

Seychelles: Central Bank Transparency Code Review



SEYCHELLES

CENTRAL BANK TRANSPARENCY CODE REVIEW

September 2022

This paper on Seychelles was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time of the mission and it was completed on September 16, 2022.

Copies of this report are available to the public from

International Monetary Fund • Publication Services

PO Box 92780 • Washington, D.C. 20090

Telephone: (202) 623-7430 • Fax: (202) 623-7201

E-mail: publications@imf.org Web: <http://www.imf.org>

Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



SEYCHELLES

CENTRAL BANK TRANSPARENCY CODE REVIEW

September 16, 2022

DETAILED REVIEW REPORT

Prepared By
**Monetary and Capital
Markets Department**

This report was prepared based on the work of a hybrid IMF mission to Seychelles in June-July 2022. The IMF team for the Central Bank Transparency Code (CBT) Review mission was led by Dmytro Solohub (MCM) and comprised Matevz Zbasnik (FIN); Jonathan Pampolina (LEG); and Natia Gvazava, Elias Kazarian, Bernard Laurens, and Marcela Matamoros (IMF External Experts); and overseen by the Monetary and Capital Markets Department (MCM) at the IMF.

The production assistance was provided by Julie Vaselopoulos. The team extends its warm appreciation to the Board, senior management, and staff of the Central Bank of Seychelles, who provided excellent cooperation, and to outside stakeholders and interested public for their valuable views and insights.

CONTENTS

Glossary	3
EXECUTIVE SUMMARY	4
A. Key Recommendations	8
SCOPE AND OBJECTIVE	9
APPROACH AND METHODOLOGY	10
BACKGROUND	10
MAIN FINDINGS	15
A. Pillar I. Transparency in Governance	15
B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome	17
C. Pillar V. Transparency in Official Relations	21
AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT	21
BOXES	
1. COVID-19 Measures Taken by CBS and Their Unwinding	11
2. Transparency of Financial Inclusion	13
TABLES	
1. Central Bank Transparency Overview for Central Bank of Seychelles	6
2. CBT Review—Detailed Review Report for Central Bank of Seychelles	24
APPENDICES	
1. Central Bank of Seychelles—Proposed Action Plan	101
2. List of CBS Units and External Stakeholders	128

Glossary

AFI	Alliance for Financial Inclusion
AML/CFT/CPF	Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing
AREAER	IMF Annual Report on Exchange Arrangement and Exchange Restrictions
ATIA	Access to Information Act
BSD	Banking Services Division
CBS	Central Bank of Seychelles
CBT	IMF Central Bank Transparency Code
DAA	Deposit Auction Arrangement
EFF	IMF Extended Fund Facility
ELA	Emergency Liquidity Assistance
ELF	Emergency Loan Facility
FCPA	Financial Consumer Protection Act
FEA	Foreign Exchange Auction
FIA	Financial Institutions Act
FIMCD	Financial Inclusion and Market Conduct Division
FIU	Financial Intelligence Unit
FMD	Financial Markets Division
FMI	Financial Market Infrastructure
FPAS	Forecasting and Policy Analysis System
FSA	Financial Services Authority
FSC	Financial Stability Committee
FSD	Financial Surveillance Division
FSP	Financial Services Provider
FSR	Financial Stability Report
FX	Foreign Exchange
FXI	Foreign Exchange Interventions
IC	Information Commissioner
IRC	Interest Rate Corridor
IT	Inflation Targeting
ML/TF	Money Laundering/Terrorism Financing
MoU	Memorandum of Understanding
MPF	Monetary Policy Framework
MPR	Monetary Policy Rate
MPTC	Monetary Policy Technical Committee
MRR	Minimum Reserve Requirement
MSME	Micro, Small, and Medium Enterprises
OMO	Open Market Operations
RFI	Rapid Financing Instrument
RSD	Research and Statistics Division
SAA	Strategic Asset Allocation
SCF	Standing Credit Facility
SDF	Standing Deposit Facility

EXECUTIVE SUMMARY

The Central Bank of Seychelles (CBS) sets a high benchmark for transparency, given the economic, and financial development and literacy circumstances of Seychelles, which is recognized by the stakeholders, thus maintaining a high level of trust and accountability.

Despite constrained human capital resources, the CBS has taken commendable actions to facilitate an open and dynamic dialogue with key stakeholders. The CBS took the lead in communications on extraordinary support programs during the COVID-19 pandemic, regularly engaging with the public using plain language and various communication tools. It is also making great efforts to promote financial inclusion in Seychelles by developing and implementing a broad agenda on financial education and enhancing consumer protection in the financial sector.

The CBS has an advanced transparency framework in the areas of foreign exchange (FX) management, FX reserve management, communications, financial stability, and institutional relations with the domestic official stakeholders.

The CBS has in place comprehensive transparency practices for most of its actions in the areas of FX management and international reserves management. Furthermore, it has a clearly defined framework for financial stability, disclosing the objectives, strategy, instruments, and risks, as well as publicly and timely announcing its financial stability policy decisions taken through a transparent decision-making process. However, the activities of the Financial Stability Committee (FSC), chaired by the CBS, could be enhanced. Moreover, it has made great efforts in multiplying the tools and channels of communication to reach different audiences. Finally, the CBS has a solid and well-developed practice of disclosing its interactions with the government and other public financial agencies.

The CBS has been suitably transparent about its monetary policy strategy for achieving its primary statutory mandate of price stability, and it discloses appropriately its operational framework, policy actions, and outcomes.

At the same time, the CBS has yet to introduce some key elements of its announced inflation targeting (IT) regime, notably a numerical medium-term inflation objective and operational interest rate target. Therefore, with the ongoing transitioning to a full-fledged IT monetary regime, the CBS is expected to gradually enhance further transparency of its monetary policy framework to support monetary policy transmission and strengthen dialogue with stakeholders.

There is room for improved transparency practices mostly in the areas of governance and accountability arrangements, confidentiality policy, anti-money laundering/countering the financing of terrorism (AML/CFT) supervisory policies, and internal AML/CFT controls.

The CBS is disclosing on its website the information on legal structure, mandate, and some key elements of risk and human resource management, accountability, and anti-corruption arrangements. To better support the public's perception of the CBS as a well governed institution, it should consider highlighting these aspects in its annual report, and/or provide additional information on its website, particularly on human capital management, anti-corruption policies and decision-making arrangements. The CBS could also improve the accessibility of the information on its internal governance arrangements by overhauling the respective sections of the Annual Report and its

website and proceeding with the publication of its Code of Conduct and Ethics. The legal mechanism for confidentiality issues has been established but the dissemination and disclosure of the confidentiality framework could be enhanced. The CBS discloses basic information on its AML/CFT supervisory powers and policies, as well as on its related internal control framework, but disclosures on the processes and outcomes of its AML/CFT external policies and internal controls are limited.

Going forward, the CBS will benefit by ensuring the alignment of its transparency practices with the new powers and functions acquired under recently adopted and forthcoming legislative acts. In the last few years, the CBS's regulatory powers have been substantially expanded with the adoption of AML/CFT Act and Financial Consumer Protection Act. Moreover, the forthcoming Financial Stability Act is expected to provide a transparent legal basis for the CBS's (and other financial sector regulators) actions on financial stability. These legislative acts will require an expansion of the CBS's transparency practices so that the related CBS activities continue to be appropriately disclosed to stakeholders.

Table 1. Seychelles: Central Bank Transparency Overview for Central Bank of Seychelles

Pillar	Principle	Sub-principle		Practices			
				Core	Expanded	Comp.	
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
			1.6.4.	Human Capital Management			
	1.7.	Communication	1.7.1.	Arrangements			
			1.7.2.	Strategy/Tools			
	1.8.	Confidentiality					
	II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework		
				2.1.2.	Policy Decisions		
2.1.3.				Supporting Analysis			
2.2.		FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
2.3.		FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
2.4.		FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
2.5.		Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
			2.5.3.	Supporting Analysis			
2.6.		Microprudential Supervision					
2.7.		Emergency Liquidity Assistance (ELA)					
2.8.	Resolution						
2.9.	FMI						
2.10.	Financial Integrity						
2.11.	Consumer Protection		***	***	***		
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			
			3.2.2.	Coverage			
	3.3.	FX Management	3.3.1.	Instruments			
3.3.2.			Coverage				

Table 1. Seychelles: Central Bank Transparency Overview for Central Bank of Seychelles (concluded)

Pillar	Principle	Sub-principle	Practices			
			Core	Expanded	Comp.	
	3.4.	FX Reserve Management	3.4.1.	Instruments		
			3.4.2.	Coverage		
			3.4.3.	Assessment		
	3.5.	Stress Testing	3.5.1.	FS Assessments		
			3.5.2.	ST Methods		
			3.5.3.	ST Coverage		
			3.5.4.	Use of ST Results		
	3.6.	Macroprudential	3.6.1.	Instruments		
			3.6.2.	Enforcement		
	3.7.	Microprudential Supervision				
	3.8.	Emergency Liquidity Assistance (ELA)				
	3.9.	Resolution				
3.10.	FMI					
3.11.	Financial Integrity					
3.12.	Consumer Protection		***	***	***	
IV. Outcome	4.1.	Monetary Policy	4.1.1.	Governance Actions		
			4.1.2.	Policies		
			4.1.3.	Operations		
	4.2.	FX Administration	4.2.1.	Governance Actions		
			4.2.2.	Policies		
			4.2.3.	Implementation		
	4.3.	FX Management	4.3.1.	Governance Actions		
			4.3.2.	Policies		
			4.3.3.	Operations		
	4.4.	FX Reserve Management	4.4.1.	Governance Actions		
			4.4.2.	Reporting on Imp.		
4.4.3.			Financial Results			
4.5.	Macroprudential	4.5.1.	Governance Actions			
		4.5.2.	Policies			
4.6.	Microprudential Supervision					
4.7.	ELA					
4.8.	Resolution					
4.9.	FMI					
4.10.	Financial Integrity					
4.11.	Consumer Protection		***	***	***	
V. Official Relations	5.1.	Government	5.1.1.	Institutional		
			5.1.2.	Financial		
			5.1.3.	Instruments		
			5.1.4.	Outcome		
	5.2.	Domestic Agencies	5.2.1.	Institutional		
			5.2.2.	Instruments		
			5.2.3.	Macroprudential		
			5.2.4.	Financial Stability		
5.3.	Foreign Agencies					
5.4.	Other Relations					
	Denotes "Not Applicable"		Denotes "Not Implemented"	*** No range of practices is assigned		

A. Key Recommendations¹

1. **Transparency of legal framework and governance arrangements** would benefit from the consolidation of legal instruments in a unified section of the website as well as an explanation in plain language of the relation between the CBS's statutory functions and its objectives. The potential for conflicts, and related resolution processes, between some provisions of the Act and other legal documents may need to be better explained to the public. Publication on the website of charters of the Board and other key committees, selection criteria and procedure of board members, as well as remunerations of key officials would also boost transparency of the CBS's governance arrangements.
2. **Transparency on the CBS's financial autonomy** would benefit from disclosures in layman's terms of the concept and rationale for its financial autonomy, key related safeguards observed by the CBS as well as how they correspond to the relevant provisions in the CBS Act and central bank's operations. Disclosures on the process of adopting the annual budget, and how it is realized would also enhance transparency.
3. **Transparency on risk management and accountability mechanisms (governance and oversight, external and internal audit mechanism)** could be enhanced by revising the concept of the corporate section in the CBS annual report to give more prominence to oversight and accountability, complemented by additional disclosures on the CBS website.
4. **To better support the perception of the CBS as a well governed institution,** consideration should be given to including in the annual report and/or website additional information on **human capital management**, including the staff salary scale, salaries of key officials, and (summary of) related key policies and governance arrangements.
5. **The CBS could consider to publicly disclose the Code of Conduct and Ethics, a Code of Ethical Businesses (for stakeholders that engage with the CBS),** as well as the information on enforcement activities, including statistics on sanctions imposed for ethical violations.
6. **The confidentiality provisions of the CBS Act and its complementary legislation under the Access to Information Act provide a framework that should be enhanced through rules and regulations, voluntary policies or guidelines disclosed to the public.** The confidentiality system could be disclosed and explained to the public, including the data classification system
7. **Going forward, the CBS may gradually progress with further enhancing transparency of its monetary policy and FX operations framework to support monetary policy transmission and strengthen dialogue with the stakeholders (i.e., academics, banks etc.).** Suggested improvements include publication of a Monetary Policy Report (including disclosures on the components of the Forecasting and Policy Analysis System (FPAS)), disclosure of an explicit numerical

¹ Please refer to the Detailed Review Table in Annex I for the complete overview of principle wise transparency recommendations.

medium-term inflation objective and of a numerical operational target, disclosures of activation of the standing facilities, as well as of the aggregate bank balances at the CBS and of the realized autonomous factors, and disclosure of ex-post evaluations of the impact of foreign exchange interventions (FXI).

8. The transparency and accessibility of information on financial stability might be further improved by: (i) enhancing the disclosure of FSC activities; (ii) promoting CBS's financial stability messages more broadly to the public; and (iii) enhancing transparency on financial stability data and ex-post evaluation.

9. The CBS could consider enhancing disclosure of the bilateral Emergency Liquidity Assistance (ELA) framework for the financial institutions, including objectives, general rules, financial parameters, and terms and conditions.

10. The transparency of AML/CFT regulations could be enhanced by encouraging disclosure of quantitative and qualitative information on the risk-based supervisory activities and internal AML/CFT activities (including statistical information on off-site and on-site supervisory activities as well as enforcement actions in cases of AML/CFT violations) and prioritizing the establishment of the appeals mechanism under the AML/CFT Act of 2020 to enable imposition of sanctions by the CBS.

SCOPE AND OBJECTIVE

11. In response to a request from the CBS, the mission conducted the Central Bank Transparency Code (CBT) review. This was the seventh mission conducted under the pilot CBT review program. The scope of the review covers all CBT principles, excluding those that are not performed by the CBS (i.e., FX administration) or which fall outside of the scope of CBT reviews, given the existence of established international standards (i.e., microprudential supervision and resolution, and Financial Markets Infrastructure). These principles are denoted as "Not Applicable" in the review. As the CBS has formal mandate on financial consumer protection, its transparency practices in this area have been appropriately reviewed. However, no range of practices has been assigned as the CBT Code did not develop a differentiated range of practices (i.e., *core*, *expanded*, *comprehensive*) for the principles 2.11, 3.12 and 4.11.

12. The review is intended to allow the CBS to evaluate its transparency practices, aimed at identifying its strengths and areas for improvement. The review maps CBS's transparency choices compared to a range of practices across three categories (core, expanded and comprehensive), as detailed in the [Central Bank Transparency Code](#), covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review aims to help the CBS in further strengthening the dialogue with the stakeholders and finding the proper balance between independence and accountability. While it is important to note that CBT review is not an assessment of central bank policies, the comprehensive review of transparency practices would be beneficial for

the CBS in its efforts to advance policy effectiveness. CBT's range of practices are not intended to be a tool for transparency ranking of central banks.

APPROACH AND METHODOLOGY

13. The mission's review approach consisted of a desk review and in-depth discussions with the CBS and its key stakeholders. The mission team conducted preliminary desk review based on the publicly available information and the Self-Review questionnaire provided by the CBS prior to the mission.² These desk reviews formed the basis for discussions with CBS's management and staff, as well as meetings with the key stakeholders (from the public and private sector, including academia, think tanks and journalists).³ The meetings facilitated understanding and collecting views on, and experiences with, the CBS on its transparency practices. Around thirty meetings (in hybrid and virtual formats) were conducted over the course of two weeks. The meetings with key stakeholders were planned in coordination with the central bank, though CBS's staff did not attend those meetings. The team highly appreciated the very high quality of cooperation, including provision of self-review, documentation, technical support, as well as facilitating the mission meetings schedule, and extends its warm thanks to the staff of the CBS.

14. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency. The review maps CBS's transparency practices across a range of best practices and was reviewed in the context of CBS's legal mandate and policy context, and prevailing general legal framework. The review also considered important dimensions of transparency, including: (i) timeliness; (ii) periodicity; and (iii) quality of disclosure. The latter is considered in terms of accessibility and ease of understanding, especially by the general public. The review also took into account views expressed by the CBS stakeholders.

BACKGROUND

15. The economy has rebounded strongly from the severe contraction caused by the COVID-19 pandemic. Seychelles was hit hard by travel restrictions and the global economic downturn that caused an unprecedented economic contraction. The authorities adopted various measures to mitigate the impact on businesses and households. In May 2020, they secured emergency financial assistance of SDR 22.9 million from the IMF under the Rapid Financing Instrument (RFI), followed by an arrangement under the Extended Fund Facility (EFF) for SDR 74 million in July 2021. As part of the mitigating measures implemented by the authorities, the CBS in close collaboration with the Ministry of Finance, National Planning and Trade (Ministry of Finance) and the Bankers Association, took a broad range of measures, some of them requiring amendments to CBS Act, which were widely communicated to all stakeholders (Box 1). In January 2022, the CBS announced an unwinding of these measures. More recently, growth has rebounded driven by a swift

² The mission took place during June 23–July 5, 2022, and initiatives implemented after the review date have not been considered.

³ See Annex III for the list of CBS's units and external stakeholders.

recovery of tourism, fiscal deficits have narrowed, and public debt ratios have been put on a downward trajectory. However, the economy is now facing headwinds from spikes in energy and food prices that were triggered by Russia's invasion of Ukraine. The economic outlook is conditional on authorities' success in maintaining macroeconomic stability and implementing structural reforms agreed under the EFF arrangement with the IMF.

