the channel and turning basin are expected to be dredged to 16 metres and 15.5 metres, respectively.

2.2.2 Manufacturing

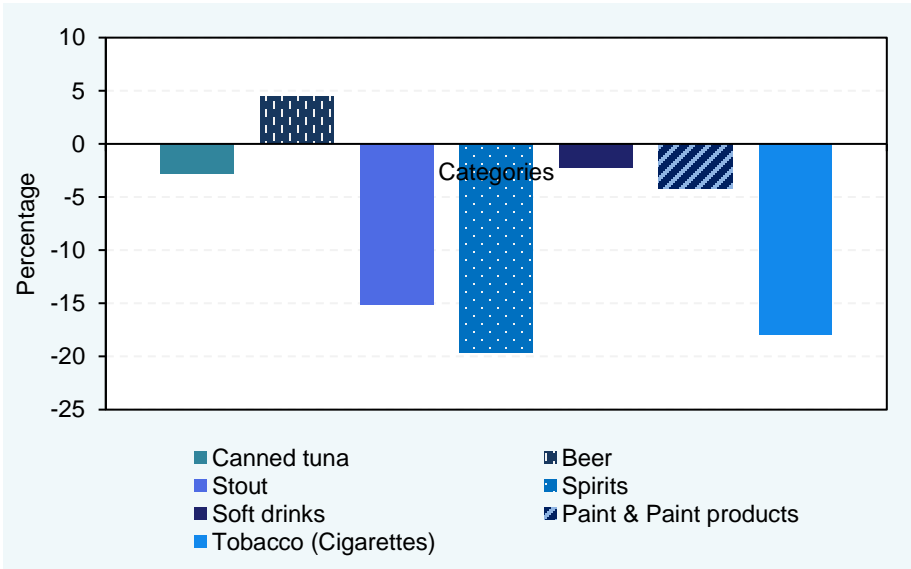
Preliminary estimates for 2023 indicated that the manufacturing industry constituted 6.3 per cent of GDP and increased by 1.9 per cent relative to 2022.

The ‘manufacture of beverages and tobacco’ rose by 4.0 per cent. Production statistics up to the third quarter showed that the output of ‘beer’ increased by 4.5 per cent when compared to the same period in the previous year. Conversely, the production of ‘spirits’, ‘stout’ and ‘soft drinks’ fell by 20 per cent, 15 per cent and 2.2 per cent, correspondingly. As for the production of ‘tobacco’, this declined by 18 per cent.

The ‘other’ groupings of manufacture output, which encompassed the production of construction materials, expanded by 2.0 per cent. This outcome reflected the increase in the output of ‘aggregates’ and ‘crusher dust’, notwithstanding a contraction in the production of ‘blocks.’ As for the output of ‘paint & paint products’, this declined by 4.2 per cent.

The ‘manufacture of fishery products’ increased by 1.3 per cent. Nevertheless, from January to September, the production of ‘canned tuna’ fell by 2.8 per cent compared to the same period in 2022. The latter was attributed to reduced demand from key export markets namely, Europe and the United States of America (USA).

Chart 2.1: Changes in production indicators (2023)



Source: National Bureau of Statistics

2.3 Services

In 2023, the services sector accounted for 71 per cent of GDP. This outcome was mainly attributed to the continued positive performance of the tourism industry. Additionally, economic activity was supported by the double-digit growth in the telecommunications sector as a result of the robust increase in data traffic.

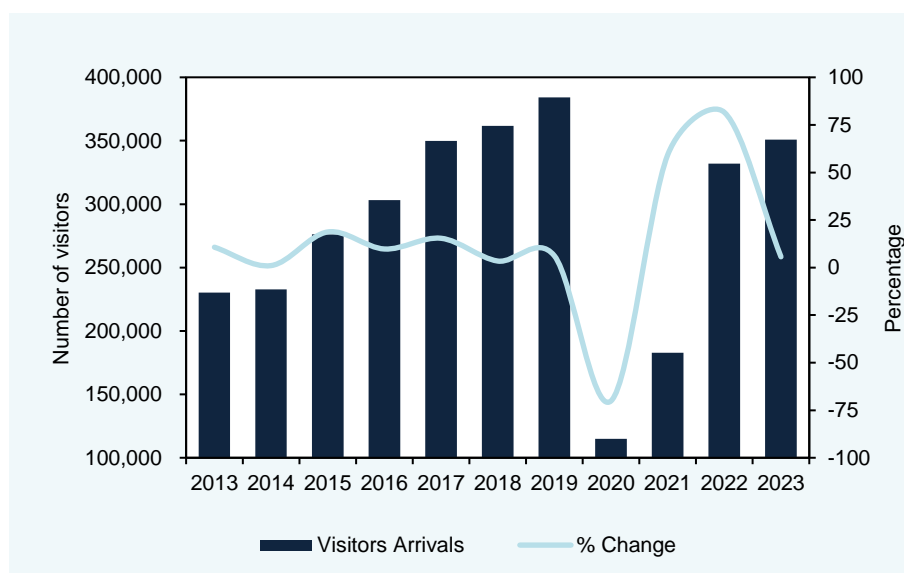
2.3.1 Tourism

During the year under review, the Department of Tourism remained steadfast in upholding the visibility of the destination within the global tourism market. The Department participated in numerous international trade events and utilised various digital avenues such as virtual tours, webinars and social media campaigns to increase the visibility of the destination.

The cultural brand called 'Creole Rendez-vous' was introduced in July, with the aim of enticing tourists to experience Seychelles' natural beauty, diversity and creole identity. Furthermore, the 'Sustainable Seychelles Brand' was launched in October to provide guidance on the implementation of sustainable practices within the tourism industry.

The destination continued to be serviced by multiple airlines in 2023. Notably, Air Seychelles launched its inaugural service to Colombo on June 20, with a schedule of two flights per week. In addition, Aeroflot increased its frequency to Seychelles as of October 16, from twice weekly flights to three times per week. On the contrary, in lieu of year-round flights from Istanbul to Seychelles, Turkish Airlines switched to a Northern winter seasonal schedule. As such, the destination was not serviced by Turkish Airlines from March 26 to October 27.

Chart 2.2: Visitors Arrivals (2013 – 2023)



Source: National Bureau of Statistics

In 2023, the total number of visitors to Seychelles reached 350,879, which was an increase of 5.7 per cent relative to the preceding year. Such outcome was on account of the continued improvement in global travel sentiments. As customary, the majority of these tourists originated from Europe which constituted 73 per cent of the cumulative number of visitors. When compared to 2022, the number of European tourists rose by 4.8 per cent. The main source market was Germany which supplied 54,925 visitors followed by France with 42,140 tourists. In year-on-year terms, the German market expanded by 23 per cent whilst that of the French clientele fell by 4.5 per cent. As the third source market, Russia contributed 38,172 tourists, an expansion of 25 per cent relative to 2022. As the fourth and fifth markets, United Kingdom (UK) and Italy supplied 19,870 visitors and 19,559 tourists, respectively. When compared to 2022, visitor arrivals from UK contracted by 7.9 per cent, whilst the number of tourists from Italy rose by 6.3 per cent.

The Asian market contributed 15 per cent of total visitor arrivals, an increase of 4.8 per cent relative to 2022. As customary, United Arab Emirates (UAE) was the main source market with 16,410 visitors although in year-on-year terms, this was a decline of 3.0 per cent. Israel and India were the second and third source markets with 12,945 tourists and 7,602 visitors, correspondingly. When compared to the same period in 2022, the number of visitors from India rose by 53 per cent, whilst the Israeli clientele fell by 18 per cent. The movement in the latter was mainly attributed to the intensification of the conflict between Israel and Hamas as of October 07.

The American market supplied 13,187 visitors, a growth of 8.0 per cent relative to 2022. This outcome was primarily driven by an increase of 9.0 per cent in the number of tourists from the USA. The total number visitors from Oceania and Africa rose by 53 per cent and 13 per cent, respectively.

Tourism earnings were estimated to have grown by 5.8 per cent to amount to US\$989 million in 2023. When compared to the previous year, the average expenditure per visitor on a per diem basis increased by 4.3 per cent.

As compared to 2022, 'accommodation & food service activities' remained relatively unchanged at 11 per cent of GDP during the year under review. Accommodation statistics from January to September 2023 indicated an average occupancy rate of 47 per cent for beds and 46 per cent for rooms, as compared to 50 per cent for both beds and rooms in the preceding year. The average length of stay in 2023 was 9.5 nights, a decrease relative to 9.9 nights in 2022.

Table 2.3: Tourism Indicators

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------|---------|------------------|---------|---------|-----------------|
| Visitors arrivals | 384,204 | 114,858 | 182,849 | 332,068 | 350,879 |
| Average length of stay (nights) | 9.9 | 8.8 ¹ | 9.8 | 9.9 | 9.5 |
| Tourism Earnings (US\$ million) | 856 | 330 | 588 | 935 | 989 |
| Average expenditure per diem - USD | 225 | 326 | 328 | 284 | 297 |
| Memorandum | | | | | |
| Hotel bed occupancy rate (%) | 68 | 44 | 32 | 50 | 47 ² |

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

⁽²⁾ YTD hotel bed occupancy rate as at Q3 2023

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

2.3.2 Telecommunications

In 2023, the local telecommunication company, Cable & Wireless Seychelles, celebrated its 130th anniversary since its creation on November 11, 1893. In commemoration of this milestone, a series of activities was organised throughout the year. In February, a new unlimited broadband package was launched, whilst the download speed of the unlimited broadband packages that were introduced in 2022, was enhanced. With regard to Airtel Seychelles, new postpaid and prepaid mobile packages were launched in January, whilst new home broadband unlimited internet packages were introduced in March as part of its silver jubilee celebrations. Given developments in the sector and the increased usage of various digital platforms, the telecommunications industry was estimated to have expanded by 16 per cent in 2023.

The positive performance of the sector was reflected in various market indicators. Notably, 'data traffic', 'cable TV connections', 'local calls' and 'internet connections' rose by 46 per cent, 6.6 per cent, 5.7 per cent and 4.7 per cent, correspondingly. On the contrary, the total airtime for 'international calls' fell by 19 per cent, whilst 'mobile accounts' and 'telephone exchange lines' declined by 14 per cent and 0.8 per cent, respectively. The reduction in the airtime for international calls was primarily attributed to the use of data as the preferred medium of communication.

2.3.3 Financial Services

During the year under review, the financial sector was estimated to have expanded by 2.0 per cent, supported by a growth in private sector credit. As was the case in 2022, seven commercial banks remained operational in view that no new banking licence was issued in 2023.

In 2023, 4 new companies were listed on MERJ Exchange Limited of which, 3 operated in the real estate investment sector and 1 in the education sector. With reference to SECDEX Exchange Limited, there were 3 new entrants whereby, 2 companies were categorised under the investment fund sector and 1 in the green investment sector.

2.4 Other Key Segments

The other sectors of the economy expanded in 2023 and this was congruent with the increase in economic activities. Statistics from January to September showed a year-on-year growth of 4.9 per cent and 4.6 per cent in the production of water and electricity, respectively. The rise in water production was mainly on account of a 60 per cent increase in the holding capacity of the La Gogue Dam which resumed full operations in June following infrastructure works over the past five years.

Output of 'transportation & storage', 'administrative & support service activities', 'arts, entertainment & recreation' and 'wholesale & retail trade; repair of motor vehicles & motorcycles' rose by 12 per cent, 3.0 per cent, 2.0 per cent and 1.8 per cent, respectively. 'Water supply, sewage, waste management & remediation activities' and 'electricity, gas, steam & air conditioning supply' expanded by 3.0 per cent and 2.0 per cent, correspondingly.

2.5 Labour Market

In line with previously established trends, the private sector remained the main source of employment in the local labour market. According to statistics, as at the third quarter of 2023, most of these jobs were in the categories of 'accommodation & food service activities' and 'construction', which represented 19 per cent and 10 per cent of the total number of formally employed persons, respectively.

As of April 01, there was an average increase of 10 per cent in consolidated public sector salaries. The latter encompassed a consolidation of the supplementation, marketable, graduate and performance allowances, where applicable, in the basic salary of public sector employees.

2.5.1 Employment

There was an average of 54,979 formally employed persons in the third quarter of 2023, an increase of 0.6 per cent when compared to the preceding year. The private sector was the main source of employment and represented 65 per cent of the total workforce. As for the number of employees in the government and parastatal sectors, these constituted 19 per cent and 15 per cent, respectively.

The number of persons employed in the private sector contracted by 0.4 per cent. Conversely, the number of formally employed persons in parastatal entities and government rose by 5.1 per cent and 0.7 per cent, respectively.

Tourism and its related sectors represented the largest segment of employment. Specifically, 19 per cent of the total number of formally employed persons were in the 'accommodation & food service activities.' As for the 'construction' sector, it accounted for 10 per cent of total employment.

Table 2.4: Employment Statistics (2019 - 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 ⁽¹⁾ |
|---------------------------|---------------|---------------|---------------|---------------|---------------------|
| Average Employment | 54,914 | 51,775 | 50,081 | 54,655 | 54,979 |
| Private Sector | 36,518 | 33,242 | 31,777 | 35,984 | 35,829 |
| Parastatals | 7,882 | 7,768 | 7,658 | 8,033 | 8,440 |
| Government | 10,513 | 10,765 | 10,646 | 10,638 | 10,710 |

⁽¹⁾ Figures for 2023 are as at Q3 2023

Source: National Bureau of Statistics

Foreign labour constituted 21 per cent and 5.6 per cent of the total employed persons in parastatal and government sectors, correspondingly. As customary, expatriates in the parastatal sector were mainly employed in the 'administrative & support service activities' and 'construction'. Foreign employees in the government sector primarily occupied posts in 'education' and 'human health & social work activities'. As there was no breakdown in the composition of foreign employees and local workforce within the private sector, the share of expatriates within the segment was estimated using the statistics on Gainful Occupation Permits (GOP) issued during the year⁵. This approach implied that the number of GOPs issued represented 52 per cent of private sector employees, with the lion's share in construction and other services sectors.

2.5.2 Unemployment

Following the resumption of data collection for unemployment statistics, as at the second quarter of 2023, the national unemployment rate was 3.2 per cent⁶. This outcome reflected a marginal improvement when compared to the unemployment rate of 3.3 per cent in Q4 2020 and was in line with higher level of domestic economic activity

2.5.3 Earnings

In the third quarter of 2023, average earnings amounted to R15,422, which was an increase of 4.8 per cent relative to the same period in 2022. This outcome was consistent with expansions of 7.5 per cent, 5.1 per cent and 3.3 per cent in the average earnings of the government, parastatal and private sectors, respectively. The movement in the former was attributed to the average increase of 10 per cent on consolidated public sector salaries. Average earnings in the private, parastatal and government sectors amounted to R13,760, R17,365 and R19,447, correspondingly.

⁵ Based on statistics from Department of Immigration and Civil Status

⁶ The frequency of the Labour Force Survey changed from a quarterly exercise to a bi-annual one, following its resumption as of Q2 2023. The outcome for Q4 2023 is expected to be published on March 31, 2024.

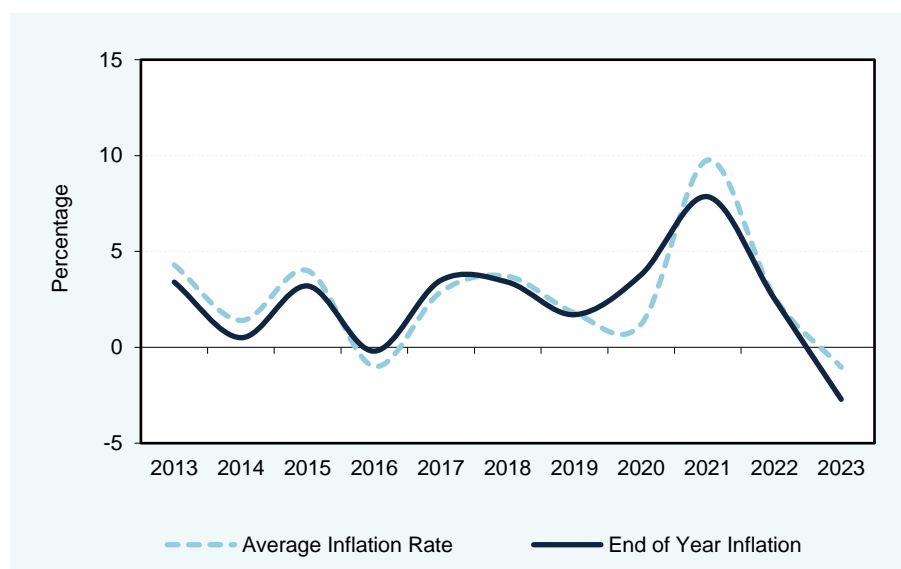
2.6 Prices

A deflationary trend in the average prices of goods and services was observed as of May. As at December, headline CPI showed a year-on-year contraction of 2.7%. This outcome was consistent with decreases of 3.2 per cent and 2.7 per cent in the indices of 'other-food' and 'non-food items', respectively. On the contrary, the average price of 'fish' rose by 2.0 per cent.

The strengthening of the domestic currency in the first two quarters of 2023 was offset by the weaker Seychelles rupee in the latter half of the year. Nevertheless, in annual average terms, the local currency appreciated by 1.8 per cent in 2023 when compared to 2022. On the external front, there was a moderation in foreign inflationary pressures as well as a decline in international food and fuel prices, relative to the previous year. Concurrently, the stronger Seychelles rupee helped further support the reduction in the average prices of goods and services in the domestic market.

The main reduction in the average prices of 'other-food' were primarily related to lower international food prices as well as decreases in freight costs. The most notable changes in the 'other-food' sub-category was related to declines in the indices of 'oils & fats' (12 per cent) and 'fruits' (5.9 per cent). As for the 'non-food items' sub-category, the main reductions were attributed to lower international fuel prices. Thus, the average prices of 'housing, water, electricity & gas' and 'transport' fell by 8.5 per cent and 5.0 per cent, respectively.

Chart 2.3: Price Movements (2013 - 2023)



Source: National Bureau of Statistics

The 12-month average inflation rate in 2023 stood at *negative* 1.0%, compared to 2.6% in 2022. Such outcome mainly reflected decreases in the indices of 'other-food' (1.2 per cent) and 'non-food items' (1.1 per cent). Conversely, the average price of 'fish' rose by 4.0 per cent.

The movements in the 'non-food items' sub-category were primarily due to reductions in the indices of 'health' (5.5 per cent), 'recreation & culture' (4.7 per cent) and 'transport' (4.2 per cent). Conversely, the average prices of 'restaurants & hotels' and 'clothing & footwear' expanded by 6.6 per cent and 2.2 per cent, correspondingly. As for the 'other-food' sub-category, the indices of 'meat (fresh, chilled, frozen)' and 'oils & fats' fell by 4.3 per cent and 3.6 per cent, respectively. On the contrary, the average prices of 'bread and cereals' rose by 4.4 per cent.

The core inflation index excludes components of the CPI basket that are prone to temporary shocks. The latter encompasses the prices of electricity, fuel and fish. In year-on-year terms, the core inflation index declined by 1.2% in December. This outcome was consistent with reductions of 3.2 per cent and 0.9 per cent in the indices of 'other-food' and 'non-food items', correspondingly. As for the 12-month average core inflation rate, this was *negative* 0.4%

Table 2.5: Inflation Rates (2019 - 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|--------------|------|------|------|------|
| <i>Annual Average</i> | | | | | |
| | Per cent (%) | | | | |
| All Items | 1.8 | 1.2 | 9.8 | 2.6 | -1.0 |
| Fish | 9.5 | -9.6 | 7.9 | 2.8 | 4.0 |
| Other Food Items | -0.8 | 3.6 | 15 | 1.1 | -1.2 |
| Non-Food Items | 2.1 | 1.0 | 9.0 | 2.9 | -1.1 |
| <i>Year-on-year</i> | | | | | |
| All Items | 1.7 | 3.8 | 7.9 | 2.5 | -2.7 |
| Fish | 7.9 | -7.2 | 2.2 | 9.1 | 2.0 |
| Other Food Items | 1.3 | 9.5 | 7.9 | 2.5 | -3.2 |
| Non-Food Items | 1.7 | 3.1 | 7.9 | 2.4 | -2.7 |

Source: National Bureau of Statistics

SECTION THREE

Monetary and Financial Sector

3.0 Monetary Policy Developments

Domestic economic activity in 2023, continued to be supported by the positive performance of the tourism industry. This led to a sustained inflow of foreign exchange, which despite the rise in demand in the second half of the year, led to a stronger domestic currency in annual average terms as compared to 2022. In regards to price developments, a deflationary trend in the average price of goods and services was observed as of May, supported by the stronger SCR, coupled with the reduction in international commodity prices and freight costs.

The Bank maintained an accommodative monetary policy stance throughout 2023. Aside from the deflationary environment observed for the most part of the year, the Bank was cognisant of developments in the external environment and its associated uncertainties that continued to pose downside risks to domestic economic activity. As such, the Bank considered it important to continue supporting the domestic economy. The MPR was kept at 2.0%, and the interest rate on the SDF and SCF at 0.5% and 3.5%, respectively. Of note, due to the impact of the disasters that occurred in December – which affected businesses and households - the Board of Directors of the Bank approved for the Minimum Reserve Requirement (MRR) on rupee-denominated deposits to be reduced from 13% to 12%, should it be required. This decision aimed at ensuring that there was sufficient liquidity in the system, and complemented other measures that were implemented at the national level to support those impacted by the disasters.

With regard to monetary policy operations, the focus was on addressing the liquidity overhang in line with the monetary policy stance. Hence, as part of the liquidity management strategy, the Bank conducted a one-off structural adjustment through the issuance of a 364-day DAA, in October. Another aspect of the strategy entailed the resumption of optimal interventions in the OMOs using the 7-day DAA, and reinstating the 1-month and 2-month DAA. Optimal liquidity absorption operations were conducted in the latter part of the fourth quarter of 2023, together with the 1-month and 2-month DAA.

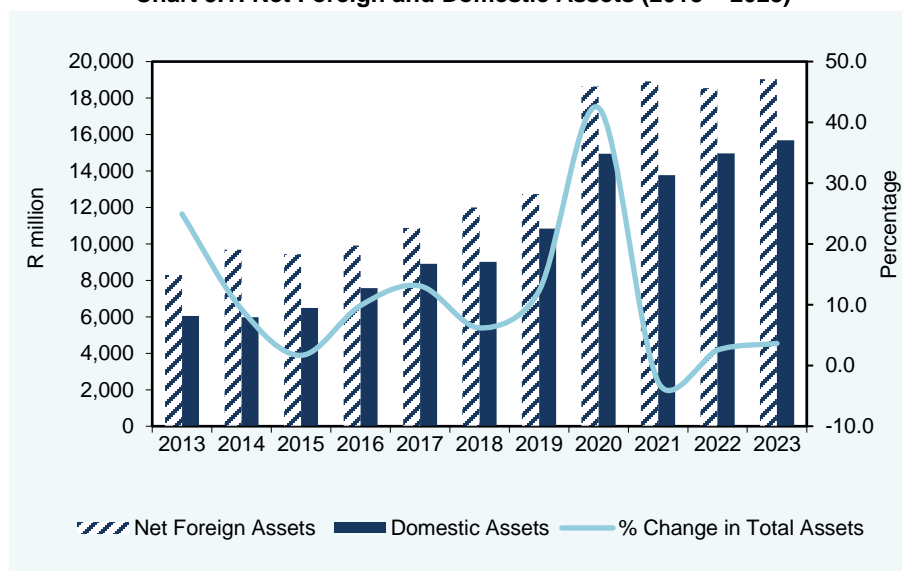
In terms of developments in credit, there was an expansion in the volume of loans extended to the private sector as compared to 2022. This was in line with the uptick in economic activity supported by the accommodative monetary conditions locally. The rise in private sector credit was mainly attributed to an increase in local currency loans. Credit denominated in foreign currency contracted on account of higher interest rates on such facilities, which was in turn associated with tight external financial conditions, as interest rates globally remained elevated to address inflationary concerns.

3.1 Net Foreign and Domestic Assets

In 2023, total Net Foreign Assets (NFA) of the Bank and Other Depository Corporations (ODCs) stood at R19,034 million – an expansion of 2.6 per cent (R490 million) relative to the previous year. Such growth was primarily due to an increase of 7.0 per cent (R595 million) in NFA of the Bank, mainly as a result of accumulation of reserves through the Foreign Exchange Auctions (FEA) conducted during the first half of 2023⁷. In contrast, there was a reduction in NFA of ODCs by 1.0 per cent (R105 million), mainly on account of a decrease in foreign assets as a result of maturing investments during the year. Given such developments, in US dollar terms, NFA of the Bank was higher by 6.5 per cent (US\$39 million), whilst the NFA of ODCs fell by 1.5 per cent (US\$11 million).

As for the stock of domestic assets, this expanded by 4.8 per cent (R724 million) to stand at R15,693 million. This outcome resulted from increases in claims on public entities and credit extended to the private sector by 14 per cent (R129 million) and 7.4 per cent (R670 million), respectively. By contrast, net claims on government was lower than in December 2022 by 1.5 per cent (R75 million), mainly due to a reduction in ‘claims on central government’ by ODCs. This outcome reflected the lower issuance of government securities as compared to the previous year.

Chart 3.1: Net Foreign and Domestic Assets (2013 – 2023)



Source: Central Bank of Seychelles

⁷ Due to reduced participation in the auctions, the Bank decided to cease FEAs as of June 2023. This outcome took into consideration other developments occurring in the domestic market whereby there was a seasonal increase in demand for foreign exchange by other market participants.

Table 3.1: Monetary Survey^{1/3} (2019 – 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (R million) | | | | |
| Net Foreign Assets² | 12,742.4 | 18,641.4 | 18,917.8 | 18,543.9 | 19,034.0 |
| Central Bank | 7,806.7 | 11,427.2 | 9,519.3 | 8,463.4 | 9,058.2 |
| Commercial Banks | 4,935.7 | 7,214.2 | 9,398.4 | 10,080.5 | 9,975.8 |
| Domestic Assets | 10,840.0 | 14,942.1 | 13,766.3 | 14,968.5 | 15,692.7 |
| Claims on private sector | 8,230.3 | 9,905.9 | 8,710.3 | 9,065.3 | 9,735.8 |
| Claims on public entities | 732.8 | 856.8 | 579.7 | 891.4 | 1,020.3 |
| Claims on government (net) | 1,876.9 | 4,179.4 | 4,476.3 | 5,011.8 | 4,936.7 |
| Money Supply, M3 | 19,457.8 | 24,753.1 | 23,492.5 | 23,634.6 | 25,005.2 |
| Money Supply, M2 | 11,495.0 | 13,363.6 | 14,045.0 | 14,499.7 | 15,340.7 |
| Money Supply, M1 | 5,642.9 | 7,706.3 | 8,002.4 | 8,405.0 | 8,849.5 |
| Currency with public | 1,228.4 | 1,460.4 | 1,499.6 | 1,389.2 | 1,373.6 |
| Transferable deposits | 4,414.5 | 6,246.0 | 6,502.8 | 7,015.8 | 7,475.9 |
| (of which public entities) | 800.6 | 948.1 | 1,059.2 | 1,207.4 | 1,219.0 |
| Quasi Money | 5,852.1 | 5,657.2 | 6,042.6 | 6,094.7 | 6,491.2 |
| Fixed Term deposits | 1,419.6 | 1,367.8 | 1,428.8 | 1,294.9 | 1,531.1 |
| (of which public entities) | 253.7 | 185.7 | 230.5 | 263.4 | 341.2 |
| Savings deposits | 4,432.5 | 4,289.5 | 4,613.8 | 4,799.8 | 4,960.1 |
| Foreign Currency Deposits | 7,962.8 | 11,389.6 | 9,447.5 | 9,134.9 | 9,664.5 |
| Other items, net | 4,124.6 | 8,681.3 | 9,191.6 | 9,877.8 | 9,721.5 |

Figures do not necessarily add up due to rounding off conventions

¹ End of period

² Excludes government balances

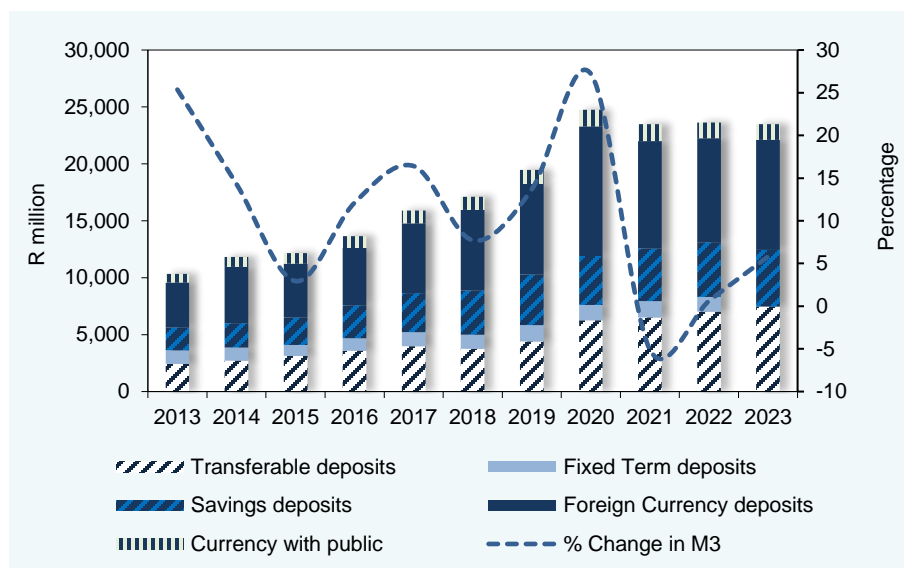
³ Changes in previous figures are due to revisions

Source: Central Bank of Seychelles

3.2 Money Supply

An analysis of the components of money supply showed that the broadest monetary aggregate, M3, expanded by 5.8 per cent (R1,371 million) to stand at R25,005 million in December. This was on account of expansions under all of its components. The narrowest monetary aggregate, M1, grew by 5.3 per cent (R445 million), driven by a growth of 6.6 per cent (R460 million) in transferable deposits. In contrast, currency with public, the other component of M1, fell by 1.1 per cent (R16 million). This outcome reflected an increase in the usage of digital means of payments as opposed to cash. The total value of quasi-money grew by 6.5 per cent (R396 million), following a growth of 18 per cent (R236 million) in fixed-term deposits mainly as a result of a rise in the stock of deposits placed by public entities. Whilst the stock of savings deposits rose by 3.3 per cent (R160 million). As a result of the growth in M1 and quasi-money, M2 expanded by 5.8 per cent (R841 million).

Chart 3.2: Money Supply (2013 – 2023)



Source: Central Bank of Seychelles

As for the stock of foreign currency deposits, another component of M3, it stood at R9,665 million in rupee terms, a year-on-year growth of 5.8 per cent (R530 million). In US dollar terms, the total value of foreign currency deposits was higher by 5.3 per cent (US\$34 million), standing at US\$681 million in December. Such deposits were primarily held by businesses which by the nature of their activity earn revenue in foreign currency. The expansion in foreign currency deposits was consistent with the uptick in economic activity, as well as the relatively higher yield being offered on such facilities. The latter was associated with the tight monetary conditions externally, given higher interest rates globally as compared to 2022.

3.3 Reserve Money⁸

Reserve money is a key variable monitored by the Bank whereby the evolution of liquidity level in the system is analysed, particularly in the context of policy formulation, consistent with the domestic price stability objective of the Bank.

The quarterly levels of reserve money for 2023 are illustrated in Table 3.2 and Chart 3.3 below.

⁸ Often referred to as base or high-powered money and is comprised of currency in circulation and ODCs' deposits held at the Central Bank.

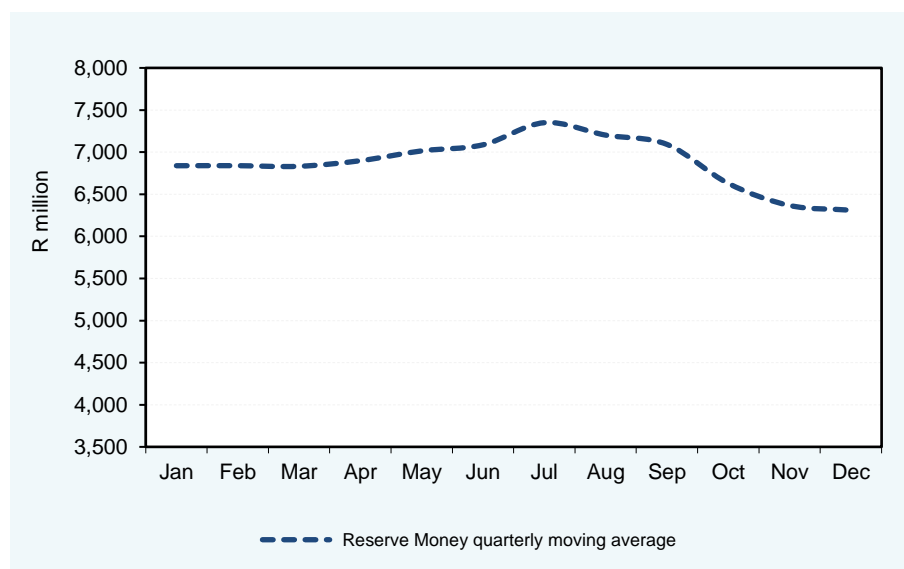
Table 3.2: Reserve Money (Q4 2022 to Q4 2023)

| | Q4 | Q1 | Q2 | Q3 | Q4 |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2022 | 2023 | 2023 | 2023 | 2023 |
| | (R million) | | | | |
| Reserve money (quarterly average) | 6,973.4 | 6,841.1 | 7,087.3 | 7,092.0 | 6,310.6 |
| Reserve Money (Actual) ¹ | 6,909.8 | 6,761.3 | 7,336.4 | 6,759.8 | 6,670.0 |
| <i>Currency in Circulation</i> | 1,658.0 | 1,591.9 | 1,548.3 | 1,561.2 | 1,641.4 |
| <i>Other Depository Corporations' reserves</i> | 4,373.8 | 3,731.5 | 4,036.9 | 3,553.0 | 4,091.5 |
| <i>Standing Deposit Facility</i> | 878.0 | 1,438.0 | 1,751.3 | 1,645.5 | 937.1 |

¹ Figures are as at the last day of the quarter

Source: Central Bank of Seychelles

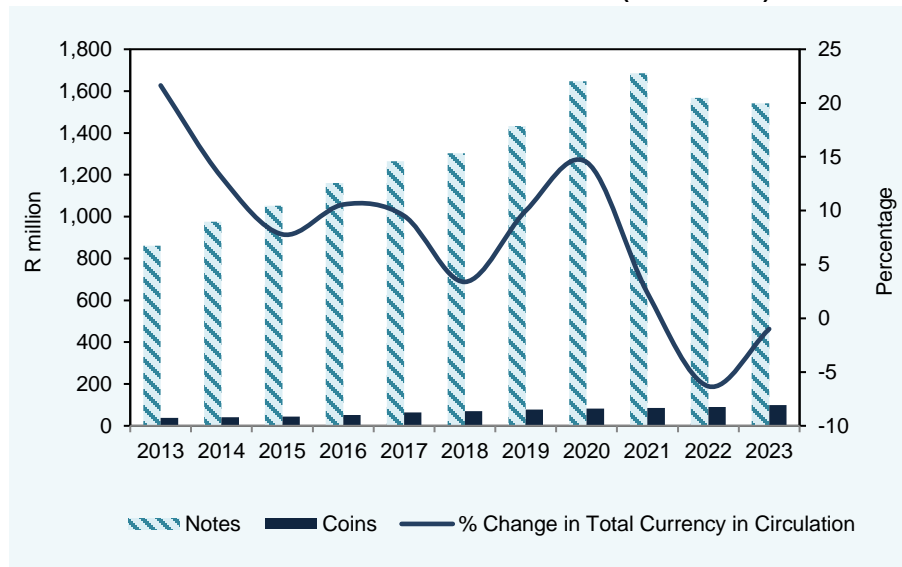
Chart 3.3: Reserve Money (2023)



Source: Central Bank of Seychelles

The average stock of reserve money for the fourth quarter of 2023 stood at R6,670 million, a reduction of 3.5 per cent as compared to end-2022. This was mainly on account of a fall of 6.5 per cent and 1.0 per cent in ODCs' reserves and currency in circulation, respectively.

