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PRESS COMMUNIQUÉ

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Outcome of third Financial Stability Committee discussions for 2018

The Financial Stability Committee conducted its third meeting for this year, on August 20, 2018, during which it considered a number of ongoing, as well as upcoming developments that could potentially have a bearing on the country's financial stability.

The Committee maintains that the overall domestic financial system is currently stable. Nevertheless, certain areas of concern were discussed, and these are being closely monitored, with the members standing ready to take corrective action should the need arise.

The issue of de-risking and withdrawal of correspondent banking relationships remained a key focal point on the agenda. On the basis of the underlying causes that were previously considered at the last meeting, the members also discussed measures being deployed following the conduct of the National Risk Assessment (NRA) and the Mutual Evaluation (ME).

It was highlighted that the task force, which was set-up to work on resolving the shortcomings identified in these two assessments (in relation to Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT)), are already in the process of finalising the necessary policy recommendations. The implementation phase is expected to start soon. It was also pointed out that the necessary legislative changes in this regard will be presented shortly to the Cabinet. Unfortunately, this will not come to fruition before the presentation of the ME report at the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers meeting, being held in Seychelles, in this first week of September 2018.

The members also stressed on the need to ensure that all stakeholders truly understand the importance of this process and the need for swift deployment of resolution measures in regards to the shortcomings, including credible enforcement thereafter. Moreover, the members spoke about the importance of continuous capacity building for stakeholders to remain abreast with the latest developments in regards to the fight against financial crimes. Consultations have already been initiated in this regard.

The members also highlighted that the set of commitments made to the Organisation for Economic Cooperation and Development, concerning eliminating tax disparities for corporates, are due to be considered by the National Assembly.

Given the web of interlinkages within the financial sector, discussions also covered various elements that require close collaboration between the members, and with all other relevant stakeholders, where applicable.

The ever persistent threat of global cyber-security risks and the recent establishment of a cyber-security working group for the banking sector, the need for a cautious and well-informed approach in regards to Financial Technology (FinTech) developments, tourism arrival numbers and their corresponding spending dynamics thus far in 2018, as well as efforts to prevent the early attainment of the quota put on yellowfin tuna fishing, were among other issues discussed.