Box 1. COVID-19 Measures Taken by CBS and Their Unwinding¹

As the effects of the pandemic impacted the economy the CBS took a number of mitigating measures.

In close collaboration with the Ministry of Finance and the Seychelles Bankers Association, CBS measures included adjustments to monetary policy and international reserves management; setting-up private sector relief schemes; moratorium and rescheduling of loan facilities; and adjustments to CBS funding of the government. Some of the measures required amendments to the CBS Act (i.e., the Act). In January 2022, the CBS announced an unwinding of the measures.

The efficiency of CBS communications proved to be crucial to effectively disclose mitigating measures to stakeholders.

The Communications Unit maintained its role as coordinator for external communications on CBS policy measures. Information was conveyed to stakeholders through several media events. Different tools (i.e., press releases, live press conferences, digital platforms, awareness campaigns) were widely used, and CBS institutional website was expanded to that end.

Adjustments to monetary policy involved: (i) cutting the Monetary Policy Rate (MPR) by 400 basis points as well as corresponding cuts to the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) interest rates, leading to a structural shift in the Interest Rate Corridor-IRC (i.e., setting the MPR at 2.0 percent, and interest rates on the SDF and SCF at 0.5 and 3.5 percent, respectively); and (ii) lowering the Minimum Reserve Requirement (MRR) on SCR to 10 percent from 13 percent.

Approved Unwinding Measure: Monetary policy stance to remain accommodative in the near-term subject to alterations in economic conditions such as inflationary pressures remaining subdued. MRR is to be set back to 13 percent in mid-July 2022.

Adjustments to the international reserves management and FX intervention strategies involved the following: (i) the CBS secured support from international partners to bolster the level of the international reserves; (ii) it carried out a review of the agreements, policies and guidelines underpinning reserves management activities and it adopted a cautious stance in the currency allocation (i.e., maintaining a share of the USD above the prescribed benchmark), and it monitored closely counterparty credit ratings leading to discontinuing investments with counterparties that could not accommodate adequate liquidity requirements; and (iii) the CBS took a conservative approach in the appropriation of FX to the market through FX Auctions and bilateral sales with the initial aim of clearing goods already imported but requiring a final payment in FX. Currently, the CBS is committed to allocating FX reserves for fuel, essential goods, and medicine purchases.

Approved Unwinding Measure: CBS FX interventions in 2022 will only deal with commercial banks.

Setting up Private Sector Relief Schemes aimed at assisting businesses: (i) the CBS made available SCR500 million for participating credit-granting institutions² to lend to Small and Medium Enterprises (MSMEs), in the form of overdrafts or term loans with an annual fixed interest rate of 1.5 percent, that included a moratorium of up to 18 months, and a maximum repayment period of eight years; (ii) the CBS

¹ The Box does not include measures related to the prudential framework for banks and credit unions.

² Consists of commercial banks, Seychelles Credit Union and Development Bank of Seychelles.

Box 1. COVID-19 Measures Taken by CBS and Their Unwinding (concluded)

made available SCR750 million for participating credit granting institutions to lend to Large Enterprises in the form of overdrafts or term loans with an annual fixed interest rate of 4.5 percent, that included a moratorium of up to 18 months, and a maximum repayment period of eight years.

Recommended Unwinding Measures: To re-open as of February 2022 until end-March 2022. Effectively closed as of March 31, 2022.

Banks, Seychelles Credit Union and the Development Bank of Seychelles provided moratoriums or deferment of repayment of loans. Given the uptick in economic activity since the re-opening of the borders in March 2021, businesses with secured income opted out of such measures, with some even starting to repay their facilities. Hence, financial institutions have progressively unwound these measures.

Approved Unwinding Measure: In January 2022 the CBS indicated that credit granting institutions shall still consider moratorium and debt restructuring on a case-by-case basis. The CBS is to ensure proper monitoring of NPL trends and implications of the system's asset quality and capital positions, and it is prepared to apply flexibility if needed. The measure was terminated as of July 1, 2022.

Following CBS Act amendments to the effect of broadening Force Majeure Events to cater for COVID related events, the CBS approved exceptional advances to the government. CBS Board of Directors approved advances up to a limit of SCR500 million at no cost for the government. Except for January 2021, no advances were provided due to lower government expenditures.

Approved Unwinding Measure: The CBS set limit of SCR250 million for 2022, with an interest payable equal to the latest average tender rate for the 91-day Treasury bills plus a margin of 50 basis points.

Following CBS Act amendments, the CBS was allowed greater flexibility for the purchase of government securities on the secondary market in Force Majeure Events. In consultation with the Ministry of Finance, the CBS set a limit of SCR750 million for 2022. Only SCR40 million was utilized in 2021.

Approved Unwinding Measure: In January 2022 the CBS issued a limit of SCR50 million for 2022. The measure was terminated as of July 18, 2022.

Source: CBS [Unwinding Strategy Covid-19 Policy and Relief Measures](#), January 2022, and June 2022 Update.

16. The banking system appears to have weathered the crisis well. At end-2021, banks were well capitalized and highly liquid despite declining interest income and loan quality. The authorities are in the process of phasing out regulatory forbearance measures which were introduced during the pandemic. The CBS does not expect a significant negative impact of unwinding the COVID-19 measures announced in January 2022 on banks' asset quality. They continue to closely monitor financial sector soundness and banks' ability to support economic recovery and remain committed to reforms for strengthening financial sector resilience, enhancing the AML/CFT framework, improving transparency, and promoting financial inclusion (Box 2).⁴

⁴ The authorities' ambitious financial sector reform agenda also includes the enhancement of crisis management, resolution, and safety net frameworks, strengthening of AML/CFT regulations, facilitating access to affordable and sustainable finance, and building a robust financial consumer protection system.

Box 2. Transparency of Financial Inclusion

Institutional Arrangement for Financial Inclusion

Financial inclusion addresses issues related to the accessibility, usage and quality of financial services and products. The CBS has partnered with the Financial Services Authority (FSA) to improve the usage and quality of financial services. Joint efforts have been made to fortify consumer trust in the financial system with the Financial Consumer Protection Act (FCPA) recently enacted. The CBS, through the National Financial Education Strategy, envisages educating on financial services and products. The Credit Information System, operational since 2012 and the Modernization of the payment systems complement CBS strategies and initiatives on Financial Inclusion.

Modernization of Payment System as a Component of Financial Inclusion

The CBS embarked on a reform program to modernize the national payments landscape. The main objective was to enhance the availability, affordability, reliability, effectiveness, and soundness of payment infrastructure. One of the main strategic focuses is to promote greater financial inclusion. While the majority of the population are banked (94 percent), most of them cash-out their income and other revenues from their bank accounts and rely on cash transactions as a mean of payment. The CBS aims to increase the use of electronic and mobile payment services in Seychelles. Furthermore, the modernization plan promotes the general public awareness of mobile digital payment means aimed to reduce the dominance of using cash and checks. Another objective is to enhance transparency of the terms and conditions of payment services including pricing, fee structure, and speed allowing the users to make informed choices.

Dispute Resolution Mechanism on Consumer Protection and FCPA Implementation

The financial institution is always the first one to receive a claim; if there is no solution or satisfaction the individual could lodge the claim at the CBS. Decisions of the CBS are binding on banks. Some consumer protection functions will be enhanced with the new FCPA like further developments of regulatory standards, regarding fair treatment and business conduct and the monitoring system to supervise implementation by credit institutions of transparency and disclosure of consumer protection measures.

Financial Education Initiatives of the CBS

The CBS has a prominent role in the implementation of the national financial education strategy, which is carried out designing education programs, coordinating with stakeholders, implementing specific programs tailored to vulnerable sectors of society, and disseminating educational material on consumer protection. Just to illustrate the CBS implemented in 2021 the following educational programs for the youth; it launched the Youth 4 Youth financial education Ambassadors program. In addition, it participated in national events such as the Global Money Week, Youth Week, Global Entrepreneurship Week and Fraud Awareness Week. These initiatives provided the opportunity to support awareness around specific issues, reaching specific target segments, in this case the young people in Seychelles.

Source: CBS website.

17. CBS's statutory objectives are defined in the legislation and ranked in order of priority.

The CBS is established as a corporate body under CBS Act of 2004 and vested with both private and public law powers to allow it to perform its functions. The Act establishes the promotion of price stability as the primary objective, while other responsibilities include an advisory role to the government on banking, monetary and financial matters including the monetary implications of proposed fiscal, credit policies or operations of the Government, and to promote a sound financial system. The CBS determines the foreign exchange rate regime in consultation with the President. Pursuant to the Foreign Exchange Act 2009, responsibility for cross-border flows and administration

of foreign exchange rests with the Minister of Finance, who may delegate certain powers to the CBS Governor. As reflected in the IMF's Annual Report on Exchange Arrangement and Exchange Restrictions (AREAER), and in CBS publications, the current and capital accounts are fully liberalized.

18. The CBS has made progress enhancing its governance framework, however legal amendments are needed to reinforce certain autonomy aspects. The 2021 IMF safeguards assessment found external audit arrangements remain robust and financial reporting practices broadly adhere to international standards. While steps have been taken to improve the internal audit function, oversight needed to be enhanced to ensure continued development of the internal audit and risk management functions. In addition, CBS's legal framework needs to be amended to enhance autonomy provisions (institutional, personal, and financial).

19. The overhaul of CBS's monetary policy framework should facilitate the delivery of statutory objective of the price stability. Following the shift from a fixed to a floating exchange rate regime in late 2008, monetary policy design and implementation was overhauled. CBS foreign exchange interventions aim at smoothing out excessive volatility and ensuring orderly market conditions, as well as increasing official reserves. In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rate. This was achieved through the introduction of a Monetary Policy Rate within a standard interest rate corridor as the key policy variable used for signaling the monetary policy stance; reliance on FPAS to guide monetary policy decisions on the policy stance; and a short-term liquidity management framework to support the calibration of open market operations. The transition to the full-fledged IT regime is yet to be completed as the CBS for the moment does not explicitly disclose the inflation target, or an operational target for monetary policy implementation. It is now aiming at strengthening monetary transmission mechanism, by taking measures to improve the functioning of the interbank market and enhance policy communication. These efforts are supported by IMF technical assistance. The CBS is also enhancing its management of foreign reserves through capacity building and strengthening risk management practices.

20. The CBS is active in promoting a sound, transparent, and inclusive financial system. CBS has the powers to regulate and supervise banks, grant licenses to banks and non-bank financial institutions, and conduct oversight of the payment systems. Following the adoption of the AML/CFT Act in 2020, CBS also assumed responsibility for AML/CFT supervision. The CBS governor also chairs the Financial Stability Committee—an interagency advisory body that also includes the Ministry of Finance, the Financial Services Authority, and the Financial Intelligence Unit (FIU). Finally, the CBS shares with the FSA the mandate for protecting consumer rights in the financial sector.

21. CBS's commitment to an open and transparent communication has been enshrined in its strategic documents. CBS Strategic Plan for 2019-2023 emphasizes the importance of building trust and confidence of external stakeholders in bank's policies and actions. Therefore, managing stakeholders' expectations and building strategic communication are identified as key strategic pillars. The CBS seeks to communicate with the public in a way that is straightforward, clear, and engaging. It is in that context that the CBS expressed strong interest in undertaking a CBT review.

MAIN FINDINGS

A. Pillar I. Transparency in Governance

Legal Structure, Mandate, and Decision-Making

22. The legal framework governing CBS activities (i.e., mandate and overall legal structure) is publicly available. However, disclosures on certain key components in relation to the functions, personal autonomy, conflict of laws and judicial review are missing. The legal acts section of CBS website contains key legislative documents and regulations, however, disclosure of some other legal acts should be featured more prominently at the website to improve their accessibility. The website also lacks clear and understandable descriptions on relation between the objectives, functions, and powers of the CBS, which would be very valuable as disclosures on CBS functions and powers are scattered around several legislative documents, whereas objectives are stated in the CBS Act. The clarity on judicial review is lacking from the Act as well as from other publicity material. Transparency on personal autonomy aspect of governance lacks disclosure on the remuneration of the key officials. Charters of CBS Board and some key internal committees are not disclosed.

23. The CBS should consider explaining to the public the rationale for its financial autonomy and how it is implemented in practice. The CBS Act provides for core financial autonomy provisions, including the rules on capital and profit distribution, limits on monetary financing of the public sector, publication of audited financial statements, and approval of CBS's budget. That said, to avoid the risk of perception of an unjustified privilege, the CBS should consider explaining to the public, in layman's terms, the concept and the rationale for its financial autonomy, key related safeguards observed by the CBS in practice as well as how they relate to the relevant provisions in CBS Act and central bank's operations. This information could be provided on CBS website and referenced in the corporate section of CBS annual report. It could also be accompanied by a description of CBS's budgeting process, approved, and realized annual budgets, as well as accountability mechanisms ensuring oversight of the effectual use of central bank's resources (see below).

Risk Management and Accountability Framework

24. Disclosures on risks are quite detailed, however these could be complemented by a consolidated institutional overview in the corporate section of CBS annual report. CBS's transparency on risk management comprises information about CBS's risk management framework published on the CBS website and detailed financial statements' disclosures. While CBS annual report also includes information on risk management activities, the information is scattered among various subsections related to organizational units of the CBS. Thus, CBS annual report does not provide an institutional birds-eye overview of management of risks at the CBS. To improve transparency, it could consider revisiting the concept of the corporate section in its annual report and including in its high-level information on: (i) key risks as they relate to CBS's mandate and the bank's risk tolerance; (ii) main strategies to manage these risks; (iii) CBS risk management process; and (iv) key developments during the year.

25. Featuring CBS accountability mechanisms more prominently in the corporate section of the annual report and publishing additional information on the website would support CBS's reputation as a well-governed autonomous institution.

As suggested above, the concept of the corporate section in CBS annual report could be revisited. With respect to accountability arrangements, the section could be enhanced by featuring more prominently the description on the oversight role of the Board and of the Audit and Risk Committee, and the external and internal audit arrangements, and risk management at the level of the institution. The CBS will likely keep information in the annual report high-level; it should therefore also consider providing greater detail on its website including by explaining: (i) the oversight role of the Board and of the Audit and Risk Committee; (ii) the arrangement between the CBS and the Auditor General on the appointment of external auditors and related eligibility requirements (independence, reputation, experience); and (iii) the importance, role, and reporting lines of the internal audit function as well as criteria for the appointment of its head. Internal regulations, such as the Audit Committee Charter and Internal Audit Charter could also be published. Finally, the Audit and Risk Committee's annual report could be published on CBS website or as part of the corporate section in the annual report.

26. The CBS should aim at enhancing transparency on governance practices and management of human capital.

CBS annual report includes a summary of key activities of the Human Resources Division during the year. The CBS is working on enhancing information in this area and has acknowledged that significant opportunities exist to better support the perception of the CBS as a well-governed institution. Staff noted that additional disclosures in CBS's annual report and/or its website could include: (i) enhanced statistics on CBS staff; (ii) the staff salary scale and salaries of key officials; (iii) other allowances and benefits such as the staff pensions scheme and loans provided to staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning.

27. Domestic anti-corruption laws are applicable to CBS decision-makers, staff, and agents, but are not explicitly stated in publicly available materials produced or published by the CBS.

It publishes core values, which include integrity and transparency and accountability, which is expected of all CBS staff. A code of Conduct and Ethics is in place but is not published on the CBS website. CBS staff is currently working on anti-bribery and corruption policy, which is expected to be made publicly available. In addition, a public version of the Code of Conduct and Ethics as well as a Code of Ethical Businesses (for stakeholders that engage with the CBS) are being drafted, but the authorities should also consider disclosure of enforcement activities and statistics on sanctions imposed for ethical violations.

Communications and Confidentiality

28. CBS Act and Access to Information Act provide a solid legal foundation to disclose information and implement transparency practices. Institutional communication policies, guidelines, measures, and practices should be progressively developed and disclosed as a system of institutional communications. This would be beneficial for a more articulated transparency policy

anchored in existing and implemented legislation. A corresponding communications strategy may be fully incorporated in its transparency framework.

29. The CBS has made great efforts in multiplying the tools and channels of communication to reach different audiences. The CBS has been creative in implementing live press conferences in Creole language to better disseminate its message to the public in a timely and efficient manner. To increase accessibility and ease of understanding of economic and financial information is still a challenge. Therefore, the CBS should continue expanding its educational outreach programs for journalists, students, and citizens. Regarding other tools of communication, the CBS should continue actively disseminating its messages through mass and social media, to better engage with target audiences. The quality and quantity of information available on the website is satisfactory, although search methods could be enhanced by allocating more tabs and increasing visibility of certain important subjects and outreach efforts.

30. There is a need to strengthen the dissemination and disclosure of the confidentiality framework of the CBS. CBS Act and the Access to Information Act (ATIA) establish a legal framework that must be used to further develop confidentiality policies and practices. Such policies and practices must be disclosed to enhance transparency and legal certainty to the public, especially if a request for information is denied due to confidentiality reasons. The CBS has established the Information Officer function as required by ATIA. The Information Officer is entrusted with the determination of confidential information, based on legal grounds, as exceptions to free access to information exist under Seychelles legal system.

B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

Monetary Policy and Foreign Exchange Management

31. The CBS has been suitably transparent about its monetary and FX policy strategy for achieving its statutory price stability mandate, and it discloses appropriately its operational framework, policy actions, and outcomes. The CBS is transparent about the process by which monetary policy decisions are taken. It relies on a model-based forecast as an input to support monetary policy decisions, and the related communication system aims to make decisions understood by both market participants and the general public through a comprehensive range of communication tools. The CBS fully discloses the type and characteristics of its monetary policy instruments, eligibility criteria, the collateral framework for liquidity providing operations, and the related decision-making process. Finally, CBS's foreign exchange interventions (FXI) have also been activated in a transparent manner, including in the context of the mitigating policy measures implemented in response to the COVID-19 pandemic.