Chart 3.4: Notes and coins in circulation (2013 – 2023)



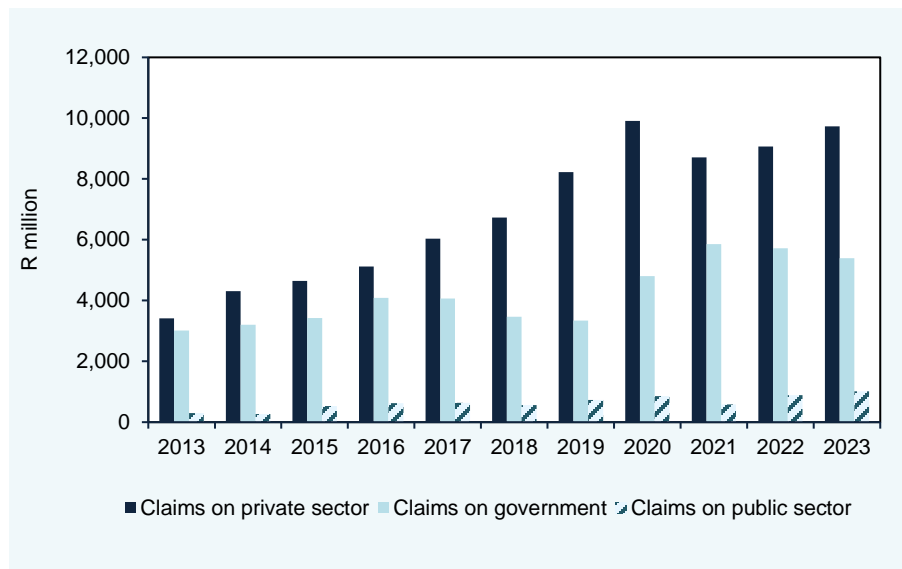
Source: Central Bank of Seychelles

3.4 Domestic Credit

3.4.1 Central Bank and Other Depository Corporations

At the end of 2023, the total stock of outstanding domestic credit of ODCs expanded by 3.0 per cent (R466 million) to stand at R16,147 million. This was primarily due to a year-on-year growth of 7.4 per cent (R670 million) and 15 per cent (R129 million) in claims on the private sector and public entities, respectively. In contrast, claims on government decreased by 5.8 per cent (R334 million) over the same period, on account of a decline in the overall stock of T-bills held by ODCs. This outcome was in line with the authorities' strategy to lower domestic debt, by reducing the volume of government securities that were issued.

Chart 3.5: Total Domestic Credit (2013 – 2023)



Source: Central Bank of Seychelles

3.4.2 Sectoral Allocation of Credit to the Private Sector

Total credit extended to the private sector increased by 7.4 per cent in December when compared to end-2022. This was largely attributed to an expansion of 13 per cent in local currency-denominated loans, which accounted for 83 per cent of total claims on private sector, from 79 per cent in the previous year. By contrast, credit extended in foreign currency declined by 14 per cent in rupee terms, mainly on account of the increase in interest rates domestically leading to a fall in demand for such facility. Of note, the higher interest rates on loans denominated in foreign currency 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 21 per cent in December 2022 to 17 per cent as at end-2023.

A breakdown of the sectoral allocation of total credit to the private sector showed that ‘mortgages’ accounted for the largest share with 20 per cent. In comparison to the previous year, credit allocated to this category increased by 17 per cent (R277 million). Other notable movements were observed under the categories ‘private households & NPIs’ and ‘agriculture & horticulture’ by 28 per cent (R386 million), and 13 per cent (R15 million), respectively. Conversely, the stock of credit disbursed to ‘manufacturing’, and ‘tourism facilities’ declined by 24 per cent (R42 million) and 9.2 per cent (R135 million), correspondingly.

As for the outstanding credit under the Private Sector Relief Schemes, this contracted by 57 per cent (R98 million) relative to December 2022, owing to repayment of the facilities. By end-2023, the outstanding balance pertaining to the Micro, Small, and Medium Enterprises (MSMEs) was lower by 59 per cent (R42 million) and the outstanding sum for the ‘Large Enterprises’ decreased by 56 per cent (R56 million). Of

note, the two Private Sector Relief Schemes were closed as of end-March 2022 as part of the Bank's Unwinding Strategy.

Table 3.3: Credit; ^{1/2/3} 2019 – 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (R million) | | | | |
| Total Credit | 13,488.3 | 16,752.5 | 16,342.6 | 16,879.0 | 17,343.8 |
| Commercial banks | 12,303.2 | 15,567.5 | 15,151.1 | 15,681.1 | 16,146.7 |
| Claims on private sector | 8,230.3 | 9,905.9 | 8,710.3 | 9,065.3 | 9,735.8 |
| Claims on public entities | 732.8 | 856.8 | 579.7 | 891.4 | 1,020.3 |
| Claims on government | 3,340.1 | 4,804.8 | 5,861.1 | 5,724.3 | 5,390.6 |
| of which: | | | | | |
| <i>Treasury bonds</i> | 295.7 | 833.7 | 3,070.6 | 4,007.6 | 4,254.4 |
| <i>Treasury bills</i> | 2,415.5 | 3,430.4 | 2,126.4 | 1,033.3 | 536.4 |
| Central Bank | 1,185.1 | 1,185.1 | 1,191.5 | 1,197.9 | 1,197.1 |
| Claims on government | 1,185.1 | 1,185.1 | 1,191.5 | 1,197.9 | 1,197.1 |
| of which: | | | | | |
| <i>Treasury bills excluding buybacks⁴</i> | 1,185.1 | 1,185.1 | 1,185.1 | 1,185.1 | 1,185.1 |

Figures do not necessarily add up due to rounding off

¹ End of period

² All figures for bonds and bills are sourced from reported institutions

³ Changes in previous figures are due to revisions

⁴ Comprises of advances to government that were converted to marketable securities

Source: Central Bank of Seychelles

**Table 3.4: Other Depository Corporations – Loans and Advances
To Non-Governmental Sector by Economic Sectors^{1/2} 2019 – 2023**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total Advances | 8,230.3 | 9,905.9 | 8,714.4 | 9,065.3 | 9,735.8 |
| <i>of which:</i> | | | (R million) | | |
| Foreign Currency Loan | 2,100.4 | 3,475.0 | 2,357.8 | 1,912.5 | 1,646.4 |
| Agriculture and horticulture | 117.5 | 84.3 | 82.5 | 116.0 | 131.4 |
| Fisheries | 87.6 | 88.0 | 149.9 | 147.5 | 138.9 |
| Manufacturing | 175.5 | 210.4 | 163.3 | 179.9 | 137.5 |
| Real Estate | 742.8 | 664.2 | 673.6 | 634.9 | 713.7 |
| Construction | 664.6 | 1,119.4 | 1,151.2 | 1,092.1 | 1,121.5 |
| Transportation | 437.9 | 639.4 | 465.3 | 401.3 | 430.5 |
| Tourism Facilities | 1,437.4 | 2,119.8 | 1,636.6 | 1,463.3 | 1,328.7 |
| Wholesale & Retail trade | 816.5 | 1,037.8 | 910.9 | 977.2 | 1,037.5 |
| Financial institutions | 1.6 | 16.0 | 1.9 | 6.1 | 5.1 |
| Other businesses | 782.0 | 1,046.3 | 776.6 | 1,019.3 | 998.8 |
| Private households & Non-profit organisation | 1,740.2 | 1,525.1 | 1,246.1 | 1,355.5 | 1,741.3 |
| Mortgage loans | 1,226.8 | 1,355.2 | 1,456.6 | 1,678.5 | 1,956.0 |

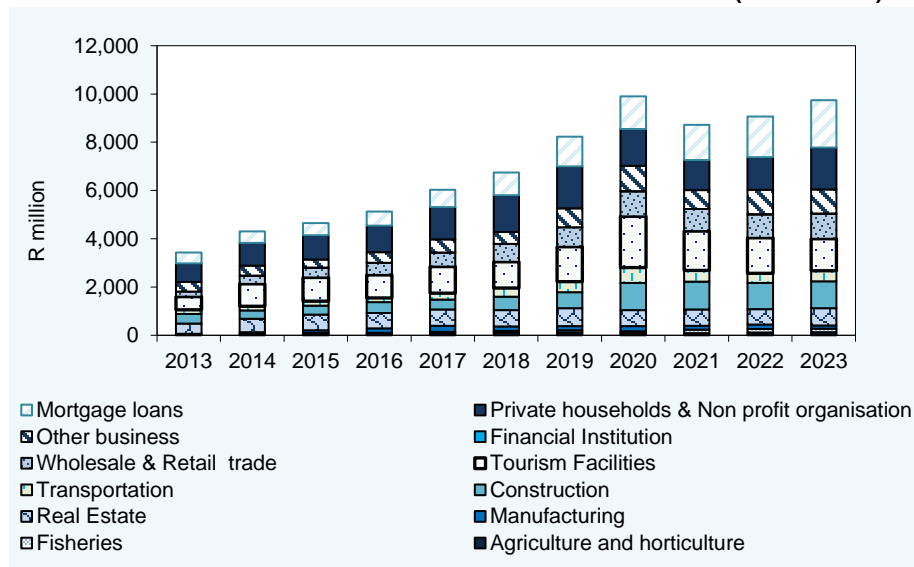
Figures do not necessarily add up due to rounding off

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 (2013 – 2023)



Source: Central Bank of Seychelles

3.4.3 Development Bank's Credit⁹

DBS has a specific mandate to assist in providing credit to productive sectors that contribute to economic development and where such facilities are not necessarily available at other financial institutions. Loans extended by DBS generally come with less stringent terms and at concessional rates in comparison to the industry's standards in several categories.

In 2023, DBS' total loan portfolio expanded by R6.7 million (or 0.9 per cent) relative to 2022, ending the year at R762 million. In absolute terms and by loan category, the largest increases were observed under the categories 'transport' (by R20 million or 106 per cent), 'tourism' (by R12 million or 5.6 per cent) and 'fishing' (by R7.9 million or 32 per cent). These categories accounted for 5.2 per cent, 29 per cent and 4.3 per cent of DBS' total loan portfolio, respectively. Conversely, 'building & construction', which constituted the largest component of DBS' total loans portfolio with a 50 per cent share, fell by R21 million (or 5.2 per cent).

In order to raise funds for DBS, a Treasury bond was issued in November. The T-bond, which totalled R200 million, had a tenure of 5 years at a fixed coupon rate of 4.8% to be paid semi-annually. However due to undersubscription, only R75.2 million was subscribed.

Table 3.5: Loans by Development Bank by Economic Sectors¹ (2019 – 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | (R million) | | | | | (Percentage) | | | | |
| Total Advances | 847.5 | 862.0 | 817.7 | 755.1 | 761.8 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture | 26.9 | 28.0 | 19.8 | 18.0 | 15.6 | 3.2 | 3.2 | 2.4 | 2.4 | 2.0 |
| Building and Construction | 415.5 | 421.0 | 414.5 | 397.3 | 376.8 | 49.0 | 48.8 | 50.7 | 52.6 | 49.5 |
| Fishing | 36.5 | 33.4 | 32.3 | 24.7 | 32.6 | 4.3 | 3.9 | 3.9 | 3.3 | 4.3 |
| Industry | 44.8 | 39.5 | 33.3 | 32.5 | 31.6 | 5.3 | 4.6 | 4.1 | 4.3 | 4.1 |
| Tourism | 173.7 | 202.5 | 222.6 | 209.0 | 220.8 | 20.5 | 23.5 | 27.2 | 27.7 | 29.0 |
| Trade | 2.0 | 1.5 | 1.2 | 0.7 | 0.5 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Transport | 55.6 | 50.6 | 23.9 | 19.1 | 39.4 | 6.6 | 5.9 | 2.9 | 2.5 | 5.2 |
| Other services | 92.5 | 85.5 | 70.2 | 53.7 | 44.6 | 10.9 | 9.9 | 8.6 | 7.1 | 5.9 |

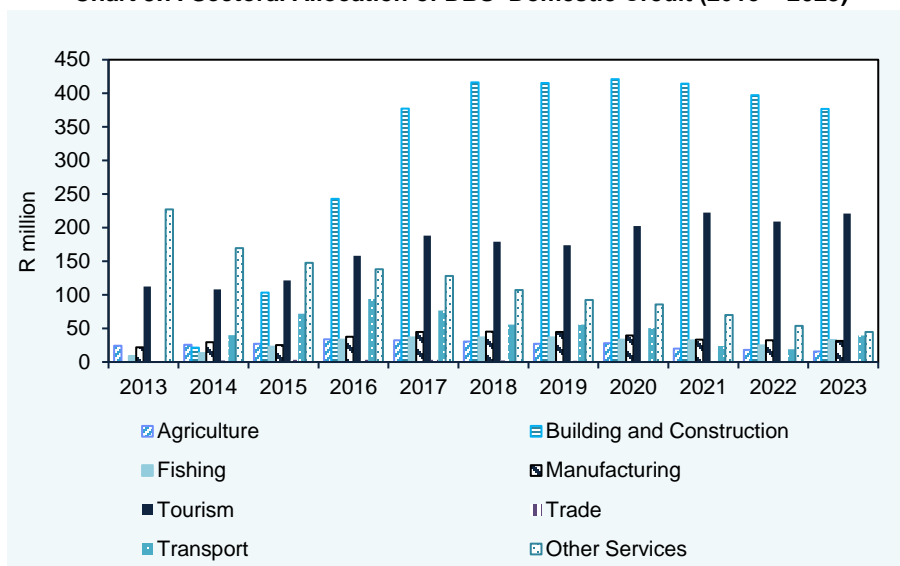
Figures do not necessarily add up due to rounding off

¹ End of period

Source: Development Bank of Seychelles

⁹ 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.

Chart 3.7: Sectoral Allocation of DBS' Domestic Credit (2013 – 2023)



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.

External developments and their associated uncertainties continued to pose downside risks to the domestic economic recovery in 2023. Cognisant of such and given the country's susceptibility to external shocks, the Bank considered it important to continue supporting the economy. As such, an accommodative monetary policy stance was maintained throughout 2023, with the MPR kept unchanged at 2.0% and the interest rate on the SDF and SCF at 0.5% and 3.5%, correspondingly.

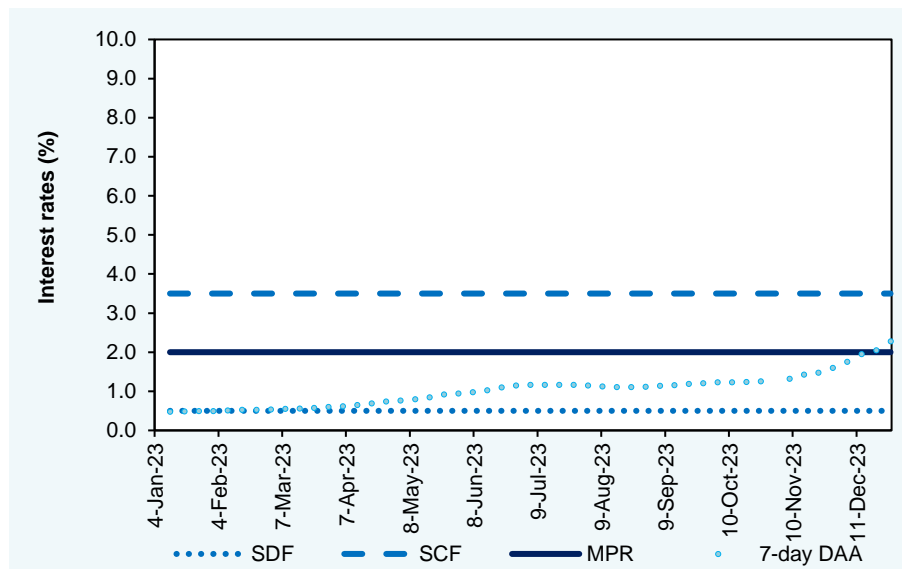
The MPR, which reflected the quarterly monetary policy signals, is illustrated in Table 3.6 and Chart 3.8 below.

Table 3.6: Monetary Policy Rate (2023)

| | 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 (2023)



Source: Central Bank of Seychelles

In view of the challenges encountered in regards to monetary policy transmission and to address the excess liquidity in the system, the Bank reviewed its liquidity management strategy. The OMO strategy – which aimed at re-aligning monetary policy implementation with the monetary policy framework – entailed achieving an optimal liquidity position through the use of the 7-day DAA as well as issuance of longer term DAAs. This is explained further in section 3.6.2.

3.5.2 Interest rates of Other Depository Corporations (ODCs)

There were mixed movements in interest rates in 2023. In December, the average savings rate on local currency deposits stood at 1.50%, an increase of 0.1 basis points relative to the same period in the previous year. In comparison, there was a decrease of 3.1 basis points in the average return on savings denominated in foreign currency, from 0.93% in December 2022 to 0.90% at end-2023, owing to a decline in the stock of such deposits at higher interest rate brackets.

The average return on fixed-term rupee deposits fell by 13 basis points, from 2.57% in December 2022 to 2.44% at the end of the period under review. This followed a decrease in yield under the maturity brackets of ‘up to 7 days’ and ‘above 6 months up to 12 months’ and ‘above 12 months’, by 31 basis points, 19 basis points and 83 basis points, respectively. The reduction in interest rates under the maturity bracket ‘up to 7 days’ was as a result of lower volume of placements. In regards to the fall in yield of the ‘above 6 months up to 12 months’ and ‘above 12 months’, this reflected the combined effects of a decline in the volume of placements at higher interest rates coupled with a growth in the stock of deposits placed at lower interest

rates. In contrast, there were increases in the maturity brackets of 'above 7 days up to 3 months' and 'above 3 months up to 6 months' by 9 basis points and 30 basis points, correspondingly. This was on account of higher volume of placements in these maturity brackets.

As for the average yield on fixed-term foreign currency deposits, it rose by 1.7 percentage points to 4.20%, as a result of increases in the volume of placements across all maturity brackets. The growth in fixed-term deposits denominated in foreign currency was consistent with the elevated interest rate throughout 2023 compared to 2022.

In terms of government securities, as at end-2023, the average yield on the 91-day, 182-day and 365-day T-bills stood at 3.60%, 3.83% and 3.95%, respectively. The largest expansion was in the return on the 91-day T-bill, with a rise of 272 basis points. This was followed by the 182-day and 365-day T-bills which rose by 242 basis points and 175 basis points, correspondingly. The increase in T-bills rates in December followed a higher volume of issuance.

Consistent with government's debt strategy of issuing longer-term maturities, T-Bonds were issued for fiscal purposes in 2023. T-Bonds with tenure of 10-years were issued in June, September and November. In addition, T-bonds with tenures of 3-year, 5-year and 7-year, were issued in March.

Table 3.7: Interest Rates^{1/2/3/4} (2019 – 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------|-------------|-------------|-------------|-------------|
| | (Percentage) | | | | |
| Weighted Average Deposits | | | | | |
| LC Savings Rate | 2.88 | 2.19 | 1.57 | 1.50 | 1.50 |
| FC Savings Rate | 0.82 | 0.91 | 0.89 | 0.93 | 0.90 |
| LC Fixed Term Deposit Rate (Weighted Average) | 4.57 | 4.13 | 3.18 | 2.57 | 2.44 |
| <= 7 days | 2.16 | 0.93 | 0.19 | 0.31 | 0.00 |
| > 7 days <= 3 months | 3.81 | 3.28 | 2.14 | 1.98 | 2.06 |
| > 3 months <= 6 months | 3.98 | 3.72 | 2.54 | 1.84 | 2.15 |
| > 6 months <= 12 months | 4.59 | 4.35 | 3.70 | 2.72 | 2.54 |
| > 12 months | 5.16 | 5.42 | 4.19 | 4.09 | 3.25 |
| FC Fixed Term Deposit Rate (Weighted Average) | 2.16 | 1.52 | 1.25 | 2.50 | 4.20 |
| <= 7 days | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| > 7 days <= 3 months | 1.88 | 0.94 | 0.57 | 3.16 | 4.06 |
| > 3 months <= 6 months | 1.97 | 0.98 | 1.10 | 2.22 | 4.43 |
| > 6 months <= 12 months | 2.74 | 2.21 | 1.44 | 2.12 | 4.10 |
| > 12 months | 2.63 | 1.83 | 1.57 | 2.12 | 4.23 |
| Weighted Average Lending Rates | | | | | |
| Average effective lending rate | 12.36 | 9.34 | 9.02 | 9.32 | 9.71 |
| Average lending rate - LC | 13.72 | 10.84 | 10.21 | 10.05 | 10.17 |
| Average lending rate – FC | 8.25 | 6.61 | 5.81 | 6.98 | 7.79 |
| Treasury bill rates | | | | | |
| 91-day treasury bill rate | 5.22 | 2.92 | 0.40 | 0.88 | 3.60 |
| 182-day treasury bill rate | 5.63 | 4.52 | 0.56 | 1.41 | 3.83 |
| 365-day treasury bill rate | 6.29 | 5.56 | 1.01 | 2.20 | 3.95 |

¹ All data are taken on an end of period basis

² Changes in previous figures are due to revisions

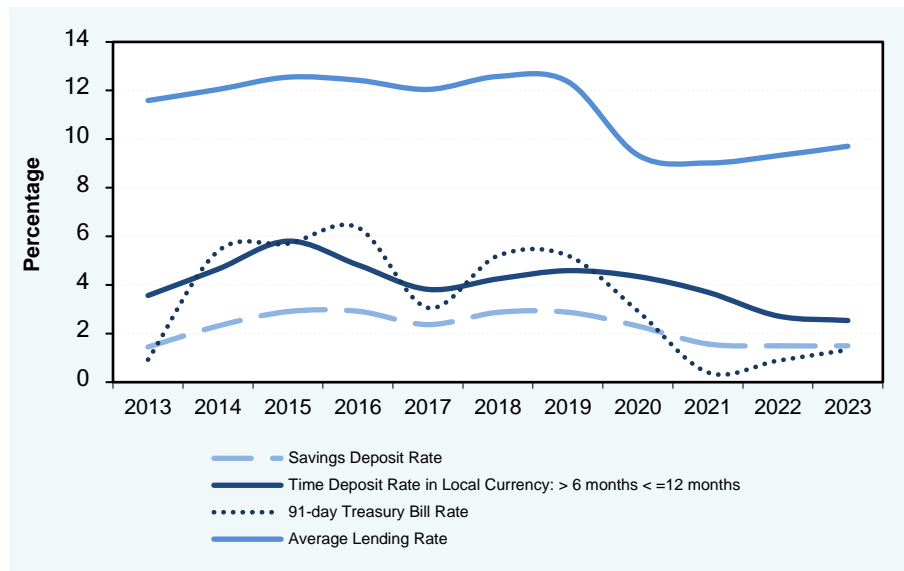
³ Treasury bill rates as at closing date

⁴ LC – Local Currency Deposits, FC – Foreign Currency Deposits

Source: Central Bank of Seychelles

As for the average effective lending rate, it stood at 9.71%, which was 39 basis points higher than in 2022. This followed a rise in the average lending rate of loans in foreign currency (by 81 basis points) as well as an increase in the average interest rate charged on local currency loans (by 12 basis points). Of note, the rise in the former was in light of a change in the prevailing pool of foreign currency-denominated loans with variable contracts to higher interest rate tiers. This shift was associated with tight external financial conditions, as interest rates globally, remained elevated to address inflation concerns. Consequently, compared to December 2022, the interest rate spread between local currency loans and deposits rose from 8.56% to 8.67%, whilst the difference between the interest rate on foreign currency loans and deposits widened from 6.05% to 6.89% as at end-December.

Chart 3.9: Interest Rates (2013 – 2023)



Source: Central Bank of Seychelles

3.6 Monetary Policy Instruments

In 2023, money market interventions were mainly geared towards ensuring that liquidity in the system was at a level that supported economic activity. This approach formed the foundation of the parameters that guided the Bank's open market operations.

3.6.1 Minimum Reserve Requirement (MRR)

MRR applicable on average residents' deposit liabilities remained at 13 per cent in 2023. In general, throughout the year, institutions liable to MRR maintained reserves above the prescribed minimum requirement. As has been the case since July 15, 2011, MRR was not remunerated. At the year-end, the applicable MRR balance on rupee-denominated deposit liabilities stood at R2,064 million, whilst that on the US dollar and Euro deposits amounted to US\$85 million and €35 million, correspondingly.

At its Monetary Policy meeting held on December 27, the Board of Directors of the Bank was appraised of the disasters that occurred during the first week of December, which affected many households and businesses. Following the discussions, the Board approved for the MRR on rupee-denominated deposits to be reduced to 12%, should it be required. The aim was to ensure that there was sufficient liquidity in the system, which also complemented other measures implemented at the national level to support those affected by the disasters.

3.6.2 Deposit Auction Arrangement

During 2023, DAA was the primary monetary policy instrument used to withdraw excess liquidity. As mentioned previously, the focus was on addressing the liquidity overhang in line with the monetary policy stance. This was to be achieved through a gradual increase in intervention volume and subsequently, the move to optimal intervention through the use of the 7-day DAA as well as by reinstating the 1-month and 2-month DAAs. For the first three quarters of 2023, OMOs were conducted once per week through the 7-day DAA only, with a gradual increase of R100 million at the beginning of each new MRR maintenance period, starting with an initial offer limit of R200 million. The decision to postpone optimal intervention until the fourth quarter of the year took into consideration the need to ensure sufficient liquidity for economic recovery following the effects of the COVID-19 pandemic. Notwithstanding such, this led to a further increase in the liquidity overhang in the system. It is to be noted that the FEAs conducted for reserves accumulation purposes in the first half of 2023 was also a key contributor towards the higher excess liquidity in the system.

As part of the liquidity management strategy, the Bank issued a 364-day DAA for an indicative amount of R1.0 billion in October. A total of R450 million was mopped up. Furthermore, to coincide with the MRR maintenance period in November, the Bank resumed optimal liquidity absorption operations through the 7-day DAA and reinstated the 1-month and 2-month DAAs. Such developments underpinned the upward trend in the yield of the 7-day DAA observed as of October.

The stock of outstanding DAA at the end of 2023 stood at R1,228 million, which was significantly higher than the balance of R200 million at the end of the previous year.

The table below shows the average interest rates on the DAA maturities offered during the year.

Table 3.8: Weighted Average Deposit Auction Arrangement Rates¹ (2023)

| | Q1 | Q2 | Q3 | Q4 |
|------------------------|---------------------|------|------|------|
| Maturity Period | Per cent (%) | | | |
| 6 days | - | - | - | 1.37 |
| 7 days | 0.62 | 1.17 | 1.23 | 2.50 |
| 28 days | - | - | - | 2.42 |
| 35 days | - | - | - | 2.57 |
| 63 days | - | - | - | 3.50 |
| 364 days | - | - | - | 2.41 |

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 a systemic liquidity shortage in the market. In view that the market remained sufficiently liquid in 2023, 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 2023, the aforementioned instruments were not used in the Bank's open market operations. Technical assistance is expected in 2024 to assist in the development of a repo framework with the aim of re-operationalising the vertical repo under the interest rate-based framework.

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 fell by 7.0 per cent to 1,803 in 2023. In terms of the total value of SDF placements in 2023, this amounted to R360,914 million, which was a decline of 33 per cent relative to the previous year. This outcome reflected a shift from SDF to DAA given the higher volumes issued during the year.

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 2023.

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.

Given the surplus of foreign exchange in the first half of the year, the Bank was able to purchase EUR 55 million through FEAs for the purposes of reserves accumulation.

However, the Bank decided to cease FEAs as of June 2023, in light of the surge in demand for foreign exchange by other market participants.

3.6.7 Foreign Exchange Swaps

Foreign exchange swaps are utilised for fine-tuning liquidity conditions in the system. They may also be used to manage external reserves. The instrument is yet to be used by the Bank since its inception in 2010.

SECTION FOUR

Government Finance¹⁰

4.0 Overview

The 2023 national budget provided insights on the fiscal performance of 2022 and introduced strategic policy changes in line with the evolving economic conditions. The key focus areas of the budget were to implement a new salary structure for public service employees, investing in infrastructure, and securing new means of revenue for government.

Throughout the year, the authorities remained committed towards achieving a budgetary surplus, as well as ensuring fiscal consolidation. According to provisional statistics, a primary surplus of 1.7 per cent of GDP was recorded at the end of 2023, compared to a surplus of 0.7 per cent of GDP in 2022. Furthermore, in line with government's pledge to reduce overall public debt to 50 per cent of GDP by 2030, there was a decline in the aggregated stock of public debt, including government guarantees, from 69 per cent of GDP at end-2022 to 60 per cent of GDP at end-2023.

In December, many businesses at the Providence Industrial Estate and households in the surrounding areas were affected by an explosion at the Civil Construction Company Ltd, and many residents in the north of Mahé were impacted by heavy rainfall. In response to these disasters, government introduced some measures to help the victims. These included a one-off payment of R25,000 per household that had been impacted. In addition, government will contribute up to R1.0 million per house, to assist in rebuilding the houses that were affected. With regard to the businesses, they were offered a deferral in their tax payment for 3 months; a 3-month waiver in their rental payment; amongst others. Aside from such, the country received financial assistance from China and Mauritius, as well as non-monetary aid from UAE.

4.1 Policy Changes

One of the key focus areas of fiscal policy in 2023 was on the introduction of a new salary grid for public sector employees. This comprised of three phases:

- Firstly, the consolidation of allowances, where applicable, into the basic salaries¹¹;
- Secondly, an average increase of 10 per cent was given on the consolidated salaries in April; and
- Thirdly, the creation of a salary grid such that all public sector workers can fit on the grid.

¹⁰Statistics and analysis are based on GFS 2023, as per data available as at February 02, 2024.

¹¹This comprise of the 5.0 per cent supplementation allowance introduced in 2019, the marketable skills allowance, the graduate allowance and the performance allowance. Of note, inducement and long service allowances were excluded from consolidation due to certain considerations.

Whilst the salary review targeted public sector employees only, government appealed to the private sector, to where feasible, offer their workers a salary increment as well. Another policy change was in regards to the calculation of the 13th month pay, which had been re-instated in 2022. Contrary to past years, the new methodology entailed a guaranteed 50 per cent of the salary whilst the remaining 50 per cent was subject to a performance assessment by the employer.

In regard to social policies, the financial assistance of up to R500 that was being offered since July 2022, to individuals receiving benefits from the Agency for Social Protection (ASP), such as pensioners, those with disabilities and invalidity, was extended until December 2024. Additionally, the provision of free breakfast and lunch for children in public schools that began at the start of the third school term in 2022 was maintained throughout 2023.

In order to increase fiscal revenue, government introduced a number of measures that were implemented throughout the year. These included a tax of 2.0 per cent on the turnover of medium and large hotels as well as a revision in the applicable business tax rate for securities dealers, from 1.5 per cent to 3.0 per cent. The aforementioned measures came into effect in January. In addition, a new tourism environmental sustainability levy was introduced, to be charged on each visitor per night, based on accommodation type, including yacht charters. The levy – which was initially earmarked to take effect in April – came into force in August, following a series of consultations between the government and tourism establishments.

In an effort to further boost investment in the fishing sector, particularly in the context of aquaculture and adding value to fishery products, government revised the business tax rate applicable on all profits made by the fish processing and aquaculture sectors to 15 per cent, as of January, for a period of 10 years. To recall, when it was introduced in 2022, a 15 per cent tax was applied on profits of up to R1.0 million after which a 25 per cent tax was charged on profits above that threshold.

Table 4.1: Government Budget Summary
(2022 – 2023)

| | 2022 Budget | 2022 Actual | 2023 Budget ¹ | 2023 Actual ² |
|---|-------------------|------------------|-----------------------------|-----------------------------|
| R ('000) | | | | |
| Total revenue and grants | 9,212,203 | 8,800,528 | 9,948,659 | 9,538,789 |
| Total revenue | 9,030,594 | 8,688,495 | 9,581,606 | 9,269,053 |
| of which: | | | | |
| Tax | 7,786,363 | 7,392,917 | 8,431,040 | 8,155,743 |
| Personal Income Tax | 1,099,241 | 1,085,994 | 1,214,826 | 1,187,489 |
| Social Security Tax-Arrears | 0 | 0 | 0 | 7.3 |
| Customs Duties | 285,613 | 302,408 | 335,887 | 329,512 |
| Excise Tax | 1,456,576 | 1,415,817 | 1,476,663 | 1,426,603 |
| GST Tax Arrears | 604 | 656 | 663 | 654 |
| Value Added Tax | 3,050,620 | 2,964,762 | 3,112,666 | 2,996,446 |
| Business tax | 1,445,153 | 1,207,476 | 1,618,050 | 1,601,610 |
| Corporate Social Responsibility Tax | 7,108 | 10,352 | 5,298 | 4,864 |
| Tourism Marketing Tax | 67,675 | 82,110 | 87,729 | 108,915 |
| Other Tax | 337,797 | 294,073 | 543,700 | 464,839 |
| Property Tax | 35,976 | 29,271 | 35,558 | 34,804 |
| Nontax | 1,244,231 | 1,295,578 | 1,150,566 | 1,113,310 |
| Fees and Charges | 346,808 | 388,976 | 423,854 | 446,847 |
| Dividends Income | 757,263 | 790,472 | 579,759 | 553,588 |
| Other Nontax | 53,744 | 35,614 | 43,365 | 37,185 |
| Proceeds from sale of assets | 86,415 | 80,517 | 103,588 | 75,691 |
| Grants | 181,609 | 112,033 | 367,053 | 269,735 |
| Expenditure and net lending | 10,139,507 | 9,216,495 | 10,771,712 | 9,926,217 |
| Current expenditure | 9,050,112 | 8,479,953 | 9,361,865 | 8,939,293 |
| Primary Current Expenditure | 8,422,472 | 7,879,620 | 8,541,291 | 8,064,076 |
| Interest due | 627,640 | 600,333 | 820,574 | 875,217 |
| Transfers | 272,780 | 276,885 | 44,930 | 47,697 |
| Capital expenditure | 800,637 | 593,939 | 1,217,861 | 828,035 |
| Net lending | 81,264 | -15,127 | -23,878 | -33,857 |
| Contingency | 50,000 | 35,798 | 50,000 | 36,149 |
| Primary balance, Accrual basis (GFS)³ | | | | |
| Including grants | -299,663 | 184,367 | -2,479 | 487,788 |
| In per cent of GDP | -1.1% | 0.7% | -0.01% | 1.7% |
| Excluding grants | -481,273 | 72,333 | -369,532 | 218,053 |
| In per cent of GDP | -1.7% | 0.3% | -1.3% | 0.7% |
| Overall balance, Accrual basis (GFS) | -927,304 | -415,966 | -823,053 | -387,429 |
| In per cent of GDP | -3.3% | -1.5% | -2.8% | -1.3% |
| Overall balance, cash basis (after grants) | -927,304 | -411,313 | -823,053 | 27,508 |
| Financing | 927,304 | 411,313 | 823,053 | -27,508 |
| Foreign Financing (accrual basis, net) | 826,313 | 77,012 | 795,079 | 135,754 |
| Domestic Financing, net | 100,991 | 379,714 | 27,974 | -493,030 |
| Bank Financing | 90,892 | 377,845 | 25,177 | -423,633 |
| Non-Bank Financing | 10,099 | 1,870 | 2,797 | -69,397 |

Figures do not necessarily add up due to rounding.

¹Figures are as per revised end of year budget

²The series is subject to audit and might be revised accordingly.

³The primary balance is obtained by excluding interest payments from the overall balance.

Source: Ministry responsible for Finance

4.2 Public Debt¹²

In 2023, government continued to raise funds on both the domestic and external markets to finance its fiscal needs. Provisional statistics showed that as at end-2023, the total stock of public debt stood at R17,495 million (US\$1,233 million), which was 2.9 per cent lower than in December 2022. As a share of GDP, total public debt declined from 69 per cent to 60 per cent over the same period. The decrease in the overall debt level was mainly driven by a fall of 6.8 per cent in domestic debt, which amounted to R9,193 million. This resulted from reductions of 6.4 per cent (R537 million) and 3.4 per cent (R24 million) in government securities and central government domestic loans, respectively.

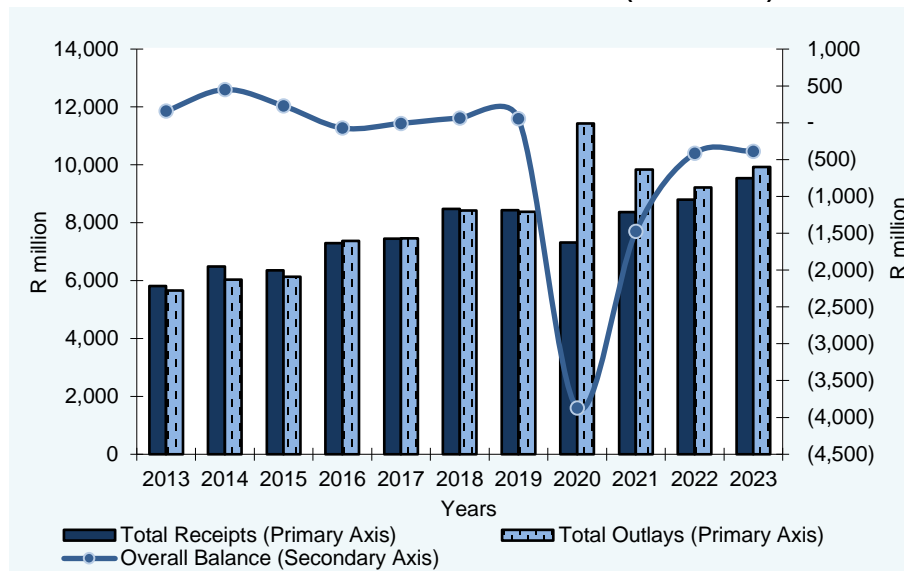
The aggregated stock of external debt stood at R8,303 million (29 per cent of GDP) at the end of 2023, as compared to R8,157 million (31 per cent of GDP) in the previous year. In US dollar terms, the stock of external debt rose by 1.3 per cent, from US\$578 million in December 2022 to US\$585 million during the review period. This outcome was attributed to an expansion in the stock of central government loans by 5.5 per cent (R384 million). Conversely, there was a drop of 21 per cent (R234 million) in the stock of external securities.