32. At this juncture, transparency gaps in monetary policy design and implementation do not call for urgent or imperative remedial actions in the short term. Capacity and financial market constraints pose understandable communication challenges for actual reliance on a fully-fledged inflation targeting monetary framework at this juncture of financial markets development and financial education. Discussions with stakeholders suggest that the transparency gaps identified

by the mission against the full range of practices of the CBT Code do not seem to present insuperable challenges for stakeholders. Yet, as soon as feasible, beneficial for stakeholders, and desirable to support monetary policy transmission, additional disclosures would help ensure a better alignment of CBS's *de facto* monetary policy framework with the *de jure* inflation targeting monetary regime reported by the authorities in the AREAER:

- Publication of a Monetary Policy Report,⁵ including a discussion of the forecast of key economic variables, as well as the risks to the baseline scenario (in a first stage), and of alternative scenarios and details of macroeconomic model (in a second phase).
- Disclosure of an explicit numerical medium-term inflation objective and of a numerical operational target (different from CBS policy rates).
- Frequent and timely disclosure of the activation of the standing facilities, as well as of the aggregate bank balances at the CBS and the realized autonomous factors.
- Disclosures of ex-post evaluations of the impact of FXI, as well as expanded discussion of FXI in the context of the quarterly press conference.

Foreign Exchange Reserve Management

33. The CBS has in place comprehensive transparency practices for most of its actions in the area of international reserves management. Through the Annual Report and Annual Reserves Management Report, the CBS is disclosing the broad investment objectives of its FX reserve management; and how oversight responsibilities are allocated among the various involved bodies (CBS Board of Directors, Investment Committee, CBS operational units including those involved in risk management). The CBS also discloses explanations backing the critical policy decisions taken over the course of the year as well as their rationale, in particular, in the context of the COVID-19 pandemic. It also discloses key elements of policy formulation, related risk exposures (most notably in the Notes to the audited financial statements), instruments, decision-making hierarchy, and the oversight allocation process.

34. The following additional disclosures would enhance even further an already high level of transparency: (i) periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions; disclosures of the risk exposures; (ii) disclosures of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets; and (iii) disclosures of stress tests specific to liquidity risk.

Financial Stability and Macprudential Policies

35. While the CBS has not yet developed its macroprudential policy, it has a defined framework for financial stability. The CBS discloses its financial stability objectives, strategy, and

⁵ The inaugural issue of CBS Monetary Policy Report was published on August 2, 2022, and, thus, was not included into the scope of the review.

instruments for achieving the objective of promoting a sound financial system. The CBS publishes the Financial Stability Report (FSR) annually, under the auspices of the Financial Stability Committee, that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles, including debt sustainability, resilience of the banking and non-bank financial sectors. Furthermore, the CBS chairs the FSC responsible for identifying and monitoring systemic risk surveillance and policy deliberation to mitigating systemic risk. The CBS is empowered to enforce macroprudential and financial stability measures by relying on its prudential regulation and supervision power. Public information on the activities of FSC is relatively limited, although a press release is issued following each FSC meeting. The CBS may consider publishing non-market sensitive information on the discussed items and outcomes, after consulting the other authorities involved.

36. The CBS publicly announces its financial stability policy decisions in a timely manner and discloses the decision-making process. It communicates financial stability policy decisions to the public through reports, press releases and statements on various media channels. Furthermore, the CBS discloses the underlying analysis that led to financial stability measures. During the pandemic, the CBS put in place several measures aimed at weathering the severe impact on the economy in close collaboration with the Ministry of Finance and other relevant authorities, as well as other stakeholders, such as the Seychelles Bankers Association. CBS's disclosure framework is timely, and channeled through regular press conferences, press releases and notes published on its website. While the CBS is active on various social media, it may consider devoting resources to promote its financial stability messages more broadly to the general public, and by promoting media education and using "plain language."

37. The CBS periodically discloses its comprehensive assessment of risks to financial stability, although enhanced transparency on financial stability data and ex-post evaluation would be desirable. The CBS publishes on a regular basis information on its comprehensive assessments of financial vulnerabilities and is transparent on the methods to address systemic risk. It discloses the tools and methods to identify vulnerabilities. While the stress testing assumptions and scenarios, defined in general terms, are publicly available, the CBS may consider publishing details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon, and more granular data set used to run stress tests to the extent such a disclosure is compatible with CBS data confidentiality. Furthermore, it may consider enhancing its transparency practice by undertaking and publishing analytical studies covering ex-post evaluations of whether the implemented measures have achieved the intended effects.

Emergency Liquidity Assistance

38. While the CBS provides detailed information on market-wide emergency liquidity assistance, it may consider enhancing its transparency practice of bilateral ELA. The CBS publishes the scope, objective, and tools for market-wide liquidity support. It also discloses the intention of market-wide liquidity support to maintaining market functioning by providing liquidity to households and businesses. However, the CBS may consider disclosing the ELA framework for bilateral financial institutions, including objectives, general rules, and parameters. The general rules and applicable parameters should include institutional eligibility such as the entities that are eligible

for liquidity support. Furthermore, it may disclose the financial parameters, including the applied interest rate, eligible collateral, and maturity.

Financial Integrity

39. The CBS was designated as the AML/CFT supervisor for entities under its regulatory ambit when the AML/CFT Act was enacted in 2020. Its related policies and powers are disclosed, and all relevant legislations, regulations, guidelines, notices/circulars, and directives are available in a dedicated page of CBS website. However, information about the CBS's risk-approach to off-site and on-site AML/CFT supervision (approved by CBS Board in August 2021) as well as the allocated human and technical resources are not disclosed. Given the relatively recent transfer of AML/CFT supervisory responsibility to the CBS (from the Financial Intelligence Unit), as of now no sanctions have been imposed under the AML/CFT Act of 2020. The constitution of the Appeals Board should be prioritized, since its absence prevents the CBS from imposing the range of sanctions available for AML/CFT violations.

40. The AMLCFTCPF (Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing) Policy of 2020 is publicly available and establishes the responsibility of CBS in terms of internal control measures. It provides for procedures and methodologies for assessing risks, performing due diligence, record keeping and reporting of suspicious/unusual transactions, among others. CBS's Compliance Unit implements the 2020 MLCFTCPF Policy and is responsible for submitting reports to the Audit and Review Committee on the status and progress of policy implementation. General information on the implementation of the internal AML/CFT control activities is provided in CBS annual report (e.g., discussion of amendments, staff awareness-raising sessions, and due diligence screening). The authorities are encouraged to disclose further information on the implementation of its AMLCFTCPF Policy covering relevant internal activities.

Consumer Protection

41. Consumer Protection function at the CBS has been significantly expanded with the newly enacted Financial Consumer Protection Act, that came into effect in May 2022. This new law is the result of an interinstitutional effort made by the CBS and the FSA as the main authorities responsible for implementing the new law. The CBS had a limited function monitoring fair treatment and business conduct of financial institutions under its supervisory scope. A claims system was developed, since 2016, and the outcome of this grievance mechanism has been consistently disclosed in the financial surveillance reports and the annual report. There is also a tab on the website to easily access the claims system. The challenge with the new FCPA will be to disseminate broadly the claims system and the consumer surveillance system. The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; continuous disclosure regarding financial education surveys could be beneficial to enhance transparency.⁴

⁴ The CBS conducted the [financial literacy baseline survey](#) in 2016 and may consider repeating this exercise in the near future.

C. Pillar V. Transparency in Official Relations

42. Relations with the Government are disclosed and transparent, and the CBS has made efforts to disclose and disseminate financial transactions with the government in a clear and accessible manner. The CBS Act contains a clear mechanism for the establishment of the terms and conditions of the central bank's functions with respect to the government. The CBS also discloses detailed terms and conditions of the central bank's functions and policies with respect to the government as contained in the Memorandum of Understanding (MoU) with the Ministry of Finance. Disclosure is done consistently on the website where there is a tab dedicated to financial transactions with the government. CBS annual reports and press releases are other tools used to disclose policies and terms and conditions with the Government. During the COVID-19 pandemic, live press conferences were established to explain to the public remediate and urgent measures that were taken by the CBS regarding credit to the government.

43. There is room to disclose further international cooperation arrangements, mostly in CBS institutional website as a permanent and consistent practice. The CBS Act contains clear provisions regarding interaction and cooperation between the CBS and foreign institutions, including transactions with other central banks. The CBS describes such interactions in the annual report and explains instruments used in financial transactions with foreign agencies. Actions regarding international cooperation and exchange of information, engagements with international institutions and financial transactions with other central banks are also disclosed in press releases, as a regular transparency practice. Not all the agreements with foreign entities are disclosed, so disclosure of agreements is done on a case-by-case basis. Further disclosure and publication of international agreements, if possible, and in accordance with their counterparts would improve transparency practices.

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

The Central Bank of Seychelles expresses gratitude to the International Monetary Fund for the opportunity to participate in the pilot review of the Central Bank Transparency Code. The CBS appreciates the Mission that occurred between the June 13 and July 5, 2022. The CBS thanks stakeholders who willingly participated in the mission. The review of the CBS practices compared to best practices outlined in the CBTC will aid the CBS in strengthening its transparency and accountability practices.

The Mission noted that *"the transparency of the legal framework and governance arrangements could benefit from the consolidate of legal instruments in a unified section of the website as well as an explanation in plain language of the relation between the CBS's statutory functions and its objectives"*. The CBS intends to unify all legal instruments on the CBS website and provide a clear explanation of same. The Mission noted that the CBS transparency could be boosted by *"public publication on the website of charters of the Board and other key committees, selection criteria and procedure of board*

members, as well as remunerations of key officials". The CBS intends to publish the Board and Board subcommittee charters and the remuneration policy for Board members.

In terms of financial autonomy, the Mission highlighted that *"transparency on the CBS's financial autonomy would benefit from disclosures in layman's terms of the concept and rationale for its financial autonomy, key related safeguards observed by the CBS as well as how they correspond to the relevant provisions in the CBS Act and central bank's operations."* The CBS will consider including a section on the website explaining the different aspects of its financial autonomy such as the legal provisions, governance, capital structure and profit distribution.

The Mission noted that *"transparency on risk management and accountability mechanisms (governance and oversight, external and internal audit mechanism) could be enhanced by revising the concept of the corporate section in the CBS annual report to give more prominence to oversight and accountability, complemented by additional disclosures on the CBS website."* The CBS intends to revise its corporate section in the CBS annual report to include all the points raised by the Mission.

In terms of human capital management, the Mission noted that *"consideration should be given to including in the annual report and/or website additional information on human capital management, including the staff salary scale, salaries of key officials, etc."* The CBS shall endeavor to disclose statistical information on its human capital management through the CBS website, intranet or CBS Annual Report.

The Mission highlighted that the *"CBS could consider to publicly disclose the Code of Conduct and Ethics, a Code of Ethical Businesses for stakeholders that engage with the CBS"*. The CBS shall endeavor to publish its Code of Ethics within the coming year.

In terms of the confidentiality provisions the Mission noted that *"transparency of the rules and regulations, voluntary policies or guidelines could be enhanced with regards to the confidentiality provisions of the CBS"* The CBS shall endeavor to develop a confidentiality policy taking into account the Data Classification policy and its obligations under the Access to Information Act 2018.

The Mission highlighted that *"the CBS may gradually progress with enhancing further transparency of its monetary policy and FX operations framework to support monetary policy transmission strengthen dialogue with the stakeholders"* The CBS will enhance the relevant documentations/publications to improve its transparency.

In terms of financial stability, that the Mission noted that CBS's *"transparency and accessibility of information on financial stability might be further improved"* The CBS will revamp the relevant documents and discuss ways to facilitate the disclosure of Financial Stability Committee activities.

The Mission highlighted that *"the CBS could consider enhancing disclosure of the bilateral Emergency Lending Assistance framework for the financial institutions"*. The CBS shall make the ELA guidelines public.

In terms of transparency relating to Anti Money Laundering/Countering the Finance of Terrorism, the Mission noted that the *“transparency of AML/CFT regulations could be enhanced by encouraging disclosure of the risk-based supervisory activities and internal AML/CFT activities”* and the CBS shall publish and enhance its transparency by publication of the policies and statistical information on the examinations conducted.

The Mission’s report provided recommendations on the pillars of the CBTC and a roadmap for each of the recommendations can be found in Annex II. These actions are classified under (i) “Immediate implementation”; and (ii) “Implementation in short-term period”. In the first category, it corresponds to gathering and properly ordering existing information and including official documents and other publications to be published and disseminated through the website in the corresponding menu. In the second category, the recommendations will be addressed in accordance with the necessary time to make analysis for the suggested improvements.

Table 2. Seychelles: CBT Review—Detailed Review Report for Central Bank of Seychelles

Central Bank Transparency Code—Detailed Review

Central Bank of Seychelles

Pillar I—Central Bank Governance

Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Key legal instruments governing the establishment and operation of the Central Bank of Seychelles are published on the website of the CBS. The Central Bank of Seychelles Act of 2004 which contains most of the relevant provisions regarding the CBS's legal framework, legal nature and legal protection, is maintained in the updated and consolidated form and can be freely accessed and downloaded.</p> <p>The CBS has also published an overview of its historic evolution. The overview shortly describes significant improvements over the previous arrangement, which enhanced CBS's autonomy and provided clear definition of the CBS objectives.</p> <p>Legal Framework:</p> <p>The publications available at the website include primary legislation adopted by the National Assembly, as well as many regulations adopted by the CBS. The consolidated version of the Act is available on the website. The legal unit of CBS monitors amendments published in the official Gazette and incorporates those manually into the consolidated text following the publication</p> <p>Section 4 of the Act sets out the objectives of the CBS, whereas Section 4A refers to functions in broad terms. The statement is limited to general reference to other provisions of the Act "and such other functions as may be given to it by any other written law." The CBS website also contains such "other written laws."</p> <p>Legal Nature:</p> <p>The CBS is the "body corporate" (sec. 3.1) and the shareholder of 100 percent of stock is the Government of Seychelles (sec. 14.2). The stock of the CBS is protected from transfer to third parties or any encumbrance. The Act stipulates that the CBS shall have a perpetual succession and provides transitional provisions which ensure continuity in all aspects of operations from the predecessor of the current CBS. The CBS has the power to act independently, however, no list of specific powers is contained in the law. Rather, the Act attributes general power to act in performance of its functions deriving from the mandate of the CBS. Specific chapters of the Act are more detailed in relation to powers.</p> <p>Additionally, the Act empowers the Governor to "act, contract and sign instruments and documents on behalf of the Bank and to delegate such powers to other employees of the Bank" subject to the regulations, rules or decisions issued by the Board.</p> <p>Legal Protection:</p> <p>The Act does not contain any reference to hierarchy of norms within the remit of the CBS activities, neither a general reference to the scope of judicial review of its decisions. However, a specific clause related to the certificate on validity of notes and coins (sec. 22) specifies, that even the courts cannot overturn such a certificate issued by the CBS</p>

	<p>employee. Additionally, the Financial Institutions Act, section 68 states, that the CBS “acts, directions, orders, determinations or decisions” under the mentioned act shall be subject to judicial review.</p> <p>Certain decisions envisaged by the Financial Institutions Act, retain supremacy over other laws.</p>
Review	<p><i>Core</i></p> <p>The legal framework governing the CBS and its legal nature is disclosed. The laws and several pieces of secondary legislation is accessible via the CBS website. The legal provisions pertaining to certain components of legal protection are also disclosed in the published legal document.</p> <p>Legal Framework: The Act does not refer to the source of the CBS objectives and powers. The legal framework disclosed by the CBS is not clear on which law prevails in the event that the provisions of the Act conflict with other laws. The CBS discloses some key regulations and guidelines adopted in relation to the regulated entities.</p> <p>Legal Nature: Legal Nature of CBS is disclosed in the Act along with its ownership. The Act disclosed by CBS establishes its general legal capacity to act and to some extent—available legal instruments. Certain powers and legal instruments are also disclosed in other relevant laws assigning and regulating various functions of the CBS.</p> <p>Legal Protection: The Act is published and accessible, it is not clear on the extent of judicial review of CBS activities or the enforceability of pre-judgment attachment in relation to the CBS.</p>
Comments	<p>Various sections of the website, as well as Board Secretary’s Report, and the overview of the Role of Central Bank of Seychelles refer to some components of the legal framework, but do not provide any detailed description or rationale for those.</p> <p>The publication of binding legal documents or non-binding guidelines or recommendations is not centralized as various structural divisions publish guidelines or regulations of their respective fields in relevant sections of the CBS website, without legal unit being aware of those. The CBS occasionally communicates to the market the drafts of new regulations and guidelines, those are not disclosed publicly, or easily accessible and feedback mechanism is not clear.</p> <p>In relation to the prevalence of CBS Act over other laws, the CBS clarified that the general legal principle of <i>lex specialist derogate legi generalis</i> would apply to cases of conflict between provisions of the Act and those of other Laws, however, this is not clearly communicated to the public.</p> <p>Transparency could be further enhanced by providing detailed explanation on CBS legal framework, its legal nature and legal protection on the CBS website. The lack of transparency on important components of the conflict of laws, judicial review and pre-judgment attachment can be eliminated by introducing respective provisions to the Act.</p> <p>Ensuring that relevant laws, secondary legislation, regulations and guidelines are available under the unified section (with links to such unified legislation section from other relevant sections) of the website, as well as consistency (all the texts are updated and consolidated) and accessibility (readability and text-related functions) of the texts of the document would contribute to enhanced transparency. The new draft regulations</p>

	and guidelines can also be made available on the website, along with the mechanism to receive input from stakeholders and providing feedback on the input in transparent manner.
Principle 1.2.	Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.
Description	<p>The Mandate of the CBS is set out in the Act, which lists the objectives, functions—to certain extent, and the legal powers available to the CBS to implement its objectives. The Mission statement, along with the vision and the objective of the CBS is available on the CBS webpage, under the “About us” section. A two-page overview of the mandate—“The Role of the Central Bank of Seychelles” is published in the consumer education section of the website.</p> <p>Objectives:</p> <p>The objectives are disclosed in the form of primary legislation—the Act—available on the webpage, as well as in a separate section of the same webpage. In both sources, the primary objective is identified and clearly understandable.</p> <p>Functions:</p> <p>The high-level statement on the functions of the CBS is laid out in section 4A and in specific chapters of the Act. Other relevant legal instruments specifying other functions of the CBS are available on the website. Notably there is no list of functions in the CBS law and the reference to the functions that “may be given...by any other written law” establishes the open-ended possibility to add further areas of activities to the list of CBS functions.</p> <p>Powers:</p> <p>The Board is the body of the CBS “in which all the powers of the Bank shall be vested”. The CBS may carry out actions that are incidental to or consequential to its duties under this Act. Such general authority is balanced by the list of prohibited activities, which is also disclosed in the published Act. Similar to the functions of CBS, the specific powers to exercise those functions are scattered around respective provisions of the Act as well as other respective laws. Private and public law powers of the CBS are also briefly mentioned in the latest Board Secretary Report of 2019.</p>
Review	<p><i>Core</i></p> <p>The publicity of objectives and functions are disclosed and discussed in detail in various sections of the website, however, neither the disclosed law, nor the website provide clear mapping of functions and powers in relation to the objectives of the CBS.</p> <p>Objectives: The Act contains the set of CBS objectives along with establishing hierarchy between those. No legal foundations of the objectives are disclosed on the website.</p> <p>Functions: The Act does not detail how the various functions are derived from the objectives of CBS. Additional functions attributed by separate laws are set out in the respective legislative instruments without reference to the CBS objectives.</p> <p>Powers: The public and private law powers of the CBS are scattered around various chapters of the CBS Act and other relevant laws, which attribute additional functions to the CBS, thereby ensuring the transparent link with respective function. The prohibitions</p>

	on certain activities are also publicly disclosed in the Act. The act clearly refers to ancillary powers and the scope thereof.
Comments	<p>The laws and website fail to provide clear linkages between the objectives and functions. This is further amplified by additional powers being assigned to the CBS by the executive branch without clear connection with the objectives. To enhance transparency on mandate of the CBS, clear explanation on relation between objectives, functions and powers may need to be disclosed.</p> <p>Greater transparency on the mission statement is linked with the objectives could be achieved by disclosing on the website how the mission and vision are related to the mandate and the Act that govern the activities of the CBS.</p>
Principle 1.3.	Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.
Principle 1.3.1.	Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank’s autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, a central bank’s governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.
Description	The Act, available on CBS webpage, clearly declares CBS autonomy at the very beginning of the Act by stating that the CBS “shall, in discharging its functions, act independently.” The Board and the employees are prohibited from seeking or receiving instructions from or being influenced by any person other than the Bank, and any third parties are prohibited from trying to influence the CBS in its activities. In relation to the activities of the Board where the Attorney General serves as the ex-officio member, the Act is very clear that such a position does not possess voting rights.
Review	<p><i>Expanded</i></p> <p>The CBS Act published on the webpage states the obligation to act independently and transparently, and unequivocally prohibits the officials and the staff of the CBS from seeking the instructions from any person outside of the CBS. The Act clearly sets out which members of the Board are prohibited from voting. The role and scope of the Auditor General in relation to CBS accounts and financial statements is clearly disclosed in the law.</p>
Comments	The Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the limitation on the scope of the review.
Principle 1.3.2.	Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	The Board of Directors is responsible “for the policy and affairs” of the CBS. The Act requires the CBS and the Government to consult each other on all matters that may

	<p>affect the discharge of their respective functions. Such consultations are required to be conducted without prejudice to any other provision of the Act.</p> <p>The Act conspicuously states that the foreign exchange rate regime to be adopted by the CBS is decided in consultation with the President, therefore clearly stating that certain aspects of its are somewhat dependent on external stakeholders.</p>
Review	<p><i>Expanded</i></p> <p>The requirement to act independently and not to be influenced by third parties while performing its activities is clearly disclosed in the Act. The high-level mechanism for establishment of the foreign exchange regime is disclosed in the law. The procedure for determination of the monetary policy goal is disclosed on the CBS website.</p>
Comments	<p>In relation to consultations and foreign exchange regime, the procedure of consultation and the mechanism for resolution of differences, if any, should be clearly disclosed.</p> <p>Several functions of the CBS are delegated to it by the decisions of the President and the Minister of Finance (see Principle 1.2. "Functions"). the legislation and the website are silent on the scope and/or limitations attached to the power of the executive branch to delegate functions and powers to the CBS.</p>
Principle 1.3.3.	<p>Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.</p>
Description	<p>The Act is clear on the composition, the appointment (to be differentiated from the selection criteria and procedure), incompatibility, and dismissal criteria as well as term of service of the Board members. The terms and conditions of appointment are not published on CBS website. The Act is also silent on the matter of decreasing the remuneration of the Governor, Deputy Governor, and the Board Members.</p> <p>The law includes provision protecting Board members and the employees from financial liability in relation to third parties for the acts or omissions done in good faith in the discharge their responsibilities. The Act is, however, silent on the matter of recovery of indemnified costs, losses and/or expenses from such employees, neither is the matter clarified by the CBS on the website. Additionally, only the Supreme Court may order the CBS or its employees to disclose confidential information obtained while exercising supervisory function.</p>
Review	<p><i>Core</i></p> <p>Duration of the term of office of the Board members is disclosed in the Act. The procedure of appointment, along with the responsible bodies, as well as eligibility and dismissal criteria of the Board members, are also spelled out in the legislative document.</p>
Comments	<p>Transparency on personal autonomy could be enhanced by disclosing on the website the selection procedure as well as the eligible professional experience (e.g., number of years, level of position, etc.) along with the approval and publication of the Board Remuneration Policy. The disclosure of protection from decreasing the remuneration</p>

	could also serve the objective of greater transparency on personal autonomy. The disclosure on application of legal protection of the former Board members and former employees may also benefit overall transparency.
Principle 1.3.4.	Financial Autonomy: The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.
Description	<p>The financial autonomy of the CBS is enshrined in the CBS Act:</p> <ul style="list-style-type: none"> • According to Section 3 of the CBS Act, the CBS is established as a body corporate that shall discharge its duties free from outside interference. • Provisions on the CBS's financial resources to fulfill its mandate, including capital, general and revaluation reserves (for unrealized revaluation gains), profit calculation and distribution mechanism, as well as recapitalization are stipulated in Sections 14-16 and 45 of the CBS Act. • Monetary financing of the government is allowed under Section 40 of the CBS Act and is limited to a percentage of the government's previous year's ordinary revenue set by the Ministry for Finance and published in the Gazette. The CBS may, subject to approval by the President, grant a temporary waiver to this limit. Advances that are not repaid within six months shall be converted into government securities at market rates as determined by CBS. The CBS may also grant temporary advances in the event of force majeure at lower interest rates and for a longer period, as provided in Section 40A of the CBS Act. Purchases of government securities and securities guaranteed by the Government are also regulated in Sections 41, 43, and 44. Section 44 includes a general prohibition of other means of credit to government that are not explicitly allowed under the CBS Act. • The CBS prepares its own annual budget, which is adopted by the Board by December 15 of the previous year, as stipulated in Section 45 of the CBS Act. The CBS's budget is not published on the CBS website or in its reports. • The CBS financial statements shall be prepared in accordance with an internationally recognized financial reporting framework, audited by the Auditor General, submitted to the president, and published within three months after the end of the fiscal year (Sections 45 and 47 of the CBS Act). In practice, the financial reporting framework applied by the CBS are the International Financial Reporting Standards, as clarified in Note 3.1 of the CBS financial statements. <p>The CBS also publishes in the Gazette and on its website (https://www.cbs.sc/Publications/CBSBalanceSheet.html) its monthly balance sheet, as stipulated in Section 45 of the CBS Act.</p>
Review	<p><i>Expanded</i></p> <p>The CBS financial arrangements are regulated in the CBS Act and disclosed in notes to the financial statements which are published on the CBS's website and include the</p>

	<p>opinion of the Auditor General (https://www.cbs.sc/Publications/FinancialStatements.html).</p> <p>The CBS website and other publications do not explain the rationale for the central bank's financial autonomy, key provisions in the CBS Act that underpin this autonomy, and the related decisions of the Board (e.g., on credit to government).</p> <p>Also, the CBS administrative and operating budget is not published, i.e., there is no information made publicly available pertaining to budgetary allocations.</p>
Comments	<p>Transparency could be enhanced by:</p> <ul style="list-style-type: none"> • <i>Explaining to the public the concept of the CBS's financial autonomy.</i> The purpose of this would be to conceptualize to the public the concept of autonomy and to explain how it is implemented in practice. The CBS could explain in its annual report and, in more detail, on the CBS website the concept of central bank's financial autonomy including the rationale, the related legal provisions, and implementation of the concept of financial autonomy in practice. The latter could include explanation of CBS's actions to safeguard its autonomy and, in that context, references to related resolutions (e.g., links to resolutions on provision of credit to the government). • <i>Publishing the CBS annual budget.</i> The purpose would be to explain, e.g., in the annual report, the budget process, the approved and executed budgets, and key determinants of the budget. The budget should include: (i) staff costs; (ii) remuneration of key management personnel; (iii) investments in fixed assets; (iv) administrative expenses; and (v) other operating expenses. <p>The abovementioned information can easily be included on the CBS website. However, incorporating it (at a high level) in the annual report would also be beneficial. This would require revisiting the concept of the annual report which currently focuses primarily on past year's economic developments. While it also provides an overview of CBS's key activities (Section 6), it does so at the level of CBS organizational units and committees—not at the level of the CBS as would be expected from a corporate annual report. Thus, the CBS would need to first revisit the structure of the annual report before incorporating the abovementioned information. Revisiting the concept of the annual report is also recommended to address observations under principle 1.5 (Risk Management) and principle 1.6 (Accountability Framework).</p>
Principle 1.4.	Decision-making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	<p>The Board is the main decision-making structure referred to in the Act. It has broad powers and is responsible for the policy and affairs of the CBS. The law is not clear on the oversight function; however, the Governance of the Central Bank chapter of the CBS website underlines the oversight function of the Board. In the law, the separate section is devoted to the Board authority of establishment of committees, with such terms of reference, as the Board may see fit. The procedures for convening meetings, quorum, voting rights and casting vote are transparently set out in the Act. The law clarifies that the Attorney General, ex-officio represented on the Board does not have voting powers.</p>

	<p>The organizational structure of the CBS is disclosed on the website in the form of an Organizational Chart. The organizational chart lays out the list of structural units and divisions of the CBS, their reporting lines and the key committees of CBS. The website also contains high-level descriptions of the structural divisions and units of the CBS, however no links to the legal instruments establishing them is provided.</p> <p>The Act clearly designated the Governor as the CEO of the CBS, responsible for the execution of the Board-approved policies and the day-to-day management of the Bank. The Governor’s power to act on behalf of the CBS is also clearly stipulated, along with the authority to delegate parts of her/his functions to other employees of the CBS. At the same time, the Act assigns the responsibility for the “affairs” of the Bank to the Board of Directors. The two deputy governors act under authorities delegated by the Governor. The instrument establishing such a delegation is not disclosed.</p> <p>The CVs/biographies of the Board members are published on CBS website.</p>
Review	<p><i>Core</i></p> <p>The organizational structure of the CBS, the description of responsibilities of structural sub-divisions is published on the website. The composition of the Board of Directors and the Monetary Policy Technical Committee (MPTC) is disclosed. The high-level description of the composition, functions and decision-making procedure of the MPTC is available on the website. The charters of the decision-making bodies as well as by-laws establishing functions and responsibilities of the structural sub-divisions are not publicized.</p>
Comments	<p>The allocation of the responsibilities between the Governor and the Board is not clearly spelled out in the Act, neither is further clarification or explanation provided on the CBS website. The transparency of governance arrangements would benefit greatly from the publication of such information.</p> <p>Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>
Principle 1.5.	Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Principle 1.5.1.	Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	<p>The CBS Act sets out the main financial operations that drive the CBS’s exposure to financial risks:</p> <ul style="list-style-type: none"> • Sections 25 and 27 mandate the CBS to: (i) hold official foreign reserves at a level it considers necessary for the fulfillment of its objectives; (ii) invest them in internationally recognized foreign reserve assets taking into account risk levels it considers acceptable and consistent with objectives on security, liquidity, and return; and (iii) conduct other related operations.

	<ul style="list-style-type: none"> • Section 29 mandates the CBS to: (i) open accounts for and accept deposits from banks and other financial institutions; (ii) provide loans, advances, and rediscounts to resident banks and other financial institutions for periods up to 180 days; and (iii) provide, in case of force majeure, loans, advances, and rediscounts to resident banks and other financial institutions for periods of up to eight years. • Sections 40 and 40A allow the CBS to provide temporary advances to the government, subject to certain restrictions and circumstances (i.e., force majeure). • Sections 34, 36, and 44 mandate the CBS to: (i) open accounts for and accept deposits from the government, official aid agencies, and international organizations; (ii) undertake, on behalf of the government, issuance of government securities; (iii) undertake transactions and other such responsibilities related to the government's participation in international organizations; and (iv) provide banking services for the benefit of foreign governments, central banks and monetary authorities, and international organizations. • Section 46 of the CBS Act requires the CBS to establish and maintain proper risk management procedures and practices, and to report at least quarterly to the CBS Board on risk management. <p>Note 42 of the CBS FY 2021 Financial Statements: https://www.cbs.sc/Downloads/publications/Financial%20Statements%202021.pdf provides disclosures on the CBS's exposures to:</p> <ul style="list-style-type: none"> • <i>Financial risks</i> from foreign reserves as well as domestic market operations, such as the Private Sector Relief Credit Loan Facility. Exposures are quantified (by carrying amounts) and broken down by type of instrument, maturity, currency of denomination, credit rating, accounting treatment, geographical sectors etc. There is also a basic description of calculation of Expected Credit Losses and risk strategies for managing risks from specific operations. • <i>Operational risks</i>. Exposure to operational risks is not elaborate in detail, nor quantified. <p>Section 6 of the CBS 2021 Annual Report: https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf includes some information on developments on risks at the CBS during 2021. However, information is scattered among various subsections and does not provide a comprehensive birds-eye view of the CBS's overall risk profile, and mapping of key risks to the CBS's objectives.</p>
Review	<p><i>Expanded</i></p> <p>The CBS FY 2021 financial statements contain comprehensive disclosures on financial risks from foreign reserves and domestic market operations, and the annual report an overview of key activities related to risks in the CBS's organizational units.</p> <p>However, information on risks is scattered among several subsections of the annual report related to the CBS's organizational units and committees, instead of being presented in a consolidated manner at the institutional level in a dedicated subsection of the report. As such, the annual report does not provide: (i) clear high-level overview</p>

	of the CBS's key risks; (ii) explanation or mapping of risks against the CBS's mandate or objectives; (iii) a brief risk statement; and (iv) developments related to key risks.
Comments	<p>The CBS discloses a lot of information on its risk exposures that include foreign reserves as well as domestic market operations. However, transparency could be enhanced by revisiting the concept of the annual report, as suggested in comments under principle 1.3.4, and including in the report a dedicated subsection on risk management that should provide: (i) a high-level overview of the CBS's key risks (financial and non-financial); (ii) an explanation or mapping of these against the CBS's mandate or objectives; (iii) a short risks statement; and (iv) key developments in these risks. Presenting this information in a dedicated subsection would also allow for a clearer picture of the relative importance of sources of CBS's risks.</p> <p>Also, in its financial statements the CBS quantifies financial risks in terms of carrying values and Expected Credit Losses. It could also consider calculating and disclosing in the annual report and/or financial statements Value at Risk and Expected Shortfall figures (a short note on the methodology would need to be included in the annual report or the financial statements). This should also help stakeholders to understand the importance of CBS's financial buffers (capital, general reserves, retained earnings, revaluation accounts etc.).</p>
Principle 1.5.2.	Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.
Description	<p>Section 46 of the CBS Act requires the CBS to establish and maintain proper risk management procedures and practices, and to report at least quarterly to the CBS Board on risk management.</p> <p>Section 6 of the CBS 2021 Annual Report: (https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf) provides a high level overview of the CBS's decentralized risk management function performed in several organizational units (e.g., the Risk Management Unit and the Financial and Risk Analysis Section in the Financial Markets Department) and committees (e.g., Audit and Risk Committee, Risk Management Committee, Investment Committee, and Monetary Policy Technical Committee), and key developments during 2021. However, information is scattered among various subsections in Section 6.</p> <p>The CBS website provides further details on the CBS risk governance and the risk management process:</p> <ul style="list-style-type: none"> • A description of the role of the CBS's risk management function (https://www.cbs.sc/Aboutus/RiskManagement.html), with links to • The CBS Risk Management Framework, Policy, and Guidelines Document (https://www.cbs.sc/Downloads/ERM%20Framework%20Introductory%20Docu ment%20-%20November%202021.pdf); • The CBS Risk Management Policy (https://www.cbs.sc/Downloads/Risk%20Management%20Policy%20-%20November%202021.pdf); and