4.3 Outcome for 2023

At year-end, there was a primary surplus, inclusive of grants, of 1.7 per cent of GDP. This was an improvement compared to the surplus of 0.7 per cent of GDP that was achieved in 2022. Additionally, this outcome was better than the anticipated shortfall of 0.01 per cent of GDP for 2023, and was underpinned by savings on the expenditure side, which helped to offset the underperformance on the revenue side.

¹²All public debt figures are inclusive of government guarantees

Chart 4.1: Government Finance Outcome (2013 – 2023)



Source: Ministry responsible for Finance

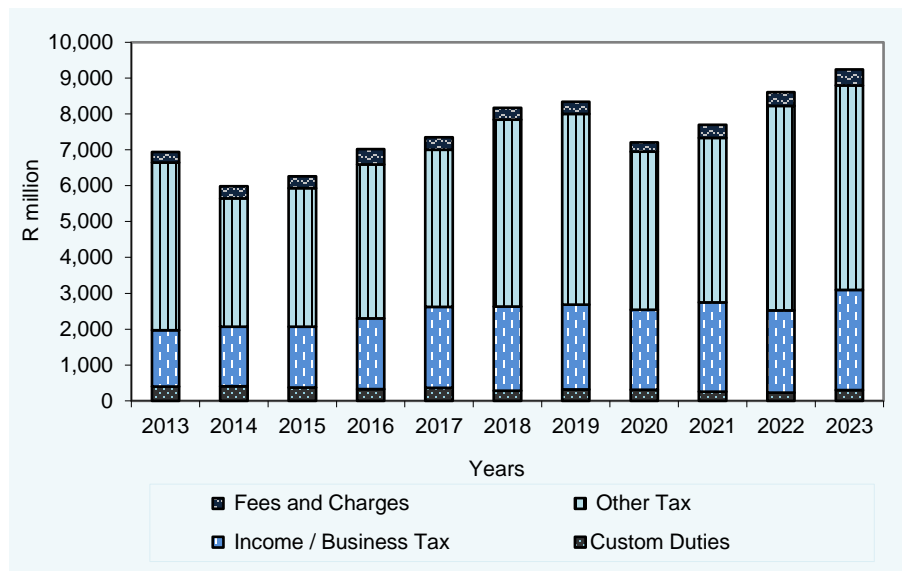
4.4 Revenue

Annual total revenue, including grants, amounted to R9,539 million, which was 4.1 per cent below forecast. This primarily stemmed from lower-than-anticipated tax (by 3.3 per cent), non-tax revenue (by 3.2 per cent), as well as a reduction of 27 per cent in external grants.

Tax receipts totalled R8,156 million, falling short of projections by R275 million (3.3 per cent). This was on account of lower collections under most of the tax lines, with the exception of 'tourism marketing tax' which overperformed by R21 million (24 per cent). The largest shortfalls were recorded under 'value added tax' (VAT) (by R116 million or 3.7 per cent), 'other tax' (by R79 million or 15 per cent) and 'excise tax' (by R50 million or 3.4 per cent).

Non-tax revenue, which stood at R1,113 million, was below the budgeted figure by R37 million (3.2 per cent). This followed lower-than-anticipated receipts under the majority of the tax lines except for 'fees and charges' which was higher than the expected amount by R23 million (5.4 per cent). The most notable deviation from projections were under 'proceeds from sale of assets' and 'dividends income', which were below the forecasted figures by R28 million (27 per cent) and R26 million (4.5 per cent), respectively.

Chart 4.2: Major Revenue Flows in Current Receipts (2013 - 2023)



Source: Ministry responsible for Finance

4.5 Expenditure and Net Lending

The year's total spending and net lending amounted to R9,926 million compared to the budgeted sum of R10,772 million. As such, the total amount spent was 7.8 per cent below the budgeted allocation, underscoring the concerted efforts of the authorities towards fiscal consolidation.

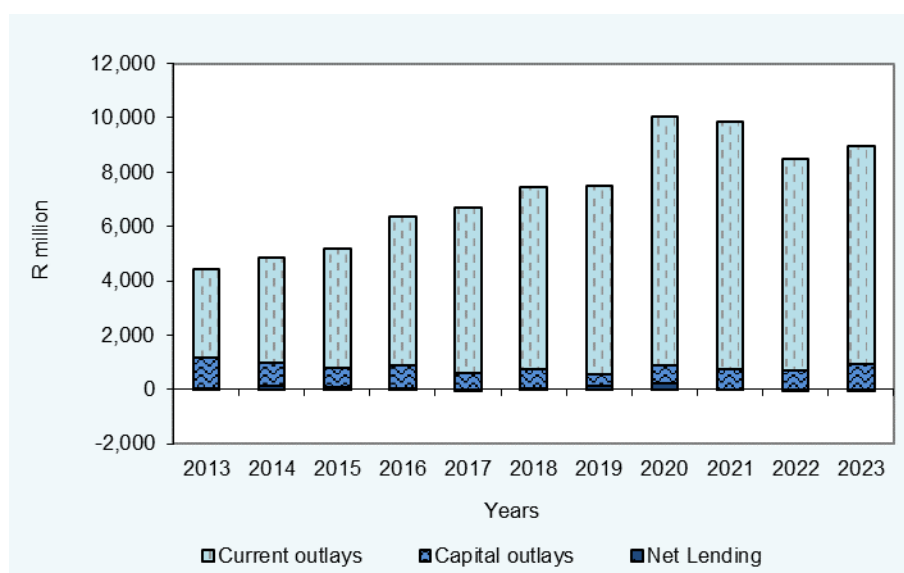
4.5.1 Current Outlays

Current outlays totalled R8,939 million, reflecting a variance of R423 million compared to the allocation. This primarily stemmed from lower spending under most of the sub-components of current expenditure, with the exception of 'interest due' and 'transfers to public enterprises' which exceeded their respective allocation by R55 million (6.7 per cent) and R2.8 million (6.2 per cent), correspondingly. Of note, the higher than anticipated spending under the sub-component 'interest due' was on account of elevated interest rates abroad.

4.5.2 Capital Outlays

In 2023, total capital outlays, which consist of capital expenditure, net lending and development grants, stood at R951 million. This was below the budgeted amount by R409 million (30 per cent) on account of some projects that did not materialise. Project financing constituted the majority of capital expenses, amounting to R828 million compared to the allocation of R1,218 million. Additionally, R157 million was disbursed as development grants, and was allocated to various entities including the Property Management Corporation (PMC) (R53 million), Public Utilities Corporation (PUC) (R60 million), Seychelles Public Transport Corporation (R41 million), and the Guy Morel Institute (R2.8 million).

Chart 4.3: Government Capital Expenditure (2013 - 2023)



Source: Ministry responsible for Finance

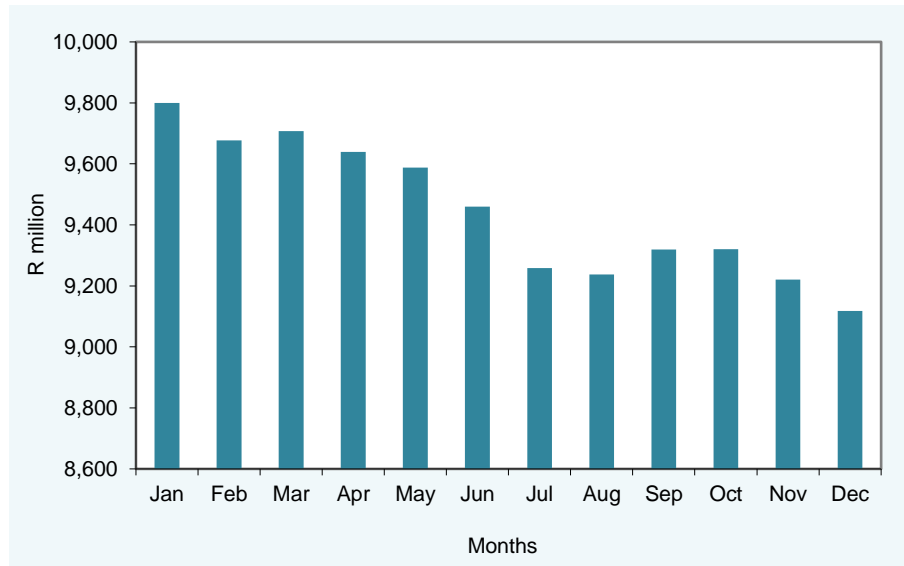
4.6 Financing

As per established trends, government's financing needs were sourced from both domestic and foreign sources. Domestic financing was largely in the form of T-bills and T-bonds, whilst foreign sources of financing included grants as well as external loans from bilateral and multilateral partners. The actual financing required by government by the end of the year stood at negative R28 million compared to a budgeted positive R823 million.

Foreign financing included grants and loans from bilateral and multilateral partners, either for specific projects or as general budget support. On May 31, the Executive Board of the IMF approved a new three-year EFF and RSF equivalent to US\$56 million and US\$46 million, respectively. Moreover, the authorities obtained budget support of US\$30 million from the World Bank and US\$25 million from African Development Bank (AfDB) to help bridge the financing gap. Furthermore, government received a total amount of US\$17 million under project loans and grants from various bilateral and multilateral partners.

In line with section 40 of the Central Bank of Seychelles (CBS) Act 2004, as amended, a limit of R100 million was set on short-term advances to government for 2023 to cater for any temporary shortfall in fiscal revenue during the year. This was a reduction from the limit of R250 million set in 2022, which was done under section 40A of the amended CBS Act 2004. The decision took into consideration the pick-up in economic activity in 2023 and its resulting positive impact on government revenue. Such provision under the CBS Act aims to ensure the smooth settlement of government transactions and should be considered as a last resort rather than part of the normal financing sources. The facility was not accessed in 2023.

Chart 4.4: Stock of Domestic Debt (Jan – Dec 2023)



Source: Ministry responsible for Finance; Central Bank of Seychelles

4.6.1 Treasury Bills

T-bills continued to serve as the primary short-term instrument used to meet the government's domestic financing requirements in 2023. Nevertheless, the volume of issuance was reduced compared to 2022, consistent with government's objectives to lower public debt. In comparison to 2022, both the cost value and face value of the outstanding stock of T-bills decreased by 43 per cent.

At the end of the year, the average yield¹³ on the 91-day, 182-day, and 365-day T-bills stood at 3.60%, 3.83%, and 3.95%, respectively. As compared to 2022, these represented increases of 2.72%, 2.42%, and 1.75% in the aforementioned order.

¹³Treasury bills rates as at closing date

Table 4.2: Treasury Bills ^{1/2/3/4} (2019 – 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|----------------|--------------|
| | R (million) | | | | |
| Stock outstanding ^{1/3/4} | 3,668.3 | 4,242.1 | 2,405.8 | 1,073.6 | 611.5 |
| 91-day bills (tender issue) | 327.9 | 672.0 | 56.9 | 36.4 | 5.0 |
| 182-day bills (tender issue) | 770.5 | 1,320.5 | 463.5 | 273.0 | 180.6 |
| 365-day bills (tender issue) | 2,569.9 | 2,249.6 | 1,885.5 | 764.1 | 425.9 |
| Stock outstanding ^{2/3/4} | 3,844.3 | 4,399.0 | 2,510.7 | 1,087.9 | 621.9 |
| 91-day bills (tender issue) | 332.1 | 676.3 | 57.0 | 36.5 | 5.0 |
| 182-day bills (tender issue) | 790.8 | 1,348.7 | 470.3 | 275.1 | 182.0 |
| 365-day bills (tender issue) | 2,721.3 | 2,374.0 | 1,983.4 | 776.3 | 434.9 |
| Held By ^{2/3} | | | | | |
| Commercial banks | 2,546.8 | 3,401.4 | 2,117.4 | 979.8 | 573.8 |
| Other financial institutions | 363.2 | 146.9 | 101.6 | 61.6 | 4.0 |
| Others | 934.3 | 850.6 | 291.4 | 46.5 | 44.2 |

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 total outstanding stock of T-bonds stood at R6,032 million. In March, three T-bonds were issued for fiscal purposes, spanning 3-year, 5-year, and 7-year tenors with coupon rates of 3.20%, 4.60%, and 6.00% respectively. The total subscription for the aforementioned T-bonds summed up to R113 million which was R38 million above the indicative amount. Subsequently, during the latter half of the year, three T-bonds with 10-year maturities each, were issued in June, September, and November, carrying coupon rates of 8.30%, 7.80%, and 7.40%, respectively. The combined indicative amount for the T-bonds was R250 million, but a total of R321 million was subscribed. Additionally, in November government guaranteed a 5-year T-bond for DBS, at a coupon rate of 4.80%. Whilst the indicative amount for the T-bond was R200 million, it was under-subscribed and a total of approximately R75 million was allocated.

Table 4.3: Treasury Bonds¹ (2019-2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|--------------|----------------|----------------|----------------|----------------|
| | R (million) | | | | |
| Stock outstanding | 550.0 | 2,000.0 | 4,955.9 | 6,102.2 | 6,032.1 |
| 2.50 %, 3-yr | 50.0 | | | 128.5 | 128.5 |
| 2.70 %, 3-yr | | | | 166.8 | 166.8 |
| 2.90 %, 3-yr | | | | 38.0 | 38.0 |
| 3.15 %, 3-yr | | | | 65.7 | 65.7 |
| 3.20 %, 3-yr | | | | | 7.6 |
| 3.50 %, 4-yr | | | 279.8 | 279.8 | 279.8 |
| 4.30 %, 5-yr | | | | 151.5 | 151.5 |
| 4.40 %, 5-yr | | | | 138.3 | 138.3 |
| 4.50 %, 6-yr | | | 217.4 | 217.4 | 217.4 |
| 4.60 %, 5-yr | | | | | 11.8 |
| 4.65 %, 5-yr | | | | 34.2 | 34.2 |
| 5.00 %, 7-yr | | | | 141.4 | 141.4 |
| 5.75 %, 3-yr | | | 462.1 | 462.1 | 462.1 |
| 5.90 %, 7-yr | | | | 120.3 | 120.3 |
| 5.90 %, 7-yr | | | | 210.3 | 210.3 |
| 6.00 %, 7-yr | | | | | 94.0 |
| 6.15 %, 7-yr | | | | 101.3 | 101.3 |
| 6.50 %, 5-yr | 150.0 | 150.0 | 150.0 | | |
| 7.00 %, 5-yr | | | 397.6 | 397.6 | 397.6 |
| 7.00 %, 7-yr (1770 Bond) | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 |
| 7.00 %, 7-yr | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| 7.00 %, 3-yr Solidarity Bond | | 500.0 | 500.0 | 500.0 | |
| 7.00 %, 3-yr | | | 300.0 | 300.0 | 300.0 |
| 7.40 %, 10-yr | | | | | 85.7 |
| 7.80 %, 10-yr | | | | | 100.8 |
| 8.00 %, 5-yr | | | 441.4 | 441.4 | 441.4 |
| 8.25 %, 7-yr | | | 357.6 | 357.6 | 357.6 |
| 8.30 %, 10-yr | | | | | 130.0 |
| 10.00 %, 5-yr Solidarity Bond | | 500.0 | 500.0 | 500.0 | 500.0 |
| 10.00 %, 7-yr | | | 500.0 | 500.0 | 500.0 |
| 12.00 %, 7-yr Solidarity Bond | | 500.0 | 500.0 | 500.0 | 500.0 |
| Held by: | | | | | |
| Commercial banks | 242.0 | 902.0 | 3,099.8 | 3,974.8 | 3,886.8 |
| Other financial institutions | 149.0 | 223.0 | 274.7 | 314.7 | 362.7 |
| Others | 159.0 | 875.0 | 1,580.2 | 1,810.5 | 1,777.4 |
| CBS | | | 1.2 | 2.2 | 5.1 |

¹ End of period data

Source: Central Bank of Seychelles

SECTION FIVE

External Sector¹⁴

5.0 Overview

Seychelles is a small, open island economy and a net importer. As such, the country's current account balance is inherently in deficit. It relies heavily on international trade for importation of goods and services, as well as a source of foreign exchange. According to provisional estimates for 2023, the shortfall increased from US\$142 million in 2022 to US\$144 million in the year under review. Such outcome was attributed to a widening of the trade balance, owing to higher imports relative to exports, in addition to a worsening of the secondary income account. This was despite an improvement in the net contribution of the services account, primarily driven by the positive performance of the tourism industry. However, as a percentage of GDP, the current account deficit narrowed from 8.3 per cent of GDP in 2022 to 7.4 per cent in 2023.

The tourism sector continued to support domestic economic activity with a marked increase in both visitor arrivals and earnings as compared to 2022. This was reflective of the improvement in global travel sentiments. In terms of tourism earnings, the appreciation of the Euro (EUR) in international currency markets led to better conversion rates for the local foreign exchange earners, and as such, this impacted positively on the sector's overall earnings in US dollar terms. Developments in the foreign exchange market showed a higher supply of foreign currency relative to demand in the first half of the year, which led to an appreciation of the SCR against the USD. The higher supply of foreign currency was attributed to the increased level of tourism-related inflows in the domestic economy. However, the seasonal rise in demand for foreign currency which exceeded supply in the latter half of 2023, resulted in a depreciation of the SCR vis-à-vis the aforementioned currency over that period. Nonetheless, from an annual average perspective, there was an overall appreciation of the SCR relative to the USD. In the case of the other major traded currencies, the domestic currency strengthened against the British Pound Sterling (GBP), however, it weakened vis-à-vis the EUR.

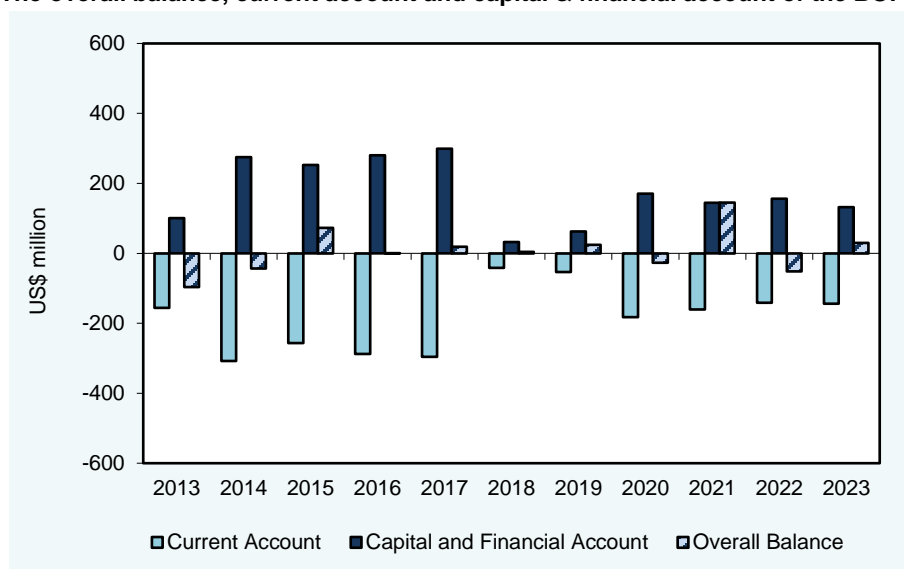
In regards to GIR, it stood at US\$682 million at the end of the year, equivalent to 3.8 months of import cover. This was an increase from the end-2022 reserves level of US\$639 million (or 3.4 months of import cover), on account of purchases from the domestic market in addition to disbursements in the form of loans and grants from the country's international partners.

¹⁴ Since 2015 the Bank has started to include offshore sector data, particularly the activities of entities registered as Company Special Licence (CSLs), in the Balance of Payments (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

The provisional estimates for the year 2023 showed a slight worsening of the current account deficit in value terms, from US\$142 million in 2022 to US\$144 million, due to a widening of the trade balance given the stronger growth in imports compared to exports. In addition, the secondary income account worsened compared to the previous year. This was despite an improvement in the net contribution of the services account, primarily driven by the positive performance of the tourism industry. However, when expressed as a percentage of GDP, this represented an improvement in the current account deficit from 8.3 per cent in 2022 to 7.4 per cent in 2023.

Chart 5.1: The overall balance, current account and capital & financial account of the BOP (2013-2023)

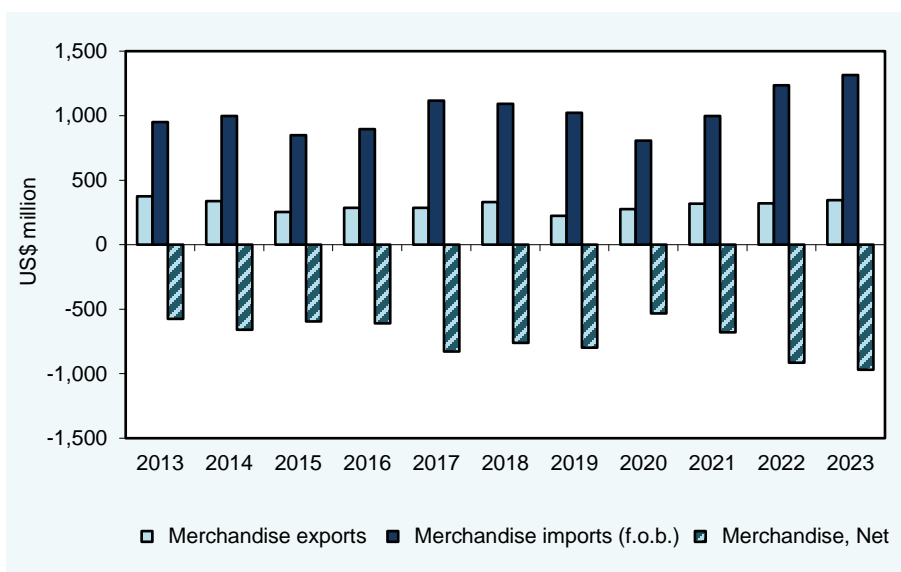


Source: Central Bank of Seychelles

5.1.1 Trade in goods

In 2023, the country's trade deficit worsened by 21 per cent to stand at US\$886 million, relative to US\$731 million in the previous year. This outcome was largely driven by an expansion of 10 per cent in the value of imported goods combined with a decrease of 4.3 per cent in the value of exported goods.

Chart 5.2: Trade in Goods (2013 - 2023)



Source: National Bureau of Statistics & Central Bank of Seychelles

Table 5.1: Seychelles Balance of Payments¹ (2019 - 2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 Prov. |
|--|---------------|---------------|---------------|---------------|---------------|
| | (USD million) | | | | |
| CURRENT ACCOUNT | -53.1 | -182.1 | -160.2 | -141.6 | -144.1 |
| Goods, | -630.6 | -358.7 | -506.8 | -730.8 | -886.1 |
| Credits (of which:) | 483.2 | 473.1 | 515.7 | 562.9 | 538.5 |
| Merchandise exports (f.o.b.) | 223.7 | 274.9 | 317.3 | 320.4 | 344.9 |
| Debits (of which:) | 1,113.8 | 831.8 | 1,022.6 | 1,293.7 | 1,424.5 |
| Merchandise imports (f.o.b.) | 1,022.0 | 807.5 | 996.9 | 1,236.2 | 1,315.4 |
| Services, net | 690.3 | 266.2 | 437.0 | 680.0 | 831.4 |
| Credits (of which:) | 1,601.5 | 766.6 | 1,235.4 | 1,684.2 | 1,826.3 |
| <i>Tourism Earnings</i> | 856.4 | 327.2 | 588.4 | 935.2 | 989.3 |
| Debits | 911.1 | 500.4 | 798.4 | 1,004.2 | 994.9 |
| Primary Income, net | -106.5 | -76.4 | -88.4 | -75.9 | -70.0 |
| Compensation of employees | -7.6 | -4.7 | -9.8 | -5.3 | -3.9 |
| Credits | 4.7 | 2.6 | 2.6 | 2.6 | 2.6 |
| Debits | 12.3 | 7.3 | 12.4 | 8.0 | 6.5 |
| Investment income | -98.9 | -71.7 | -78.6 | -70.5 | -66.1 |
| Credits | 11.5 | 9.2 | 5.4 | 17.1 | 50.7 |
| Debits | 110.4 | 80.9 | 84.1 | 87.6 | 116.7 |
| Secondary Income, net | -6.4 | -13.3 | -1.9 | -15.0 | -19.5 |
| General government | 37.8 | 18.4 | 30.7 | 32.0 | 27.2 |
| Credits | 37.8 | 18.4 | 30.7 | 32.0 | 27.2 |
| Fishing licence fees | 8.0 | 13.5 | 17.1 | 15.8 | 9.3 |
| Other grants | 29.8 | 4.9 | 13.6 | 16.2 | 17.9 |
| Debits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other sectors | -44.2 | -31.6 | -32.6 | -47.0 | -46.6 |
| Credits | 22.0 | 9.0 | 8.5 | 9.9 | 10.4 |
| Debits | 66.2 | 40.6 | 41.1 | 56.9 | 57.0 |
| CAPITAL AND FINANCIAL ACCOUNT | 62.5 | 170.6 | 144.5 | 156.1 | 131.7 |
| CAPITAL ACCOUNT | 38.3 | 20.9 | 23.8 | 17.3 | 22.0 |
| FINANCIAL ACCOUNT | -24.3 | -149.7 | -120.7 | -138.9 | -109.7 |
| Direct investment | -265.2 | -134.6 | -160.3 | -226.4 | -279.2 |
| Net acquisition of financial assets | -8.1 | -54.5 | -48.4 | -36.5 | -39.5 |
| Net incurrence of liabilities | 257.1 | 80.1 | 112.0 | 189.8 | 239.7 |
| Portfolio investment | 11.3 | 96.5 | -13.1 | 3.6 | -10.2 |
| Net acquisition of financial assets | 1.2 | 51.2 | -19.0 | 40.9 | 0.7 |
| Net incurrence of liabilities | -10.1 | -45.3 | -5.9 | 37.3 | 10.9 |
| Other investment | 205.7 | -85.0 | -92.0 | 135.2 | 150.0 |
| Net acquisition of financial assets | 339.3 | 57.2 | 265.4 | 332.8 | 409.7 |
| Net incurrence of liabilities | 133.6 | 142.2 | 357.4 | 197.7 | 259.7 |
| Reserve assets | 24.0 | -26.6 | 144.6 | -51.3 | 29.7 |
| Net errors and omissions | -9.4 | 11.5 | -15.6 | -14.5 | 12.4 |
| OVERALL BALANCE | 24.0 | -26.6 | 144.6 | -51.3 | 29.7 |
| Memorandum items: | | | | | |
| <i>Current account (percentage of GDP)</i> | -3.4 | -15.4 | -12.4 | -8.3 | -7.4 |
| <i>Trade Balance (f.o.b.). (merchandise exports less imports)</i> | -798.3 | -532.6 | -679.6 | -915.8 | -970.5 |
| <i>Stock of Reserves (Gross) (US\$ million)</i> | 580.4 | 559.7 | 702.6 | 639.5 | 682.4 |
| <i>Stock of Reserves (Gross) (Months of imports of goods and services)</i> | 4.8 | 5.3 | 4.6 | 3.4 | 3.8 |
| <i>Exchange Rate (Rupee/US\$; period average)</i> | 14.9115 | 17.6242 | 16.8993 | 14.2727 | 14.0187 |

Notes

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 grew by 7.7 per cent to stand at US\$345 million in 2023 from US\$320 million in 2022. Canned tuna continued to be the main contributor towards merchandise exports and its aggregate value increased by 1.5 per cent, from US\$283 million in 2022 to US\$287 million in the year under review. As such, export of canned tuna remained an important source of foreign exchange revenue for the economy in 2023.

5.1.3 Merchandise imports

Based on provisional estimates, the total value of merchandise imports (fob)¹⁵ for 2023 stood at US\$1,315 million which was an expansion of US\$79 million when compared to US\$1,236 million in 2022. This outcome was attributed to the overall improvement in economic activity, which resulted in an increase in imports, particularly those related to tourism. The key components of imports for the year were ‘food, live animals & vegetable oils’ accounting for 24 per cent, followed by ‘mineral fuels’, and ‘machinery & transport equipment’ each representing 23 per cent of the total value of imports. Another notable import item was ‘manufactured goods & miscellaneous manufactured articles’, which accounted for a share of 21 per cent.

Table 5.2: Imports (f.o.b.)²- by HS¹ Sections (2019-2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|------------|------------|--------------|--------------|
| Description | (US\$ million) | | | | |
| Total Imports | 1,022 | 808 | 997 | 1,236 | 1,315 |
| Beverages and tobacco | 22 | 16 | 18 | 25 | 28 |
| Chemicals | 54 | 49 | 66 | 65 | 74 |
| Food, live animals & vegetable oils | 256 | 291 | 264 | 333 | 313 |
| Machinery & transport equipment | 274 | 167 | 226 | 243 | 302 |
| Manufactured goods & misc. manufactured articles | 188 | 123 | 207 | 247 | 273 |
| Mineral fuels | 204 | 144 | 197 | 299 | 304 |
| Other commodities | 23 | 18 | 18 | 24 | 21 |

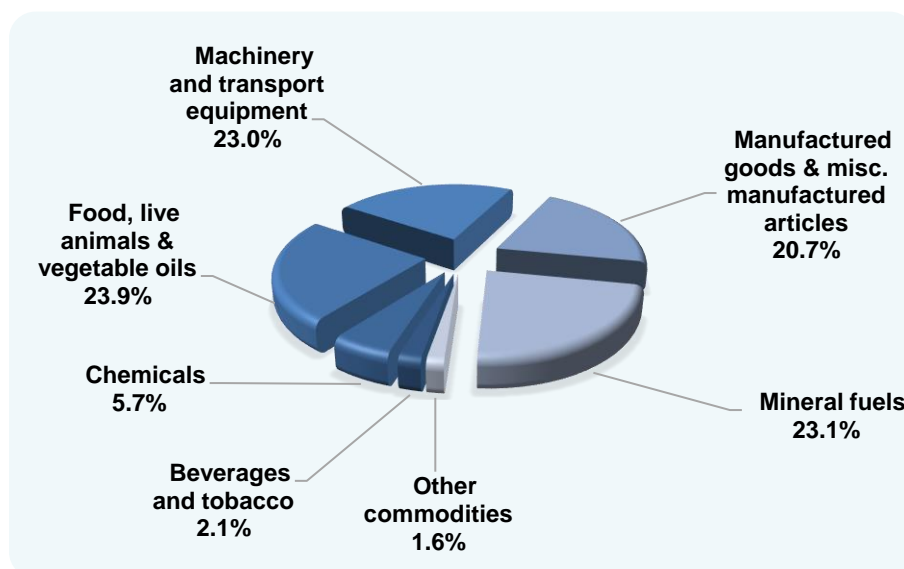
Notes

¹ Harmonised System

Source: National Bureau of Statistics & Central Bank of Seychelles

¹⁵ “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.) 2023



Source: National Bureau of Statistics

5.2 Services

The country's services account remained in surplus in 2023. Total export of services was estimated at US\$1,826 million, which was an improvement compared to US\$1,684 million in the previous year. This increase was primarily attributed to higher earnings generated by the tourism industry which remained the principal contributor to overall export of services. In 2023, the aforementioned sector generated an additional US\$54 million (5.8 per cent) in earnings as compared to the previous year, to stand at US\$989 million.

The continued recovery in global travel sentiments underpinned the increase in the number of visitors who disembarked in Seychelles in 2023. By the end of December, the country welcomed a total of 350,879 visitors, marking a 5.7 per cent growth (or 18,811 tourists) compared to 2022. Despite such, the outcome for 2023 was 8.7 per cent lower (or 33,325 tourists) than the 2019 record. Europe emerged as the top market, contributing 255,426 tourists, which was 73 per cent of total visitor arrivals. In year-on-year terms, this was a growth of 4.8 per cent.

As mentioned above, there was an increase in total income generated by the tourism industry. In view that the revenue generated by the industry was mostly in Euros, the appreciation of the said currency in international markets led to better conversion rates for the foreign currency earners locally and as such, this impacted positively on the sector's overall earnings in USD terms.

In regard to the value of services acquired from non-residents, it fell by US\$9.3 million (or 0.9 per cent) to stand at US\$995 million. This was mostly due to normalisation of transportation and services-related fees.

5.3 Primary Income

In 2023, the primary income account remained in deficit, although the shortfall narrowed by 7.8 per cent to US\$70 million from US\$76 million in the previous year. However, similar to 2022, there was a rise in outflows of investment income, primarily due to higher payments of dividends, interest, and management fees.

5.4 Secondary Income

The country's secondary income account worsened in 2023 relative to the previous year, with a deficit of US\$20 million relative to US\$15 million over that period. This was primarily as a result of outward remittances in view of the sustained demand for foreign labour, namely from the construction, manufacturing and tourism sectors. Preliminary estimates indicated that the gross outward transfers stood at US\$57 million. In addition, the secondary income credit remained lower than in 2022, due to a reduction in inward official transfers, standing at US\$27 million in 2023 compared to US\$32 million the previous year.

5.5 Capital and financial accounts

In 2023, the capital and financial accounts remained in surplus although its value fell from US\$156 million in 2022 to US\$132 million.

5.5.1 Capital account

The capital account recorded a surplus of US\$22 million in 2023, an increase of US\$4.7 million (or 27 per cent) from US\$17 million in the previous year. Official capital transfers remained the main component of this account, whereby inward flows were for projects financed by the country's bilateral partners, and donations in the form of high-value capital goods.

5.5.2 Financial account

The financial account, comprising of direct investment, portfolio investment and other investments, was estimated to have registered a *negative* net balance of US\$110 million in 2023 compared to *negative* US\$139 million in 2022. Its largest component was direct investment, under which gross inflows of FDI were estimated at US\$279 million, or US\$53 million more than in 2022. Of note, the estimated value for total FDI included offshore activities and was influenced by the value of liabilities of international business companies, namely entities registered under Companies' Special Licenses (CSLs).

5.6 External reserves

The stock of gross official reserves held at the Central Bank stood at US\$682 million as at end-December. This was an increase of US\$43 million (or 6.7 per cent) relative to the previous year. The growth in external reserves was mainly due to the purchase of EUR55 million from the domestic market by the Bank through FEAs in the first

half of the year. In terms of reserves adequacy, this was equivalent to 3.8 months of the country's total imports of goods and services.

As regards to NIR, it ended the year at US\$529 million, exceeding the target of US\$478 million by US\$52 million.

Table 5.3: External Reserves (2019-2023)¹

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|-------|-------|-------|-------|
| | (US\$ million) | | | | |
| Gross official reserves | 580.4 | 559.7 | 702.6 | 639.5 | 682.4 |
| Central Bank | 580.0 | 559.2 | 702.1 | 639.1 | 682.0 |
| Government | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Central Bank's External liabilities | 27.2 | 21.2 | 14.9 | 9.4 | 5.7 |
| Net official Reserves (include blocked deposits) | 553.2 | 538.5 | 687.7 | 630.1 | 676.7 |
| Net official Reserves (exclude blocked deposits) | 430.0 | 400.5 | 528.6 | 471.5 | 529.4 |

¹ End of period data

Source: Central Bank of Seychelles

5.7 Exchange rates

At the end of December, the Seychelles rupee depreciated against all three major currencies. The SCR stood at 14.1947 vis-a-vis the US dollar, a depreciation of 7 cents (0.5 per cent) compared to the same period last year. The domestic currency traded at 15.8475 against the EUR at the end of 2023 compared to 15.0997 in December 2022, whilst it stood at 18.1577 relative to the GBP from 17.0604, over the same period. This marked a weakening of the local currency by 5.0 per cent (75 cents) relative to the EUR and by 6.4 per cent (R1.10) against the GBP.

However, on average for the year under review, the rupee appreciated by 25 cents (1.8 per cent), from R14.2727 per US dollar in 2022 to R 14.0187. In contrast, it weakened by 11 cents (0.7 per cent), from R15.0632 to R15.1747 in comparison to the EUR and strengthened by 26 cents (1.5 per cent) against the GBP, with the average exchange rate decreasing from R17.6230 in 2022 to R 17.3612.

The changes in the value of the domestic currency against the US dollar were primarily influenced by local supply and demand dynamics. The higher supply of foreign currency led to an appreciation of the rupee against USD during the first and second quarters of the year. However, the seasonal pick-up in demand which exceeded supply, resulted in a depreciation of the domestic currency in the latter half of 2023. Nonetheless, there was an overall strengthening of the SCR the US dollar in annual average terms, for the year under review.

Movements in the EUR and GBP exchange rates were largely reflective of developments in global currency markets. The strengthening of the EUR internationally, led to the depreciation of the rupee against the said currency in 2023. Conversely, the appreciation of the SCR against the GBP was reflective of the currency's weakening in international currency markets.