	<ul style="list-style-type: none"> The CBS Risk Appetite and Tolerance Statement (https://www.cbs.sc/Downloads/Risk%20Appetite%20and%20Tolerance%20Statement%20-%20November%202021.pdf)
Review	<i>Expanded</i>
Comments	The CBS's disclosures on the risk framework are quite comprehensive. Transparency, nonetheless, could be enhanced by revisiting the structure of the annual report, as mentioned in comments under principles 1.3.4 and 1.5.1, and including in it a subsection dedicated to risk management that would (in addition to items mentioned under 1.5.1) provide: (i) a high-level overview of risk governance; (ii) the process of continuous identification and evaluation of risks (financial, operational, and legal); (iii) risk strategies (risk avoidance, mitigation, and transfer) in key areas; and (iv) key tools and internal controls for managing operational risks. Presenting this information in a dedicated subsection would also force prioritization and consistency in the level of detail provided with respect to developments in key risks and related risk strategies at the CBS.
Principle 1.6.	Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Principle 1.6.1.	Arrangements: Accountability arrangements are clearly identified, including (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p>Independently Audited Financial Statements and the Annual Report:</p> <p>The CBS Act includes provisions on the preparation and publication of the annual report and financial statements. It requires CBS to publish its annual report and audited financial statements within three months after the fiscal year-end. It also requires the financial statements to be prepared in accordance with an internationally recognized financial reporting framework (Section 45). In practice, CBS has chosen international Financial Reporting Standards as its financial reporting framework, as clarified in Note 3.1 to the CBS financial statements.</p> <p>The CBS Act assigns responsibility to audit the CBS financial statements to the Auditor General (Section 47). In practice, the Auditor General appoints an external audit firm to assist him with auditing CBS in accordance with International Standards on Auditing, as explained in the Auditor General's audit opinion. However, the Auditor General and the CBS do not publish information with respect to their arrangement on the appointment of the external audit firm.</p> <p>Internal Audit:</p> <p>Section 46 of the CBS Act provides for an internal audit division charged with periodic audit of the CBS, audits of monthly financial statements, and quarterly reporting to the Board on observations related to the CBS's accounts and records, budgetary and accounting procedures, risk management and other controls, and efficiency and effectiveness of the CBS's operations. While the CBS website and the 2021 annual report also mention that the function is governed by an Internal Audit Charter and that it reports functionally to the Audit and Risk Committee, the rules on the appointment and</p>

	<p>dismissal, term of appointment, and eligibility criteria for the head of internal audit are not mentioned.</p> <p>Audit and Risk Committee:</p> <p>The CBS Act does not explicitly assign to the Board the responsibility for overseeing the internal and external audit, internal controls and risk management, and the CBS's system of financial reporting; nor does it provide for an audit committee. Nonetheless, the 2021 annual report clarifies that the Board does perform this role and has established an Audit and Risk Committee comprising three non-executive Board members for that purpose. The existence of the Audit and Risk Committee is also acknowledged in the CBS's organizational chart that is published on the CBS's website (https://www.cbs.sc/Aboutus/Organisation.html), and in short bios of non-executive Board members (https://www.cbs.sc/Aboutus/BoardMembers.html).</p> <p>The CBS used to disclose additional information on the above in the Board Secretary Report; however, this report has only been published for 2018 and 2019 (https://www.cbs.sc/Publications/BoardSecretaryPub.html).</p>
Review	<p><i>Expanded</i></p> <p>Independently Audited Financial Statements and Annual Report:</p> <p>The CBS Act contains provisions for the preparation and publication of the CBS annual report and financial statements. However, the arrangement on the appointment of audit firms that assist the Auditor General with audits of the CBS financial statements are not published.</p> <p>Internal Audit:</p> <p>The CBS Act clearly establishes the roles and duties of an internal audit function. However, it does not provide for a reporting line to the Board Audit and Risk Committee (which is explained in the 2021 annual report and clarified on the CBS website), nor for explicit criteria on the appointment, dismissal, and eligibility criteria for the head of internal audit. These rules are provided in a Board-approved Internal Audit Charter, which is not published.</p> <p>Audit and Risk Committee:</p> <p>The CBS Act does not explicitly provide for the Board's oversight role nor for an audit committee. The Board, however, does perform this role and has established the Audit and Risk Committee through a charter that states the committee's responsibilities along with a reporting mechanism to the Board. This is acknowledged in the 2021 annual report on the and is evident from the organizational charter on the CBS website. However, the charter of the Audit and Risk Committee is not published, nor is there a section on the CBS website dedicated to the Audit and Risk Committee as a subcommittee of the Board.</p>
Comments	<p>Independently Audited Financial Statements and Annual Report:</p> <p>Transparency could be improved by disclosing on the CBS website the arrangement between the CBS and the Auditor General on the appointment of audit firms that conduct audits of the CBS financial statements on the Auditor General's behalf.</p> <p>Internal Audit:</p> <p>Transparency could be improved by: (i) disclosing on the CBS website a short summary</p>

	<p>of rules on the appointment and dismissal of the head of internal audit; and/or (ii) publishing the Internal Audit Charter.</p> <p>Audit and Risk Committee:</p> <p>Transparency could be improved by: (i) explaining the role of the Audit and Risk Committee on the CBS website; and by (ii) publishing the Audit and Risk Committee charter.</p> <p>Finally, the Board’s oversight role as well as the role of the Audit and Risk Committee could feature more prominently in the CBS annual report, together with other assurance providers, once the concept of the annual report is revisited, as already suggested in comments under principles 1.3.4, 1.5.1, and 1.5.2. The Board Secretary Report published in 2018 and 2019 could provide a good basis for the corporate section of the CBS annual report.</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank’s financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <ul style="list-style-type: none"> • Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.
Description	<p>Independently Audited Financial Statements and Annual Report:</p> <p>The CBS FY 2021 financial statements have all key transparency features: (i) they were prepared in accordance with International Financial Reporting Standards; (ii) audited in accordance with International Standards on Auditing; (iii) finalized and published within the three months statutory deadline specified in Section 47 of the CBS; and (iv) provide broadly adequate disclosures on key core and non-core financial operations of the CBS.</p> <p>The 2021 annual report provides additional information on operations conducted by the CBS during 2021, such as operations performed with and on behalf of the government and other key third parties and stakeholders.</p> <p>Internal Audit:</p> <p>The role of the CBS’s internal audit function is specified in Section 46 of the CBS Act and the CBS website. The 2021 annual report also includes a short summary of the function’s activities during the fiscal year, states conformance with International Standards for the Professional Practice of Internal Audit and clarifies that an External Quality Assessment is undertaken every five years (without disclosing the overall opinion of the last such assessment).</p> <p>Audit and Risk Committee:</p> <p>The 2021 annual report includes: (i) a short summary of the committee’s role; (ii) its composition; (iii) key activities related to internal and external audit, financial reporting,</p>

	risk management and other internal controls; and (iii) number of meetings held during the year.
Review	<p><i>Expanded</i></p> <p>Independently Audited Financial Statements and Annual Report:</p> <p>The FY 2021 financial statements are comprehensive, and Annex I to the 2021 annual report provides a high-level overview of the use of the CBS's financial resources and key activities which the public may find useful when assessing the CBS's financial performance.</p> <p>Internal Audit:</p> <p>The role of the internal audit function is explained on the CBS website and its activities further detailed in the 2021 annual report, although without disclosing the basis for the audit methodology, and the result of the last External Quality Assessment.</p> <p>Audit and Risk Committee:</p> <p>Key information on the Audit and Risk Committee is included in the 2021 annual report but could be featured more prominently given the committee's role in assisting the Board with independent oversight over CBS. The committee's annual report is not published.</p>
Comments	<p>Independently Audited Financial Statement and Annual Report:</p> <p>Opportunities for improvement always exist. CBS should continue improving the management's commentary on the audited financial statements in Annex I to the 2021 annual report, e.g., by including additional tabular information or infographics. CBS could also consider repositioning the commentary, especially once it has revised the concept of its annual report, as suggested in comments under other principles (e.g., 1.3.4, 1.5.1, 1.5.2).</p> <p>Internal Audit:</p> <p>Transparency could be enhanced by including in the relevant section of the CBS annual report the basis for the audit methodology and the result of the last External Quality Assessment.</p> <p>Audit and Risk Committee:</p> <p>Transparency could be enhanced by featuring the description of the Board and the Audit and Risk Committee oversight function more prominently in the CBS annual report, once the concept of the report has been revisited by CBS as mentioned above. CBS could also consider including in the annual report (or on the CBS website) the committee's annual report on its work (signed by the chair of the committee).</p>
Principle 1.6.3.	<p>Anti-corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Legal Framework</p> <p>The Anti-Corruption Act of 2016 https://www.accsey.com/filing/Publications&Resources/Act2of2016Anti-</p>

	<p>CorruptionAct2016.pdf) establishes the Anti-Corruption Commission, which is primarily tasked for investigating corruption committed by public officers (including CBS staff). The law also provides whistleblower protection for a person or public servant who has made a disclosure or rendered assistance under the Act (Section 69.1): “The Commission shall ensure that a person or public servant who has made a disclosure under this Act is not victimized on the ground that such person or public servant has made a disclosure or rendered assistance in inquiry under this Act.”</p> <p>The Public Officers’ Ethics Act of 2008 sets out the general Code of Conduct and Ethics for public officers in Seychelles and created the Public Officers’ Ethics Commission that investigates complaints against any contraventions. It also provides a duty for certain categories of public officers to annually submit accurate declarations of their income, assets and liabilities, and includes penalties for failure to submit and non-submission. (Part IV – Declaration of Income, Assets and Liabilities)</p> <p>The Access to Information Act of 2018 requires all public bodies (including CBS) to create, keep, organize and maintain its information in a manner which facilitates access to information. (Section 4.1) It requires proactive disclosure of public bodies within 30 days of the information being generated or received, including manuals, policies, procedures or rules or similar instruments which have been prepared for, or are used by officers of the body in discharging that body’s functions. (Section 5)</p> <p>The Central Bank of Seychelles Act of 2004 includes specific provisions on avoidance of conflict of interest by members of the CBS Board of Directors (Section 10.3): “All members of the Board shall fully disclose to the Board any commercial, financial, agricultural, industrial or other interest that they may have in any matter which becomes the subject of consideration or action by the Board. If such interest appears to the Board to constitute a conflict of interests, the relevant member shall refrain from taking any part whatsoever in any decision affecting that matter.” https://www.cbs.sc/Downloads/legislations/Central%20Bank%20of%20Seychelles%20Act%202004.pdf</p> <p>The CBS’s Code of Conduct and Ethics specifies the standards of correct and ethical behavior (including conflict of interest and acceptance of gifts and entertainment).</p>
Review	<p><i>Core</i></p> <p>Domestic anti-corruption laws (e.g., Anti-Corruption Act of 2016, Public Officers’ Ethics Act of 2008) are applicable to CBS decision-makers, staff and agents, but this is not explicitly stated in publicly available materials produced or published by the CBS. The CBS Act of 2004 does not include any reference to the applicability of the domestic anti-corruption laws but does provide for avoidance of conflict of interest by members of the CBS Board of Directors. While the CBS Board, staff and agents are not liable for damages for anything done or omitted to be done in good faith in the discharge or purported discharge of their functions (Section 2, CBS Act of 2004), they are not given immunity for criminal liability under the domestic anti-corruption laws.</p> <p>While not covered in the legal framework, senior CBS management are ordinarily subject to “cooling off” periods in their contracts to avoid conflict of interests (i.e., senior management when taking a new position in a supervised institution enters into a three-month cool off period from the time of resignation from CBS to taking on new functions, pending regulatory approval). See CBS Press Release dated April 5, 2022 with respect to the resignation of the First Deputy Governor,</p>

	<p>https://www.cbs.sc/Downloads/Pressrelease/First%20Deputy%20Governor%20steps%20down%20in%20anticipation%20of%20new%20role.pdf.</p> <p>The CBS has a designated Information Officer that receives and responds to requests submitted under the Access to Information Act of 2018. In addition, the CBS Information Officer submitted the CBS's 2nd Access to Information Annual Report to the Information Commission (covering the period of January to December 2020). (https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf)</p> <p>The CBS has a Code of Conduct and Ethics in place, but it is not published in the CBS website. Integrity ("responsible behaviours") and transparency and accountability ("personal ownership and accountability") are part of the CBS's published core values expected of all decision-makers, staff and agents of the CBS (https://www.cbs.sc/Aboutus/AboutUs.html). Internal CBS efforts to disseminate and raise awareness by staff is noted in the 2021 Annual Report. (https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf)</p>
Comments	<p>Relevant domestic anticorruption laws should be explicitly referred to in the CBS's legal framework and website. In this regard, CBS staff is currently working on an anti-bribery and corruption policy, which is expected to be made publicly available. In compliance with the requirements under the Anti-Corruption Act of 2016, transparent procedures for whistleblowing within CBS should also be considered.</p> <p>A publicly available version of the Code of Conduct and Ethics is likewise being drafted. The authorities should also consider a methodology for disclosing enforcement activities with respect to the Code of Conduct and Ethics, including transparency on the statistics on sanctions imposed for violations. CBS's Procurement Policy is also undergoing review, which will cover a Code of Ethical Business when dealing with contract bidders for CBS's procurement needs.</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	The 2021 annual report includes a summary of high-level information and key activities of the Human Resources Division during the year, including (i) basic statistics such as staff levels, number of new recruitments, retirements, and breakdown of CBS by gender (but not by age, nationality, or education); (ii) initiatives addressing challenges experienced by staff during the year (e.g., due to Covid-19 pandemic); and (iii) training plans, scholarships, and similar initiatives. The 2021 annual report provides basic information on the Human Resources Committee.
Review	<p><i>Core</i></p> <p>The 2021 annual report includes a summary of high-level information and key activities of the Human Resources Division during the year. However, this information is relatively basic, and falls short of disclosures associated with enhanced or comprehensive practices.</p>
Comments	Transparency could be significantly improved by including in the CBS's annual report and/or the CBS website information on the CBS human capital management, such as: (i) enhanced statistics on CBS staff; (ii) staff salary scale and salaries of key officials; (iii) allowances and other benefits such as the staff pensions scheme and loans provided to

	<p>staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning. Where appropriate, CBS should provide the rationale for these policies and measures, e.g., by explaining that loans are provided to staff to minimize risk of actual or perceived conflict of interest.</p>
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>CBS Responsibility to Disclose Information:</p> <p>The Central Bank of Seychelles Act, 2004, article 48 establish the following reporting obligations: "1) to publish a summary of the decisions taken by the Bank on Monetary Policy, as soon as possible thereafter. 2) the Bank shall publish regular reports on issues related to monetary policy, financial stability, or any other matter within its competence and shall annually report to the National Assembly on its activities in the preceding year and on the achievement of its objectives set out on Section 4. 3) the Governor may appear before the National Assembly for the purposes of explaining and answering questions on monetary policy and any other activity of the Bank." In accordance to the above mentioned responsibilities, CBS discloses monetary policy decisions and reports, specially the annual report, financial surveillance and financial stability reports by different means, website, press releases and permanent publications (see 1.7.2 on calendar of publications and sub-principles by subject). The ATIA requires the Central Bank to make accessible to the public requested information in maximum period of 21 days once the request for information is received.</p> <p>Organizational Structure:</p> <p>The CBS website discloses the CBS organizational structure, which shows the placement of the communications function, under the Governor's office.</p> <p>The CBS Annual Report discloses and explains in detail the responsibilities and institutional functions of the Communications Unit, including receiving, documenting, and responding to requests for information in accordance with the Access to Information Act, 2018. (Pages 128 and 129 of the 2021 annual Report)</p> <p>Internal Processes Relevant for Communication:</p> <p>The Governor is the spokesperson of the Central Bank and has the responsibility to communicate monetary policy and exchange rate issues; the two deputy governors can communicate with media and public in general regarding their own sphere of responsibilities. Technical Staff of the Central Bank can communicate with media and public with delegated authority from the Governor. This arrangement is mentioned in the Board Secretary Report.</p>
Review	<i>Expanded</i>

	<p>Functions, responsibilities, and outcomes of the Communications Unit are clear and well communicated in the Annual Reports. Although there is no disclosure of communications policy or guidelines on the central bank website.</p> <p>CBS also implements a comprehensive disclosure and regular publication of reports and information of Monetary Policy and Financial Stability issues, as well as other reports in accordance with its functions as required by the CBS Act. No public dissemination or press release is done regarding the presentation of the Annual Report or Monetary Policy issues to Parliament. Reporting responsibilities under the Access to Information Act are timely fulfilled in accordance with the implementation of this Act by the CBS.</p>
Comments	<p>The communications policy is a work in progress as communicated by the CBS Communications Unit. The development of a communication policy or guideline will facilitate the institutional processes for communication, and a better understanding of the institutional communication arrangement. For transparency purposes it would be beneficial to publish the CBS institutional communications policies and guidelines on the CBS website. Disclosure, dissemination, or further explanation to the public of the annual report to the National Assembly could reinforce transparency practices of the CBS.</p>
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Disclosure of Communication Objectives/Strategy:</p> <p>The topic of communications is widely covered in the Strategic Plan 2019-2023 as one of the five pillars to be developed, improved, and reinforced during that specific time frame by the CBS. General goals and objectives, responsibilities, functions, and challenges for institutional communications are mentioned (page 55) in the CBS Strategic Plan.</p> <p>The CBS has not a published specific strategy for institutional communications; explaining its actions in accordance with specific audiences. Financial education actions are explained by target audience as part of the Financial Inclusion objective.</p> <p>Channels and Tools of Communication:</p> <p>CBS uses a variety of tools to communicate its policy decisions and main associated messages we do the following:</p> <ul style="list-style-type: none"> • Publications on the CBS website • Press releases both to press and to special audiences • Presentations with special audiences in special occasions • Interviews of Board members/Division Managers in the media <ul style="list-style-type: none"> ○ Participation of Board members in seminars, conferences, and round tables <p>Website:</p> <p>The CBS website is the main source of information for the public. Main functions of the CBS are featured prominently on the CBS website. CBS timely discloses website updates</p>

regarding specific thematic pages or features through press releases and press conferences to keep the public informed. The website is in English.