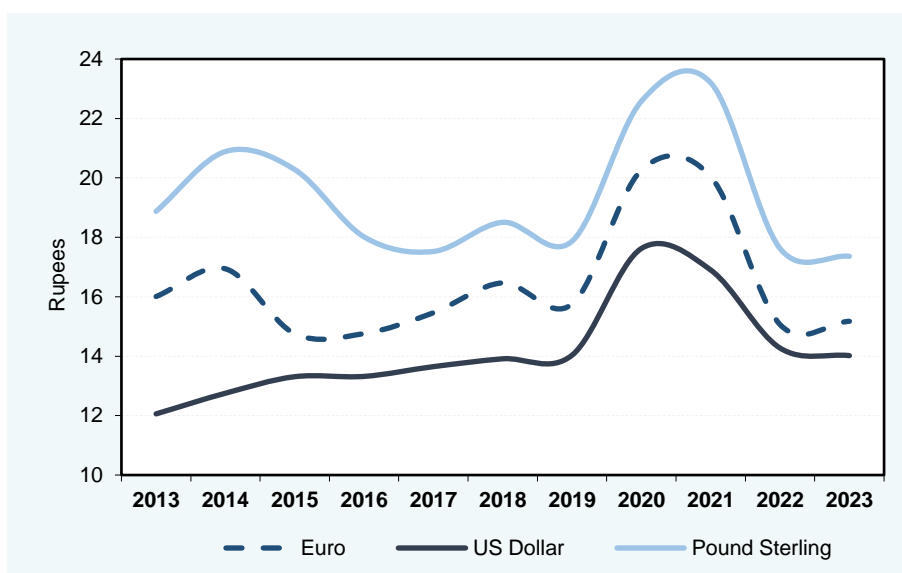
Table 5.4: Exchange Rates¹ (2019-2023)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------|---------|---------|---------|---------|
| (Seychelles Rupees per currency unit) | | | | | |
| Euro | 17.4671 | 20.2604 | 20.0388 | 15.0632 | 15.1747 |
| US Dollar | 14.9115 | 17.6242 | 16.8993 | 14.2727 | 14.0187 |
| Pound Sterling | 19.5043 | 22.5799 | 23.2002 | 17.6230 | 17.3612 |
| Japanese Yen | 1.1260 | 0.1655 | 0.1545 | 0.1093 | 0.0999 |
| South African Rand | 2.0566 | 1.0759 | 1.1440 | 0.8752 | 0.7599 |
| Singapore Dollar | 11.3128 | 12.8004 | 12.5890 | 10.3533 | 10.4380 |

¹ Period Averages

Source: Central Bank of Seychelles

Chart 5.4: Exchange rate movements of the three main currencies (2013 - 2023)



Source: Central Bank of Seychelles

5.8 Developments in Financial Services

5.8.1 Insurance sector

In 2023, the legislative amendments to the Insurance Act, 2008 was completed by the Financial Services Authority (FSA). The final draft of the Insurance Bill 2023 was sent to the Ministry of Finance for feedback whilst awaiting further comparative works following recommendations made by the Office of US Treasury. FSA did the initial stages of drafting the required regulations as well as the arrangements to procure a consultant to provide guidance in respect of capital solvency, solvency requirements and the International Financial Reporting Standards (IFRS) 17 standard compliance for the insurance sector. This is expected to further assist in FSA's application to become

a signatory to the Memorandum of Understanding (MoU) with the International Association of Insurance Supervisors (IAIS¹⁶).

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 2022. The focus since then has been on the drafting of the Private Pension Bill as well as considering amendments to the Seychelles Pension Fund Act. The proposed legislations will undergo stakeholder consultations as of the first quarter of 2024.

In 2023, FSA assessed the different proposals pertaining to an impact assessment of the ITZ regime in order to consider policy options for its review. The intention is to procure a consultant by the second quarter of 2024 to review the ITZ regime, comprising of its Act and regulations.

5.8.3 Virtual Assets Services

During the year, FSA and other stakeholders continued to develop a policy and legal framework for Virtual Asset Service Providers (VASP) and Virtual Assets at a technical level, through the Technical AML/CFT Committee. The final policy and legal framework, that will establish a licensing regime for VASPs in Seychelles, are expected to be submitted to the government by the first quarter of 2024. This will then be submitted to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), to request for a re-rating for Recommendation 15¹⁷ of the Financial Action Task Force (FATF).

5.8.4 Gambling sector

The new Seychelles Gambling Bill was finalised in 2023 with the assistance of the Gambling Laboratory International. The subsequent regulations are yet to be finalised by FSA and this will be followed by the industry consultation which is expected to take place during the first quarter of 2024.

¹⁶ The IAIS is the international body that brings together the world's insurance supervisors and regulators and is recognised as the global standards setter for the insurance sector.

¹⁷ FATF Recommendation 15 (REC15) pertaining to New Technologies requires that VASPs be regulated for AML/CFT purposes, be licensed or registered, and subject to effective systems for monitoring or supervision.

5.8.5 Capital Market and Collective Investment Scheme sector

FSA endeavoured to acquire Ordinary Membership of the International Organisation of Securities Commissions (IOSCO)¹⁸ in 2019, further to becoming an Associate Member in 2018. This remained an ongoing process in 2023 in view of the pending matters that needed to be addressed in the Financial Services Authority Act, 2013. The application procedure is expected to continue in 2024.

Another endeavour pertaining to Capital Markets was to implement reforms in the Securities Act, notably for the establishment of physical substance for Securities Dealers as well as risk mitigating measures. This was in addition to addressing some legislative gaps in the aforementioned Act. FSA aims to complete the reforms by the first quarter of 2024.

5.8.6 OECD Global Forum EOIR

An onsite visit was conducted by the assessment team of the Global Forum on Transparency and Exchange of Information for Tax Purposes in December 2022, as part of Seychelles' request for a Supplementary Review of its framework in relation to the standard on Exchange of Information on Request (EOIR). Following this, a delegation from Seychelles attended the Peer Review Group meeting in June to defend Seychelles' position vis-à-vis the standard. Despite the legislative amendments and administrative changes undertaken by Seychelles to address the deficiencies in its framework and secure an upgrading, the '*Partially Compliant*' rating was maintained. This was mainly due to Seychelles' inability to provide information on legal ownership and beneficial ownership in relation to the clients of a particular registered agent who had left the jurisdiction with its records in 2018. This followed the public disclosures of documents linked to the activities of several service providers focusing on offshore operations ("the Panama Papers") in 2016.

5.8.7 Anti-Money Laundering/Beneficial Ownership (BO)

Following the changes made to the BO Act in December 2022 and the deficiencies identified thereafter during implementation of the regulations, further amendments were made in April, with the main changes detailed below:

- The cascading approach to be applicable only to legal persons (excluding foundations) and not to legal arrangements.
- The threshold of 10% will no longer apply when identifying the beneficial owners of legal arrangements, foundations, Civil Code partnerships or limited partnerships (meaning that all the beneficial owners of these entities must be identified regardless of the threshold of controlling ownership interests).
- A new provision was introduced which specifies the frequency to which legal persons and legal arrangements should review and verify their BOs, to ensure the availability of up-to-date BO information.

¹⁸ The IOSCO is the international body that brings together the world's securities regulators and is recognised as the global standards setter for the securities sector.

The new provision requires legal persons and legal arrangements to review and verify such information at a minimum of once a year, and within three months before the anniversary of the legal person's or legal arrangement's registration under its respective statutory legislation. However, this provision will only come into force at a later period.

- The First Schedule which contained a format for the Register of Beneficial Owners was deleted. Therefore, legal persons and legal arrangements can produce their own format of the register provided that it contains the information required by the BO Act.
- The content of the Second Schedule was revised in view of the new amendments made in the BO Act (e.g. to amend the BO Declaration to include National Identification Numbers (or equivalent) and Tax Identification Number (or equivalent)).

As part of its continued commitment pertaining to the performance criteria and indicative targets set under the IMF-supported reform programme, during the year, FSA - as the competent authority for legal persons/arrangements under its regulatory purview under the BO Act – undertook supervisory exercises, which included onsite inspections and enforcement actions to:

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

The supervisory exercises included inspections of 763 specified entities (International Business Companies, Trusts and Foundations) administered by 28 Resident Agents. In addition to the two objectives mentioned above, the exercise also helped to assess the accuracy, up-to-date nature and overall quality of the information kept on the Central BO database at the Financial Intelligence Unit. This was achieved through the comparison of BO information of legal persons and legal arrangements maintained in the database, against the information in the register of BOs kept by the legal persons and legal arrangements at the principal place of business of their Resident Agents.

5.9 International Relations

In 2023, Seychelles continued to build on the strong, cordial diplomatic relations with its bilateral and multilateral partners. Its attendance at the various meetings and summits that took place during the year also presented several opportunities to renew and further strengthen diplomatic ties.

5.9.1 Multilateral Institutions

The country benefitted from the excellent relations with its multilateral partners in 2023, whose support in terms of technical capacity development and financial assistance, ensured the successful implementation of various projects and programmes.

5.9.1.1 International Monetary Fund

In January, a team comprising of the IMF's Fiscal Affairs Department and the World Bank conducted a Public Investment Management Assessment (PIMA) and Climate PIMA. The results identified several deficiencies in the current public investment management system, hindering government's capacity to coordinate and prioritise investment across sectors. The subsequent report, which was presented to the Cabinet of Ministers in May, recommended a series of actions that need to be taken to improve the public investment management framework.

In May, Seychelles embarked on a three-year programme with the IMF under the EFF, for a sum equivalent to US\$56 million, as well as a three-year arrangement under the RSF for US\$46 million. The new EFF will build on the progress achieved from the previous programme to strengthen macroeconomic stability, in addition to emphasising on reforms to enhance investment in human and physical capital. The aim is to support inclusive economic growth, whilst reinforcing fiscal and monetary policy frameworks. As the second country in Africa to benefit from the RSF, this programme will help the authorities to undertake reforms that would help strengthen the climate resilience of public investment, catalyse additional climate funding and enhance access to official international financing. The reforms relate to incorporating climate change within the national budget as well as improving climate-related risk management in financial institutions. This is in addition to implementing climate adaptation and mitigation measures, as well as policies that will facilitate the transition to cleaner energy.

The first disbursement of US\$8.1 million under the EFF took place in June. Following the conclusion of the first IMF staff review under the aforementioned arrangements, the second instalment valued at the same amount was received in December along with the first disbursement of funds under the RSF, at a sum of US\$4.2 million.

5.9.1.2 World Bank

During the year, the World Bank solidified its commitment and support towards the country's development and initiated the procedures to open an office in Seychelles. This was announced by the World Bank Country Director, Ms Ida Pswarayi-Riddihough, during her mission to Seychelles in March. During the meeting with the President

of the Republic, Mr Wavel Ramkalawan, the status of previous initiatives involving the World Bank were discussed, particularly in the domains of social protection, teenage pregnancy and challenges faced by women and children. Other areas of interest included agriculture, food production, tourism and fisheries. Another high-level delegate that paid a courtesy visit to the President was the Executive Director of the World Bank Group, Dr Floribert Ngaruko, who was in the country in December. His visit was in the aftermath of the December disasters and one element of the discussions was how the World Bank could assist following the incidents. Aside from such, discussions also revolved around priority areas for cooperation.

In regards to financing, in October, Cabinet approved the proposal to address the solid waste management issues through a soft loan of US\$5.0 million from the World Bank. This is expected to go towards technical expertise, as well as ways to better manage the landfill. In December, Seychelles received approval for a credit facility of US\$25 million from the World Bank which will supplement the climate-related financing provided by the AfDB that was approved in November. Both loans are expected to be disbursed in 2024. During the year, the World Bank also continued to provide technical assistance in several areas, including the ongoing reform exercise with ASP to review retirement benefits to ensure its sustainability. This is expected to bring cost-saving measures for the Agency in the long run.

5.9.1.3 World Trade Organisation (WTO)

2023 marked the eighth year of the country's accession to the WTO since it became the 161st member in April 2015. In an important step, Seychelles deposited its instrument of acceptance for the Agreement on Fisheries Subsidies in March, making it the third WTO member and first African country to do so. The Agreement, which requires acceptance by two-thirds of WTO members to come into force, sets new binding, multilateral rules to minimise the depletion of global fish stock. It also establishes a Fund to provide technical assistance and capacity building to the developing and least-developed countries to help them implement the obligations.

The Department of Trade in collaboration with WTO conducted a five-day training programme on 'Trade Negotiation Skills' in November to familiarise participants with the theory and concepts of trade negotiations which also involved practical sessions. Officials from the aforementioned Department and Office of the Attorney General also enhanced their skillset throughout the year, following their ongoing training on trade remedies by the Advisory Centre on World Trade Organisation Law, whereby the first phase was conducted late-2022. The objectives of the trainings were: to provide an understanding of the rules and principles of trade remedies as stipulated in the relevant WTO agreements; to help Seychelles in drafting its Trade Remedies Legislations; and to build knowledge on the practical application of trade remedies, its investigation procedures, and its key calculations.

5.9.1.4 African Development Bank (AfDB)

Several high-ranking officials from AfDB visited Seychelles during the year, reiterating the good partnership that exists, and the important role that the institution has had in the country's economic and infrastructure development. AfDB has been instrumental in supporting the country through loans and technical assistance in various fields, namely finance, the blue economy, energy and education.

In April, the Executive Director of AfDB, Mr Jonathan Nzayikorera paid a visit to the President of the Republic. In attendance was his Senior Advisor at the AfDB, Mr Ronald Cafrine. Amongst others, they discussed how AfDB can further assist in the economy's development through funding of approximately US\$100 million in 2024, as well as diversification of the Seychelles economy. An AfDB delegation led by Ms Nhenna Nwabuofo, the Director General for Regional Development and Business Delivery Office for East Africa, was also in Seychelles later in April. The delegation was on a country dialogue mission regarding the mid-term review of the country's 2021-2025 Development Strategy. During their visit, they held a forum in the form of an open-day exchange of information for all civil society organisations in the country. This formed part of AfDB's endeavour to strengthen its engagement on projects at the community level, so as to ensure that the intended impacts are being well monitored and achieved. The delegation also met with a team at the Ministry for Fisheries and the Blue Economy Department to discuss sectoral developments in fisheries and the blue economy, as well as the status of the Blue Investment Fund, the Marine Biotechnology project, and progress in other fields.

In November, AfDB approved a loan of US\$33 million to Seychelles for the implementation of Phase III of the Governance and Economic Reforms Support Programme (GERSP)¹⁹. The third phase will focus on consolidating and deepening the reforms to strengthen the country's economic resilience and help in its efforts in regard to climate change. In addition, the funds will go towards strengthening budget sustainability by improving tax revenue collection and governance in the public sector, as well as reinforcing the AML/CFT financing framework.

To recall, one of the key infrastructure projects involving AfDB was the raising of the La Gogue dam. The institution partly financed the project through a loan of US\$21 million and a grant worth US\$1.7 million. Following five years of work to enhance its holding capacity from 1.0 million cubic metres to 1.6 million cubic metres, the La Gogue dam was officially inaugurated in June.

¹⁹ The GERSP was designed to support Seychelles' post-COVID19 economic recovery in a 3-year programmatic series, for the years 2021, 2022 and 2023. Prior to Phase III, Seychelles received two loan disbursements under Phase I and Phase II of the programme, the results of which were considered satisfactory.

5.9.2 Bilateral Relations

Seychelles maintained excellent diplomatic relations with its sovereign counterparts throughout the year. The country continued to benefit from increased cooperation and invaluable support in various fields.

5.9.2.1 India

The warm friendship between Seychelles and India was evident on numerous occasions during the year. Following India's export ban on non-basmati white rice as of July 20, and in view that rice is an essential commodity in Seychelles, the government approached the High Commission of India in September and requested a relaxation of the export restrictions on non-basmati white rice procured by STC. This request was promptly granted, emphasising the cordial trade relations between the two countries and their recognition of the importance of food security in Seychelles. Another gesture of good faith was the removal of fees for emergency medical visas issued to Seychellois travelling for treatment in India. This was effective as of June 21, although patients still require an emergency certificate from the medical authorities recommending the treatment.

As one of Seychelles' oldest and closest military partners, India has provided several patrol ships, aircrafts and helicopters to the defence forces over the years. In 2023 the two countries explored new avenues for cooperation, particularly in specialised training and the sharing of knowledge from military experts. This was through the signing of a two-year MoU in February to promote maritime safety and security collaboration. The MoU will also cover the exchange and cooperation of personnel, information, technology, and best practices.

During the year, Seychelles received several consignments of Ashok Leyland buses from India to upgrade its transport system. Fifty-nine new buses were received in total, financed through a credit line of US\$2.8 million from the Indian government. In addition, the government of India donated four vans, valued at US\$194,000, to the Ministry of Health, which are expected to be instrumental in Seychelles' drug addiction reduction programme. The vans were formally handed over to the Minister for Health, Mrs. Peggy Vidot, in July by Mr Puneet Agrawal, the Joint Secretary of the Indian Ocean Region within the Ministry of External Affairs of India during his visit to Seychelles.

In regards to infrastructure development, in November, Seychelles and India signed a new MoU under the High Impact Community Development Project (HICDP)²⁰ for a grant of US\$5.7 million. Another MoU was signed for cooperation in regard to youth and sports. Both MoUs were signed during the official bilateral visit of the Minister for Foreign Affairs and Tourism, Mr Sylvestre Radegonde, whereby the trip also served to further consolidate the ties of friendship and cooperation between the two countries.

²⁰ The HICDP 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. These involve the construction of roads in remote areas, renovation works, construction of boundary walls, etc.

In other developments, in September the Electoral Commission of Seychelles (ECS) signed an MoU for cooperation in electoral management with its counterpart from India. This MoU is aimed at improving electoral management and administration, building on shared experience, and facilitating the exchange of knowledge. Other relevant information, including the digitalisation of the electoral process and its potential advantages, will also be included.

5.9.2.2 China

The 16th Chinese Ambassador to Seychelles, Ms Lin Nan, was accredited in December, taking over from her predecessor, Ambassador Guo Wei, who held the post since 2018. As one of Seychelles' longest standing partners, there were several exchanges between Seychelles and China during the year which helped reinforce diplomatic ties and enhance cooperation in tourism, fisheries, environment and health, amongst other fields. Furthermore, China provided generous support following the disasters that occurred in December.

China also continued to provide invaluable support in the health sector. In October, China donated a total of R250,000 towards the new Seychelles Hospital project, thereby becoming the first country to contribute towards such cause. The foundation stone for the building is expected to be laid in November 2024. Through the China-Aid project, a new group of six Chinese doctors arrived in May, attached with the Ministry of Health for a period of two years. This was the 19th cohort of doctors from China to assist the country with medical expertise, primarily in cardiology, orthopaedics and radiology, as well as in Chinese traditional medicine. In addition, to enhance local capacity, a high-level delegation from the Department of Tourism visited the Zhoushan Tourism and Health College in October to explore opportunities for cooperation and exchange. Such was aimed at establishing a framework for collaboration, promoting educational exchanges, and strengthening ties in the areas of tourism and health.

Aside from their contribution towards the Seychelles Hospital project, China made several other generous donations towards various causes during the year. These included a new digital forensic laboratory valued at US\$137,000 to the Seychelles Police Force, making them better equipped to fight cybercrime. Furthermore, the Chinese embassy donated several items such as food, toys, and furniture to The President's Village as well as R100,000 to the Anse Royale District for the purchase and installation of security cameras throughout the District. Twenty medical bags were also gifted to the English River Health Centre as part of their contribution to the community. Additionally, China donated R180,000 to the Ministry of Foreign Affairs in December, for the implementation of small projects and purchase of equipment for the Department. Following the disasters that occurred in Seychelles in December, China made two generous donations of R100,000 and US\$100,000, both towards government's national relief fund that was set up to assist the victims of the incidents.

As a step to facilitate economic cooperation, the *Convention Abolishing the Requirement of Legalisation for Foreign Public Documents* came into force in November. Following this, Seychellois individuals conducting business or exchanges with China, and vice versa, no longer require the services of the Consular Office to obtain

official documents. They now only need the services of the Judiciary to obtain Apostilles for their documents. The simplified procedures and increased efficiency are expected to bring added benefits to both countries.

5.9.2.3 United Arab Emirates (UAE)

Seychelles maintained fruitful and amicable ties with UAE, as evidenced by the invaluable support and assistance received on numerous occasions throughout 2023. This included in the aftermath of the December disasters whereby they generously donated 50 tonnes of essential food supplies.

The relations between the two nations were strengthened by the President of the Republic's attendance at various high-level engagements in the UAE during the year. These included the Abu Dhabi Sustainability Week 2023, World Government Summit, and the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), which provided many side-line opportunities for bilateral discussions.

The UAE remained a critical partner in Seychelles' infrastructure planning and development, with numerous projects being funded by the government of UAE. In January, several projects were approved as part of the efforts to consolidate diplomatic relations between the two countries. These included Phases 2 and 3 of the Barbarons Housing projects, comprising of approximately 80 new housing units, whereby Phase 1 began in 2015 through a grant of US\$9.0 million from Abu Dhabi. Other projects discussed were the refurbishment of the athletics track at the Stad Linite and the construction of a modern sports arena at Anse Royale. Furthermore, in May, a high-level delegation held discussions in Abu Dhabi pertaining to the Seychelles International Airport project and Port Victoria extension plan. In August, St. Mary's Hospital on La Digue was inaugurated. It was partly funded through a donation of US\$4.0 million from the government of UAE. Construction on the new state-of-the-art hospital began in March 2022 and will provide much needed specialised services on the island.

5.9.2.4 European Union (EU)

The EU remained a critical partner in the social and economic development objectives of the country. Seychelles received a new EU ambassador in October, Mr Oskar Benedikt, who replaced Mr Vincent Degert following the end of his four-year term. His accreditation coincided with the tenth edition of the Seychelles-EU Political Dialogue and the event was co-chaired by himself and Minister Sylvestre Radegonde. The annual event which comprises of representatives from all EU states, serves as a platform for exchange on a wide range of issues. Key areas of collaboration between Seychelles and EU over the years include tourism, investment, trade, fisheries, maritime security and the protection of the ocean and its resources. In the dialogue, the two parties acknowledged the positive impact that the Sustainable Fisheries Partnership Agreement signed in 2020 has had on Seychelles' fisheries industry, the development of aquaculture, and the development of artisanal fisheries infrastructure.

In regards to developments in trade, a new self-certification system called the Registered Exporter System (REX) was implemented as of July for goods originating from Seychelles to the EU²¹. This shift to self-certification is expected to facilitate the exports process and lead to greater efficiency, as well as reduce dependency on the Customs Department.

In legal matters, in October, the National Assembly ratified an agreement with EU that will allow persons arrested for drugs and weapons trafficking off the coast of Somalia by an EU member state, to be tried, prosecuted and imprisoned in Seychelles. This was initiated under the EU NAVFOR Somalia Operation Atalanta that was established since 2008 to counter piracy in the Horn of Africa region and Western Indian Ocean. In November, Seychelles signed the Samoa Agreement, which is a framework for the relations between the EU and the Organisation of African, Caribbean, and Pacific States. The new partnership agreement, which succeeds the Cotonou Partnership Agreement signed in 2000, will serve as the new legal framework for EU relations with 79 countries. It covers six priority areas for cooperation, namely democracy and human rights, sustainable economic growth and development, climate change, human and social development, peace and security, and migration and mobility.

In other developments, the country was placed on the EU's blacklist in October along with six other nations and territories that were identified as being non-cooperative for tax purposes. This followed Seychelles' July rating of *Partially Compliant* by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes in relation to Exchange of Information on Request. Nationally, this was received with great disappointment in view that much has been done by the authorities over the years in regards to putting in place the necessary legislations to better comply with EU standards, as well as to improve the jurisdiction's reputation internationally.

5.9.3 Regional Integration

In 2023, Seychelles remained actively involved in the various undertakings of the region. This was particularly in relation to the initiatives of the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA).

5.9.3.1 Southern African Development Community (SADC)

The new Executive Secretary of SADC, Mr Elias Magosi, paid a courtesy call on the President of the Republic in February, as part of his visit to all sixteen SADC member states for formal introductions. Further to discussing potential areas for collaboration, Mr Magosi also highlighted his aspirations to advance the integration process, as well as accomplish certain aspects of peace and security in the region.

²¹ REX is a new online database developed by the EU, replacing the EUR1 Certificate that was previously required for each consignment that was exported. Registration by the exporter in the REX system is required only once, and this REX number can be used for exports to all EU countries.

Seychelles hosted several SADC meetings during the year, and also ensured its representation either in-person, or virtually, at those organised elsewhere. A three-day workshop on '*Small Arms and Light Weapons*' by the SADC Regional Coordinating Committee took place in Seychelles in May, facilitated by representatives from the International Criminal Police Organisation (Interpol) based in Harare and from the Southern African Regional Police Chiefs Cooperation Organisation (SARPCCO). In the same month, the SADC Parliamentary Forum (SADC-PF) Executive Committee convened in Seychelles to discuss pressing issues prior to the 53rd Plenary Assembly held in July. Of note, in December 2022, Mr Roger Mancienne, Speaker of the National Assembly, was elected as President of the SADC-PF for the period 2023-2024.

In July, Seychelles signed the Charter for the SADC Fisheries Monitoring Control and Surveillance Coordination Centre (MCSCC), which will allow for more regional cooperation in the fight against illegal, unreported, and unregulated fishing. The SADC Council of Ministers approved the Charter in August 2017 in Pretoria, South Africa, and it came into force on April 8. The Charter aims to provide a legal framework for establishing and operationalising an institution that will coordinate measures relating to fisheries monitoring control and surveillance in the SADC region.

In other developments, the Vice President of the Republic, Mr Ahmed Afif, attended the 43rd Ordinary Summit of SADC Heads of State and Governments in Luanda, Angola, in August. There was a transfer of Chairmanship at the Summit, from the President of Democratic Republic of Congo (DRC), Mr Félix Antoine Tshisekedi Tshilombo, to the President of Angola, Mr João Manuel Gonçalves Lourenço. The theme of the Summit was '*Human and financial capital: The key drivers for sustainable industrialisation of the SADC region*'. In his address to the Summit, the Vice President emphasised the need for the regional bloc to take into consideration the specificities of the island nations of the Organisation, with their aspirations being prominently incorporated in the development strategies of SADC. The Summit also decided on the deployment of a SADC mission to DRC, in response to which the Vice President stated that considerations be made on the financial implications that this would have for member states.

5.9.3.1.1 SADC Committee of Central Bank Governors

Consistent with its mandate, the Committee of Central Bank Governors (CCBG) in SADC continued to provide a platform for greater partnership among member central banks. In 2023, 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. In addition to the regular CCBG meetings, all the Subcommittees of the CCBG respectively convened for their Strategic Planning Sessions during the year, to agree on the Strategic Focus Areas (SFAs) and cross-cutting enablers that will form the basis for the CCBG Strategy for 2023-2026. Whilst the SFAs of the previous Strategy remained highly relevant, certain amendments in the objectives have been made in line with priority areas that have been identified.

As per the rotational schedule, the Central Bank of Seychelles hosted the 28th SADC CCBG Information and Communication Technology (ICT) Subcommittee meeting in February. The meeting, held annually, was also the first in-person meeting since the onset of the COVID-19 pandemic. The main participants were ICT directors from SADC central banks, deliberating on various ICT-related objectives set by the CCBG.

5.9.3.2 COMESA Integration Programme

The country remained actively involved in the activities and initiatives of the regional bloc in 2023. Seychelles ensured its attendance at the COMESA Heads of State and Governments Summit held in Zambia in June, also the first to be held in-person since the COVID-19 outbreak in 2020. The event centred around the theme *‘Economic integration for a thriving COMESA anchored on green investment, value addition and tourism’*. In his address to the Summit, the Vice-President of the Republic recognised the importance of green investment and reiterated the need for greater attention to be directed towards investment in relation to the ocean and the blue economy. A key part of the Summit was the transfer of Chairmanship from the President of the Arab Republic of Egypt, Mr Abdel Fattah El-Sisi, following the end of his two-year term, to the President of the Republic of Zambia, Mr Hakainde Hichilema.

In the area of capacity building, several local workshops and trainings were organised by COMESA during the year. These included a workshop held in July on *‘Single African Air Transport Market’*, which is an initiative of the African Union aimed at creating a unified and liberalised air transport market within Africa. There were also several initiatives targeting Seychellois women entrepreneurs by the Seychelles Chapter of the COMESA Federation of Women in Business (COMFWB). In August, a one-week training on *‘Regional Enterprises Competitiveness and Access to Markets’* was organised by COMFWB in collaboration with the Citizens Engagement Platform Seychelles (CEPS) for women in MSMEs. There was particular emphasis on agriculture and horticulture, marketing, product branding, labelling and packaging, export management, logistics and e-commerce. COMFWB signed an agreement with SFA in September, providing training to women and youth entrepreneurs in the fisheries sector, giving them the opportunity to work in the certified laboratories of SFA. In October, farmers and officers from the Department of Agriculture benefitted from a three-day workshop facilitated by COMFWB, which marked the beginning of the project *‘Incubating Aspiring Women and Youth Farmers in Sustainable Farming Techniques’*. The aim was to develop a manual on bio-feeds and bio-fertiliser practices and adopt green technologies in farming.

5.9.3.3 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. In April, Seychelles was upgraded on five FATF recommendations, following the 45th meeting of the ESAAMLG task force of senior officials held in Tanzania in March. The Seychelles delegation, led by the Secretary of State, Mr Patrick Payet, defended its third re-rating request report to address five deficiencies identified within the Second Mutual Evaluation Report adopted in

September 2018. The five FATF recommendations – 5, 19, 25, 28 and 34 – related to Terrorist Financing, Higher-risk countries, Transparency and Beneficial Ownership of Legal Persons, Regulation and Supervision of Designated Non-Financial Business or Professions and Guidance and Feedback, correspondingly.

Following the upgrade, Seychelles is now either *compliant* or *largely compliant* on 34 of the 40 FATF recommendations. The National AML/CFT committee will continue to address the remaining six technical compliance shortcomings for discussion in the April 2024 ESAAMLG meeting. Consistent with this, in October, the National Assembly approved the proposed amendments to the Prevention of Terrorism Act, to conform with ESAAMLG FATF recommendations.

In June, Seychelles hosted an ESAAMLG delegation tasked with monitoring the level of de-risking within member countries, with particular focus on the termination of correspondent banking relationship and its impact. The project is being co-chaired by Seychelles and Angola.

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 monthly publications such as the Key Economic Developments and Statistical Bulletins. As of 2022, the Division also publishes the Monetary Policy Report on a bi-annual basis, in January and July. 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 fulfill its core objectives, the Division meets with stakeholders from various sectors to gain a comprehensive understanding of the economic landscape. RSD consults key entities such as the Ministry of Finance, National Planning and Trade, commercial banks, Seychelles Credit Union, and bureaux de change, among others, to ensure effective policy coordination and facilitate the communication of essential messages regarding the economy. Additionally, the Division actively contributes to live press conferences hosted by the Governor or First Deputy Governor (FDG), providing updates on monetary policy, the evolving dynamics of the domestic economy and the impacts of external developments on the Seychelles economy. Notably, the Division played a pivotal role in the planning and organising of the Anniversary Lecture to commemorate CBS' 45 years of existence. The theme chosen for the event was 'Navigating the Evolving Landscape of Central Banking' - a very pertinent topic given the increasing mandates that central banks have been taking on in order to remain on par with developments, and to navigate the uncertainties brought about by recent developments.

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 2023 to fulfil the provisions under the EFF and RSF through discussions with the IMF Country Team and other local stakeholders.

6.1.1 Capacity-Building and Development

Throughout 2023, the Division continued to uphold its commitment towards enhancing the technical proficiency and knowledge of its staff. In this context, members of staff actively engaged in various online courses, workshops, and seminars covering topics such as finance, statistics, balance of payments, macroeconomics, and policy formulation. Specifically, the Division facilitated an onsite technical assistance mission led by the IMF's Monetary and Capital Market Department in July. The mission, which focused on the Stress Testing of the Central Bank Balance Sheet, was aimed at enhancing the forward-looking analysis in regard to the Bank's financial strength.

Additionally, internal training supported by experts from the consulting firm, OG Research, continued to play a crucial role as more emphasis was placed on the refinement of the Bank's econometrics-based forecasting models.

6.1.2 Policy and Research Section (PRS)

During the review period, PRS conducted macroeconomic analyses and formulated proposals for the consideration of the Monetary Policy Technical Committee (MPTC) and the Board of Directors of the Bank regarding quarterly monetary policy discussions. The staff utilised the Forecasting and Policy Analysis System (FPAS) to guide decisions with a policy-oriented focus. Notably, PRS personnel employed modeling techniques to gain insights into the macro-economy and provided policy recommendations on the MPR, as well as the applicable rates on the SDF and SCF. This involved evaluating the economic repercussions of global events, including the enduring impact of geopolitical tensions such as the Russia-Ukraine war and the escalation of the conflict between Israel and Hamas on the domestic economy. Additionally, the team considered domestic events and their effects on the local economy, such as the adverse weather occurrences and unprecedented explosion that occurred in December, with the resulting analyses contributing towards the recommendations for the monetary policy stance.

6.1.3 Statistics Section

The Section maintained its dedication to improving the accessibility of timely and comprehensive statistics, with the aim to facilitate the formulation of robust macroeconomic policies and support the effective operation of financial markets. To this end, the staff compiled and disseminated financial and economic data in accordance with the IMF's Special Data Dissemination Standards (SDDS) guidelines. Additionally, the Section continued with the exercise to review some of its surveys, with the objective of enhancing both the coverage and relevance of the collected statistics, particularly in view of the modernisation drive in the financial sector over recent years.

6.1.3.1 Monetary and Financial Statistics

Throughout 2023, the staff continued to diligently compile monetary statistics in accordance with the Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG) 2016. Whilst the banking sector remained the main contributor of these statistics at the moment, there are plans that going forward, the coverage will be extended to include other financial institutions such as insurance companies and pension fund.

6.1.3.2 External Sector Statistics

The Statistics Team continued to maintain good rapport with various stakeholders throughout the year with the aim of improving external sector statistics and enhancing established relationships. This involved participating in sectoral meetings, and conducting the regular annual offshore sector survey in collaboration with the Financial Services Authority (FSA) to collect relevant data, amongst others. Despite substantial challenges faced in regards

to coverage, the data collected was a key requirement for the compilation of BOP statistics and international investment position (IIP), which is compulsory under SDDS.

6.1.4 CCBG Macroeconomic Subcommittee

In 2023, the Division maintained its involvement in the various undertakings of the SADC CCBG Macroeconomic Subcommittee (MES). As has traditionally been the case, two meetings were held during the year, whereby various documents and research papers were discussed. In addition, the Committee identified the main topics for the research agenda for 2024, which included revisiting the macroeconomic convergence (MEC) criteria as well as having an appropriate monetary policy framework for the SADC region. Moreover, the second meeting of the year focused on reviewing the SFAs of the MES for the period 2023-2026. Whilst it was agreed that the two strategic objectives of the Subcommittee be maintained, that is, promote and monitor progress to the MEC criteria and conduct research in support of the attainment of the SFAs, new initiatives were also considered. These were mainly in relation to encompassing the effects of climate change and its related risks in the SADC region as well as its potential impact on macroeconomic convergence.

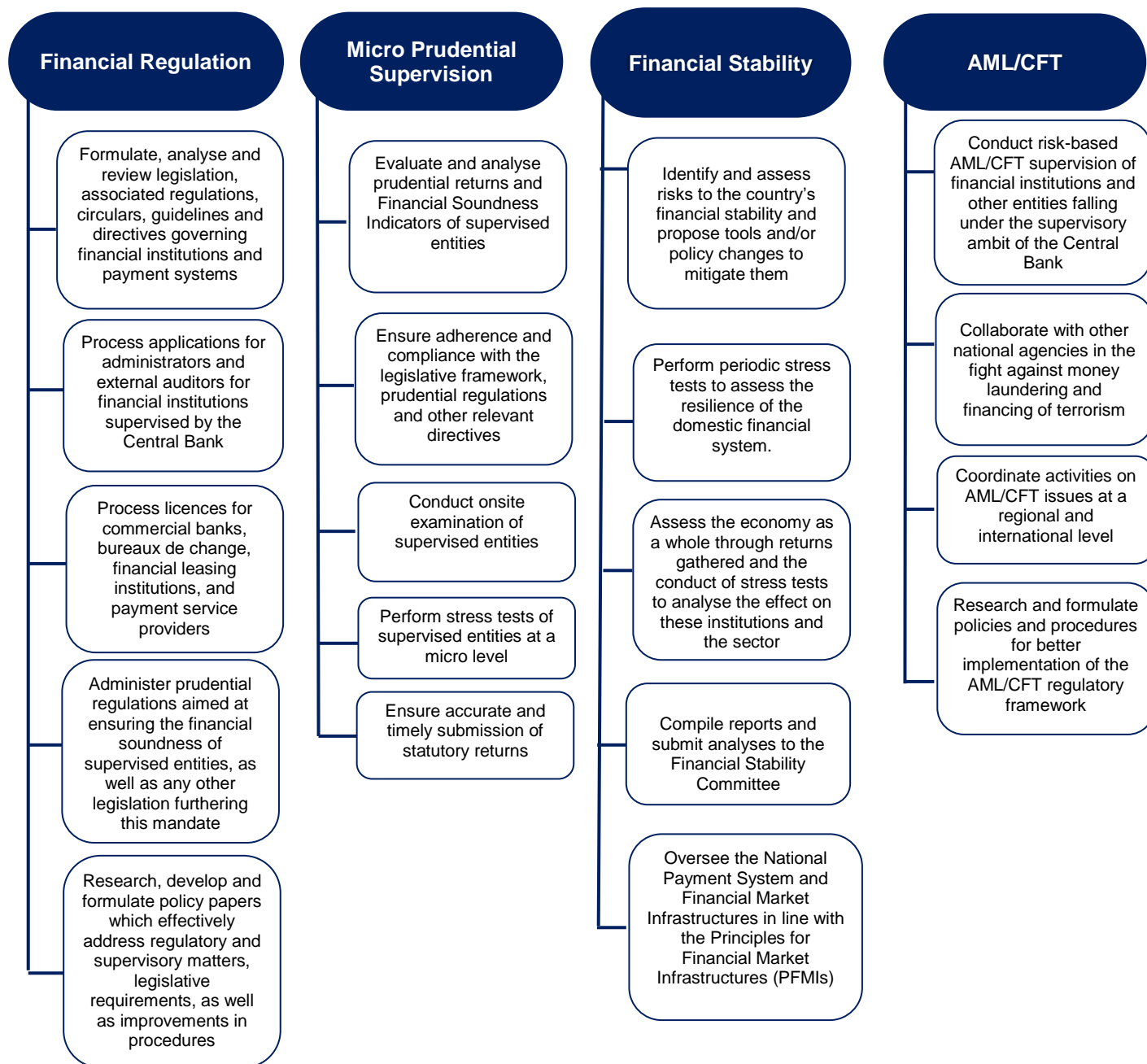
6.2 Financial Surveillance Division

As enshrined in the CBS Act, 2004, one of the Bank's objectives is to promote a sound financial system. Towards this end, the main functions of the Financial Surveillance Division (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 the Bank's regulatory ambit include commercial banks, bureaux de change (BDCs), financial leasing institutions, non-bank credit granting 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 functions of the Financial Regulation Section (FRS) include the processing of licence applications for commercial banks, financial leasing institutions, 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 for by the Bank for International Settlements.