Press Releases:

[Press releases](#) are the main method of communication used by the Bank to disseminate information on various subjects, notably regular communication of its monetary policy stance, financial stability, procurement plan and government bond issuance. Press releases are done primarily in English and in Creole when deemed necessary.

Press Conferences:

The CBS implemented during the pandemic [live press conferences](#), covering topics such as regulatory changes, the Private Sector Relief Schemes, Reserves Management Strategy and Monetary Policy Decisions. The live press conferences provided a platform for the Bank's messages to be communicated directly to the various stakeholders and the public. They are handled in Creole to reach as many people as possible. A press release is done immediately after the press conference in English and Creole. For live press conferences the power point presentations are posted on the web.

Interviews, Speeches, and Conferences:

Press interviews (both print and broadcast media) on topical issues and live interaction on television and radio are held by the Governor or by other CBS official as delegated by the Governor, depending on the technical area. Authority's speeches and conferences are also published on the [central bank website](#).

Publications Calendar and Dissemination of Reports:

CBS has a calendar for publications including articles, notices and awareness materials related to financial education, financial stability and business continuity, among other topics, all accessible on the central bank website.

There is also a specific calendar for the main central bank's reports like:

PUBLICATION NAME	FREQUENCY OF PUBLICATION
CBS Strategic Plan	Every 5 years
Central Bank of Seychelles Annual Report	Annually, by end of March
Central Bank of Seychelles Financial Statements	Annually, by end of March
International Reserves Management Report	Annually, by end of March
Financial Surveillance Report	Annually
Financial Stability Report	Annually
In Vision Newsletter	Annually
Board Secretary Report	Annually

PUBLICATION NAME	FREQUENCY OF PUBLICATION
Central Bank of Seychelles Procurement Plan (Abridged Version)	Annually
Monetary Policy Decision	Quarterly (last week March, June, September and December)
Comparative Bank Charges	Quarterly
Key Economic Developments	Monthly
Statistical Bulletin	Monthly
CBS Balance Sheet (Statement of Financial Position)	Monthly
Applicable Bank Interest Rates	Weekly
Research and Working Papers	Ad hoc

Public Events:

Events held by the CBS are disclosed on the CBS website and through newspaper/television/radio adverts, stating the channel for the event (physical, broadcast media, virtual platforms) and the target audience. The majority of events organized by the Bank, or in which participated, were held virtually due to COVID-19 pandemic during 2020 and 2021; including meetings, conferences and seminars held both locally and internationally.

Target Audiences:

Targeted audiences are not mentioned in a specific communications strategy. Public events and workshops are organized for specific audiences or stakeholders and are disclosed in the annual report as events. The calendar of events is available on the website where targeted audiences are determined. Such events are disseminated through press releases that explain the reason for the event.

Communications with Journalists and Media in General:

Procedure for [press enquiries](#) is disclosed on the "Media Centre" page of the CBS website. The Communication Unit organizes workshops with journalists on central bank topics and CBS has established a scholarship, with financial journalism being one of the study areas on offer for journalists as an educational measure to improve financial journalism.

Educational Initiatives:

The CBS has a vast program on financial education which is made available through platforms such as the CBS website, television, radio, newspapers, social media, mailing lists, on screens in Victoria, and displayed in public areas wherever possible. Awareness programs are implemented especially on the social media platforms—Facebook and Instagram. There is a whole program of financial education under the financial inclusion initiative that is developed by the CBS also in conjunction with other institutions.

	<p>Access to Information System:</p> <p>Procedure for general enquiries is disclosed through the Contact Us tab found in the footer of the CBS website. The Access to Information System is well explained and disclosed on the CBS website and the Annual Report.</p> <p>The CBS provides different ways to Access and request Information; through the website, emailing the form, or by telephone contacting the Information Officer.</p> <p>A page dedicated to access to information also went live on the CBS website in July 2021. "This provides for a centralized platform that can be used by anyone submitting a request for information to the CBS under the ATIA. The page contains an Access to Information Request form that can be downloaded or completed online, facilitating the process of recording and responding to such requests. It also features contact details of the Information Officer and other useful information." (CBS annual Report page 131). The CBS has 21 days to respond to an information request, under Section 11 of the ATIA.</p> <p>Evaluation of Communication Policies:</p> <p>The CBS does not publish evaluations of its communications policy, like surveys or any other evaluation method. The annual report and the website could disclose those evaluation actions performed by the Communications Unit.</p>
Review	<p><i>Expanded</i></p> <p>The CBS has a broad menu of tools implemented to communicate with the public and stakeholders. Press Conferences established during the pandemic as a means to directly communicate with the public is highly appreciated by stakeholders and regarded as the most useful tool to communicate with the public at large. It was also mentioned by stakeholders that the Governor's presentations to the press were done using plain language and in an explanatory manner to improve and ease understanding of technical economical and financial issues.</p> <p>Accessibility to different topics could be enhanced on the CBS website. On this regard, stakeholders mentioned the need to make the search engine of the website more user friendly and intuitive, but the completeness and the quality of the information disclosed on the website was valued and praised.</p> <p>Different channels used to communicate with the media and to attend media requests seem to work in an efficient manner, especially with the creation of a media network that facilitates the exchange of information. Although responses to media queries are expected to be more expedited.</p> <p>Educational actions, events and workshops targeted for specific audiences are highly appreciated by all stakeholders. This promotes willingness from CBS counterparts to further engage formally and informally with CBS.</p> <p>There is no disclosure of the specific communications strategy in accordance with specific target audiences. Disclosure of the results of the surveys or methods used to analyze policy effectiveness are not disclosed.</p> <p>The CBS has put in place different institutional mechanisms and channels required by the new Access to Information Act, including the reports on access to information required by the ATIA.</p>

Comments	<p>The press conference is done in Creole, and it is a direct message in plain language from the CBS itself (Governor) to the public. It is further disseminated through press releases in English and Creole, but it seems important to facilitate access to complementary information in English. This will easily disseminate such information across the English-speaking community.</p> <p>The use of social media could be reinforced specially to target specific groups. CBS, in its role of Secretariat for the Financial Education Steering Committee, is using digital platforms like Facebook and Instagram to disseminate financial education-related information. There is a need to further disseminate to specific audiences the availability of information under this platform.</p> <p>More workshops and educational activities for specific audiences like journalists, academics, parliamentarians, and the public seem to be a need to accelerate understanding of the CBS role and mandate but also to broaden financial literacy in general. Engagement with the CBS seems to be an interest by different institutions and stakeholders; especially regarding knowledge sharing on economic and financial matters.</p> <p>CBS actively engages with the public and stakeholders, but since the communications policy or a specific communications strategy are not disclosed to the public it is difficult to follow the outcomes of the communications actions. At the same time, active evaluation like surveys or other evaluation methods like focus group queries and workshops could benefit CBS efficiency and transparency regarding communications.</p>
Principle 1.8.	Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.
Description	<p>Under the Central Bank of Seychelles Act, 2004 Article 9 (7) determines that “the proceedings of the Board shall be confidential unless the Board decides to publish all or any part of its deliberations or decisions” with the exception under article 48 of the obligation to publish a summary of the decisions taken by the Bank with respect to monetary policy as soon as possible thereafter.”</p> <p>The Board Secretary Report of 2019, page 53, states the following regarding the treatment of confidential information as prescribed by Art. 9 of the CBS Act “The Board members and employees of the CBS are restricted from disclosing any confidential information relating to the affairs of the Bank or any bank or other financial institution or other person, which he or she has acquired in the performance of his or her duties under the CBS Act or any other law. The publication or reporting of confidential market-sensitive information should be subject to restrictions and publication of sensitive information may be controlled or delayed to that effect as the CBS needs to safeguard the confidentiality and privacy of information on individual firms. There are exceptions to this restriction, whereby information can be disclosed for the purpose of the performance of the Board or employee’s duties or when required by law or ordered by a court to do so.”</p> <p>Under article 11 of the Central Bank of Seychelles Act, there is confidentiality system established for the CBS Staff, as well as members of the Board, it says “ A member of the Board or employee of the Bank shall not disclose to any person any confidential information relating to the affairs of the Bank or any bank or other financial institution</p>

	<p>or other person, which he or she has acquired in the performance of his or her duties... otherwise a sanction or imprisonment... (Art 11(2)).</p> <p>This confidentiality system is operationalized by CBS in the following manner:</p> <p>New employees are made to sign a Confidentiality Agreement. In addition, CBS implemented a Data Classification Policy in 2014 which guides staff on how to handle information based on their classification. The Policy classifies information into 4 categories, Public, Internal, Confidential and Restricted. The policy also defines and gives examples of information falling within each category, but it is not disclosed or explained to the public.</p> <p>Request of Confidential Information by the Public:</p> <p>The Access to Information Act Section 26 establishes an exception to grant free access to information "if the disclosure of such information would cause serious prejudice to the economy of the state by disclosing prematurely decisions to charge or continue economic or financial policy relating to:</p> <p>Exchange rates, the regulation of banking or credit, the stability, control, and adjustment of prices of goods and services, rents and other costs and rates of wages, salaries, and other income..."</p>
Review	<p><i>Core</i></p> <p>The CBS Act has general provisions regarding confidentiality establishing a legal framework for confidentiality issues. The Access to Information Act, establishes the need to determine the reasoning that triggers confidentiality when information is requested by the public. More explanation and disclosure of confidentiality measures and policies would benefit transparency practices and will reinforce clarity regarding access to information general practices.</p>
Comments	<p>Rules and regulations, voluntary policies or guidelines could be developed to implement the confidentiality provisions of the CBS Act. The confidentiality system could be explained to the public including the data classification system. With the implementation of the ATIA the CBS reinforces its confidentiality legal framework, bringing clarity to determine which type of information could be classified as sensitive information.</p>
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: <i>The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.</i>
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The CBS's monetary policy framework and strategy for achieving its objectives is clearly disclosed on the CBS's website in a summary fashion, as well as in greater detail in the document "Central Bank of Seychelles – Monetary Policy Framework" also available on the website. The key features of the CBS monetary policy framework and strategy are as follows:</p>

As stipulated in the CBS Act, the primary objective of CBS is to promote domestic price stability. While the CBS has not indicated an actual numerical target for price stability, the CBS [Strategic Plan 2019-2023](#) (page 34) sets the following Key Performance Indicator: *"Inflation measures by the 12-month average CPI shall not exceed mid-single digit level."*

The Monetary Policy Framework (MPF) is approved by the Board, whilst the oversight function for its implementation is delegated to the Monetary Policy Technical Committee. Publication of the MPF on the CBS website ensures its accessibility for the relevant financial institutions as well as for the general public.

Since the shift from a fixed to a floating exchange rate regime in late 2008, CBS interventions in the foreign exchange play a more limited role; managing money supply has shifted to reliance on market-based monetary policy instruments. In that context, CBS's FXI aims at smoothing out excessive volatility and ensure orderly market conditions, as well as increasing official reserves.

In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rates (see Figure below). This was done through the introduction of: (i) a Monetary Policy Rate as the key policy variable used for signaling the monetary policy stance; (ii) a Forecasting and Policy Analysis System; and (iii) a short-term liquidity management framework.

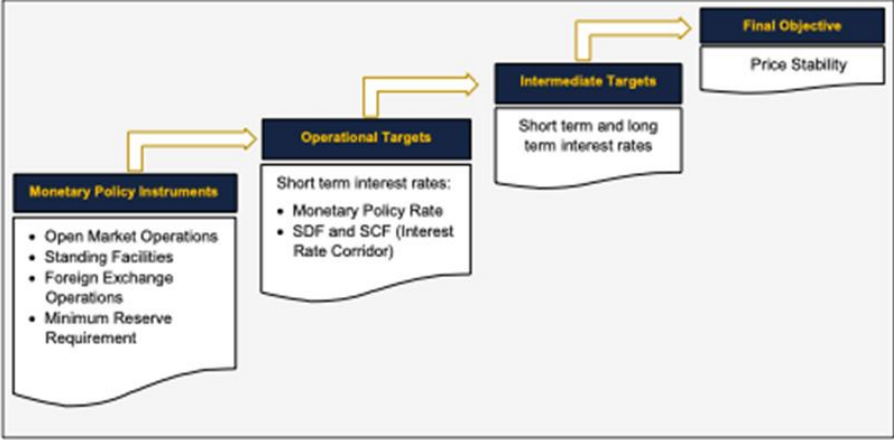
The MPR is complemented by open market operations, and a symmetrical interest rate corridor (IRC), which is adjusted following changes in the MPR. The MPR lies within the IRC, with the Standing Deposit Facility and the Standing Credit Facility serving as the floor and ceiling respectively. The interbank market rate is expected to fluctuate between the floor and ceiling of the IRC. No operational target for the interbank market rate has been set (see Figure below).

The MPR is set at a level consistent with the desirable general price level deemed stable for the Seychelles economy in the medium term. It is formulated based on analyses and projections of inflation and other key macroeconomic variables, determined by the CBS's macroeconomic modeling and forecasting framework.

The [Press Release](#) that is published following the meetings of the CBS's Board convened to decide on monetary policy clearly explains the rationale for the decision, in line with the monetary policy strategy in place (see Principle 2.1.2 for a description of the decision-making process).

As part of its efforts to enhance the quality of communication on monetary policy, the CBS maintains a dialogue with all relevant stakeholders, mainly through quarterly press communiqués and press conferences subsequent to CBS's decisions on monetary policy.

Some publications label the monetary policy framework as an inflation targeting framework (see for instance the 2020 AREAER for Seychelles). Yet, so far, the CBS has not disclosed an explicit numerical medium-term inflation objective (distinct from the short-term inflation forecast) that would serve as the cornerstone for its monetary policy actions and communications.

	<p style="text-align: center;">Monetary Policy Framework</p>  <p>Source: CBS, Monetary Policy Framework document</p>
Review	<p><i>Expanded</i></p> <p>The MPF document available on the CBS website provides detailed information on the current monetary policy framework, in particular the rationale for the changes that took place at the time of the shift from a fixed to a floating exchange rate regime and the role of CBS FX interventions in that context, as well as the changes in the operational framework that followed the transition from reserve money targeting to an interest rate-based operational framework. So far, the CBS has not disclosed an actual explicit numerical medium-term inflation objective that would serve as the cornerstone for its monetary policy actions and communications.</p>
Comments	<p>While the monetary policy framework is qualified as an inflation targeting framework in some publications (i.e., IMF AREAER Annual Report), monetary policy is currently in a transition phase with the goal to introduce a fully-fledged inflation targeting framework at a later stage. Greater clarity in CBS communications in that regard would enhance transparency of the monetary policy framework in place at this juncture.</p> <p>To support a fully-fledged IT framework better alignment of the de jure and the de facto monetary policy framework in the CBS communication would be desirable. In that context, disclosure of an explicit numerical medium-term inflation objective in the MPF document (different from the near-term inflation forecast) would enhance transparency of the monetary policy framework as it would provide a cornerstone for its monetary policy actions and communications. Similarly, disclosure of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>
Principle 2.1.2.	<p>Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The above-mentioned MPF document explains in detail the decision-making process for monetary policy implementation:</p>

- As stipulated in Article 5 of the CBS Act, the Board of Directors is responsible for monetary policy, while the responsibility to oversee its operational implementation is delegated to the Monetary Policy Technical Committee.
- The Terms of Reference of the MPTC are provided in the MPF document, including: (i) consider matters pertaining to the formulation and implementation of monetary policy; (ii) advise on the operational aspect; (iii) recommend policy proposals for the Board's consideration, consistent with the Bank's objectives; and (iv) decide on parameters relating to the implementation of monetary policy.
- The MPTC reports on its activities to the Board of Directors at least on a quarterly basis.
- The composition of the MPTC is disclosed on the MPF. It includes the following CBS officials: (i) First Deputy Governor (Chairperson); (ii) Second Deputy Governor; and (iii) the Head or a designated representative from the following CBS Divisions: Banking Services Division (BSD), Financial Inclusion and Market Conduct Division (FIMCD), Financial Markets Division (FMD), Financial Surveillance Division (FSD), Research and Statistics Division (RSD). FMD shall act as Secretariat to the MPTC.
- The MPTC reports on its activities to the Board and makes recommendations on appropriate future implementation of monetary policy.

The MPF document provides detailed norms for the meetings of the MPTC as follows, consistent with the [Terms of Reference of the MPTC](#) posted on the CBS website:

- FMD sets up the meetings, subject to the approval of the Chairperson. Any member may request to have non-scheduled MPTC meetings if approved by the Chairperson.
- The MPTC shall meet at least once a month to coincide with the start of a new MRR maintenance period.
- Minutes of MPTC meetings shall be taken and forwarded via email to all members within 10 working days following the meeting.
- If the First Deputy Governor is not present or acting as CBS Chief Executive Officer, the Second Deputy Governor shall chair the meeting. In the event that the Second Deputy Governor is unable to chair the meeting, a designated Head of Division shall act as Chairperson. The Head of FMD cannot be Chairperson.

The MPF document sets the decision-making process for MPTC meetings as follows:

- *Deliberations:* (i) a quorum of majority of members in office is required. Each member shall express his/her views, and decisions are taken by majority vote. In the event of an equality of votes, the Chairperson shall have a casting vote in addition to his/her deliberative vote.
- *Governor's approval:* MPTC decisions are communicated to the Governor, for his/her views. All policy recommendations submitted to the Board are to be supported by the Governor.

As stipulated in Article 5 of the CBS Act, "...the Board of Directors is responsible for the policy and affairs of the Bank and in which all powers of the Bank shall be vested."

	<ul style="list-style-type: none"> • Article 5 also sets the composition of the Board. • Article 6 of the CBA Act sets the modalities for the appointment of the Board. • Article 9 of the CBA Act set the minimum frequency of Board meetings; the process for convening meetings; and a rule of confidentiality attached to the proceedings. For matters related to monetary policy “<i>The Bank shall publish a summary of the decisions taken by the Bank with respect to monetary policy as soon as possible thereafter</i>” (Article 48). <p>As stipulated in the MPF, the Board of Directors meets at pre-set quarterly meetings to discuss monetary policy related issues. Following the meetings, to Governor holds a press conference to convey the decisions taken at the latest by two days following the meeting, supported by a media presentation which highlights: (i) the decision of the Board regarding the stance of monetary policy; (ii) a summary of recent developments; (iii) external and domestic economic developments and assumptions supporting the decision; (iv) price dynamics for headline and core inflation; and (v) developments regarding exchange rates, interest rates and credit growth. The Press communiqué issued on that day also provides an analysis of the key factors supporting the decision.</p> <p>The calendar of media engagements is disclosed on the website. It includes, inter alia, the planned quarterly monetary policy press conferences to discuss recent economic developments and the outcome of the Board meetings convened to discuss monetary policy.</p>
Review	<p><i>Expanded</i></p> <p>The CBS has in place a well-defined and transparent monetary policy decision making process. The CBS uses the model-based forecast as an input in the monetary policy decision making process. The CBS’s monetary policy communication strategy aims to make their policy decisions understood by both market participants and the general public. The absence of a publication of a monetary policy report that would elaborate on the detailed presentation discussed at the quarterly press conference constraints the scope for monetary policy transparency. Preparations for the publication of a Monetary Policy Report by the end of the current calendar year are being made.</p>
Comments	<p>While most market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to the policy decision making process, the publication of a Monetary Policy Report would enhance further transparency. The CBS may also consider systematically publishing the Governor’s speech given at the monetary policy briefing, as well as regularly posting video recordings of the press conference which have been sporadic in the past.</p>
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>In line with its strategic objectives, the CBS has been building internal research capacity with the aim of better understanding the broader economic environment, which contributes towards policy formulation, as well as the more topical issues. Consistent with its endeavor to improve financial education in the country and commitment to greater transparency in line with its adoption of the IMF Central Bank Transparency Code, the CBS will be publishing the findings of these undertakings.</p>

	<p>Such publications aim to provide the general public with some insight into the various issues and topics that require more in-depth understanding, thus improving the level of economic and financial awareness in the country. The first paper that has been published is an analysis of domestic and external factors influencing prices in Seychelles. CBS will be publishing on the Research and Working Papers section of the website the other relevant research papers going forward as part of efforts to further develop its research agenda.</p> <p>As for now, the detailed presentation provided at the quarterly press conference provides relevant economic data and analysis underlying monetary policy decisions, including a review of recent developments and forecast of macroeconomic indicators relevant for the Seychelles.</p> <p>In addition to the quarterly decision-announcement press conferences the Governor holds monthly media briefings on economic developments, which highlights CBS's commitment to open and transparent communications with stakeholders.</p>
Review	<p><i>Core</i></p> <p>In the context of the quarterly press conferences the CBS provides economic data and analysis underlying monetary policy decisions, including a review of recent developments, and forecast of macroeconomic indicators relevant for the Seychelles; the Governor also holds monthly media briefings on economic developments. The CBS has started to publish the outcome of internal research projects aimed at better understanding the broader economic environment which contributes towards monetary policy formulation.</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to supporting analysis for monetary policy decisions, transparency in that dimension of monetary policy would be enhanced by the disclosure of key elements of the macroeconomic forecasts (i.e., scenario analysis, risks to the outlook, and models used for the forecast and the scenario analysis). In the first stage, CBS may consider publishing the forecast of key economic variables for the medium-term and risks to the baseline scenario. At a later stage, CBS may also consider disclosing alternative scenarios and details of its macroeconomic model. Such publications could set the stage for greater involvement of relevant stakeholders, such as collaborative projects with academia on matters related to macroeconomic management in general, and monetary policy conduct in particular.</p>
Principle 2.2.	<p><i>Cross-Border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</i></p>
Principle 2.2.1.	<p>Objectives and Framework: The central bank discloses the policy's objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.</p>
Description	<p>As stipulated in Article 25 (5) of the CBS Act, <i>"The Board, in consultation with the President, shall decide the foreign exchange regime to be adopted by the Bank. The</i></p>

	<p><i>foreign exchange rate regime so adopted shall be published by notice in the Gazette</i>". Seychelles' de jure floating exchange rate regime in place since November 2008 is clearly disclosed on the website. In particular, the MPF document explains the rationale for the move to that exchange rate regime in the context of a move at the time to a monetary targeting framework.</p> <p>The Foreign Exchange Act posted on the CBS website assigns policy responsibility in relation to cross-border flows and foreign exchange administration to the Minister of Finance, who "may delegate to the governor of the Central Bank any power or duty imposed on the Minister by this Act other than the power to make regulations and this power of delegation". By an Act of the Minister of Finance dated August 12, 2009, posted on the CBS website, the exercise of the powers and duties conferred on the Minister of Finance under the Foreign Exchange Act – other than the power to make regulations which rests with the Ministry of Finance – have been delegated to the CBS Governor.</p> <p>As disclosed in the MPF, and reflected in the IMF's Annual Report on Exchange Arrangement and Exchange Restrictions, the current and capital accounts are fully liberalized.</p>
Review	Not Applicable
Comments	Not Applicable
Principle 2.2.2.	Policy Decisions: Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.
Description	See 2.2.1
Review	Not Applicable
Comments	Given that the current and capital accounts are fully liberalized, no powers and duties conferred on the Minister of Finance under the Foreign Exchange Act have been delegated to the CBS Governor.
Principle 2.2.3.	Supporting Analysis: The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 2.3.	Foreign Exchange Management: The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.

Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>As stipulated in Article 25 (5) of the CBS Act, <i>"The Board, in consultation with the President, shall decide the foreign exchange regime to be adopted by the Bank. The foreign exchange rate regime so adopted shall be published by notice in the Gazette."</i> Seychelles' de jure floating exchange rate regime in place since November 2008 is clearly disclosed on the website. In particular, the MPF document explains the rationale for the move to that exchange rate regime in the context of a move at the time to a monetary targeting framework.</p> <p>The Foreign Exchange Act posted on the CBS website assigns policy responsibility in relation to cross-border flows and foreign exchange administration to the Minister of Finance, who <i>"may delegate to the governor of the Central Bank any power or duty imposed on the Minister by this Act other than the power to make regulations and this power of delegation"</i>. By an Act of the Minister of Finance dated August 12, 2009, posted on the CBS website, the exercise of the powers and duties conferred on the Minister of Finance under the Foreign Exchange Act – other than the power to make regulations which rests with the Ministry of Finance – have been delegated to the CBS Governor.</p> <p>As explained in the MPF document, <i>"The Bank intervenes in the foreign exchange market for external reserves management purposes or to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions. Purchases from the market add liquidity whilst also increasing the official reserves; a sale has the opposite effect."</i> The MPF document explains how the shift from a fixed to a floating exchange rate regime in late 2008, CBS interventions in the foreign exchange play a more limited role; managing money supply has shifted to reliance on market-based monetary policy instruments. In that context, CBS's FX interventions aim at smoothing out excessive volatility and ensuring orderly market conditions, as well as increasing official reserves.</p> <p>The MPF document details the instruments utilized for conducting FX interventions as follows:</p> <ul style="list-style-type: none"> • <i>Foreign exchange auctions (FEA).</i> This instrument allows for the purchase and sale of foreign exchange (EURO, USD and GBP only) by the Bank as part of its foreign exchange and monetary operations. Auctions are carried out as and when necessary, in the context of the current foreign exchange and monetary policies as well as the reserves management and investment guidelines. • <i>Foreign exchange swaps.</i> FX swap transactions shall be backed by a Foreign Exchange Swap Agreement, with provisions for both legs of the transaction. FX Swap transactions are to be managed and initiated by the Bank. Over time, this may also help to develop the domestic foreign exchange market. FX Swap may also be used by the Bank to temporarily change the composition of international reserves, as determined by the Reserves Management and Investment Guidelines. • <i>Article VII considerations.</i> The MPF discloses that the CBS, in conducting its FX transactions on the FX market, is guided by Article VIII of Fund's Articles of Agreement with respect to the MCP rule.

	<p><i>Operations on behalf of the government.</i> For transactions undertaken on behalf of government and government-related agencies, the Bank shall use the previous day's mid-rate based on the average traded exchange rates of authorized dealers.</p> <p>The MPF document summarizes the eligibility criteria for participation in CBS's FX interventions, as well as penalties in the event of default as follows:</p> <ul style="list-style-type: none"> • <i>Eligible counterparties.</i> Any participant subject to reserve requirements; in a "generally sound financial condition" and not having any existing arrangement under the Emergency Loan Facility (ELF); any additional criteria as set out in the relevant sections of the instruments as per the document "Operational Guidelines for Foreign Exchange Auctions" that provides a detailed description of the processes in place for the CBS's FX auctions (terms of the auction, procedural instructions for participating). Participation is entirely on a voluntary basis. <p><i>Clause on penalties.</i> The type of financial and non-financial penalties applied in the event of late payment in a FX transaction are described in detail.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses through various channels the objectives of the FX interventions in the context of the move to a flexible exchange rate regime in place since 2008, whereby FX interventions have taken a secondary and only supporting role in the conduct of monetary policy. The set of instruments (and their operational activation) utilized by the CBS are clearly disclosed.</p>
Comments	
Principle 2.3.2.	<p>Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.</p>
Description	<p>The "Operational Guidelines for Foreign Exchange Auctions" posted on the website provide a detailed description of the processes in place for the CBS's FX interventions (terms of the auction, procedural instructions for participating). The MPTC (see Principle 2.1.2) has responsibility for approving the use of all instruments under the control of the Bank in line with decisions adopted by the Board pertaining to the implementation of monetary policy (see also Principle 2.1.2).</p> <p>The general impact of FX interventions on bank's liquidity is described in the MPF document.</p> <p>The Presentations provided in the context of the quarterly Press Conferences following the CBS Board meetings dealing with monetary policy include a Chart providing information on CBS FX sales and purchases, together with data on net inflows in the foreign exchange market. This chart illustrates the role of FX interventions to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions, in the context of the domestic FX market characterized by elevated short-term volatility of FX inflows and outflows.</p> <p>The Central Bank holds regular press conferences about developments in the foreign exchange market to provide information to market players and the general public.</p>

	The monthly publication “Key Economic Developments” discusses in broad terms developments in the domestic FX market, including exchange rate movements, FX flows (i.e., gross purchases and sales during the period) as well as a year-on-year comparison, and changes in the international reserve position (gross and net position). These developments are also covered in the Reserves Management Annual Report.
Review	<i>Comprehensive</i> The CBS discloses the processes for activating its FX interventions, including the way FX auctions are announced, and allocated among participants. The role of its internal committee with regard to the activation of FX interventions is also clearly disclosed.
Comments	
Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	Since 2020, the Governor conducts regular live press conferences on developments in the FX market, in view of its importance in the domestic economy. Hence, the rationale and outcomes of any action taken is explained to the media. The calendar of media engagements for 2022 is posted on the website.
Review	<i>Expanded</i>
Comments	Disclosure of ex-post evaluations of the economic impact of the FX interventions would enhance transparency of foreign exchange management.
Principle 2.4.	Foreign Exchange Reserve Management: <i>The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.</i>
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	Part VI of the CBS Act entrusts to the CBS the responsibility for holding and managing the official foreign reserves of Seychelles. The following provisions are included: <ul style="list-style-type: none"> • The list of eligible assets, “on such terms and conditions as the Board may determine.” • The duty for the CBS to “maintain the official foreign reserves at a level that would, in the opinion of the Board, enable the Bank to fulfill its functions under various foreign exchange rate regimes. The Bank shall determine, within limits set out by the Board and taking into account the risk levels it considers acceptable, the composition of the official foreign reserve assets so as to achieve the goals determined by the Board on security, liquidity and return, in that order.”

- The ability for the CBS to “purchase, sell and conduct any other financial transaction with assets that may be included in the official foreign reserves...”
- The ability for the CBS to “open and maintain accounts abroad with such banks, financial institutions or other depositories and appoint such correspondents or agents outside Seychelles as may be determined by the Board.”

Through the website and publication of the [Annual Reserves Management Report](#) the CBS discloses the detailed internal governance structure in place for FX reserve management (see Figure below). The structure is based on a three-tier framework with the CBS Board of Directors as the strategic direction setting body, the Investment Committee (IC) responsible for operational decisions, and the operational units responsible for managing the FX reserves.

- **The Board** approves the broad criteria for reserves management through the Investment Policy of International Reserves Management (the Investment Policy or the Policy, a document not disclosed). The Policy outlines the rationale for holding reserves, the objectives for investing the reserves and defines the risk constraints for its prudent management. As per the CBS Act, the international reserves are held and managed at an adequate level that supports the functions of the Bank under the FX regime in place. As derived from the Act, the Investment Policy outlines that the international reserves must provide FX for daily operational needs, maintain confidence in the exchange rate policy, support credibility of the country in relation to international counterparties and safeguard the country against the balance of payment shocks and emergencies. With regards to the investment objectives, the CBS Act stipulates that the international reserves must be managed in a way that promotes, in order of priority—security or capital preservation, liquidity and return generation.
- **The Investment Committee (IC).** The IC has operational oversight of the Investment Policy and translates the strategic decisions of the Board into Investment Guidelines (the Investment Guidelines or the Guidelines). The Guidelines define the eligible asset classes and counterparties for investment, the currency composition of reserves and size of reserve tranches. As per its Terms of Reference, the IC has six members including the Second Deputy Governor as the Chairperson, the First Deputy Governor and the Heads of Banking Services Division, Financial Markets Division, Financial Surveillance Division and Research and Statistics Division. The Risk Management Unit (RMU), Compliance Unit (CU) and Internal Audit Division (IAD) also attend the IC meetings.
- **CBS Operational Units—Policy Implementation.** The Financial Markets Division is responsible for FX reserve management. FMD’s activities are organized with a clear separation of functions to ensure independent validation of processes, compliance and reporting (see Figure below): FMD units include the front, middle and back offices, with each team performing segregated duties (see Principle 4.4 for details).

The core values of CBS encompass the principles of good governance that also guide activities relating to FX reserves management. The Board and IC have regular oversight of quantitative and qualitative performance indicators for international reserves management through performance, risks and compliance reports prepared by the FMD. The BSD also provides daily reports on reserves management income and expenditures.

These reports allow the Board and IC to formulate policy direction and investment strategies, respectively.

The governance framework is supported by three lines of defense to enhance risk management:

- Firstly, the operational units, being FMD and BSD, have ownership for the management of risks arising from day-to-day activities. In 2021, the CBS implemented an ORM framework which supported daily risk management within the FMD.
- Secondly, the RMU and CU are responsible for monitoring and reporting enterprise-wide risks and Bank-wide compliance risks, respectively.
- Thirdly, the IAD conducts regular audit of the processes and reports prepared by the operational units in line with International Standards on Auditing (ISA) and standards of the IMF. The RMU, CU and IAD report to the Audit and Risk Committee (ARC), which is a sub-committee of the Board.

CBS Governance Structure for Foreign Reserves Management



Source: CBS Monetary Policy Framework document

The CBS holds and manages the FX reserves to meet multiple objectives. To this end, the reserves are segregated into three sub-portfolios-tranches.

- The operational tranche maintained to fund short-term payment obligations and potential FX market interventions. It is the tranche with the shortest investment horizon, being only three months, and it is invested in the most liquid and low risk investments.
- The liquidity tranche is funded to cover debt repayments due within one year as well as three months' worth of prospective imports. It is also used to replenish the operational tranche as needed. The funds are invested in low-risk liquid assets with an investment horizon of not more than one year. The operational and liquidity tranches make up the core reserves and any excess reserves are managed in the investment tranche.
- The investment tranche is funded to meet the last investment objective of return generation. It has an investment horizon of three years.