6.2.1.1 The Financial Sector

By year-end 2023, the number of class A BDCs and class B BDCs remained unchanged relative to that of 2022 at 13 and 8, respectively. During the period under review, one PSP licence was issued, bringing the total to 16 PSPs²². Of note, two of the licensed PSPs were yet to commence operation by year-end. The Bank did not issue any new banking licences during the year, hence the number of commercial banks in operation remained at 7.

6.2.1.2 Developments in the Supervisory Framework

In line with its mandate to promote the soundness of the financial system, the Bank continued to pursue initiatives to enhance the effectiveness of its regulatory and supervisory frameworks. The main developments relating to the regulatory framework in 2023 included:

- **Bank Resolution Framework**

The Bank received TA from the IMF to further the work on the bank resolution framework which is anticipated to be presented to the Cabinet of Ministers for endorsement by March 2024. Moreover, a feasibility study on the adoption of a deposit insurance scheme in Seychelles was undertaken alongside the US Department of the Treasury's Office of Technical Assistance (US OTA). The scheme is being considered alongside the bank resolution framework; and a policy position is expected to be taken by the first quarter of 2024.

- **National Payment System Act**

In February, the Cabinet of Ministers endorsed the policy paper for amendments to the National Payment System Act 2014 (NPSA). The amendments served to address deficiencies identified in the implementation of the law and ensured that the legislation remained aligned with international standards as well as best practices. In addition, these amendments to the NPSA are in line with the modernisation plan of the national payment system that was approved by the Cabinet of Ministers in 2021. This was then followed by the submission of drafting instructions for the amendments to the Attorney General's Office (AGO), and subsequently the approval of the National Assembly in September. The amended law was assented by the President of the Republic in October.

²² 13 class A BDCs and 3 e-money service providers.

- **Non-Bank Credit Granting Institutions Framework**

At its last meeting for the year, the Board of Directors of the Bank approved for the introduction of a new legislative framework to mandate the Bank to register, licence, regulate and supervise non-bank credit granting institutions²³. Notwithstanding the fact that the proposed legislative framework provides for alternative sources of financing, particularly for micro, small and medium-enterprises, the framework will likewise ensure consistency and support the Bank in its monetary policy mandate by having access to credit information for all credit granting institutions in Seychelles. Accordingly, the proposed legislation aims to enhance the Bank's oversight functions, improve the soundness of the financial system and provide greater access to credit facilities in Seychelles.

Aside from the aforementioned, FSD continued to pursue ongoing work geared towards the strengthening of the regulatory and supervisory frameworks. This focused on the formulation of policies to amend the Financial Institutions Act 2004 (FIA), Foreign Exchange Act 2009 and Credit Union Act 2009. Work on amendments to secondary legislation such as the National Payment System (Licensing and Authorisation) Regulations 2014, Financial Institutions (Foreign Currency Exposure) Regulations 2009, and Financial Institutions (Credit Classification and Provisioning) Regulations 2010, also gained traction and are anticipated to be finalised in 2024.

6.2.2 Anti-Money Laundering and Counter Terrorism Financing Section

The Anti-Money Laundering and Counter Terrorism Financing Section (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 two limited-scope onsite examinations on a BDC and a commercial bank. In addition to its onsite and offsite surveillance activities, the AMLS also engaged in policy-related work as per its mandate, both at the banking sector level, as well as at national level as part of the Technical AML/CFT Committee (TAC).

6.2.2.1 Enhancing Compliance with AML/CFT Requirements

As part of ongoing work to enhance the country's AML/CFT regime and compliance with international obligations, amendments were made to the AML/CFT Regulations 2020, Beneficial Ownership Regulations 2020, and Prevention of Terrorism Act 2015.

The amendments to the legal framework, coupled with other work undertaken in areas such as risk assessment, supervision and enforcement are evidence of progress made by the country vis-à-vis the requirements of the FATF Recommendations. As at year-end, the country was rated as Compliant or Largely Compliant on 34 out of the 40 Recommendations. As such, Seychelles is seeking an upgrade on a total of 5 additional FATF Recommendations, namely Recommendations 4,6, 7, 8 and 33, to be considered during the March/April 2024 ESAAMLG meeting.

²³ This will constitute of development finance business, microfinance business, mortgage finance business, credit token business and factoring business.

Furthermore, given its membership on the National AML/CFT Committee and TAC, the Bank participated in the National Risk Assessment (NRA) which was initiated in September 2022. The NRA report was presented to and endorsed by the Cabinet of Ministers in October. The action plan along with the report are to be published in 2024.

6.2.3 Micro Prudential Supervision Section

The main role of the Micro Prudential Surveillance Section (MPSS) include prudential offsite surveillance and performing onsite examinations of supervised entities.

6.2.3.1 Offsite Surveillance

During the year under review, the MPSS carried out offsite surveillance of regulated entities through regular desk reviews to ensure adherence to prudential and regulatory standards. In accordance with section 40 of the FIA, supervised entities submitted regular prudential returns to the Bank. These returns were compiled, reviewed and analysed to generate reports. The latter were also used to prepare periodic and ad-hoc presentations for both internal and external stakeholders. Moreover, trends were monitored to allow for the prompt identification of adverse or significant shifts in prudential indicators. In that respect, areas of concern or emerging risks identified were thoroughly examined to ensure that supervised entities implement prescribed precautionary or corrective measures in a timely manner.

To reinforce the Bank's offsite supervision capabilities so as to enhance its ability to effectively monitor commercial banks' performance through the analysis of submitted returns, the MPSS received technical support from the Regional Technical Assistance Centre for Southern Africa (AFRITAC South – AFS). This involved training sessions focusing on the risk analysis, including credit risk, market risk, liquidity risk, and the adequacy of earnings and capital.

6.2.3.2 Onsite Surveillance

The MPSS conducted and initiated several onsite examinations during the year under review. Consequent to an issue of misappropriation of funds identified at a commercial bank, the Bank conducted a limited onsite examination at that entity. Additionally, given a sharp increase in non-performing loans (NPLs) post-pandemic, a horizontal onsite examination plan²⁴ focusing on the asset quality of the banking sector was devised. This exercise is expected to be completed by the first week of February 2024, and is being conducted alongside advisors from the US OTA. Aside from the aforementioned TA, the US OTA is also building the Bank's capacity in areas like drafting, reviewing and establishing procedures for onsite examinations.

²⁴ This approach to onsite examination focuses on a specific area or process on all entities in the banking sector. This serves to gain a comprehensive understanding of the risk surrounding the area or process of focus as well as assess adherence to the guidelines and practices established by the Bank pertaining to the same.

6.2.3.3 Risk-Based Supervision Framework

The collaboration between MPSS and Deloitte Touche Tohmatsu India LLP (Deloitte) for post-implementation support of the Risk-Based Supervision (RBS) framework concluded in February. This support encompassed reviewing and assessing the Internal Capital Adequacy Assessment Process (ICAAP) submissions from commercial banks and providing guidance on the RBS model. However, given challenges encountered with the RBS model throughout the year, the MPSS engaged with Deloitte for model enhancement and recalibration. To note, ongoing engagement and capacity building efforts with Deloitte have been maintained to streamline data requirements.

Additionally, the US OTA assisted with capacity building for RBS implementation. Technical support received involved guidance on designing a Supervisory Procedures Manual as well as an examination plan for 2024. Furthermore, AFS supported the Bank with reviewing the commercial banks' ICAAP.

Following the above-mentioned TA, the revised data templates are expected to be finalised in the first half of 2024.

6.2.3.4 Statistical Framework

The Bank continued to receive TA from the US OTA to enhance the data collection and compilation of statistical returns. The TA served to assess and streamline the data requirements across the banking sector. This involved reviewing and calibrating the existing monthly prudential returns, along with soliciting and analysing feedback from the banking sector.

Significant efforts have been made to refine the prudential returns and ensure their alignment with the latest IMF Financial Soundness Indicators Compilation Guide. Notably, close consultations with both the US OTA and AFS have contributed to a more comprehensive review, leading to revisions in the return templates. In that respect, and to enhance data management, the Bank developed an in-house Statistical Portal, and MPSS conducted a live testing phase with commercial banks in November. Support was provided to commercial banks during the submission of returns into the portal, and feedback received will be incorporated in the final version of the portal which is anticipated to go-live in 2024.

6.2.4 Financial Stability Section

The Financial Stability Section (FSS) is primarily responsible for identifying and evaluating systemic risks within the banking sector, with the ultimate objective of preserving domestic financial stability. This is achieved through the assessment of financial stability threats stemming from both domestic and global fronts, followed by relevant proposals of mitigating measures to the Financial Stability Committee (FSC), which is mandated with promoting domestic financial stability.

Financial stability risks remained pronounced in 2023, with vulnerabilities stemming from the slowdown in economic activity in the Eurozone, heightened geopolitical risks, increased production and distribution challenges of certain key commodities, elevated inflation coupled with tight financial conditions globally.

The elevated inflation across many parts of the world led many central banks to maintain high interest rates. The resulting tight financial conditions was one of the main drivers behind the failures of three regional banks in the US, namely the Silicon Valley Bank, the Signature Bank in March and the First Republic Bank in May. In addition, the collapse of Credit Suisse in March, a global systemically important bank, followed the withdrawal of financial support by one of its key stakeholders. The fast-paced increase in global interest rates further aggravated the situation. In both instances, this led to bank runs. Fortunately, the swift response by regulators successfully prevented these events from leading to contagion in the global financial sector.

Albeit the downside risks that weighed down on global economic growth, the positive economic performance domestically helped contain the impact of the aforementioned risks. Nonetheless, Seychelles' inclusion to the European Union's list of non-cooperative jurisdictions raised concerns over the reputational risk that such decision may have on the jurisdiction. The main areas of concern were the potential loss of correspondent banking relationships by domestic commercial banks and the possible increase in scrutiny of financial transactions to and from Seychelles. Additionally, credit risks remained a threat to financial stability and rising NPLs have resulted in a deterioration in the overall asset quality of the local banking sector.

6.2.4.1 Enhancing the Domestic Financial Stability Framework

As part of ongoing work to strengthen the financial stability framework of the country, a Financial Stability Bill was drafted and endorsed by the Cabinet of Ministers in October and was subsequently approved by the National Assembly in December. The new legislation will provide the FSC with the necessary legal basis to carry out its financial stability mandate and facilitate work towards prioritising and developing a robust financial stability framework. Furthermore, work was initiated to undertake a risk mapping exercise of the banking sector with the aim of enhancing the identification and monitoring of systemic risks.

6.2.4.2 Financial Market Infrastructure Oversight and Supervision Framework

The Oversight and Supervision Framework for Financial Market Infrastructures was approved by the Board of Directors in May. The main aim of the revised framework is to address gaps identified in the oversight and supervision capacity of the Bank. Work to operationalise the framework began in the second half of the year, and involved the identification of resources and determining the priority areas to be implemented. The rapidly evolving payment system landscape and the Bank's continued effort towards modernising the national payment system highlighted the importance of such a framework.

6.2.4.3 Stress Testing Framework

As part of the effort to enhance the identification of potential build-up of systemic risks domestically and internationally, work was undertaken to draft a framework for macro-prudential stress testing, focusing on the banking sector. The framework will provide a more structured approach to the current stress testing exercise conducted by FSS and it will include a climate-related financial risk component. The stress testing exercise contributes towards macro-prudential supervision whereby it can be used as a risk-assessment tool for evaluating the impact of plausible risks on the banking sector.

6.2.5 CCBG Banking Supervision and Financial Stability Subcommittee

The CCBG Banking Supervision and Financial Stability Subcommittee (BSFSS), hitherto the Banking Supervision Subcommittee (BSS), under the chairpersonship of the Central Bank of Seychelles held its annual meeting in April 2023 in Arusha, Tanzania. The main purpose of the meeting was to assess the progress on the implementation of the CCBG SFA 3 on promoting financial stability in SADC and review progress made on the current projects.

A second in-person meeting of the subcommittee was held in August 2023 in Johannesburg, South Africa. The main purpose of the meeting was to review the CCBG Strategy covering the period 2021-2023 and propose initiatives for the 2023-2026 period pertaining to the maintenance of financial stability in the SADC region. An assessment of the CCBG Strategy covering the period 2021-2023 showed that the majority of the strategic initiatives and objectives have been achieved. Nonetheless, it was agreed that those initiatives which have not been achieved, but were still crucial for the attainment of SFA 3, needed to be carried over to the next strategic period.

As customary, the CCBG – BSFS presented its report on pertinent banking supervision and financial stability matters in the SADC region to Governors during the review period. Governors were also briefed on progress made on CCBG SFA 3 on promoting financial stability in SADC as well as on the implementation of various related projects. As the CCBG Strategy covering the period 2021-2023 came to an end, Governors' approval was sought for the proposed strategic initiatives for the 2023-2026 period. In addition, given the rise in prominence of financial stability matters, Governors granted approval for the name change of the subcommittee from BSS to BSFSS.

In line with the alphabetic rotation and CCBG's decision for the rotation to be aligned with the strategic period, Bank of Zambia took over the Chairpersonship of the BSFSS from the Central Bank of Seychelles for the period 2023-2026.

6.3 Financial Markets Division

The Financial Markets Division (FMD) has the responsibility to effectively and efficiently manage the country's international reserves, implement the approved monetary policy of the Bank and administer the government securities market. These functions are operationalised and monitored by three main offices, namely the front,

middle and back offices. The roles and responsibilities of each of these offices are appropriately segregated as part of the internal control framework, which is consistent with international standards.

The front office, also known as the Market Operations Section, is where all the operations are undertaken. Its activities can be divided into three categories. International reserves management entails the investment of the country's external reserves in accordance with the Bank's Investment Policy and Guidelines. The implementation of monetary policy on the other hand, involves the conduct of OMOs and the application of other monetary policy tools, as per the Bank's Monetary Policy Framework (MPF). As for the issuance and management of government securities, this is in line with the role of the Bank as agent to the government, whereby the front office executes the transactions in accordance with the Operational Guidelines for the Issuance and Management of Government Securities.

The Financial and Risk Analysis (FRA) Section assumes the functions of the middle office. These mainly include analysing financial risks associated with the activities under the Division's mandate and reporting them to the Investment Committee (IC). Moreover, the FRA monitors compliance of the front and back offices against the limits stipulated within guidelines, policies and approved strategies. To note, the compliance function enables the middle office to act as a defence layer between the front and back offices, thereby minimising the potential risks that may arise within the operations. Additionally, the middle office provides analytical support to the MPTC and IC for decision-making.

Lastly, the back-office operations are undertaken by the Settlement and Accounting (SA) Section. Its objective is to conclude the final stages of all transactions executed by the front office through accurate and timely trade confirmations and settlements across counterparties. Furthermore, the SA Section has the responsibility to account for and maintain the portfolios and products related to international reserves management activities and the conduct of monetary policy.

6.3.1 Open Market Operations

Throughout 2023, the Bank consistently maintained an accommodative monetary policy stance amid various uncertainties affecting the international economy with plausible indirect influence on the domestic market. Although the OMO strategy was directed towards the roadmap of achieving an optimal liquidity position, this was not implemented until the latter part of the fourth quarter of 2023. For the first three quarters, the operations were conducted through the 7-day DAA only, once per week. The volume of these interventions increased by R100 million at the beginning of each MRR maintenance period, starting with an initial offer limit of R200 million. This strategy followed the unwinding of the COVID-19 policy measures, whereby the liquidity management operations were curbed to provide the scope for fiscal borrowing and to accommodate the economy post-pandemic, which in turn resulted in high excess liquidity in the system. Hence, towards the end of October, the Bank issued a longer term DAA of 364 days, to address this structural liquidity surplus. Moreover, in the subsequent MRR maintenance periods, in addition to the 7-day DAA, the 1-month and 2-month DAAs were offered on a fortnightly basis, to optimise the liquidity management operations.

For 2023, there was a year-on-year increase of 275 per cent in the volume of the DAA issued, rising from R10,200 million in 2022 to R38,216 million in the year under review. This was largely on account of the aforementioned structural liquidity adjustment operation followed by the execution of the optimal liquidity strategy. Consistently, the interest cost for the OMO increased significantly by R24 million in comparison to the previous year. The overall stock of DAA at the closing of 2023 stood at R1,228 million, as opposed to R200 million as at the end of 2022.

6.3.2 Standing Facilities

The total number of placements in the SDF declined from 1,938 in 2022 to 1,803 in the year under review. Likewise, in value terms, the sum of placements was lower at R360,914 million compared to R538,237 in the previous year. Correspondingly, the interest cost for the SDF in 2023 was 7.0 per cent lower than in 2022, amounting to R4.9 million. The lower turnout in the SDF was mainly due to the relatively high volumes of DAA issued during the year. In regards to the SCF, no request was received in 2023 given that the banks were sufficiently liquid.

Table 6.1: Standing Facility Placements in 2023

| | Standing Deposit Facility (SDF) | | Standing Credit Facility (SCF) | |
|--------------|---------------------------------|---------------|--------------------------------|-----------------|
| | (R million) | | | |
| | Amount | Interest paid | Amount | Interest earned |
| Q1 | 96,977 | 1.33 | - | - |
| Q2 | 100,261 | 1.37 | - | - |
| Q3 | 111,859 | 1.53 | - | - |
| Q4 | 51,817 | 0.71 | - | - |
| Total | 360,914 | 4.94 | - | - |

Figures do not necessarily add up due to rounding off conventions

Source: Central Bank of Seychelles

6.3.3 Management of Government Securities

FMD is mandated to undertake the issuance and management of government's domestic securities as well as those guaranteed by government over their lifecycles. Throughout 2023, 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 issued longer term T-bonds in 2023.

6.3.3.1 Treasury Bills

T-bills auctions were conducted once a week for fiscal purposes during 2023. Like in the preceding year, the government continued to lower the volume of T-bills issuance as part of the domestic debt restructuring strategy adopted since mid-2021. By the end of the year, R961 million worth of T-bills had been issued, representing a

decrease of R207 million or 18 per cent compared to an issuance amount of R1,168 million in the previous year. Consequently, the stock of T-bills declined by 43 per cent at the end of 2023 to R622 million, from R1,087 million at the end of 2022.

6.3.3.2 Treasury and Government-Guaranteed Bonds

As in the previous year, government issued T-bonds for fiscal purposes on a quarterly basis. In total, six T-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, while the non-competitive biddings were available to all other eligible investors. For the first quarter of 2023, the T-bonds were issued in the tenors of 3 years, 5 years, and 7 years with coupon rates of 3.20%, 4.60% and 6.00%, respectively. For the remaining quarters of the year, government opted for a 10-year T-bond per quarter, with coupon rates ranging from 7.40% to 8.30%. Government also guaranteed a DBS bond issued in November, with a 5-year tenor at a coupon rate of 4.80%. Overall, a sum of R435 million worth of T-bonds was issued for fiscal purposes; this was in addition to a government guaranteed-bond worth R75 million for DBS.

The level of participation by investors in the bond auctions conducted in 2023 was generally very strong, with the exception of the DBS bond auction. In the first quarter, there was oversubscription in the 7-year bond by R69 million. As for the other two tenors offered, the subscription level was 30 per cent and 47 per cent for the 3-year and 5-year T-bonds, respectively. The preference for issuing longer tenor T-bonds persisted throughout the year, and the 10-year T-bond was well accepted by market participants. As for the DBS bond, which was issued in the last quarter of the year for a 5-year tenor, the subscription level was 38 per cent.

Table 6.2: Issuances of Government and Government-guaranteed Bonds

| Quarter | Bond | Issuance Amount (R million) | Indicative Offered Amount (R million) |
|---------|--------------------------|--------------------------------|--|
| Q1 | 3.20% 3Yr Treasury Bond | 7.57 | 25.00 |
| | 4.60% 5Yr Treasury Bond | 11.76 | 25.00 |
| | 6.00% 7Yr Treasury Bond | 94.03 | 25.00 |
| | Total | 113.36 | 75.00 |
| Q2 | 8.30% 10Yr Treasury Bond | 134.92 | 100 |
| | Total | 134.92 | 100 |
| Q3 | 7.80% 10Yr Treasury Bond | 100.81 | 75 |
| | Total | 100.81 | 75 |
| Q4 | 7.40 10Yr Treasury Bond | 85.70 | 75 |
| | 4.80% 5Yr DBS Bond | 75.15 | 200 |
| | Total | 160.85 | 275 |

Figures do not necessarily add up due to rounding off conventions

Source: Central Bank of Seychelles

The only bond that matured during the year under review was the solidarity 3-year compounded T-bond worth R500 million, which was issued in 2020 for fiscal purposes. As a result, the outstanding stock of T-bonds issued for fiscal purposes decreased by 1.22 per cent to R5,682 million, compared to R5,752 million in 2022. In addition, the volume of issuance was lower in 2023 compared to 2022. This was in line with government's debt management strategy adopted since mid-2021 to ensure debt sustainability. As for the outstanding stock of bonds issued for monetary policy purposes, this remained at R350 million given that there was no new issuance during the year. In regards to the outstanding stock of government-guaranteed bonds, it increased from R255 million by end 2022 to R330 million by end 2023. The T-bond issued for PMC remained at R12 million, whereas that for DBS increased to R317 million from R242 million in 2022, following the new issue in 2023.

6.3.3.3 Central Bank's Holdings of Government Securities

Similar to the previous year, the Bank's holdings of T-bills, 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. The total stock of marketable T-bills at the end of 2023 remained at the level reported in 2022 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 R11 million by the end of 2023, with an almost equal share in T-bonds and government-guaranteed bonds.

6.3.4 Management of External Reserves

The Bank has the mandate to hold and manage the international reserves of the country, by way of the CBS Act, 2004, as amended.

Various macroeconomic rationales prompt 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 acting as a buffer for balance of payment shocks in times of economic crises, national disasters or other emergencies.

Through the Investment Policy, approved by the Board, investment objectives and risk limits are laid out, translated from 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 risks 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.

Global financial conditions remained tight in 2023, on account of the successive interest rate hikes by major central banks since 2022, and which continued for the most part of 2023. In turn, this had implications for the global financial sector, as was seen in the US in March, when three regional banks collapsed. The high interest rate environment further aggravated the situation for Credit Suisse, which faced financial difficulties following the withdrawal of financial support by a key stakeholder, eventually leading to the bank being taken over by the Union Bank of Switzerland (UBS). Whilst such events led to bank runs, regulators' swift reaction prevented these incidents from spreading to the global financial sector.

In the latter part of the year, key central banks such as the US Federal Reserve Bank (US Fed), the European Central Bank (ECB) and the Bank of England took a more dovish stance²⁵ given moderation in inflationary pressures. On the opposite side of the globe, China's economy was trending upwards after prolonged COVID-19 restrictions; it managed to stimulate its economy through expansionary fiscal measures such as reducing reserve requirement levels.

Despite some of the aforementioned international developments, the Bank's investments fared well in 2023. In particular, there was an increase of 228 per cent in income on the fixed deposit portfolio as the interest rates offered by the Bank's counterparts on key currency deposits became more favourable. It is worth noting that the increase occurred despite a decline in the deposit base earlier during the year, with the aim of meeting the

²⁵ The US Fed and the Bank of England kept rates unchanged as of September, whilst the ECB started maintaining rates from October.

composition limits as set out by the revised Strategic Asset Allocation. On the same note, the internally-managed fixed income portfolio recorded a year-on-year positive return of 4.4 per cent, despite the increasing yield environment, when considering the inverse relationship between price and yield in the bond markets. This was due to the high level of interest income gained on this portfolio throughout the year, which outweighed the impact on the prices of these securities, brought about by the higher rates of interest. Similarly, there was an improvement in the Net Asset Value (NAV) across all externally-managed portfolios, with a year-on-year growth of 5.2 per cent, 3.8 per cent and 2.4 per cent for the UBS Money Market, the Reserves Management Advisory Programme (RAMP), and the Crown Agents Investment Management (CAIM) portfolios, respectively.

As for the GIR, it closed the year at US\$682 million, which was a year-on-year growth of approximately 6.7 per cent compared to the closing position of US\$639 million in 2022. The main contributor was the purchase of foreign exchange from the domestic market by the Bank through the FEA in the first half of the year, which amounted to EUR55 million. To a lesser extent, receipts from budget support loans and grants – notably from the International Bank for Reconstruction and Development (IBRD) and the World Bank – summing up to US\$55 million, also contributed to the rise in the GIR level for the year 2023. In addition, a total of US\$20 million and US\$17 million were received from the IMF and as project loans, respectively.

Table 6.3: Foreign Exchange Auctions (FEA)

| Purchase of Foreign Exchange | | | |
|------------------------------|--------------|-----------------------|----------------------------|
| | EUR millions | Average Exchange Rate | Equivalent in SCR millions |
| Feb-23 | 3.0 | 14.9258 | 44.8 |
| Mar-23 | 9.5 | 14.7009 | 139.7 |
| Apr-23 | 19.5 | 14.8385 | 289.4 |
| May-23 | 20.4 | 15.0628 | 307.3 |
| Jun-23 | 2.5 | 15.0047 | 37.5 |
| Total | 54.8 | 14.9353 | 818.5 |

Figures do not necessarily add up due to rounding off conventions

Source: Central Bank of Seychelles

6.3.5 CCBG Financial Markets Subcommittee

In February, the CCBG-Financial Markets Subcommittee (FMS) had its annual meeting in the Democratic Republic of Congo. The focal point of the meeting was to review the implementation of the CCBG SFA 4 for the promotion of financial market integration in the SADC region for the strategic period 2021 – 2023. Given the importance of the current tasks being undertaken, the FMS agreed to carry over the SFA 4 initiatives into 2023 – 2026. As such, projects underway were earmarked for recommendation to the CCBG at its next meeting later in the year. No new project was discussed at the meeting, as it was agreed that the FMS Steering Committee would discuss and propose new projects before the end of the current strategic period.

In addition, the FMS was presented with the annual Financial Markets Development report, which detailed the status of implementation of the financial markets' best practices by the SADC member countries. The FMS

discussed the outcome of the report and proposed means to increase the relevance of the assessment for both the FMS and individual countries. Furthermore, the Official Monetary and Financial Institutions Forum (OMFIF) presented the Financial Market Development Index for the SADC region, which had been developed in collaboration with the ABSA Africa Finance Markets Index. The index, which provided a measure and baseline for the financial development of the countries, was supported by the SADC members.

In August, the CCBG-FMS, together with the other CCBG subcommittees met in South Africa for the Strategic Planning session, to finalise the strategic objectives for the period September 2023 to September 2026.

6.4 Banking Services Division

The Banking Services Division (BSD) is responsible for managing banking services and operations, activities relating to currency and numismatics, as well as financial reporting. It is organised into two distinct sections; Banking and Financial Reporting Section and the Currency and Numismatics Section.

6.4.1 Banking and Financial Reporting Section

This section has three sub-units; Foreign Banking Operations (FBO), Domestic Banking Operations (DBO) and Financial Reporting (FR). The FBO and DBO serve as banker to and manager of customers' accounts with the Bank. Additionally, they manage the Bank's internal accounts and accounting processes. The DBO Unit is the operator of the domestic payment platforms. The FR on the other hand, is responsible for coordinating the annual budgetary exercise, monitoring the budget and preparing financial statements.

6.4.1.1 Foreign Banking Operations

The FBO Unit has the responsibility for handling foreign-currency denominated accounts on behalf of government, commercial banks and other financial institutions. The accounting of foreign currency-related transactions, both on the customer accounts and those associated with the Bank's administrative and operational activities, except for reserves management transactions, fall under the purview of this Unit. In addition, the Unit manages the IMF accounts related to purchases and repurchases pertaining to the country's borrowing arrangements with the Fund, and any other transactions between the two parties.

6.4.1.1.1 Correspondent Banking Relationship

The Bank continued to maintain good working relationships with its correspondent banks; the Federal Reserve Bank of New York, Bank of England, Banque de France, JP Morgan Chase, Crown Agents Bank and South African Reserve Bank via SADC Real Time Gross Settlement (RTGS) system. The FBO Unit remained proactive throughout the year, by working closely with the Bank's Compliance Unit (CU) to ensure compliance with international standards and best practices in the context of transparency of transactions and AML/CFT. To

improve service delivery, the Unit continued to explore and, where possible, made use of new avenues to process payments in the recipients' local currencies.

6.4.1.1.2 SWIFT ISO 20022 Migration Project

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. This was to ensure the Bank's smooth preparation for completion of migration by November 2025. Furthermore, to ensure a smooth transition, the Bank has made use of the SWIFT message converter, In-flow Translation service, which translated incoming ISO20022 messages to the Bank's existing message format. Additionally, the Unit actively engaged with the Core Banking vendor to ensure the smooth adoption of the ISO20022 requirements for the new Core Banking project as well as the new RTGS and CSD projects. Moreover, during the fourth quarter of the year, the Unit actively participated in the SADC RTGS ISO20022 migration testing, which will continue throughout 2024.

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

The SADC RTGS system was maintained to facilitate the processing of cross-border payments denominated in ZAR within the SADC region. Of note, the highest total value of settled transactions amounting to ZAR8.2 million was recorded in the second quarter of 2023. This denoted a significant increase of 51 per cent compared to the second quarter of 2022 when the highest total value was registered for that year. As regards to the lowest total value of settled transactions, this was recorded in the third quarter of 2023 at ZAR4.1 million, representing a 4.0 per cent decrease compared to the lowest total value of ZAR4.3 million in the first quarter of 2022.

There was a general increase of 4.8 per cent in the total number of transactions, as well as an expansion of 20 per cent in the total value of transactions settled in 2023 compared to 2022. This was mainly attributed to higher volumes and value of ZAR-denominated government payments processed.

Table 6.4: Total number and value of settled SADC RTGS transactions (2022 – 2023)

| Month | Total number of settled transactions | | Total value of settled transactions (ZAR '000) | |
|--------------|--------------------------------------|------------|--|---------------|
| | 2022 | 2023 | 2022 | 2023 |
| January | 30 | 31 | 1,044 | 1,275 |
| February | 41 | 39 | 1,488 | 1,811 |
| March | 49 | 46 | 1,759 | 2,670 |
| April | 37 | 49 | 2,210 | 2,214 |
| May | 38 | 49 | 1,710 | 4,290 |
| June | 39 | 42 | 1,484 | 1,677 |
| July | 48 | 51 | 1,756 | 2,264 |
| August | 48 | 46 | 2,083 | 446 |
| September | 38 | 36 | 1,493 | 1,410 |
| October | 40 | 43 | 1,280 | 1,420 |
| November | 50 | 53 | 1,763 | 1,576 |
| December | 47 | 44 | 1,992 | 2,946 |
| Total | 505 | 529 | 20,062 | 23,999 |

Source: Central Bank of Seychelles

6.4.1.1.4 SWIFT Transaction Screening Service, Payment Confirmation and Payments Security Control

During the second quarter of 2023, SWIFT upgraded the SWIFT Transaction Screening Service to be compatible with the ISO20022 messages. SWIFT Transaction Screening is a SWIFT-hosted service that combines web-based screening application with automatic list updates, an alert management service, and API²⁶ integration capability to screen transactions against listings and exception records. The Bank benefited from the update as the Transaction Screening Service allowed the Bank's transactions to remain compliant with international standards.

Furthermore, the Bank continued to utilise the SWIFT Basic Tracker Tool, which provided updates on the status of payments. This was achieved through the prompt confirmation of both receipts and payments. In addition, the East Net Payment Guard Solution was also maintained as it provided an additional layer of security in monitoring users' activities and payment flows on the SWIFT platform, in the management of fraud risks. The Unit continued to refine the platform parameters to allow for a more robust operation by mitigating the risk of fraudulent activities.

6.4.1.2 Domestic Banking Operations

Local currency-denominated accounts held on behalf of government, commercial banks, and other financial institutions, as well as those pertaining to the Bank's administrative and operational activities, fall within the purview of the DBO Unit. The Unit is tasked with maintaining and keeping records of all local currency transactions, addressing inquiries related to the accounts, and maintaining a close watch over government's general account

²⁶ Application Programming Interface (API) is a programmatic way to access functions and data of other apps.

balance to determine the necessity of extending temporary advances to government in accordance with the CBS Act 2004, as amended. Additionally, the Unit provides back office settlement and accounting facilities to FMD in the issuance of government securities.

Furthermore, the DBO Unit serves as both the operator and a participant in various payment systems infrastructures, namely the Electronic Cheque Clearing (ECC), SWIFT-based CBSITS, and the Seychelles Electronic Funds Transfer (SEFT). In this capacity, it receives valuable assistance from the Technical Services Division (TSD), which provides technical support to the participants within these systems. This support extends to system development and the management of in-house portals, as well as other local payment and settlement initiatives of a similar nature.

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 accordance with the rules governing the ECC and SEFT, the DBO Unit assumes the responsibility for registering or delisting participants as is necessitated. In 2023, the list of participants remained unchanged.

6.4.1.2.1.2 ECC System Upgrade and Discontinuation of Non-Standard Cheques

During the year, the ECC system was upgraded to increase its resilience by addressing certain security risks identified. This was done with the collaboration of the participants and the assistance of the vendor.

Furthermore, in 2023, the Bank approved the discontinuation of the use and clearing of non-standard cheques on the ECC system following consultation with participants. The rules governing the ECC was amended and the ECC System was adjusted accordingly to cater for the change. To note, non-standard cheques do not meet the Seychelles Cheque Standards, established before the launch of the ECC system in 2012. For example, non-standard cheques do not have a Magnetic Ink Character Recognition line and standard size.

6.4.1.2.2 ECC and SEFT Statistics

During the year under review, there was a decrease in the volume and value of transactions routed through the SEFT system. The volume of SEFT transactions reduced by 2.0 per cent and the value of the transactions fell by 0.4 per cent compared to 2022. In terms of cheque transactions, the volume reduced by 0.2 per cent in 2023 compared to 2022, although the value of such transactions increased by 6.7 per cent over the same period. Table 6.6 shows the volume and value of SEFT and ECC transactions in 2023 compared to 2022.

Table 6.5: Total volume and value of SEFT and ECC transactions (2022 – 2023)

| | Total volume of transactions ('000) | | % change | Total value of transactions (R million) | | % change |
|-------------------|-------------------------------------|-------|----------|---|--------|----------|
| | 2022 | 2023 | | 2022 | 2023 | |
| SEFT Transactions | 1,438 | 1,409 | -2.0 | 25,041 | 24,950 | -0.4 |
| ECC Transactions | 606 | 605 | -0.2 | 13,649 | 14,560 | 6.7 |

Source: Central Bank of Seychelles

6.4.1.3 Financial Reporting Unit

The preparation of management accounts and financial statements on a periodic basis, which encompasses the statement of financial position published on a monthly and annual basis in the Official Gazette, falls under the responsibility of the FR Unit. Furthermore, the Unit plays a pivotal role in the preparation of the Bank's annual budget, leveraging input from all Divisions and Units for approval by the Board. Following this, the Unit closely monitors and undertakes analysis of the Bank's recurrent and capital budget performance. Additionally, the Unit compiles the daily, monthly and quarterly income and expenditure reports, which are disseminated to Senior Management.

Moreover, the Unit holds the responsibility of assessing the impact of adopting new financial reporting standards on the Bank's reporting requirements, noting that the preparation of the Bank's annual financial statements is IFRS-compliant and in accordance with the CBS Act, 2004, as amended.

6.4.1.3.1 Financial Statements

The Bank's financial statements are audited by the OAG, with the assistance of an independent external auditor. The financial statements for the year ended December 31, 2022 as audited by the Bank's external auditor for that period, Deloitte Touche Tohmatsu Limited (Deloitte) from South Africa, were signed on March 27 by the OAG.

For the financial year 2023, the newly appointed external auditor, Grant Thornton Audit and Accounting Limited from Abu Dhabi will be conducting its first year of audit of the Bank in the first quarter of 2024. The external auditor has been appointed for a period of five years, with the possibility of reviewing the appointment annually.

6.4.1.3.2 Advisory Services for Accounting and Financial Reporting

Following its two-year appointment on March 02, 2022, Ernst and Young (Mauritius) continued to provide the Bank with advisory services for Accounting and Financial Reporting in accordance with IFRS.

In April, the Bank completed the procurement process initiated in 2022 for the appointment of a firm to provide actuary and consultancy services in relation to all aspects of employee benefits that fall under the scope of the

International Accounting Standards (IAS) 19 – Employee benefits. Independent Actuaries and Consultants (Pty) Ltd from South Africa was appointed for this service for a period of three years.

6.4.2 Currency and Numismatics Section

The Currency and Numismatics Section has the responsibility for the issuance and management of the local currency. It also manages the issuance and sale of numismatic items, which include commemorative gold and silver coins and coin packs, where the latter are 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, continued to manage the domestic cash cycle whereby it supplied local currency banknotes and coins to the domestic economy through the banking system, and withdrew those that were soiled or unusable. Such activities supported the objective of maintaining the high quality of currency in circulation.

6.4.2.2 Issuance of Banknotes

The Bank issued approximately 2.7 million pieces of fresh banknotes into circulation in 2023, amounting to approximately R430 million. The table below provides the breakdown in terms of denomination and the total value of issuance.

Table 6.6: New banknotes issued into circulation (2023)

| Denomination | Number of Pieces ('000) | Value in R million |
|--------------|-------------------------|--------------------|
| R500 | 588 | 294 |
| R100 | 936 | 94 |
| R50 | 513 | 26 |
| R25 | 628 | 16 |
| Total | 2,665 | 430 |

Source: Central Bank of Seychelles

6.4.2.3 Destruction of Soiled and Mutilated Banknotes

In its ongoing endeavour to help maintain a high quality of currency in circulation, soiled and mutilated banknotes were continuously removed from the financial system and set aside for destruction. Approximately 1.4 million pieces of banknotes, equivalent to above R68 million were destroyed in 2023. The banknotes were of the current series issued in 2016. Destruction exercises were conducted under strict compliance with the Bank's Banknote Destruction Policy and Procedures.

6.4.2.4 Demonetisation

Demonetisation is the official process undertaken by the currency issuing authority to withdraw the legal status of a particular denomination of a currency. Post-demonetisation, the affected currency cannot be used as a valid means to pay or settle transactions for goods and services.

In April, five years following the demonetisation of the R50, R25 and R10 of the 1998 series, the Board of Directors of the Bank approved to effect Section 23 (2) of the CBS Act 2004, as amended, which warrants the transfer to the Consolidated Fund Account from the liabilities of the Bank, an amount equivalent to the face value of any such banknotes and coins remaining in circulation five years after they have ceased to be legal tender. As such, in May, a total of R39 million was written off the liabilities of the Bank and transferred to the Government's Consolidated Fund Account (refer to Table 6.8). All exchanges of the demonetised R50, R25 and R10 post May 05, 2023, were henceforth debited to the Consolidated Fund account.

Table 6.7: Demonetised banknotes in circulation as at May 05, 2023 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 May 05, 2023 | Amount remaining in circulation as at May 05, 2023 |
|--------------|--|---|--|
| | (R million) | (R million) | (R million) |
| R50 | 29 | 16 | 13 |
| R25 | 20 | 11 | 9 |
| R10 | 25 | 8 | 17 |
| Total | 74 | 35 | 39 |

Source: Central Bank of Seychelles

6.4.2.5 Numismatic Items

During the year under review, the Bank maintained the suspension on the sale of fresh uncirculated banknotes and coins over-the-counters. Despite this, specific collectible items such as commemorative coins, the uncirculated coin packs of the previous series, and the currency booklet remained available for purchase by the public at the Bank's counters in 2023. The Bank maintained ongoing engagements with various companies involved in the production and sale of commemorative coins issued by the Bank internationally, from which it continued to receive royalty payments based on the proceeds generated from their sale. While no new agreement was signed, the royalties represent proceeds from coins sold under the agreements that remained in force. Total royalty payments in 2023 amounted to R4,125.38. Table 6.10 provides the number of commemorative coins sold throughout 2023 from Münzhandelsgesellschaft mbH & Co. KG Deutsche Münze (MDM), the only entity with a contract for commemorative coins, which was still active during the year.

Table 6.8: Sale of Seychelles Commemorative coins (2023)

| Commemorative Coins | Quantity Sold (No. of Pieces) |
|---------------------------|----------------------------------|
| Olympic Games | 50 |
| Electroplating Technology | 75 |
| Alfred Nobel | 15 |
| Moutya Dance - Gold Coin | 100 |
| Total | 240 |

Source: Central Bank of Seychelles

Table 6.10 indicates that in 2023, most of the commemorative coins sold were the Moutya Dance- Gold coins, by the Bank's partner MDM.

6.5 Financial Inclusion and Market Conduct Division

The Financial Inclusion and Market Conduct Division (FIMCD) is responsible for formulating and administering relevant legislation pertaining to credit reporting and financial consumer protection. Furthermore, the Division is responsible for 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 financial developments in the local market geared towards financial deepening to promote usage, access and quality of financial services. In addition, the Section has the mandate to operate the credit information system and to act as the secretariat for financial education activities.

6.5.1.1 National Payment System Modernisation Plan and the Seychelles Fintech Strategy

In line with the Digital Economy Agenda, the Bank continued to undertake initiatives as part of the National Payment System Modernisation Plan and the Seychelles Fintech Strategy. During the year under review, progress was made in the following areas:

- Reduction of fees on digital payments: Payments routing through SEFT remained at no charge in the year under review: This comprised payments made using internet banking platforms, mobile banking apps and other interbank transfers/payments.

- Sun-setting of cheques: The Bank engaged with the Ministry responsible for Finance, to enhance the use of digital payments and receipts to and from government in preparation for the sunsetting of cheques. A communications plan and timelines were formulated and the project is expected to be implemented in phases as of 2024.
- Diagnostic study to assess the affordability and reliability of internet and network connection: The study was concluded in the year under review. This was achieved through the collaboration between the Bank and the Department for Information Communications Technology as well as the assistance of Network Strategies Limited. The final report highlighting the findings, recommendations, as well as feedback received from the stakeholders, is expected to be presented to the Digital Economy Steering Committee and the Cabinet of Ministers for endorsement in early 2024.

6.5.1.2 National Financial Education Strategy

Financial education plays an important role in promoting economic stability as well as protecting and empowering financial service consumers. In this regard, the Financial Education Secretariat remained committed to pursuing the financial education journey throughout the year.

The Financial Education Secretariat ensured that the financial education plan for the year took into consideration the current and emerging issues observed in the domestic and external markets. Matters considered included the impact of geopolitical tensions and escalation of conflicts in certain regions, the abating effects of the COVID-19 pandemic as well as the slowdown in global economic activity, amongst others. In turn, the financial education plan focused on educating the general public on the need to stay abreast of developments happening externally and domestically as it has an impact on the economy and on their personal finances. This also encompassed educating the public on the developments in financial services such as the work being undertaken for a new credit information system, known as the Seychelles Credit Information System (SCIS), and consumer protection. Moreover, personal financial management such as budgeting was another key aspect of the aforementioned plan.

The Secretariat participated in various annual events which included the following:

i) **Global Entrepreneurship Week**

In 2023, FIMCD participated in a fair organised by the Ministry for Investment, Entrepreneurship and Industry on Praslin, on behalf of the Bank. Members of staff had the chance to engage with businesses on Praslin, sharing awareness on financial management from a business perspective, encouraging participation in the Bank's financial education sessions in the workplace and educating them on fraud amongst other topics.

ii) Global Money Week

The Financial Education Secretariat collaborated with UN Youth Seychelles (UNYS) on the occasion of the 5th Celebration of the Global Money Week in Seychelles under the 2023 theme “Build your future: be smart about money!”. Activities organised included virtual sessions for post-secondary students, radio interviews, sharing and publication of awareness materials on financial education on social media pages and participation in UNYS presentation sessions.

iii) International Fraud Awareness Week

“Card Fraud – Be aware and beware” was the theme adopted by the Bank for the International Fraud Awareness Week that took place from November 13 – 18. The theme was chosen in view that card fraud was observed as one of the most prevailing fraud in the market due to lack of consumer responsibility vis-à-vis their debit or credit cards. The Bank, in collaboration with ABSA Bank, NouvoBanq and the Mauritius Commercial Bank, undertook roadshows in various locations to spread awareness on card fraud to various groups of people and workers. The roadshow began in front of the CBS building with the support of Pure FM 907 radio station and was then followed by awareness’ at the Seychelles International Airport, the Sir Selwyn Selwyn Clarke Market and the Orion Mall. The aforementioned participants also took part in radio interviews to spread awareness to a broader audience.

Additionally, the Bank took the opportunity to educate its staff on card fraud through various internal activities.

FIMCD continued to deliver Financial Education sessions to several organisations and segments including the youth, prisoners at the Montagne Posée Prison, detainees at the Detention Remand Facility at Bois de Rose as well as with the homeless segment of the population. The sessions comprised topics on financial management, consumer rights and financial services.

The Digital Financial Literacy Action Plan for the year focused on four segments of the population, namely the youth, MSMEs, the elderly and disabled as well as the general public. The initiatives coincided with the Digital Financial Literacy Roadmap addressing different challenges impacting the adoption of digital payment mediums. Emphasis was placed on building trust in Digital Financial Services (DFS), the financial system and technological innovation with the aim of empowering consumers, including the most vulnerable, and protecting them from increased vulnerability to digital crimes such as phishing scams, account hacking and data theft. In line with such, campaigns were conducted to encourage usage of the modern means of payment, including contactless cards/ POS, E-commerce platforms and mobile payment apps, whilst simultaneously educating the consumers on the higher level of associated risks when using such products.

The Bank continued to engage with its stakeholders, including the National Financial Education Steering Committee and the Seychelles Bankers Association (SBA), for their participation in the aforementioned initiatives.

6.5.1.3 Credit Information System

The Credit Reporting Bill, 2023 was approved by the National Assembly in October and enacted on November 06. The Act provides for the establishment, operation, regulation and oversight of the SCIS. Additionally, provision has been made to guarantee efficient and safe management of information, as well as ensuring the rights and responsibilities of data providers, data users and data subjects. The Act allows for the onboarding of credit granting institutions outside the regulation of the Bank, whereby the nature of their activities impacts the credit worthiness of the public. This will be done through a phased approach.

Work on the implementation of the SCIS continued to progress in the year under review. The latter was undertaken in close collaboration with the commercial banks, DBS, Seychelles Credit Union and Housing Finance Company for expected go-live in the first half of 2024. Go-live of the system and the commencement of the law will be done simultaneously.

6.5.1.4 Membership under the Alliance for Financial Inclusion

The Alliance for Financial Inclusion (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. The Bank joined AFI in 2014 and has been an active member since. Commitments were made within the ambit of the Maya Declaration – a statement of common principles regarding the development of financial inclusion by members of AFI. These encompassed areas such as financial education, financial consumer protection, digital financial services and gender inclusive finance.

The Bank is also part of AFI Working Groups, that provide a unique peer to peer platform for members to develop and explore policy development and trends in financial inclusion. 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). In 2023, the Bank joined the Inclusive Green Finance Working Group (IGFWG), highlighting its commitment towards embedding sustainable finance and climate change considerations in its policies.

The Bank is also a member of two regional AFI initiatives, namely Pacific Islands Regional Initiatives (PIRI) and the African Financial Inclusion Policy Initiative (AfPI). The 12th AfPI and the 8th PIRI Leaders' Roundtable meetings were held in Seychelles in June – the first convergence of its kind under the theme "Rising above global uncertainty – pathways through inclusive innovation". The Victoria Consensus on advancing responsible and inclusive innovation for financial inclusion was adopted, urging a collective commitment to leverage inclusive innovation to advance financial inclusion.

In 2023, Governor Abel served the final year of her two-year term as the Chairperson of AfPI – the primary platform for AFI's African members, which seeks to support and develop financial inclusion policy and regulatory

frameworks in Africa. Through her chairmanship, a commitment to stronger engagement between AfPI leaders and AFI's Africa Regional Office was made through the development of an action plan for the period 2023 to 2024, focusing on boosting stakeholder engagement and capacity building for regional central banks, increasing peer learning on fintech oversight, and fostering cooperation in innovation.

Additionally, the Second Deputy Governor (SDG), Ms Sullivan, served a third year as the Chairperson of AFI's Investment Committee. The Committee was established to oversee the management of the AFI Endowment Fund.

The Bank also participated in the Global Policy Forum held in Manila, Philippines, under the theme "Stability, Sustainability, and Inclusivity for Shared Prosperity", providing participants with the opportunity to consolidate efforts towards increasing financial inclusion.

6.5.2 Market Conduct Section

The Market Conduct Section's (MCS) primary role is to safeguard interests of financial consumers and ensure that business practices by financial service providers (FSPs) are equitable and fair in nature. In order to ensure that this objective is met, the Section continued to work towards the enhancement of the financial consumer protection legislative framework. Moreover, emphasis was placed on strengthening market conduct supervisory functions, enhancing the complaints handling procedure and increasing financial education on the rights and protection of financial consumers, which will assist in the more efficient monitoring of FSPs under the purview of the Bank.

6.5.2.1 Financial Consumer Protection Law

The Financial Consumer Protection Act, 2022 (FCPA) is jointly administered by the Bank and FSA, as the two regulators responsible for the financial services sector, with the aim of establishing market standards, promoting disclosure and transparency, and preventing abusive practices by FSPs against financial consumers. A financial consumer protection legal framework is integral as it guarantees that consumers' interest is not impacted, especially in the midst of emerging technologies. The Bank wants to equip financial consumers and other key players in the market with the confidence to transact digitally whilst ensuring they are adequately protected through a robust legal framework.

6.5.2.2 Initiatives from the Market Conduct Section

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

- **The 24-hour customer hotline service**

Although there was a reduction in the number of complaints, the Bank maintained the operation of the 24-hour hotline (operated 7 days a week) throughout 2023. Alongside facilitating the lodging of complaints, the hotline assisted the Bank with the collection of information regarding different developments within the

market. Aside from the formal complaints received, 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 the daily operation of FSPs, the Bank's policies, government initiatives, and clarifications on FSP policies and procedures.

- **Meetings with FSPs**

The MCS led multiple meetings with the banks in collaboration with other internal stakeholders to address market-related issues. MCS also ensured regular engagements with key external stakeholders in order to identify ways in which financial consumer interest can be protected in the midst of ongoing developments.

The discussions included:

- Ways to continuously improve the level of customer services across the industry;
- The necessity of awareness by FSPs on the different financial products and services on offer, targeted at different segments of the population to ensure that financial consumers remain informed;
- Communication on the Bank's upcoming projects and discussion on financial inclusion initiatives and contribution towards the digital economy agenda;
- How to better manage the complaints and the corrective actions being taken by commercial banks to ensure that financial consumers are protected.

- **Outreach to members of the public**

With the enactment of the FCPA, MCS is working towards ensuring that financial consumers are fully aware of their rights and responsibilities. This was done through awareness sessions and radio interviews. MCS ensured that pertinent topics were discussed and communicated, including those related to guarantors, scams, complaint handling procedures amongst others.

- **Short term initiative to enhance competition in the market**

With competition being a topic that is regularly raised by financial consumers, MCS worked towards the development of a short-term plan to address certain matters with regards to competition in the market. Under this plan, meetings with various stakeholders were undertaken to address issues such as administrative hurdles for customers to switch between providers, offering cooling off periods after contracts are signed, the need for more awareness on products and services offered and the importance of ensuring that customers understand terms and conditions before accepting to sign contracts, amongst others. These discussions were taken positively by stakeholders and commitments were provided to implement the necessary changes where applicable to their institution.

6.5.2.3 Complaint Handling

Based on the data collected by the Bank, a total of 1,115 complaints were received by commercial banks in 2023. This was an increase of 30 per cent compared to the previous year. The highest number of complaints was related

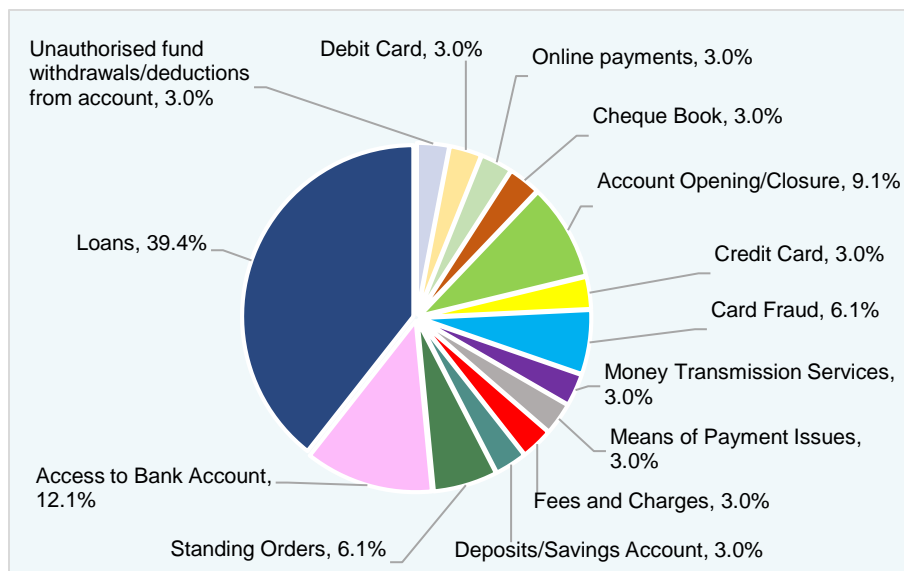
to debit cards, mainly in relation to delays and failure in effecting transactions and receiving funds, representing 35 per cent of the total grievances.

BDCs recorded 43 complaints, primarily associated with money transmission services, representing 86 per cent of the total grievances registered. The complaints lodged were primarily related to delays in receiving funds.

There was a slight reduction in the number of complaints lodged at the Bank, at 33, compared to 37 in 2022 or a decrease of 11 per cent. As illustrated below, the majority of complaints received were in the loan's category, representing 39 per cent, and these were primarily associated with rejected loan applications and issues with repayments.

In addition to the above, a number of complaints were lodged at the Bank with regards to access to bank accounts, and issues with account closure and opening, representing 12 per cent and 9.1 per cent of the total complaints, respectively. These were mainly associated with delays to access account information and unclear process for account opening and closure.

Chart 6.2: Complaints received by CBS per Category (2023)



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. The areas of focus were financial inclusion data indicators; strengthening the innovation of products and services innovation of financial service providers in the

region; and supporting the development of financial education materials targeting youth, women, MSMEs and people with special needs.

6.6 Technical Services Division

TSD continued to support the Bank on its digital transformation journey in 2023. This involved the integration of new platforms to streamline operations and enhance customer experiences. A key project was the DocuSign cloud migration, which has a workflow feature that enhances efficiency, thus avoiding the inconvenience of printing, signing, and mailing back physical documents.

Additionally, the Corporate Laptop Wireless Authentication was adopted. This security policy management and control platform, allows organisations to centrally manage and enforce security policies across the network infrastructure. When it comes to wireless authentication for corporate laptops, the Cisco Identity Services Engine (ISE) plays a significant role in ensuring secure access while adhering to the company's security policies.

In 2023, TSD staff continued to extend their support to the Bank through the following functions:

- **System Support:** This role ensured the seamless operation of hardware and software components. Tasks included setting up and configuring systems, performing routine operations, and safeguarding the Bank's IT infrastructure and data against various hazards.
- **Network Support:** This entailed overseeing the Bank's network infrastructure, including the hardware and software elements, and safeguarding the IT system against diverse security threats.
- **Desktop Support:** This function provided immediate assistance to end-users encountering technical difficulties. It covered the management and servicing of end-user devices like desktops, laptops, mobile phones, and related accessories (e.g., printers, scanners), as well as software upkeep.
- **Business Applications Support:** In this role, the focus was on ensuring the optimal functioning of critical business applications of the Bank. This included managing payment systems, essential spreadsheets/databases and maintaining the Bank's website.
- **Business Analyst Developer:** This role involved closely working with users to identify their specific needs and creating, testing, analysing, and maintaining software applications designed to meet these requirements.
- **IT Governance:** This encompassed establishing a structure that ensured IT operations aligned with the Bank's objectives. Responsibilities included overseeing the implementation of IT best practices to enhance the Bank's operations and manage IT-related risks.

In 2023, TSD spearheaded several significant projects, including:

i) Corporate Laptop Wireless Authentication & Provisioning with Cisco ISE

This referred to the process of securely connecting the Bank-issued laptops to its wireless network using Cisco's ISE platform for authentication, authorisation, and policy enforcement.

ii) Statistical Framework Portal

The Development Team tested an internally developed statistical application with the commercial banks, with the aim of standardising data collection and facilitating data reporting.

iii) Digital Signature Cloud

With the on-premise version of the digital signature cloud coming to the end of its life, the Bank approved the use of the DocuSign cloud version, which provide additional features such as workflow and report management.

iv) Conduct Regular IT Database Switchover of Critical System

The Division conducted regular switchover exercises which helped build confidence among IT teams and stakeholders. It also ensured that the backup systems were reliable and capable of taking over seamlessly when needed, thus reducing anxiety during potential crises.

6.6.1 CCBG ICT Subcommittee

The ICT Subcommittee, which is chaired permanently by the Bank of Mozambique, meets twice a year. Seychelles hosted the hybrid annual meeting early in February, while the Steering Committee meeting was held virtually in July. In 2023, the ICT Subcommittee was actively involved in the following projects and put forth the following recommendations:

i. Group Volume Licensing

To streamline the process for licensing and renewal, which can lead to more efficient and cost-effective management of software agreements, simplifying negotiations and ensuring consistency in the agreements.

ii. IT Governance

ICT directors to ensure that the approved IT Governance roadmap is implemented within their respective central banks.

iii. Systems Interoperability Architecture

To have virtual meetings with all Subcommittees, to get input for the new terms of reference for the project, and explore the functionalities of the proposed tools and similar projects completed successfully.

iv. Business Application Development

To conduct a data cleansing exercise and investigate potential features for the next version of the dashboard for the Committee of Central Bank Governors.

v. Security and Quality Assurance

To review the meeting frequency to ensure that the Information Sharing Forum meets regularly to improve efficiency.

vi. Communication & Collaboration Infrastructure

To test WebEx integration with MS Teams.

vii. Cloud Computing

To ensure that each central bank has a cloud computing framework and encourage countries to have data sovereignty laws that govern data storage on public clouds.

viii. SADC RTGS Multi-currency

To continue engagement with commercial banks on the opening of a USD account for the USD Proof of Concept, which is in progress.

ix. Innovation

To use the Fintech Developments in the SADC Region Regulator Self-Assessment Survey to collect information about Fintech implementation level and review the focus of the Innovation group.

6.7 Administration Division

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

In 2023, various renovation works to the CBS Building were undertaken to address the key issues detected during an assessment of its condition in 2022. In this regard, waterproofing works were done in Q1. Additionally, the designing phase of the project for cladding the exterior walls of the building was completed in Q4 and the procurement process for the implementation phase was initiated in the same quarter. It is anticipated that the project will be fully completed in Q4 2024.

Two key projects that featured on the workplan of AD in 2023 pertained to the reconstruction of the Annex Building as well as the construction of the Bel Eau Building. To note, the latter project will serve as the primary site for currency operations and IT infrastructure of the Bank. The procurement process for the first phase of the Annex Building reconstruction project was completed in Q3 and work on the new design was initiated in Q4. The target for completion of the project is Q4 2025. As regards to the Bel Eau project, a review of the design of the building was conducted in 2023, to better align with the priority needs of the Bank. In particular, an updated design of the cash facility was done by Giesecke+Devrient Currency Technology FZE (G + D), with whom the Bank has been engaging for the provision of consultancy services for the development and implementation of a modern cash

cycle management and operations facility. Updates to the plans of the Bel Eau Building is expected to be completed in Q1 2024. Given the additional work to amend the design, the date for completion of the Bel Eau project has been pushed to Q1 2026.

Work to improve storage and management of old records continued in 2023, whereby the target to reorganise the old records room was achieved in Q4. Moreover, in collaboration with TSD, further tests were conducted to put in place a system to facilitate appropriate access to the digital repository. The next phase of migrating the virtual old records registry and the implementation phase of the virtual repository facility is expected to be completed in Q2 2024.

Upgrading the central aircon system at the CBS Building was also a key project completed in 2023. As part of this project, a new Building Management System was installed, which aside from enhancing the ability to regulate the climate inside the Building, will ensure more efficient energy consumption and allow for the future integration of other building systems.

AD 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 the SCIS –In line with the Bank’s policy, the system was required to undergo a security assessment prior to going live, and this was completed by PricewaterhouseCoopers Ltd (PwC) Mauritius in April. Although the identified gaps had been closed by December, the SCIS go-live date was delayed further due to the drafting and review of the new Credit Reporting Bill, which was enacted in November. Consequently, the revised schedule for the project indicated that the system will go live in Q1 2024.
- CSD and RTGS Project – The Bank decided to procure a joint CSD and RTGS system with the objective of improving operational efficiency and productivity, with the expectation that there will be a reduction in operational risks. The CSD will allow for efficient and effective processes relating to the implementation of monetary policy, administration and management of government instruments, as well as other credit and liquidity instruments. The RTGS will act as the main settlement engine with the book entry support effected on the different types of settlement accounts or balances of the system participants according to an appropriate set of predetermined rules. To provide additional technical support and guidance to the project team, the Bank procured the services of Peter Katz Consulting Limited in Q1 2023. In Q2, the Request for Proposal (RFP) for the supply and implementation of the systems was published through the open bidding procurement method. MONTRAN Corporation was deemed the best-evaluated bidder and was recommended for award of contract on October 30. Implementation of the CSD and RTGS systems started in Q4 and based on the updated project plan, the systems are expected to go live in Q4 2024.
- e-HRIS – Project implementation work of the e-HRIS continued in 2023. During the course of 2023, the vendor implemented several changes to the system to enable the closure of the findings identified during

the system audits in 2022, including refresher training for end users. The systems will be re-audited in Q1 2024.

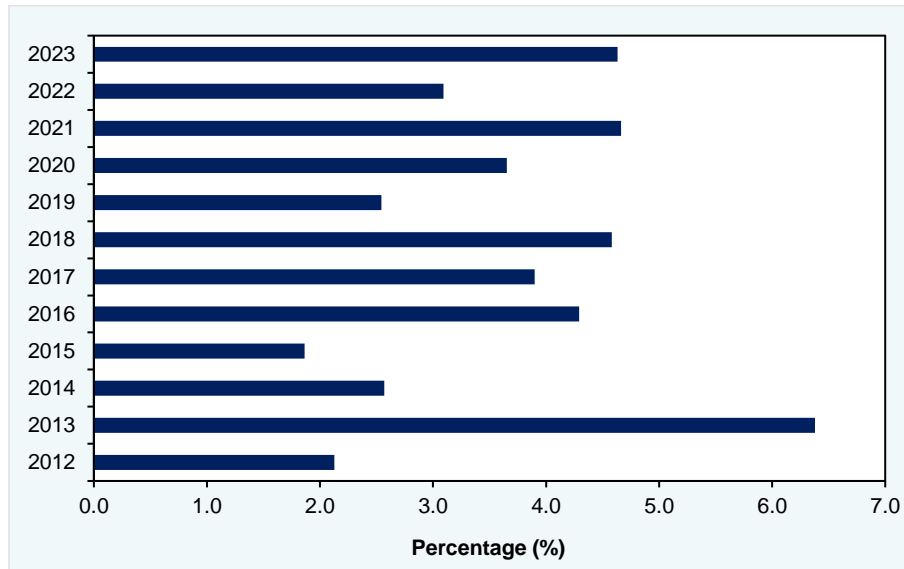
- **New Core Banking System** – This project is geared towards the implementation of a new Core Banking System to replace the existing system, originally deployed in December 2010, to assist with the continued modernisation plan and strategy of the Bank. The procurement process, undertaken through limited bidding in October 2022, was completed in February, whereby Intellect Design Arena was recommended for the award of contract as best-evaluated bidder. The project kicked off in April and the revised go-live date is set for the end of May 2024.

6.8 People Function Division

In 2023, the Division retained its supportive role to line managers, empowering the workforce for positive contributions towards the Bank's strategic goals and objectives. At the beginning of the year, a number of Divisions and Units were restructured. This included the rebranding of the Human Resources Division to the People Function Division (PFD), in line with developments that have occurred within the field of human resources to occupy a more strategic role in their respective organisations. The hybrid mode of working remained in force, supporting staff in achieving their deliverables with greater flexibility.

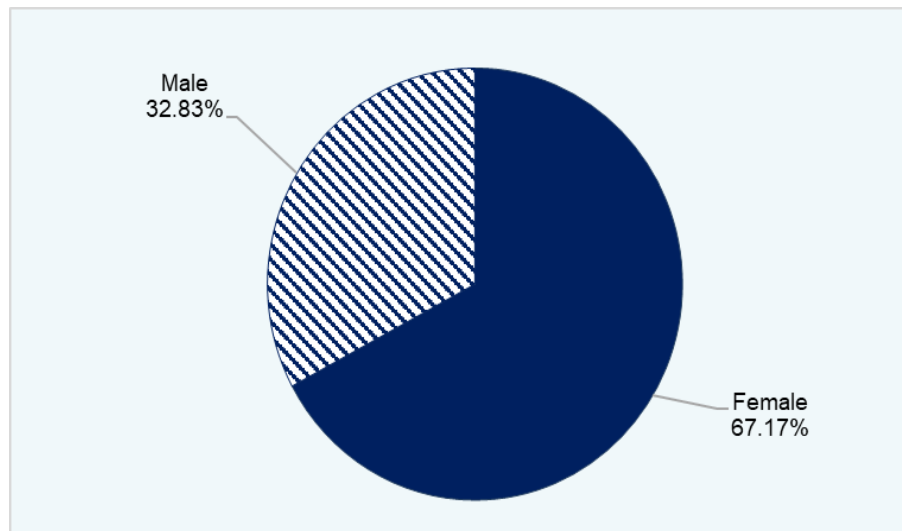
Throughout the year, recruitment efforts continued to ensure that positions within the Bank were filled with candidates with the right aptitude. A total of 16 new employees joined the workforce whilst 9 employees left the service of the Bank. In addition, there were other staff movements, such as promotions and internal transfers, that allowed for career progression while managing recruitment costs. As at the end of the year, the total headcount was 198, with an average age of 37 years and average length of service of 10 years. Similar to previous years, the employee turnover remained relatively low, at a rate of 4.6 per cent.

Chart 6.3: Employee Turnover Rate



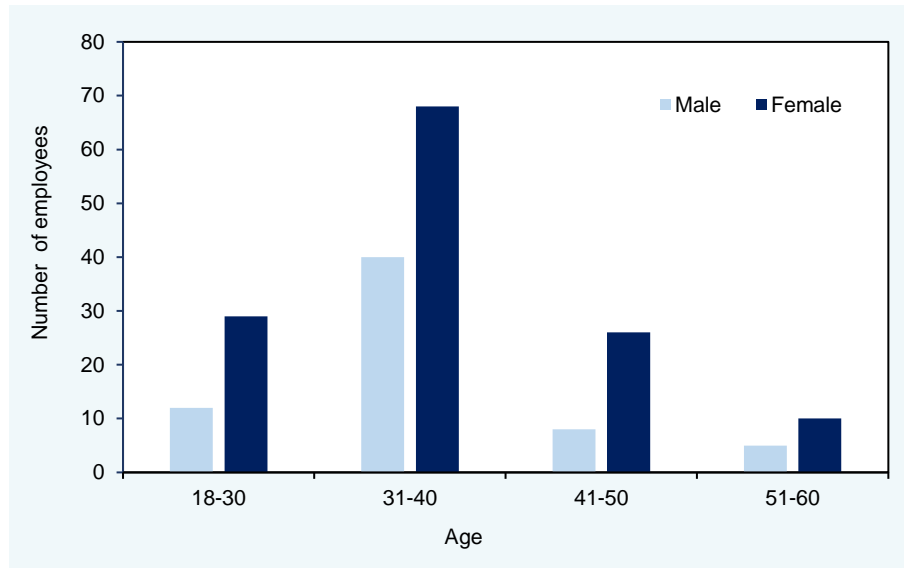
Source: Central Bank of Seychelles

Chart 6.4: Composition of the Workforce by Gender



Source: Central Bank of Seychelles

Chart 6.5: Composition of the Workforce by Age



Source: Central Bank of Seychelles

PFD maintained its close working relationship with the Health, Safety and Wellbeing function to further its wellbeing agenda as part of the initiatives to improve the overall work environment, and promote work-life balance.

In relation to employee recognition, 10 members of staff qualified for the Long Service Award, where their contributions and dedication to the Bank for the past 15 or more years of consecutive service was acknowledged. Furthermore, employees with 30 or more years of service were presented with a token of appreciation as part of the Bank's 45th anniversary celebration.

Chart 6.6: Long Service Award Recipients



Source: Central Bank of Seychelles

As customary, the Bank remained committed to implementing its training strategy, in line with the approved training plan, which covered a blend of both virtual and physical sessions. 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, CAIM, ESAAMLG, College of Supervisors (CoS) in conjunction with the Reserve Bank of India, Koenig Solutions Ltd, as well as under RAMP with the World Bank.

To support leadership development within the institution, the Bank also launched its Leadership Development Programme, with two cohorts, namely the Senior Leadership Group for existing members of Management and Fundamentals Leadership Group for potential future leaders.

With regards to professional development, 1 employee successfully completed the 'IFC Milken Institute Capital Markets Programme' and was awarded a 'Certificate in Capital Markets', and 1 employee completed the Fletcher School Leadership Programme for Financial Inclusion Fellowship. Through the Bank's Higher Education Scheme, 3 scholarships were offered to employees to proceed on long term studies at both undergraduate (2) and post graduate (1) level. An additional postgraduate scholarship was awarded in the field of Data Analytics, for which selection was on a competitive basis. The mode of study varied between distance learning and on campus. Moreover, 1 employee qualified for a postgraduate scholarship under the Fulbright Foreign Student Programme, for studies in the United States of America while another proceeded to Malaysia to pursue postgraduate studies through a fully-funded government scholarship. In terms of resumption of duties, 3 employees successfully completed their long-term studies in the United Kingdom where one of them was awarded an undergraduate degree in Business Economics with Second Class honours, and the other two were awarded postgraduate degrees – in Digital Banking and Finance, with Distinction; and Financial Technology, with Merit.

In March, an award ceremony was held for the successful applicants to the undergraduate and postgraduate programmes under the Guy Morel High Achievement Scholarship. The applicant for the undergraduate programme went on to pursue a Bachelor's degree in Accounting and Finance, whereas for the postgraduate applicant undertook a Master's degree in International Financial Law. In October, the Bank launched the 2024 edition of the scholarship, while the recipient of the 2022 postgraduate scholarship graduated with a Master of Customs Administration with Distinction.

6.9 Internal Audit Division (IAD)

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's 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. The audit universe considers two main sets of criteria; namely, the inherent risk indicators which include 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 (RMU), that are inherent to the Divisions or Units; and 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. The risk ratings assigned informs IAD of high, medium and low audit units based on the residual risks derived from the risk assessment. From there, the multi-year plan covering a three-year period is formulated and approved by ARC.

To this end, the 2023 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. Contrary to 2022, IAD completed only 2 out of 8 risk-based audits, namely the Modernisation of the Payment Systems and the Endpoint audits, whilst the audit for AML/CFT Policy was at reporting stage and 2 audits, namely, Trade Settlement and Treasury Accounting was in fieldwork. The decrease in the number of audits completed was as a result of resource constraints in view that 2 internal auditors resigned. Furthermore, the Division encountered difficulties recruiting new staff to fill the vacant positions in light of the scarcity of information system auditors. The outstanding audits at fieldwork stage are scheduled to be completed during the first quarter of 2024. Moreover, semi-annual verification exercises were conducted to ensure the vault and cashier's hand balances were completed and are properly recorded. In compliance with the Programme Statement, under the EFF, IAD also performed half-yearly audits of the NIR to ensure conformity with the programme definition and calculation methods.

In accordance with its Procurement Policy, the Bank appointed a new external auditor in 2023. Proposed bids were evaluated by a committee comprising of personnel from the Bank and OAG. The Evaluation Committee comprised of 5 members, being the Deputy Auditor General, an Audit Manager from OAG, the Chair of the Bank's ARC, the Second Deputy Governor, and the Director of BSD. The internal audit team was present as observers and assisted the committee with administrative tasks. Following its evaluation process, Grant Thornton from UAE, who has three years' experience in auditing Central Bank, was selected to be the best evaluated bidder for the provision of statutory audit services and was appointed in February. Moreover, resumés of the team members included subject matter experts that will form part of the audit. The firm also provided solid IT experience which showcased their ability to interrogate an IT system. Grant Thornton conducted the interim audit during November and the final audit is expected to be conducted in the first quarter of 2024.

In September, the IMF Safeguards Team conducted a Safeguard Assessment. During the week of September 18-20, meetings were conducted virtually with different stakeholders and during the week of September 26 to October 04, the Safeguards Team was onsite for the assessment. The draft Safeguards report, which was submitted for the Bank's comments in November, outlined a number of recommendations for consideration. 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 of Directors 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 other colleagues at the Bank.

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, the Bank's performance to the standards was as per the below table.

Table 6.9: 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. With regards to standard 2120 'Risk management', the Bank's 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.

In light of the expected changes to the standard, the EQA was postponed to 2025. During the year 2024, IAD will conduct a gap analysis on the existing practices and working papers against the requirement of the new standards. Following the gap analysis, measures will be implemented to improve the standards and the EQA will be performed in 2025.

6.10 Governance

6.10.1 Strategic Plan

Throughout 2023, all Divisions and Units actively engaged in advancing the Bank's Strategic Plan implementation, marking significant progress during the last year of the 2019-2023 Strategic Plan.

The new Strategic Plan for 2024-2028 was successfully launched on December 01 under the theme "A progressive central bank: Fostering sustainable economic transformation", as part of activities to commemorate the Bank's 45th anniversary. This momentous achievement was the culmination of the efforts of the dedicated team working on the Strategic Plan, who diligently developed the necessary engagement and communication plan, soliciting valuable stakeholder input, conducting in-depth analyses, and meticulously crafting and finalising the document, all under the guidance of the Board of Directors and international partners.

The cornerstone of the new Strategic Plan delineates 28 key strategic priorities, categorised under three overarching themes: Monetary Stability, Financial Stability and Strengthening Internal Capacity. Complementing these priorities is a detailed list of activities, thoughtfully sized and scheduled to ensure the plan's successful implementation. The Bank will diligently monitor these activities and periodically report on their progress.

The Bank is committed to fully implementing and leveraging the new plan as a guiding compass for the years ahead. Mindful of the evolving landscape, the plan is flexible and will be adjusted, as deemed appropriate to ensure its continued relevance.

6.10.2 Governor's Office

6.10.2.1 Legal Unit

The Legal Unit is responsible for managing the legal risks to which the Bank is exposed in fulfilling its statutory mandate.

The salient activities of the Unit for 2023 were as follows:

a) Legislation

The Legal Unit continued to spearhead the Central Bank Act amendment project, which is scheduled to be finalised in 2024. The Unit also provided support on other legislative projects, including credit reporting, financial stability and bank resolution.

b) Litigation

The Bank filed a plaint before the Magistrate Court in relation to an unpaid loan by one of its former employees. The plaint was yet to be served as at end 2023.

c) CCBG Legal Subcommittee

In September, the Bank assumed the vice-chairpersonship role of the SADC CCBG Legal Subcommittee. The role will be performed by the Unit's Director or Senior Legal Officer.

The Committee's annual meeting held in October, focused on the CCBG Strategy for 2023 to 2026. The Committee agreed on the strategic initiatives in support of the overall CCBG strategy as follows:

- Identify core principles to be captured in model central banking laws
- Identify governance issues of relevance to the CCBG for discussion and review
- Monitor the implementation of SADC Model Laws

d) Contract Management

The draft contract management framework documents were reviewed by the other governance functions of the Bank. Further work on the framework was undertaken and its implementation is scheduled for 2024.

e) External Legal Counsel

The law firm Georges & Co Attorneys and AGO continued to act as external legal counsel to the Bank. The services of Georges & Co. Attorneys were renewed for a further term of 2 years beginning December 06.

6.10.2.2 Risk Management Unit

RMU comprises of Enterprise Risk Management (ERM), Business Continuity Management (BCM) and Information Security (IS) functions. RMU is responsible for the overall monitoring of Bank-wide risks as set out in its Risk Management Framework (RMF), ensure continuity and build resilience through a robust BCM Framework. Furthermore, the Unit is responsible for managing the development, implementation and maintenance of the Bank's information security (including cyber) policy, standards and guidelines. In anticipation of the new Data Protection Legislation, the Board of Directors has entrusted the responsibilities of data protection to RMU, more specifically to the IS function.

RMU works in close collaboration with other Divisions and Units as part of the Bank's governance functions. The Bank uses a three line of defence approach to allocate risk management responsibilities to all parties involved. RMU is the second line of defence in the Bank's operations, with the Bank's Divisions and Units as the first line of defence and the third line of defence being IAD.

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. In 2023, RMU was represented at the 17th IORWG conference hosted by the Central Bank of Kenya. The conference provided networking opportunities and allowed IORWG members to share best practices.

i) 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 6.7: Governance



Source: Central Bank of Seychelles

ARC comprises of three 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.

ii) 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 a 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.²⁷

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.

iii) Enterprise Risk Management

The Bank acquired a Governance Risk and Compliance (GRC) Software, 'CURA', to be used by the governance functions, namely RMU, CU and IAD. The aim of the software is to streamline and strengthen the Bank's governance processes by interconnecting information in a single management system and eliminating information silos. RMU took the lead in coordinating the project in which the staff was fully engaged to ensure completion.

²⁷ Risk appetite statement - CBS website

A survey was launched by RMU during the year, with the aim of assessing the level of risk-culture within the Bank and identifying the areas for improvement. However, due to a low participation rate, the survey results could not be used as it did not provide a true picture of the risk-culture environment. As a result, a new strategy will be adopted by RMU in 2024 to encourage staff participation.

The Unit continued to regularly identify new risks within the Bank, monitoring existing risks, and reporting to the relevant committees and Board of Directors as defined in its RMF. In Q4, 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 meetings with the First Deputy Governor and the Non-Executive Board members. Risks identified in 2022 were also reviewed and analysed to understand how they had changed and/or moved in 2023 relative to the previous year.

RMU continued its engagement with Divisions and Units during the year, by providing guidance and assistance to conduct risk assessments for specific projects being undertaken. In terms of further operational risk monitoring, RMU gathered risk issues/events on a regular basis across the Bank for which the respective Division and Unit assumes ownership of, and decides on appropriate treatment options.

The Unit also contributed to sections 44 and 45 (Financial Risk Management) of the yearly financial statement and worked closely with other Governance functions, namely IAD, the CU, and LU on risk-based matters. Furthermore, RMU also expanded its scope to other risk-based functions of the Bank and maintained a close working relationship with them to bridge gaps and prevent unnecessary duplications of risk coverage.

iv) Cybersecurity

The year 2023 was full of cyber-attacks and breaches, and the Bank was not spared against such attacks. It managed to contain several attempts on its network infrastructure through the layered defence approach that was successfully deployed over time. The Bank continued to monitor the network infrastructure, reviewed and correlated the logs from different sources and also performed triage on threat intelligence. This was to ensure that only relevant threats to CBS and other financial institutions were considered, and the relevant systems were patched accordingly.

In 2023, the Bank initiated the journey to solidify its defence through the implementation of the ISO 27001 standard over the next two years. The ISO 27001 standard is an international standard that establishes the requirements for the implementation, maintenance and continuous improvement of an Information Security Management System. This system is used to protect the confidentiality, integrity and availability of information. The standard provides a framework for information security that helps organisations identify and effectively manage their information security risks.

In collaboration with PwC Mauritius, the Bank assessed its existing Incident Response Framework, including the review of policies and procedures as well as developing playbooks to be used during specific incidents and or

security breaches. Furthermore, as part of the engagement, PwC conducted a crisis simulation drill with the Crisis Management Team, with the primary objective of evaluating the Bank's preparedness and response mechanisms in the face of a crisis, ensuring that the governance structure, operational processes, personnel and technological infrastructure are aligned with the highest standards of resilience and effectiveness.

An online Security Awareness Training platform was acquired by the Bank in the year under review. This formed part of the process of empowering its staff and building a security culture. The platform offers a library of training content, including interactive modules, videos, screensavers, games and posters. The platform uses a target-based approach, highlighting precautions that users can take to minimise cyber threats from materialising. This includes identifying and communicating appropriate messages to a specific audience, hence preventing users from receiving an overload of information not related to their roles.

v) Business Continuity Management

Business Continuity (BC) is an organisation's strategic and tactical capability to plan for and respond to incidents and business disruptions in order to ensure that 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 impact on business operations.

- Business Continuity Management Systems

Ongoing review of BC documents is mandatory according to their respective review period. The aim is to maintain a series of documents that are relevant, applicable and fit for purpose. No updates were made to the BC Policy, Emergency Response Handbook and Guidelines for BC Test after review. All documents were implemented accordingly.

The yearly exercise to review the Business Impact Analysis (BIA), which determines the criticality of business activities and associated resource requirements to ensure operational resilience and continuity of operations during and after a business disruption, was completed during the first quarter. The main changes across Divisions/ Units were in the contact details.

The recovery plan template was reviewed in conjunction with migrating the BC documents in the GRC Software – CURA. The critical change in the template includes adding a recovery process for all scenarios featured in the BIA/ Business Continuity Plan (BCP). All other sections of the template remained the same at the end of 2023.

The BC Maturity Assessment was concluded during the first quarter to assess the maturity level of the Bank's BCMS. The outcome indicated a decline in performance attributed to staff movement within RMU, which was addressed during Q2. The only area of improvement was in the BCP, where additional plans have been developed for specific systems. Aside from that, performance in the other sections remained consistent.

To diversify and enhance its mode of communication during a crisis, the Bank implemented a dedicated mobile number to facilitate contact with the BC Manager, and the dissemination of information to the Bank's employees.

- **Collaboration with internal and external stakeholders**

The Bank continued its collaboration with PUC for electricity/water shutdown alerts, the Seychelles Meteorological Authority for weather/climate alerts, and the Disaster Risk Management Division as a means of proactive measures being undertaken towards the Bank's preparedness to face any national emergency.

Internally, the Bank engaged with stakeholders to ensure procedures and contract agreements are drafted and reviewed, and include BC initial workaround and continuity provisions in a crisis. These engagements would allow the Bank to act accordingly and prevent disrupting its critical activities, processes, and operations during a crisis.

- **BC test and awareness initiatives**

The Bank ensures that the BCPs developed for the continuity of critical business activities are tested to validate their effectiveness over time. Failing to resume business could severely impact the country's financial sector and affect the Bank's and the country's reputation. Initiatives conducted throughout 2023 to ensure that the Bank has a BCP that works and is up-to-date included:

- update and testing of employees' emergency contact list to ensure that all information communicated to staff during an emergency/crisis is effectively received;
- generator switchover tests to ensure that there are no impacts on the Bank's IT infrastructure and other facilities during a power failure;
- testing the availability and accessibility of the Bank's backup processes;
- testing the IT Disaster Recovery and business applications, including the Standard Operating Procedures.

As part of its effort to instil a business continuity culture that permeates the institution, the Bank put various mechanisms in place to facilitate awareness initiatives. During the induction process, all recruits were familiarised with the role and function of business continuity. Additionally, the Bank observes Business Continuity Awareness Week (BCAW), an international campaign that raises awareness of business continuity and resilience. During 2023's BCAW in May, under the theme "Embracing the challenges of resilience", the Bank maintained its focus in-house. A series of messages curated by the Business Continuity Institution was shared daily over the five days. To gauge staff understanding of the theme, a short quiz was shared for staff to complete.

- **CCBG ICT Subcommittee**

As a member of the CCBG ICT subcommittee for BC, the Bank hosted and participated in the annual meeting held in Seychelles in February. This was the first physical meeting post-COVID-19. The Bank also participated in the SADC BCM Champions meeting which was held virtually in June. Some of the points discussed included the ICT committee to be included in the report distribution of the SADC Payment System Subcommittee to appreciate the development and implementation of deliverables, and for BC to provide its feedback on the different controls.

Central banks must review their current processes and strengthen their cyber security where necessary. To achieve this, central banks have been tasked to identify the weakest links and to determine recovery strategies. On the same line, the committee also discussed the ten threats in the SADC region, where central banks were assigned to continually update the progress and implement recommendations from the threat and vulnerability report.

CBS will assume the 2-year chairmanship of the committee from 2024 to 2025.

6.10.2.3 Communications Unit

Six years after it was formally established, the Communications Unit was restructured in 2023, given the need to strengthen the communications function in light of the Bank's growing media-related activities, financial education and awareness initiatives, and stakeholder engagements. The new structure, approved by the Board of Directors on January 04, included the creation of three new posts - Director of Communications, Senior Communications Officer and Graphic Designer. The new structure also provided for recruiting a new Communications Officer, expanding the Unit's capacity to a team of four.

The Communications Unit, which falls under the Governor's Office, plays a crucial role in enhancing and maintaining the visibility and credibility of the Bank. 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 reviewing and finalising 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.

i) Public, Media Engagements & Awareness

The Bank maintained its communications engagement with the public and other stakeholders in 2023, to ensure the timely dissemination of information on the Bank's policies and other relevant matters, with the Communications Unit maintaining its role as coordinator for most external communications. Press releases remained the principal means of communication used by the Bank to disseminate information on various topics, including regular communication of its monetary policy stance and financial stability matters. A total of 27 press releases were issued in 2023. In addition, the Communications Unit assisted with the preparation of 11 speeches and 5 notices. The Unit also played a key role in creating video and written content for general awareness on topical issues, CBS-hosted events and as part of the financial education plan.

While there were no monthly live press conferences, the Bank maintained its commitment to keep the public informed of economic developments on a consistent basis. Live press conferences were upheld for the quarterly Monetary Policy decisions, during which the Bank also took the opportunity to provide updates on domestic and global developments and their impact on the economy.

In addition, the Bank organised and participated in other media engagements to communicate on topical issues, including the following:

- CBS' Annual Report, Reserves Management Report and Financial Statements for 2022;
- Granting of a Payment Service Provider Licence to Nebula Fintech Limited;
- CBS Perspectives on the US Banking Crisis;
- Joint press conferences 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 maintained a cordial relationship with local and international media organisations (both print and broadcast), assisting their requests on topics relevant to the Bank. It played a vital role in organising press coverage and coordinated the compilation of and finalised responses to 7 local and 3 international press queries, which resulted in radio and TV news items as well as local and international publications.

Assistance was provided to various Divisions and Units in the Bank for the finalisation and publication of awareness materials, mainly related to financial education in the two local daily newspapers and the financial education social media platforms, which are kept updated by the Financial Education Secretariat within CBS.

Furthermore, the Communications Unit assisted in drafting and finalising speeches, preparing and issuing notices/adverts, finalising presentations, coordinating live radio interviews and live streaming, conceptualising videos and setting up press coverage for various events hosted by the Bank or involving the participation of the Bank's officials. With the addition of a Graphic Designer to the team, the Communications Unit assisted with

designing various awareness materials, publications and other visual elements for these events. CBS' 2024-2028 Strategic Plan and the Bank's 45th-anniversary logo were two key projects undertaken by the Graphic Designer. Some of the main events organised by the Bank or within which the Bank participated, include:

- 28th Annual meeting of the SADC Committee of Central Bank Governors ICT Subcommittee and the BCM parallel meeting;
- Awarding of postgraduate scholarship under the CBS Guy Morel High Achievement Scholarship Programme for 2023;
- 12th AfIPI and 8th PIRI meetings;
- Workshop to disseminate the findings and recommendations of the study to assess the affordability and reliability of internet and network connection in Seychelles;
- Prize Giving Ceremony for the Piggy Bank Design Competition initiated by the Youth Financial Education Ambassadors;
- 13th Regional Conference of Heads of Anti-Corruption Agencies in Commonwealth Africa;
- Cable and Wireless' 130th Anniversary Festival;
- Closing Ceremony to mark the end of the First Edition of the Youth for Youth Financial Education Ambassadors Programme;
- International Fraud Awareness Week 2023 Roadshow and Pop-Up Events;
- CBS Board-Management Retreat;
- CBS' 45th Anniversary Lecture, inclusive of the unveiling of its 45th Anniversary Logo and Launch of the Bank's 2024-2028 Strategic Plan;

ii) Transparency

In 2023, the Information Officer received and responded to only one request submitted under the Access to Information Act, 2018. In accordance with Section 54 of the Act, the Information Officer also submitted CBS' 2022 Access to Information Annual Report to the Information Commission on March 29, covering the period January to December 2022.

iii) Capacity-Building

To further strengthen the capability and efficiency of the Communications Unit and in line with CBS' Strategic Plan 2019-2023, relevant training was identified to build the team's knowledge and skills in various areas. This was done with the aim of enhancing the Unit's ability to assist the Bank's communications objectives. Training undertaken include:

- Protocol and Etiquette Management to build capacity in preparing and hosting events, particularly involving international guests and delegates;
- Writing for Social Media and the Web to enhance the capacity of the Unit to tailor messages for online platforms;
- Data and Statistical Analysis and Presentation to enhance the Unit's ability to assess the Bank's communications tools and messaging and contribute to strategic decisions.

Moving forward, given the increasingly important and evolving role of central banking communications, coupled with the increasing mandates and activities of the Bank and communications initiatives arising from CBS' engagement with other key stakeholders within the financial sector, it is expected that the expansion of the communications team will help to enhance the efficiency and performance of the Unit to deliver more effectively on its role as the communications adviser for the entire Bank.

6.10.2.4 Compliance Unit

The Board of Directors approved for the creation of the CU in 2019, primarily to support the Bank's efforts in strengthening anti-money laundering and combatting financing of terrorism controls in view of the more stringent regulatory requirements from correspondent banks and other service providers. The Board also recognised that the Unit shall undertake general compliance management to mitigate consequences of non-compliance with legislation and standards, namely reputational damage and financial loss. As such, since 2019 the Unit has planned its work to achieve the objective approved by the Board and the Unit also assists with ad hoc tasks. The below is a brief summary of the main tasks conducted by the Unit during 2023.

In March, CU presented the Anti-Bribery and Corruption (ABC) policy to the Board for approval. The policy documents the stance of the Bank against bribery and corruption. Awareness sessions were organised with the staff of the Bank to explain the intention and the contents of the policy. Sessions were also organised to guide external suppliers of the Bank on the ABC and the Anti-Money Laundering, Counter Financing of Terrorism and Countering Proliferation Financing Policy (AMLCFTCPF) policies of the Bank. Going forward, there will be additional efforts to implement the policies and further reinforce the Bank's stance against bribery, corruption and money laundering.

The conduct of due diligence has been an exercise undertaken frequently by the Unit throughout the year. The Unit conducted due diligence for potential employees and also for staff nominated to assume other responsibilities outside the Bank. This has been possible due to the cooperation of other authorities and law enforcement agencies. Consequently, the Unit responded to requests for information (RFIs) from other authorities for persons of interest to them.

Moreover, CU submitted suspicious transaction reports (STRs) on behalf of the Bank to flag suspicious transactions that required further investigation by the authorities. The Unit registered to the goAML system through which parties are now required to submit STRs. In 2024, the submission of STRs will be done via this system. Additionally, the Unit completed know your customer (KYC) forms on behalf of the Bank to ensure that correct information is available.

Following an analysis of a fraud detection solution that went live end of 2022, the Unit engaged in discussion with the service provider for SWIFT to discuss the set up and efficiency of that solution. The Unit consulted with colleagues from other Divisions to ensure they were agreeable with the proposed way forward. The

recommendation was accepted and implemented. The Unit will be reporting periodically on the findings from the usage of the system in 2024.

CU assisted IAD with queries while they undertook the audit of the AMLCFTCPF policy that was initiated early in 2023, and a draft report of findings was shared in November. The Unit reviewed the report and engaged with IAD to ensure the information provided was conveyed. The findings from the conducted audit have been reflected in the workplan prepared for 2024 to ensure the risks observed are addressed in a timely manner.

The Unit participated in discussions with the service provider for the CSD-RTGS system to ensure streamlined and efficient workflows are included in the system for payment integrity and transparency. The team has consequently engaged with other authorities to push for readily accessible information on local parties for the conduct of due diligence. The Unit engaged with established service providers to benchmark the discussions which was well received by the authorities. Further technical discussions will ensue in 2024 to determine the way forward.

CU engaged with the service provider for the GRC software to ensure the system was designed to reflect the workflow of the Unit. The software will automate the compliance management process as specified in the Compliance Management Policy and the Compliance Management Framework. It will also allow information to be collected and clearly presented for reporting purposes. The system will be operational early 2024 and other governance functions will also have modules within the system.

The Bank celebrated the Corporate Compliance and Ethics week for the third time in 2023. Material was prepared and disseminated to staff via email, covering key topics such as conflict of interest, horizon scanning and key AML terms. The Unit also prepared screensavers reflecting quotes from key personalities in history speaking of doing the right thing, importance of working together, the importance of impacting others' lives positively and the importance of laws and principles.

The Unit participated in the preparation of the Bank's new Strategic Plan 2024-2028. The staff discussed, shared ideas, attended meetings with external parties and reviewed documents where required. This collective effort culminated in the release of the Bank's Strategic Plan in December.

Early in the year, the Unit conducted a recruitment to find the ideal candidate to assist the team with the workload. At the end of the process, the Unit welcomed a third team member in August. A larger team will allow CU to assist the other Divisions and Units within the Bank, and ensure there is continuity in the work conducted.

Despite the heavy workload, the Unit participated in trainings to ensure continuous professional development in the field. Additional trainings are planned for the year ahead.

6.10.3 Internal Committees

6.10.3.1 Investment Committee (IC)

Through the Investment Policy, the Board of Directors assigns the daily management of the international reserves to IC. To do this, IC operationalises the Investment Policy through the formulation of Investment Guidelines for the management of international reserves. The Investment Guidelines comprise of allowable investments, risk limits and required setup for the operational sections involved in reserves management activities. IC is also responsible to approve operational and risk management frameworks to be employed in the various activities in the management of international reserves. A Terms of Reference (TOR), as approved by the Board, guides the functioning of IC. It also specifies the required members, which are the SDG as the Chairperson, and the FDG together with the Heads or representatives of FSD, BSD, FMD and RSD as other members.

In 2023, all IC meetings were held virtually through video conferencing methods. IC meetings were scheduled coinciding with activities on the international markets, particularly the monetary policy meetings of the central banks that may impact on assets in the international reserves. A total of nine meetings were held in the year, including three combined IC and MPTC meetings for decisions on the action of the committees on the Bank's budget. An important theme for IC in 2023, was in relation to the accumulation of international reserves to sustain the country's resilience in light of the various international geo-political developments. Additionally, the impact of movements in the international financial markets on the performance of international reserves management was a key point of discussion for IC in 2023.

6.10.3.2 Monetary Policy Technical Committee (MPTC)

The Board of Directors gives the oversight role for monetary policy implementation to the MPTC. The Committee makes use of economic research and analyses to formulate recommendations on the MPF for the approval of the Board. It then ensures that the monetary policy decisions are properly implemented by the operational areas. The Board guides the work of MPTC through the approval of its TOR. MPTC is comprised of the FDG as the Chairperson, the SDG as well as the Heads or representatives of BSD, FIMCD, FMD, FSD and RSD.

MPTC meetings are usually set on the second Wednesday of each calendar month. In 2023, most of the meetings were held virtually, and a total of thirteen meetings were held. Three meetings were combined IC and MPTC discussions of the Bank's budget and three were ad-hoc sessions. The major items discussed at MPTC were the changes to the operational strategy for the optimal implementation of monetary policy, monetary policy stance, updates of the MPF and the impact of monetary policy on the Bank's budget.

6.10.3.3 Risk Management Committee

RMC was established by the Board of Directors to assist in overseeing the implementation of the ERM Framework 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 BCM and Information Security. RMC

also serves as a discussion and advisory platform for risk-based matters such as the risk elements of other policies and guidelines for Divisions/Units of the Bank. Throughout 2023, a total of five RMC meetings were conducted.

6.10.3.4 Procurement Committee

The Procurement Committee holds the responsibility of ensuring consistent adherence to procurement practices and the proper implementation of the Procurement Policy. The Bank's preferred method of procurement is open bidding/selection, although it may be applied selectively to specific projects after careful assessment.

When evaluating and approving the procurement methods outlined in the annual procurement plan, the Committee takes into account justifications provided by the Procurement Units for deviation to alternative methods, such as direct sourcing, request for quotation and limited bidding/selection. The Committee plays an active role in the scrutiny of procurement documents, evaluating the bids often with the assistance of a Technical Evaluation Committee, and subsequently recommending the contract award to the best-evaluated bidder for approval by the Governor.

In 2023, SDG continued to chair the Committee. Other members represent the following Divisions:

- Administration Division;
- Banking Services Division;
- People Function Division; and
- Technical Services Division.

As per the usual practice, early in the year, the plan for procurements to be undertaken through open bidding/selection was published on the Bank's website to provide essential information to potential bidders interested in participating in the procurement activities. Moreover, mid-year, the Board of Directors was apprised of the progress of procurements outlined in the procurement plan, and other work undertaken by the Procurement Committee. The improvements made in 2022 in planning and monitoring yielded positive results in 2023, as those initiatives facilitated the actioning of the procurements.

6.10.4 Board of Directors

The Board of Directors is responsible for the policy and affairs of the Bank. In order to ensure proper and effective management of the Bank, the Board establishes regulations governing the institution, allocate roles and responsibilities within the Bank, and delegates decision-making authority among other internal matters.

The Board's membership for the year in review was as follows:

Ms. Caroline Abel – Governor and Chairperson
Mr. Brian Commettant – First Deputy Governor
Ms. Jenifer Sullivan – Second Deputy Governor
Professor William Ogara – Non-Executive Director
Mr. Bertrand Rassool – Non-Executive Director
Dr. Sherley Marie – Non-Executive Director
Mr. Frank Ally – Non-Executive Director – Ex- Officio
Mr. James Jean – Non-Executive Director

The vacancy for another Non-Executive Director of the Board, in the first half of the year, was closed with the appointment of Mr. James Jean on June 01.

6.10.4.1 Board meetings

i) Board Meetings

As per the Central Bank Act 2004 as amended, the Board of Directors is mandated to conduct a minimum of 8 meetings per year. In 2023, twenty-six meetings were held, of which twenty were ordinary and six were extraordinary. The latter were scheduled for the Board to consider arising matters, such as appeal of CBS decisions, restructuring of Divisions and Units and certain strategic initiatives including the finalisation of the 2024-2028 Strategic Plan. In total, the Board considered 141 agenda items throughout the year, relating to policy considerations, some of which translated into legislative changes and reports. This was an increase in matters submitted to the Board compared to 121 items in 2022.

ii) 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 2023, the Board was kept abreast of domestic and international developments and their impacts on the domestic economy. The Board also discussed forecasts presented by the staff of the Bank and approved the Monetary Policy Stance of the Bank on a quarterly basis. The Board was also apprised of the IMF programme engagements of Seychelles.

In relation to the Bank's other objective, which is to promote a sound financial system, several reports were submitted and presented namely: The Quarterly Reports on Financial Stability, the Financial Surveillance Report 2022, the Market Conduct Bi-annual Reports, the Study to assess the affordability and reliability of internet and

network connection in Seychelles, and reports on the results of the 2023 onsite inspections of selected financial institutions. The Board also considered an appeal relating to a banking licence application. In this instance, the Board decided to uphold its decision not to grant the licence.

As the ultimate decision-making body responsible for international reserves, the Board examined the Investment Policy for Reserves Management, the Operational Guidelines for Policy Tools, and the Strategic Asset Allocation. Moreover, quarterly reports on the Bank's reserve management operations and NIR targets were also submitted.

Additionally, the Board received information about the Bank's financial sustainability, following the support received from the IMF TA mission on recapitalisation and the CBS Balance Sheet Simulator conducted on the 2023 Budget. In addition, the Virement Report, the Financial Statements, Management's Commentary on the Financial Statements, and Income and Expenditure for the year ending December 31, 2022 were among the reports submitted pertaining to the Bank's financials which were scrutinised by ARC followed by the Board.

Aside from such, the Board examined a number of legislative works including: The Financial Consumer Protection (Complaints Handling) Regulations; the Credit Reporting Bill; the proposed amendments to the National Payment Systems Act of 2014; proposals for additional amendments to the Foreign Exchange Act 2009 and the Policy Paper on Non-Bank Credit Granting Institution Legal Framework. The Board also deliberated and adopted the policy document for amendments to the CBS Act 2004. As a result, further enhancement will be made on the roles and responsibilities of the Board, Committees, and CBS as a whole, which would fortify the Bank's governance structure.

In regards to matters relating to the administration of the Bank, the Board approved the revision of structural arrangements of several Divisions and Units namely: The Communications Unit, Currency and Numismatic Section, People Function Division (renamed from Human Resources Division) and the Administration Division. This improved the efficiency of the functions across the Bank. Approval was granted for the creation of a Nomination Committee, comprising of individuals independent to the Bank. The Committee was tasked with assessing suitable candidates to be considered for the post of Non-Executive Director on the Board of the Bank. Successful candidates are chosen upon consideration by the Governor for recommendation to the President. In 2023, two candidates were assessed through this process, one was appointed in the year under review and the other went through the process in preparation for an expected vacancy on the Board early in 2024.

As part of the improvement of policy framework of the Bank, the Board scrutinised and approved numerous policy frameworks such as the Anti-Bribery and Corruption Policy, the Policy and Procedures for Stores and Event Guidelines. Progress was made on the Bank's IT governance initiatives with the approval of the IT Policies and Procedures Governance Framework, the amendments to the Digital Signature Policy, the CBS Password Policy, and IT Incident Management Policy and Procedures to name a few. The Board also received the CBS COBIT Maturity Self-Assessment Report 2023 and supported the move for DocuSign cloud adoption. The Enterprise

Governance for Information Technology Committee (EGITC) Charter was also adopted, which will guide the EGITC's work.

Considerable work was done on the new 2024-2028 Strategic Plan which was the focus of the Board and Management Retreat held in November 8-9. The Bank's governance framework and oversight role in monitoring the implementation of the Plan was discussed as well as some detailed activities to be undertaken. Going forward, the Board will further refine its governance framework to strengthen its oversight role and transparency initiatives.

6.10.4.2 Audit and Risk Committee (ARC)

The ARC provides independent oversight of the financial reporting process, risk management systems, and internal controls, inclusive of the internal and external audit process.

The ARC's membership for the year in review was as follows:

Mr. Bertrand Rassool – Chairperson

Professor William Ogara – Non-Executive Director

Dr. Sherley Marie – Non-Executive Director

From January 01, Professor William Ogara served as the Chairperson of the Committee and Mr Bertrand Rassool was appointed as Chairperson of the Committee from July 24, following its reconstitution. As per the ARC Charter, ARC is required to convene for a minimum of four meetings per year. ARC convened for seven meetings compared to nine meetings in 2022. This included one Extraordinary ARC meeting.

During the year in review, ARC conducted a thorough examination of the finances of the Bank by scrutinising the Income and Expenditures, Virement report, draft Financial Statements for the year 2022, Management's commentary on the Financial Statement and the Bank's Budget for the year 2024. Furthermore, ARC reviewed and endorsed the Anti-Bribery and Corruption Policy which aims to provide information and guidance on standards of behaviour of the Board, CBS staff and all counterparties and how to recognise and handle instances of bribery and corruption.

ARC approved RMU's and CU's workplans for the year 2023, and received quarterly updates on the implementation of the already approved Multi-year Audit Plan 2023-2025, through the Internal Audit Quarterly Reports. The Committee was also appraised of the findings of audits completed and status updates on outstanding recommendations and the Bank's risk-mitigating actions.

In addition, the Committee was informed on risk management developments through several reports such as the Internal Audit Annual Report, Risk Assessment Report, ERM Quarterly Reports, Business Continuity Management Quarterly Reports, Information Security Quarter Reports and the Expected Credit Loss Presentation.

In 2023, the Bank underwent the IMF Safeguards Assessment whereby ARC met with the representatives of the IMF to discuss its oversight role. Various recommendations and suggestions were put forward to enhance good governance practices, especially relating to the effectiveness of communications about arising issues made to the Board of Directors by the Committee. Going forward, ARC will review its Charter to improve its oversight role and promptly address the IMF Safeguards recommendations relating to its function.

6.10.4.3 Human Resources Committee (HRC)

The Human Resources Committee (HRC) was established to provide the principles and parameters for strategic people management across the institution. From January 01, Dr Sherley Marie served as the Chairperson of the Committee. However, with no other member on the Committee, HRC was reconstituted on July 24, with the following membership:

Dr. Sherley Marie – Chairperson

Professor William Ogara - Non-Executive Director

Mr. James Jean - Non-Executive Director

As per the HRC Charter, HRC is required to convene for a minimum of 4 meetings per year. For the year under review, the Committee conducted 4 meetings, compared to 5 in 2022. Notably, the Committee did not have a quorum to meet for the first half of the year and this was addressed with the reconstitution of the Committee.

Throughout the year, HRC endorsed the Recruitment Policy applicable to the Senior Management, subject to approval and comments from the Appointment Authority. Additionally, HRC approved several staff engagements and nominations to decision-making bodies of other institutions. HRC also considered the adjustments to the OracleMed Health insurance, which is set to be reviewed in mid- 2024. The Committee was updated on the implementation of the PFD workplan and also approved HRC Bi-Annual Report Template and HRC Urgent Action Document aimed at improving the efficiency and reporting practices to the Board. In 2024, HRC will review its Charter to realign its functions with new developments and restructuring efforts of the Bank.

6.11 Appreciation

The Board of Directors and Management of CBS 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.

Annexures

CENTRAL BANK OF SEYCHELLES
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

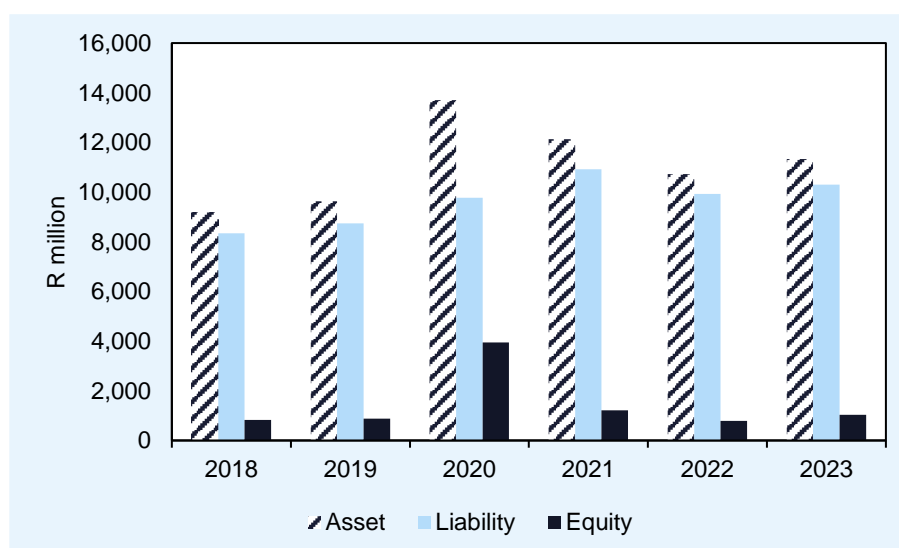
Management's commentary on the audited financial statements
for the year ended December 31, 2023

The financial statements of the Central Bank of Seychelles (CBS) for the year ended December 31, 2023 were approved and signed by the Board on March 25, 2024. The Auditor General certified and signed the financial statements on March 26, 2024 following the audit review by the external auditors, Grant Thornton - United Arab Emirates (UAE). The financial statements are 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 2023 have been audited by the Bank's external auditors, Grant Thornton (UAE) on behalf of the Auditor General as per Section 47(3) of the CBS Act, 2004 as amended. The auditors have been appointed for a period of five years, subject to annual reviews, and were in their first year of audit. In the external auditors' opinion these financial statements give a true and fair view of the financial position, the financial performance and the cash flows of the Bank, which are in line with IFRS and in accordance with the CBS Act, 2004 as amended.

The presentation of the figures in the statement of financial position is consistent with the prior year and shows all foreign and local currency comparative figures for the years 2022 and 2023. For the year-end 2023, total assets stood at R11,330 million, total liabilities were R10,299 million and total equity stood at R1,031 million. Chart 1 below shows the movements in the statement of financial position.

Chart 1: Movements in the statement of financial position (2018 – 2023)

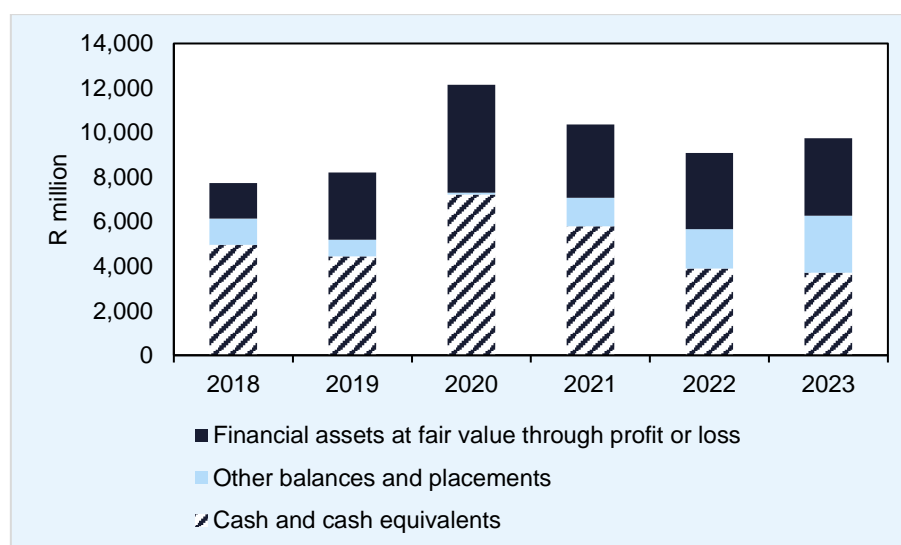


Source: Central Bank of Seychelles

Total value of foreign currency assets increased from R9,076 million in 2022 to R9,751 million in 2023, or by approximately 7.4 per cent, with the main increase observed in other balances and placements where in 2023 more funds were maintained with the Banks' international counterparts in fixed term deposits of more than three months' maturity from the date of acquisition. This was primarily due to receipt of budget support funds and purchases of foreign exchange for reserve accumulation via Foreign Exchange Auctions (FEAs) which were further supported by continuous improved deposit rates. Additionally, the Bank re-introduced fixed deposit investments in EUR in the year, following the revision of its strategic asset allocation to benefit from positive shorter term yields as the European Central Bank (ECB) continued to raise interest rates throughout the year.

The total foreign assets as at December 31, 2023 after adjusting for expected credit loss, comprised of cash and cash equivalents with short-term maturities at R3,710 million, other balances and placements with maturities of more than three months at R2,551 million, and financial assets at fair value through profit or loss (FVTPL) at R3,490 million as (see illustration in Chart 2). The latter represents an aggregate of funds with the Bank's external fund managers, namely Crown Agents Investment Management (CAIM) and the World Bank under the Reserves Advisory and Management Partnership (RAMP), comprising investments in treasury bills, notes and bonds. Additionally, it includes 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.

Chart 2: Total value and composition of foreign currency assets (2018 – 2023)

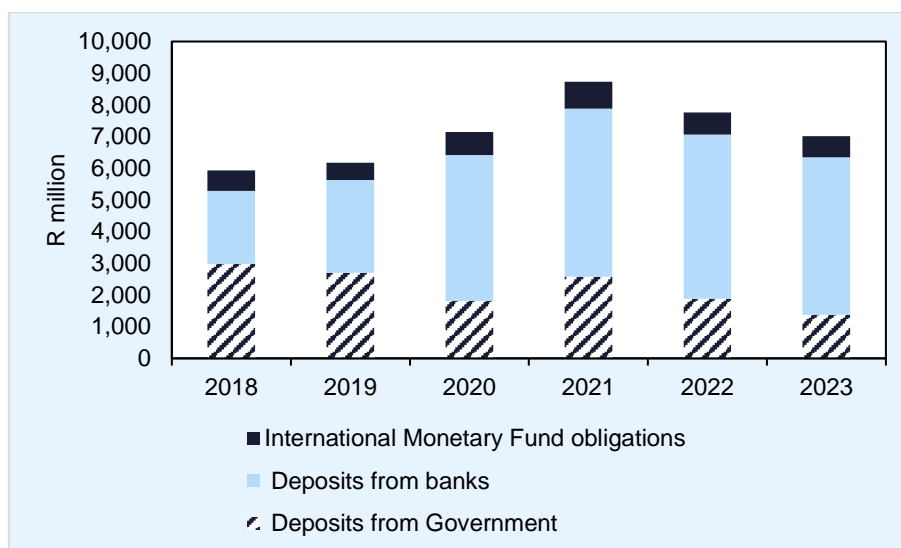


Source: Central Bank of Seychelles

Total foreign currency liabilities decreased from R3,262 million in 2022 to R2,882 million in 2023, with the main decline observed in deposits from government where some receipts recorded in 2022 were not replicated in 2023. Moreover, downward movements were also observed within the government foreign exchange deposit accounts following a drawdown in deposits under different project accounts.

The total foreign liabilities as at December 31, 2023, comprised of R389 million as deposits from Government for project accounts denominated in foreign currency as well as Government deposits with International Monetary Fund (IMF), R1,777 million as deposits of foreign currency Minimum Reserve Requirements (MRR) from banks, R60 million as other deposits comprising of abandoned properties as well as unclaimed funds in foreign currency and R656 million as International Monetary Fund (IMF) obligations (see illustration in Chart 3 below).

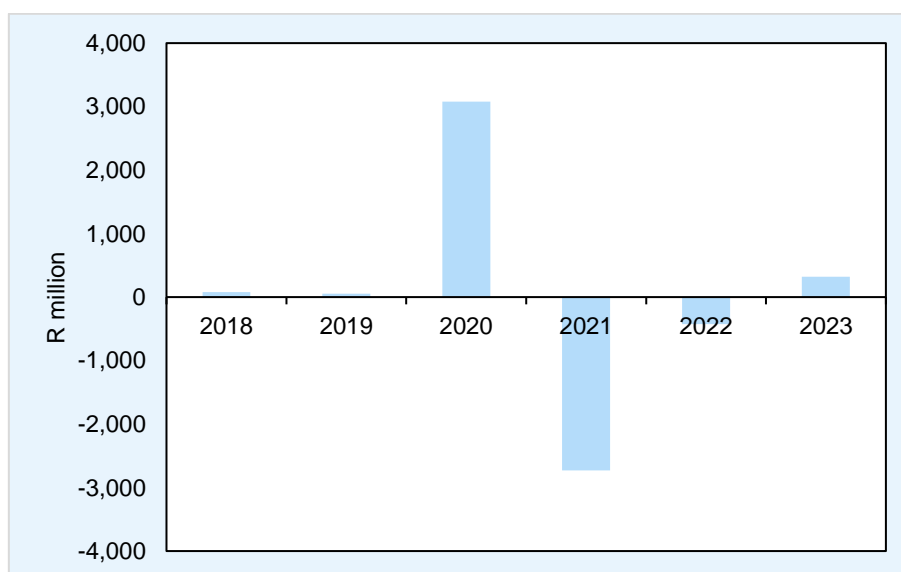
Chart 3: Total value and composition of liabilities (2018 – 2023)



Source: Central Bank of Seychelles

The statement of profit or loss and other comprehensive income shows a total comprehensive income of R322 million for the year 2023 (see illustration in Chart 4 below).

Chart 4: Movements in total comprehensive income (2018 – 2023)



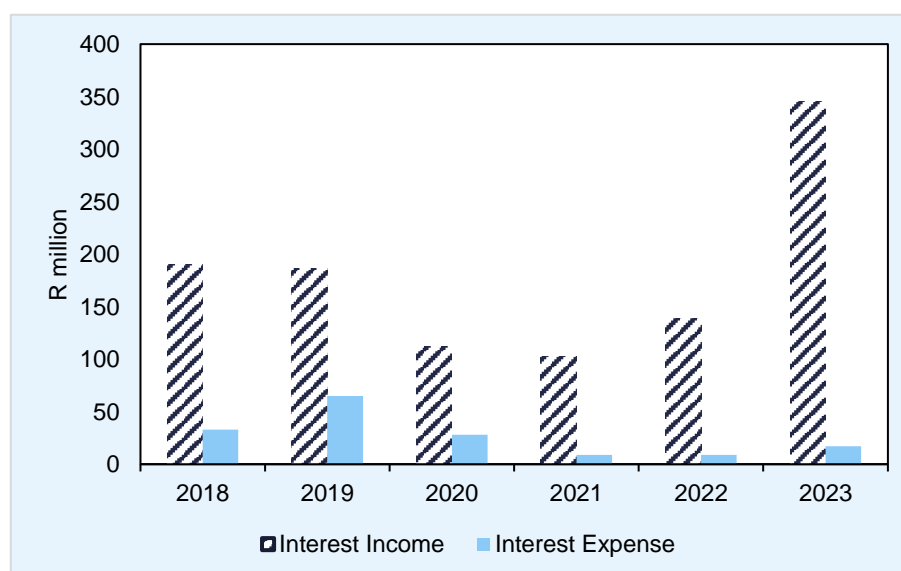
Source: Central Bank of Seychelles

This is made up of R209 million as actual operating profit as well as other non-distributable earnings in the form of unrealised revaluation gains arising from foreign currency monetary assets and liabilities at R42 million, unrealised gains from fair valuation of financial assets at FVTPL at R65 million and actuarial gains amounting to R7.3 million. The revaluation gains recorded are a direct result of the overall depreciation of the Rupee vis-à-vis the other major foreign currencies. These are treated as unrealised gains and do not form part of the computation of distributable earnings to the Government. In addition, the effects of the actuarial gains on the employee benefit obligations are treated as other comprehensive income and these do not form part of distributable earnings but are accumulated under actuarial reserve. Prior years' unrealised gains and losses on financial assets at FVTPL are only considered for distribution upon disposal of these financial assets. For the year 2023, these net realised losses amounted to R49 million and were adjusted in the Bank's computation of distributable earnings.

The Bank's actual operating profit for the year 2023 were determined primarily by interest income, interest expense, fees and commission, professional charges, and IMF charges whilst other income and expenses had a lesser impact.

The primary contributor to the total revenue of R574 million was interest income which stood at R345 million with interest earned from deposits with banks being the main source of interest income. This was driven by high deposit interest rates during the year from the Bank's international counterparts. In contrast, interest expenses increased from R8.6 million in 2022 to R17 million in 2023 owing to a change in the Open Market Operations (OMO) strategy in 2023 through the execution of the main monetary policy instrument - Deposit Auction Arrangement (DAA). Refer to Chart 5 below for changes in interest income and expenses.

Chart 5: Changes in interest income and expense (2018 – 2023)

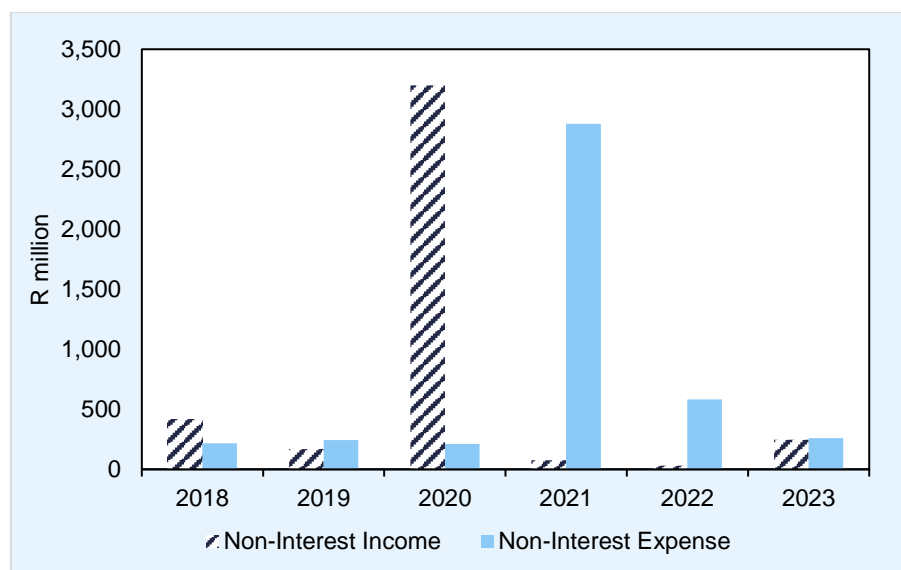


Source: Central Bank of Seychelles

In terms of non-interest income, a gain of R8.2 million arising from dealings in foreign currency transactions was recorded in 2023 compared to a loss of R1.8 million in 2022. This was on account of higher volume of foreign exchange trades executed in 2023 as opposed to the previous year, for the purpose of rebalancing the operational and liquidity tranches, as well as for the replenishment of operational accounts to meet payment requirements. Additionally, under non-interest income there was an increase of R376 million in gains arising from fair valuation of financial assets at fair value through profit or loss, which was due to interest rate hikes during the year, resulting in an increase in the value of coupon payments and accrued interest recorded. Another element positively impacting the non-interest income was gains arising from revaluation of foreign currency monetary assets and liabilities mainly contributed by the appreciation of the domestic currency against GBP and USD in annual average terms in 2023 compared to 2022. Furthermore, Fees and Commission recorded a total of R34 million, representing a 21 per cent increase from the recorded R28 million of 2022, due to an increase in the value and volume of payments and receipts processed during the year.

On the non-interest expense side, IMF charges increased from R11 million in 2022 to R27 million in 2023, as a result of the continuous rise in the Special Drawing Rights (SDR) interest rates in 2023 averaging at 3.81 per cent as compared to 1.19 per cent in the previous year. Policy costs increased from R0.4 million in 2022 to R2.9 million in 2023 following the Bank's increased interventions in the domestic foreign exchange market through the conduct of FEAs for the purpose of accumulating foreign exchange reserves, as opposed to the single intervention undertaken in 2022. Expected credit loss on financial assets for 2023 amounted to R0.2 million compared to a credit balance of R3.4 million in 2022, given a drop recorded in the Effective Interest Rate (EIR) from 2.24 per cent in December 2022 to 2.12 per cent in December 2023. Moreover, the Bank recorded an actuarial gain of R7.3 million in 2023 compared to a loss of R0.8 million in 2022, consistent with the change in the financial assumptions where the discount rate used for the calculations increased from 6.15 per cent in 2022 to 7.40 per cent in 2023. Chart 6 illustrates the changes in non-interest income and expenses.

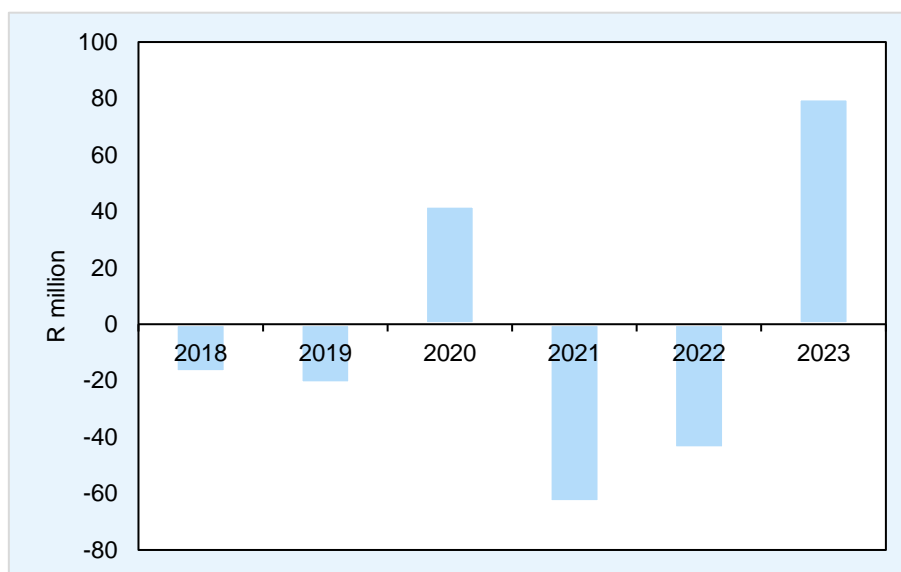
Chart 6: Changes in non-interest income and expense (2018 – 2023)



Source: Central Bank of Seychelles

Total distributable earnings for the year 2023 amounted to R160 million prior to distribution and offsetting against statutory capital as required. Chart 7 below shows the total distributable earnings.

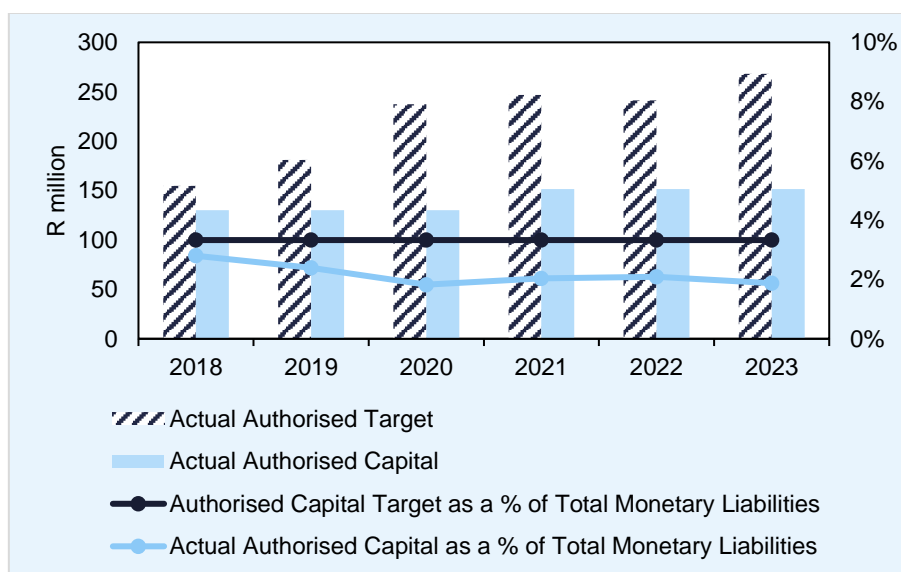
Chart 7: Total distributable earnings (2018 – 2023)



Source: Central Bank of Seychelles

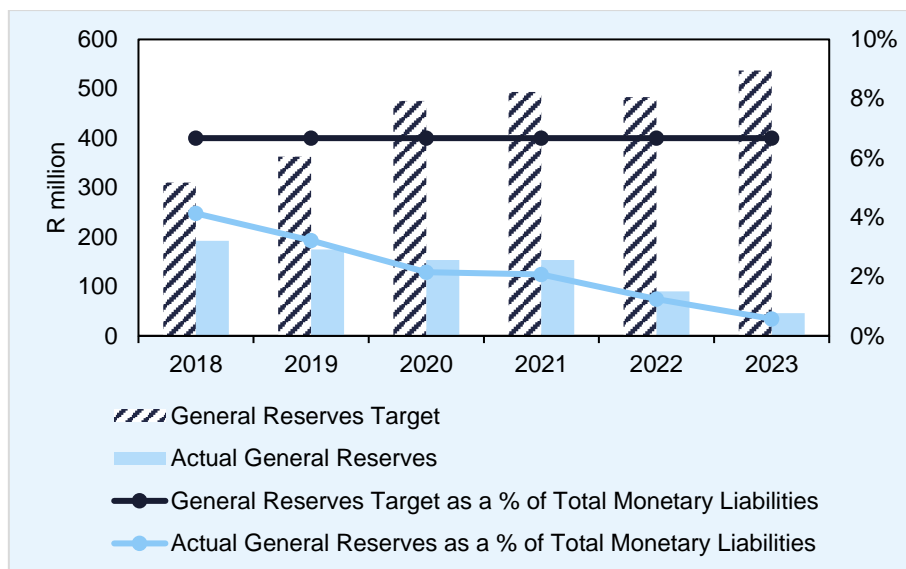
On the equity side, before the transfer of distributable earnings, Authorised capital stood at 1.9 per cent of total monetary liabilities in 2023 compared to 2.1 per cent in 2022 (refer to Chart 8) whereas the General reserve stood at 0.6 per cent compared to 1.2 per cent in 2022 (see Chart 9). The Bank's total monetary liabilities stood at R8,056 million compared to R7,242 million in 2022 as illustrated in Chart 10.

Chart 8: Authorised capital comparison of the total target and actual level in contrast to monetary liabilities (2018 – 2023)



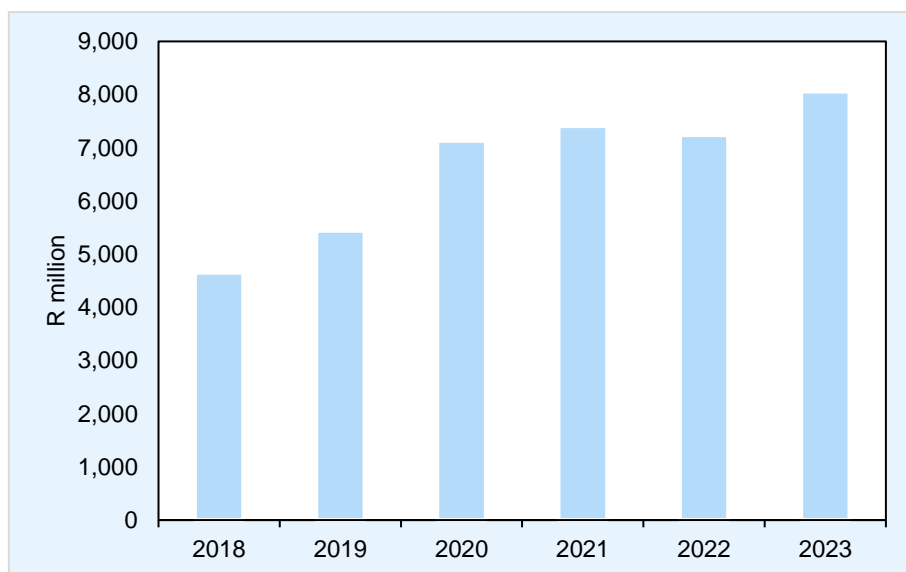
Source: Central Bank of Seychelles

Chart 9: General reserves comparison of the target and actual level in contrast to monetary liabilities (2018 – 2023)



Source: Central Bank of Seychelles

Chart 10: Movements in the total monetary liabilities (2018 – 2023)

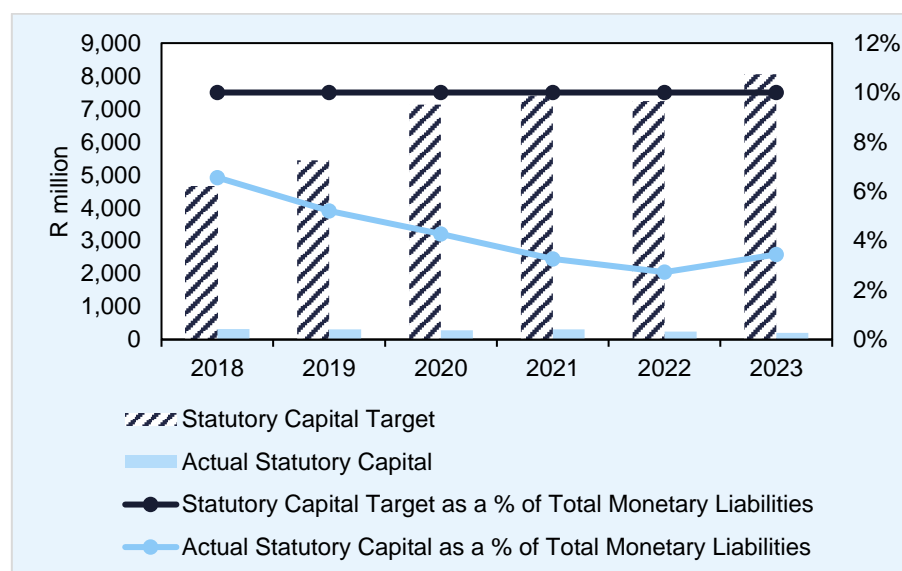


Source: Central Bank of Seychelles

As per Section 16(2) of the CBS Act, 2004 as amended, 50 per cent of distributable profit which amounted to R80 million was fully utilised to build up authorised capital to stand at 2.9 per cent of total monetary liabilities after transfer compared to 2.1 per cent in 2022. No transfer was made to build up General reserve. The remaining 50 per cent of total distributable earnings, amounting to R80 million will be paid to the Government Consolidated Fund as dividends for the year.

The 2023 statutory capital “that is” the aggregate balance of Authorised capital and General reserve, stood at 3.4 per cent of total monetary liabilities after the transfer of distributable earnings, thus falling short of accumulating to the minimum required 10 per cent as per the Act. Chart 11 illustrates the statutory capital target in comparison to actual level and as a percentage of total monetary liabilities.

Chart 11: Statutory capital comparison of the total target and actual level in contrast to monetary liabilities (2018 – 2023)



Source: Central Bank of Seychelles

In view of the continued depletion of the General reserves and the deterioration of the Authorised capital coverage vis-à-vis the total monetary liabilities position, the Bank with the support of the IMF has proposed amendments to the CBS Act in 2023 to strengthen its statutory capital. The amendment aims to establish the Authorised capital at a fixed amount of R550 million, with the Authorised capital being reviewed as necessary, and at least every 10 years. The proposed amendments will also provide for new provisions relating to the automatic recapitalisation of the Bank where the General Reserve accumulates a balance of zero. In addition, the profit retention mechanism will be strengthened to allow the CBS to retain all distributable earnings until statutory capital reaches the target level of 10 per cent of monetary liabilities. The proposed amendments have been submitted to the Attorney General’s Office for the drafting of the amendment Bill.

The full set of the Bank’s audited financial statements and detailed explanatory notes prepared for the year ended December 31, 2023 are shown overleaf.



CENTRAL BANK OF SEYCHELLES

**ACCESS TO INFORMATION ANNUAL REPORT
2023**

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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
- Lender of last resort
- Implement macroprudential 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.

CBS also focuses on various key areas to achieve its objectives. This includes promoting financial stability, improving financial literacy amongst the population – encompassing efforts to enhance financial inclusion, encouraging innovation and the use of financial technology, empowering consumers to make informed decisions and be more aware of their rights and responsibilities, as well as contributing to 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 Uranic, the Senior Communications Officer, 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 promote price and financial system stability

The mission is linked directly to the statutory objectives of the CBS: maintenance of a low level of inflation and stability in the financial system.

The Vision of CBS

To contribute towards inclusive growth and development of Seychelles.

CBS plays a critical role in promoting price and financial system stability. “Inclusivity” seeks to ensure that all segments of society benefit from the work that CBS does.

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 requests 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 requests 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; | 0 |
| 4) | The number of requests for access refused in full; | 1 |
| | The number of requests for access refused 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 |

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| | 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 |

| | |
|-------------------|---|
| <p>I.</p> | <p>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;</p> <p>The CBS Governor constantly highlights the need for the institution and all staff to be cognisant of the ATIA and keep the Information Officer informed of developments to assist the discharge of the role. The CBS Governor also 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.</p> <p>In 2023, 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 Unit.</p> <p>During the reporting year, CBS maintained the live press conferences for the pronouncement of its quarterly Monetary Policy decisions. The Governor or First Deputy Governor take the lead in delivering the Press Conferences.</p> <p>The CBS Governor also met with the Chief Executive Officer and Information Analyst/Auditor of the Information Commission as part of the process to conduct the first audit of the Bank’s compliance with the ATIA and provided assurance to the Commission that the institution, through the Information Officer, will participate fully in this process.</p> |
| <p>II.</p> | <p>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;</p> <p>In 2023, CBS continued to be proactive in making more information, such as legislation, policies, reports, statistics and press releases available on its website, and where necessary, improving how information is presented and ensuring that the public is aware of these developments through appropriate means of communication.</p> <p>To provide examples:</p> <ul style="list-style-type: none"> • A total of 27 press releases were issued by CBS in 2023, providing the public with key information, developments and events. • CBS published its Procurement Plan on February 21, 2023. |

- On March 31, 2023, CBS published its Annual Report, International Reserves Management Report, as well as a certified copy of CBS' Financial Statements and Auditor's Report for the year ending December 31, 2022. The Annual Report provides an overview of developments across the various sectors of the Seychelles economy during the year, as well as an overview of the activities of all Divisions and Units of the institution. The International Reserves Management Report provides an overview of the governance and operational arrangements, which support the efficient management of the country's international reserves, is in line with international best practices and the values of accountability, transparency and integrity upheld by CBS. Aside of being published on the CBS website, a copy of the Reports was presented to the President and the National Assembly. For the first time the CBS Annual Report included its Access to Information Annual Report.
- The bi-annual 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 were published in January and July 2023.
- In line with Section 14 of the Financial Consumer Protection Act, 2022, the publication of a Summary of Complaints received from financial institutions for the second half of 2022 and first half of 2023 were published.
- Information pertaining to 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 were updated every three months.
- As part of its commitment to engage in public consultation on matters of importance, CBS invited the public to comment on the proposed national definition for sustainable finance, climate finance, green finance and blue finance.
- Additional policies and frameworks were made publicly accessible through the CBS website. This includes:
 - The Oversight and Supervision Framework for Financial Market Infrastructures in Seychelles
 - The Anti-Bribery and Corruption Policy
 - The Risk-Based Supervision Policy on Anti-Money Laundering and Countering the Financing of Terrorism Supervision
- In 2023, CBS also embarked on the process to develop and launch its new five-year Strategic Plan. As part of its commitment to public engagement and

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| | <p>transparency, various stakeholders including the public were invited to take part in a survey to provide their input on how CBS is addressing key strategic issues and their expectations for the new Strategic Plan. The survey results were subsequently published on the CBS website. The 2024-2028 Strategic Plan, launched on December 01, 2023, is publicly available on the CBS website.</p> <p>These are some of the main undertakings of 2023 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 challenges were encountered during the reporting year.

RECOMMENDATIONS

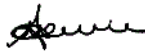
CBS recognises the importance of the Access to Information Act (ATIA) and maintains proposed amendments to address the highlighted concerns and other proposals already put forth in the four previous Access to Information Annual Reports.

In addition, further to the completion of the first audit of the institution's compliance with the ATIA, CBS would also like to put forth some recommendations relating to this process, as outlined below:


- CBS suggests that more engagement between the Commission and the respective public institution during the auditing process be considered. Such interactions would provide opportunities for queries and clarifications on the documentation provided for the purpose of the audit. This will also ensure that the Information Officer can address challenges encountered depending on the nature and complexities of requests and the specificities of the public institution, which may not be provisioned for in the ATIA.
- CBS proposes that the Commission considers issuing a more comprehensive report to the audited institution that provides a detailed overview of the scope and all observations, highlights good practices and gaps identified and how they have contributed to the institution's assurance rating, and includes any recommendations to address findings, including timelines. This will ensure that audited institutions better understand their compliance with the ATIA and how they can improve their practices.
- CBS recommends the Commission holds a closing meeting with the Head of Information Holder and the Information Officer at the end of the audit to conclude the process, similar to the introductory meeting to initiate the audit process. It will provide an opportunity to briefly discuss the findings outlined in the report, timelines, and expected monitoring of the implementation of recommendations by the Commission.

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 |  | 14/03/2024 13:49 MUT |
| | | |
| 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 |  |
| | |
| Name of Head of Information Holder | Signature |

| |
|------------------------|
| 14/03/2024 14:50 MUT |
| |
| Date |



OFFICIAL STAMP

CBS List of Officers

Secretariat

Ms Caroline Abel
Mr Brian Commettant
Ms Jenifer Sullivan
Ms Yvonne Legaie

Designation

Governor
First Deputy Governor
Second Deputy Governor
Health Safety and Wellbeing Officer

Communications Unit

Mrs Marie-Angele Thomas
Mrs Sharon Uranie
Mrs Stephanie Morel
Ms Velma Cafrine

Director
Senior Communications Officer
Communications Officer
Graphic Designer

Compliance Unit

Ms Martine Faure
Mr Collin Appoo
Mr Samuel Chang-Sam

Director
Compliance Officer
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 Dianne Pillay
Mr Keneth Augustin
Mr Marty Fanny
Mr Roddy Lesperance

Head of Division
Director
Internal Auditor
Internal Auditor
Information Systems Auditor
Information Systems Auditor

Risk Management Unit

| | |
|----------------------|------------------------------------|
| Ms Laureenda Mathiot | Director |
| Ms Prisila Laurence | Senior Risk Analyst |
| Ms Sophie Morel | Risk Analyst |
| Mr Yanick Albert | Risk Analyst |
| Mr Jude Adolphe | Business Continuity Manager |
| Mr Jude Woodcock | Chief Information Security Officer |
| Mr Daniel Descombes | Information Security Officer |

Administration Division

| | |
|---------------------|------------------------------|
| Mr Francis Payet | Head of Division |
| Vacant | Director |
| Ms Nelcie Pierre | Finance and Admin Manager |
| Mr Russel Moustache | Building and Project Manager |
| Vacant | Security Manager |

Banking Services Division

| | |
|-------------------------|---|
| Mr Mike Tirant | Head of Division |
| Ms Noemie Louise | 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 Aubrey Yocette | Banking Officer |
| Ms Masturah Denis | Banking Officer |
| Mrs Jennifer Legaie | Banking Officer |
| Ms Nadera Ah-Tiff | Banking Officer |
| Ms Vanessa Bijoux | Senior 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 Christopher Rousseau | Senior Currency and Numismatics Officer |
| Mr Eddy Marguerite | 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 | Senior Portfolio Analyst |
| Ms Aneesha Coopoosamy | Portfolio Analyst |
| Ms Jessica Morel | Portfolio Analyst |
| Ms Sheera Philoe | Senior Financial and Risk Analyst |
| Mr Ron Bonne | Senior 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 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 | Senior Accounts Officer |
| Ms Beverly Labiche | Accounts Officer |
| Ms Emma Larue | Accounts Officer |
| Ms Sumita Zelia | Senior Settlement Officer |
| Mr Montell Kurz | Settlement Officer |
| Ms Clara Radegonde | Settlement Officer |

Financial Surveillance Division

| | |
|------------------------|---------------------------------------|
| Vacant | Head of Division |
| Mr Naddy Marie | Director |
| Mr Edouard Rose | Senior Financial Surveillance Analyst |
| Mrs Audrey Pothin | Senior Financial Surveillance Analyst |
| Ms Daniele Chetty | Senior Financial Surveillance Analyst |
| Ms Joan Lespoir | Senior Financial Surveillance Analyst |
| Ms Mikaella Joubert | Senior Financial Surveillance Analyst |
| Ms Vivienne Volcere | Senior Financial Surveillance Analyst |
| Ms Shirlee Agricole | Senior Financial Surveillance Analyst |
| Ms Rebecca David | Financial Surveillance Analyst |
| Ms Selma Valentin | Senior Financial Surveillance Analyst |
| Ms Stephanie Pillay | Financial Surveillance Analyst |
| Mrs Charmine Fanchette | Financial Surveillance Analyst |
| Ms Lana Woodcock | Financial Surveillance Analyst |
| Ms Nathalie Violette | Financial Surveillance Analyst |
| Mrs Lynn Commettant | Financial Surveillance Analyst |
| Mrs Tracy Julianne | Senior Financial Surveillance Analyst |
| Mr Cyril Benoiton | Senior Financial Surveillance Analyst |
| Ms Franchesca Melanie | Financial Surveillance Analyst |
| Ms Lanna Jacques | Financial Surveillance Analyst |
| Ms Sophia Servina | Financial Surveillance Analyst |
| Ms Sheryl Laporte | Financial Surveillance Analyst |

Mrs Rosella Labiche
Ms Tisha Constance
Mr Gino Albert
Mrs Hillary Hoareau
Mr Carlos Loizeau
Mrs Amela Antoine
Ms Sammia Marchesseau
Ms Nadine Boniface
Ms Diandra Cedras

Financial Surveillance Analyst
Financial Surveillance Analyst
Financial Surveillance Analyst
Financial Surveillance Analyst
Financial Surveillance Analyst
Financial Surveillance Analyst
Senior Financial Stability Analyst
Financial Stability Analyst
Financial Stability Analyst

People Division

Vacant
Ms Christie Michel
Mrs Vanessa Dewea
Ms Sacha Accouche
Mrs Levina Françoise
Ms Betty Dine
Ms Tracey Monthy
Ms Santara Mathurin
Ms Wendena Dookley

Head of Division
Director
Senior Business Partner
Senior Business Partner
Senior People Administrator
Learning and Development Administrator
Payroll Administrator
Payroll Administrator
Recruitment Administrator

Financial Inclusion and Market Conduct Division

Vacant
Ms Liz Julienne
Ms Beggita Vital
Mrs Pauline Raoul
Ms Shakkirah Mathiot
Mrs Kelly Laporte
Mrs Audrey Chetty
Mrs Rose Mussard
Ms Amelie Desaubin
Mr Jonathan Valentin
Ms Brigitte Lucas
Mrs Rubya de Commarmond

Head of Division
Director
Senior Market Conduct Analyst
Market Conduct Analyst
Market Conduct Analyst
Market Conduct Analyst
Senior Financial Inclusion Analyst
Financial Inclusion Analyst
Financial Inclusion Analyst
Financial Inclusion Analyst
Financial Inclusion Analyst
Financial Inclusion Analyst

Research and Statistics Division

Mrs Hilda Palconit
Vacant
Ms Trudy Lucas
Ms Raghavi Naidu
Mr Lenny Palit
Ms Audrey Rath
Mr Ragul Pillay

Head of Division
Director
Senior Economist
Senior Economist
Senior Economist
Senior Economist
Economist

Mr Craig Joseph
Mr Adolf Nourrice
Ms Dorothea Michel
Mr Terence Payet
Ms Suza Roselie
Mrs Jenny Sinon
Ms Stephanie Jean-Louis
Mr Graham Adeline
Mr Andy Ally
Mrs Anne Prea
Ms Lilienne William
Ms. Josemie Mathiot

Economist
Economist
Senior Statistician
Senior Statistician
Statistician
Statistician
Statistician
Statistician
Statistician
Statistician
Statistician

Technical Services Division

Mr Desire Larue
Vacant
Mrs Shanthi Pillay
Mr Riyad Moustache
Ms Gracey Johnson
Mr Richie Course
Mr Rondy Monnaie
Mr Georges Esparon
Mr Joel Dupres
Mr Jose Hoffman
Mr Dean Nanon
Mr Joel Henriette
Mr Yanick Sauzier
Mr Davis Dugasse
Mr Louys Belle

Head of Division
Director
Senior Business Applications Administrator
Business Applications Administrator
Business Applications Administrator
Business Applications Administrator
Senior Business Analyst Developer
Business Analyst Developer
Business Analyst Developer
Senior Network Administrator
Network Administrator
Network Administrator
Senior Systems Administrator
Systems Administrator
IT Governance Officer



Central Bank of Seychelles

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