This also include details of operational and oversight aspects in reserves management as follows:

1. *Operational arrangements.* The [Financial Markets Division](#) is divided into three sections dealing with FX reserve management:
 - The Reserve Management Section (Front Office) handles day-to-day FX reserve management in compliance with the Board's approved Investment Policy and the Investment Guidelines set by the Investment Committee (IC). FX reserves are managed considering the investment policy objectives of capital preservation, liquidity management and maximizing returns in that order of priority. The section makes recommendations to IC with regards to investment strategies and executes investment decisions on behalf of the CBS.
 - The Financial and Risk Analysis Section (Middle Office) is responsible for undertaking market research and in-depth analysis on the domestic/international financial markets and FX reserves management so as to provide analytical support to the front office and IC. In addition, it constructs appropriate benchmarks, develops models and/or tools for use by the front office as well as designs strategies so as to meet set targets/objectives. Moreover, the section is responsible for measuring and reporting financial risks involved in undertaking FX reserves management activities as well as monitoring compliance of these activities against set limits, guidelines, policies and approved strategies.
 - The Settlement and Accounting Section (Back Office) is responsible for the back-office functions of FX reserve management. It is divided into two units: (i) the Trade Settlement unit which is mainly responsible for the confirmation and settlement of investment management operations, as well as the management of custodian account(s); and (ii) the Treasury Accounting unit, responsible for the accurate recording and reconciliations of transactions, in line with IFRS.

Disclosures in the CBS Annual Report and in the Annual Reserves Management Report allow stakeholders to understand the rationale for the CBS policy actions and decisions:

2. The 2021 Annual Report explains actions taken during 2021 in the context of the economic uncertainties ensuing from the pandemic (pages 93-94).
3. The 2021 Annual Reserves Management Report elaborates on the observations provided in the Annual Report in a number of dimensions as follows:
 - Support from international partners to bolster international reserves (page 1).
 - Against the background of economic uncertainties, the CBS carried out comprehensive reviews of agreements, policies and guidelines underpinning the reserves management activities (page 1).
 - Adoption of a cautious stance in the currency allocation for 2021 in view of current uncertainties (i.e., maintaining a share of the USD above the prescribed benchmark in view of the safe haven status of the currency during times of crisis (page 10).

	<ul style="list-style-type: none"> Continued diligent monitoring of counterparty credit rating in view of concerns related to potential downgrades due to effects of the COVID-19 pandemic (page 18). <p>Discontinuation of investments with counterparties that could not accommodate the liquidity requirement for the investment of the international reserves (page 20).</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS is disclosing: (i) the broad investment objectives of its FX reserve management (fund short-term payment obligations and potential FX interventions, cover debt repayments due within one year as well as three months' worth of prospective imports, return generation and longer-term contingencies); and (ii) how oversight responsibilities are allocated among the various involved bodies (Bord, Investment Committee, CBS operational Units including those involved in risk management). All in all, disclosures provide a highly transparent description of the objectives and frameworks in place for CBS actions related to FX reserve management. CBS also discloses explanations backing the critical policy decisions taken over the course of the year.</p>
Comments	
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	<p>The Annual Reserves Management Report (which publication is accompanied by a Press Communiqué) includes details on key decisions undertaken over the course of the year, and it explains the strategic asset allocation principles and risk management approach adopted. For instance:</p> <ul style="list-style-type: none"> The 2021 Report has discussed the challenges for FX reserve management posed by the Covid 19 crisis, and the actions taken by the authorities to mitigate them (i.e., entering into an EFF program with the IMF, increase in Seychelles' SDR allocation, support from other budget support funds received from other international bodies). The 2021 Report as well as the 2021 CBS Annual Report discussed the IC decision taken related to the SSA whereby the IC endorsed recommendations to increase the Chinese Yuan Renminbi (CNY) exposure. The recommendation followed the outcome of simulation and optimization of the various asset composition within the international reserves portfolio. The persistently low yield environment of the major G6 countries precipitated the move to a more modest-yield investment as a way to adhere to the prime objective of capital preservation. The Board approved this proposal and requested a review in six months given the strategic position assumed and persistent uncertainty pertaining to the effects of the pandemic on the international financial markets. <p>The Annual Reserves Management Report provides also information on the asset allocation and currency composition of the FX reserves, including the benchmark for the strategic currency composition per tranche (operational, liquidity, and investment tranches); the currency composition of the gross international reserves (ideal composition and actual composition by year end); and the rationale for maintaining the</p>

	<p>majority of the reserves in USD given the haven status of the currency and the fact that CBS FX interventions are in that currency. The report also discusses the adjustments made during the year regarding the currency composition of the tranches and the rationale for such adjustments by the Board, as well as trends in overall currency composition over the last five years.</p> <p>The Report also details the oversight arrangements and the segregations of various duties and actions related to FX reserve management (see Principle 2.4.1 for a description, as summarized in the Figure).</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses through the Annual Reserves Management Report and its Annual Report key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.</p>
Comments	Disclosures with regard to the Investment Committee deliberations related to substantial changes in the Investment Policy would enhance further transparency of international reserves management.
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and assessment process related to its policy decisions.
Description	As part of its Annual Reserve Management Report the CBS provides details of key decisions it undertakes in relation to foreign exchange reserves management. In recent times, these topics have also been addressed in press conferences delivered by the CBS. For instance, as described in Principle 2.4.2, the 2021 Report discusses the rationale for reviewing the Strategic Assets Allocation (SAA) that was decided by the Board (see also last paragraph of Principle 2.4.1).
Review	<p><i>Expanded</i></p> <p>Annual publications disclose the rationale for critical policy decisions. Fully-fledged analysis supporting those decisions is, however, lacking.</p>
Comments	Periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions would enhance further transparency.
Principle 2.5.	Macprudential: <i>The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.</i>
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	The CBS is in the process of establishing a macroprudential policy framework. According to the Central Bank of Seychelles Act (Part II, art. 4), the CBS has the objective to promote a sound financial system. As the financial market has been expanded in recent years, the CBS in cooperation with other relevant authorities recognized the importance

	<p>of institutionalizing the financial stability policy framework. A Financial Stability Committee was established in March 2016, by a Presidential Decree. It is an advisory body aimed at identifying vulnerabilities and risks related to individual financial institutions, including possible spillovers affecting broader financial stability. The committee's mandate is to maintain financial stability (See 5.2.4). It is chaired by CBS and comprises the CBS, the Ministry of Finance, Financial Services Authority and Financial Intelligence Unit. The FSC meets on a quarterly basis to be apprised of the financial stability environment, following which a public statement is issued.</p> <p>https://www.cbs.sc/finstability/MandateAndCommittee.html</p> <p>After each meeting, the FSC issues a press release which is posted on the CBS's website. It describes at a very high level the items that were discussed without providing further information on whether policy actions or recommendations are issued.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p> <p>Furthermore, the CBS established the Financial Stability Section (FSS) which resides within the Financial Surveillance Division. The FSS collects and analyses data from financial institutions aimed at producing a comprehensive overview of the financial situation and proposes tools or policy changes to maintain financial stability. In addition, the FSS conducts market surveillance, performs systemic risk management, stress tests the financial system and manages risks arising from potential disruptions to the payment and settlement systems.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf</p> <p>The CBS publishes on a regular basis the Financial Stability Report under auspice of the FSC that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles. The FSR presents the assessment of the financial stability vulnerabilities of the domestic financial system, including debt sustainability, the resilience of the banking and the non-bank financial sectors.</p> <p>https://www.cbs.sc/finstability/Reports.html</p>
Review	<p><i>Comprehensive</i></p> <p>While the CBS has not developed a macroprudential policy framework, it has a defined framework for financial stability. It discloses its financial stability objectives, instruments, and strategy for achieving the objective of promoting a sound financial system. The CBS publishes annually the FSR and press conferences and press releases that describes the underlying analysis and assessment that help to formulate the overall financial sector policy in Seychelles.</p>
Comments	<p>As the FSC is considered the forum in Seychelles to discuss financial stability issues, the disclosure of its activities and outcome could be further improved. In this context, the CBS may discuss with other involved authorities in the FSC the possibility to publish agendas and sanitized minutes or summary of the outcomes.</p> <p>The FSC lacks the appropriate legal basis to effectively discharge its mandate. Consequently, groundwork was undertaken to draft a Financial Stability Act aimed at addressing the shortcomings. Moreover, as part of the CBS's plan to enhance the</p>

	<p>financial stability framework, work began on drafting a Macroprudential Framework and Toolkit, which will set out the objectives of the macroprudential policy and outline the macroprudential tools. In this context, the CBS should consider to be more transparent on the process of strengthening the macroprudential and financial stability framework, which would allow the relevant stakeholders to be involved in the deliberations in order to achieve an effective framework.</p>
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner and discloses the decision-making process leading up to macroprudential action.
Description	<p>While the CBS does not have a formal macroprudential policy, it takes actions aimed at strengthening financial stability and the well-functioning of the financial market. Financial stability policy decisions taken by the CBS are communicated to the public through reports, press releases and statements. For instance, during the pandemic, the CBS undertook several actions and measures aimed at weathering the severe impact on the economy, including supporting the flow of credit to households and businesses. In particular, the CBS provided support, primarily in the form of two credit line facilities administered by the relevant credit-granting institutions, targeting both Micro, Small and Medium Enterprises and large businesses facing revenue constraints.</p> <p>The CBS disclosed the measures undertaken to support the well-functioning of the financial system and to encourage the flow of credit to the economy:</p> <ul style="list-style-type: none"> • The Monetary Policy Rate was reduced by 100 basis points in Q2 2020 to 4.0% and further cut to 3.0% in Q3 2020. • Introduction of two credit line facilities to assist COVID-19 impacted businesses in meeting their critical expenditures. The Private Sector (MSMEs) Relief Scheme and the Private Sector (Large Enterprises) Relief Scheme became operational in May 2020 and June 2020, respectively. • Foreign exchange support to the market, as from April 2020, through: (i) direct sale of foreign exchange to specific entities for the purchase of essential commodities, namely food and fuel; and (ii) sale of foreign reserves through FEA to banks. • In June 2020, the Board approved the reduction in the MRR from 13 per cent to 10 per cent of applicable deposit liabilities should condition warrant the change. • Provision of financial support to the Government through short-term advances up to a limit of SCR500 million at zero interest rate. <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>Furthermore, the CBS disclosed the regulatory measures aimed at providing relief to individuals, businesses, and the banking system as a whole, including:</p> <ul style="list-style-type: none"> • Provision of moratorium and rescheduling of loan facilities by credit-granting institutions to their customers. Pursuant to this, changes were made to the Financial Institutions (Credit Classification and Provisioning) Regulations 2010

	<p>to prevent the worsening of classification and provisioning of performing restructured loans at the time of restructuring.</p> <ul style="list-style-type: none"> • Relaxation of foreign currency exposure limit through the revision of the Financial Institutions (Foreign Currency Exposure) Regulations 2009 in June 2020, to allow the total short position to capital ratio limit to vary up to 50 per cent, as opposed to the set limit of 30 per cent. • Prohibition of declaration and payment of dividends by commercial banks, Development Bank of Seychelles (DBS) and the Seychelles Credit Union (SCU), applicable to the financial years ending December 31, 2019, and December 31, 2020. The aim is to enhance the capital buffers and strengthen the resilience of Financial Institutions as the crisis endures.
Review	<p><i>Comprehensive</i></p> <p>Decisions that affect financial stability that are within the remit of the CBS are communicated to the public through reports, press releases, and statements.</p>
Comments	
Principle 2.5.3.	<p>Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.</p>
Description	<p>The CBS undertakes analysis on how to mitigate systemic risk in the financial system, including models to stress test the banking system. Furthermore, it analyzes structural changes that affect the economy, as these changes could increase vulnerabilities to the financial system.</p> <p>The CBS prepares analyses that are needed to formulate a macrofinancial policy relying on supervisory data and analytical tools. In general, the CBS monitors and assesses the financial situation and decisions of financial sector agents and components. The assessment of the financial systems is published annually in its FSR.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>The CBS uses several indicators such as growth of credit to GDP as a measurement of risks to the financial sector. It disclosed that, for example, the credit-to-GDP ratio maintained an upward trend in 2020, owing to the growth in total domestic credit compared to 2019. This was mainly reflected in the valuation effects of foreign currency denominated private sector loans arising from the weaker domestic currency and the issuance of bonds by the government for its additional financing needs. A more in-depth analysis of the evolution of domestic credit in 2020 is provided in the Annual Report of the CBS published in March 2021.</p> <p>https://www.cbs.sc/Downloads/publications/Annual%20Report%202021.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS publishes FSR, analyzing financial stability issues and discloses how macroprudential tools are expected to mitigate the risk. Furthermore, it publishes some</p>

	indicators as the stress testing results and explains how they relate to the need for financial stability policy action.
Comments	The CBS should periodically publish key indicators, such as early warning indicators, and explain how they relate to the need for financial stability policy action.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>The CBS briefly describes the scope and objectives of the Emergency Loan Facility —an emergency liquidity support facility – without providing any details on its modality, requirements, terms and conditions, procedures, eligibility, coordination, etc.</p> <p>The CBS disclosed on its website that the ELF is provided to prevent severe and persistent liquidity problems at any deposit taking institution and thus minimize bank runs. Hence, compared to the Standing Credit Facility, which aims mainly at meeting payment obligations at end-of-day settlement, the ELF primarily addresses the issue of severe short-term liquidity shocks which cannot be met from an alternative source. As the lender of last resort facility, it is not purely procedural in nature and has the scope to cater for the specificities of the circumstance. Such bespoke tailoring must adhere to all the conditions. To ensure that the facility is sought as a means of last resort, it will be provided at a penalty rate.</p> <p>As wide-market liquidity support, the CBS discloses ample information on the scope and objectives of its actions and measures. To respond to severe system-wide liquidity stress, the CBS disclosed the means to provide market-wide liquidity, including by:</p> <ul style="list-style-type: none"> • Introduction of two credit line facilities to assist COVID-19 impacted businesses in meeting their critical expenditures. The Private Sector (MSMEs) Relief Scheme and the Private Sector (Large Enterprises) Relief Scheme became operational in May 2020 and June 2020, respectively; • Foreign exchange support to the market, as from April 2020, through: (i) direct sale of foreign exchange to specific entities for the purchase of essential commodities, namely food and fuel; and (ii) sale of foreign reserves through FEAs to banks; and • Provision of financial support to the Government through short-term advances up to a limit of SCR500 million at zero interest rate. to facilitate government’s financing requirements. <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p>

Review	<p><i>Core</i></p> <p>While the CBS discloses the very basic features of its bilateral ELA mechanism, it provides detailed information on market-wide emergency liquidity support to the financial system.</p>
Comments	<p>The CBS may consider disclosing the general rules, parameters, terms and conditions for bilateral liquidity support. General rules and applicable parameters should include: (i) institutional eligibility (including the set of entities or markets that are generally eligible for liquidity support); (ii) conditionality (including the ability of the central bank or supervisory authority to collect, monitor, and assess information on whether the use of the liquidity provided is consistent with the objectives of the liquidity support); (iii) supervisory intrusion (including the central bank's or supervisor's legal power to conduct enhanced supervisory oversight and the ability to adopt early intervention measures); and (iv) financial parameters (including the applied interest rate, eligible collateral, maturity, and currency in which liquidity support is provided).</p>
Principle 2.8.	Resolution: Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>AML/CFT Supervisory Policies and Powers:</p> <p>The AML/CFT Act of 2020 designates the CBS as the AML/CFT supervisor of all reporting Institutions under its regulatory ambit and licensed under Part A of the Act's First Schedule (Section 55.1). (https://www.cbs.sc/Downloads/publications/aml/Anti-Money%20Laundering%20and%20Countering%20the%20Financing%20of%20Terrorism%20Act.%202020.pdf) Thus, the CBS assumed its mandate as AML/CFT supervisor in March 2020 over the following institutions: (1) a licensee under the Financial Institutions Act; (2) any entity to which the Financial Institutions (Application of Act) Regulations, 2010 apply; (3) a licensee under the Credit Union Act; (4) a licensee under the Financial Leasing Act; (5) a payment services provider and operator of a payment, clearing or settlement system under the National Payment System Act.</p>

	<p>The AML/CFT Act also empowers the CBS (as AML/CFT supervisor) to issue direction, directives or guidelines in relation to requirements under the Act (Section 57.2) and requires them to develop and implement a risk-based approach to supervision (Section 58.2).</p> <p>AML/CFT Internal Control Framework:</p> <p>The CBS's AMLCFTCPF Policy of 2020 establishes the responsibility of the CBS in terms of AMLCFTCPF control measures, in alignment with obligations of reporting institutions under the AML, CFT and CPF legislations and standards. https://www.cbs.sc/Downloads/publications/aml/Anti-Money%20Laundering%20Policy.pdf The AMLCFTCPF Policy is applicable to the Board, all divisions, units and staff of the CBS and shall be applied in all of its relevant activities and engagements that present a risk of ML, TF and PF (including procurement of services and goods, all transactions being processed by the CBS, and issuance and management of securities being issued by CBS). It provides for procedures and methodologies for assessing risks, performing due diligence, record keeping, and reporting of suspicious/unusual transactions, among others.</p> <p>Under the AMLCFTCPF Policy of 2020, the CBS's Compliance Unit is also tasked to report (twice a year) to the CBS's Audit and Review Committee on the status and progress of the implementation of the policy (including risk assessments conducted by divisions/units, RFIs and any related AML/CFT issues. (Section XXIII, Reporting to the ARC).</p>
Review	<p><i>Core</i></p> <p>The CBS discloses information on its AML/CFT supervisory powers as well as general information on its AML/CFT supervisory policies and related guidance. The CBS website explains its responsibility for conducting risk-based AML/CFT supervision of financial institutions and other entities falling under the regulatory purview of CBS. https://www.cbs.sc/AMLCFT/cbsRole.html It also describes the types of entities that are subject to CBS AML/CFT supervision, namely commercial banks, bureaux de change, non-bank credit institutions, financial leasing institutions, payment service providers/operators, and non-bank deposit taking institutions.</p> <p>Relevant legislations, regulations, guidelines, notices/circulars and directives on AML/CFT are also publicly disclosed in the CBS website. https://www.cbs.sc/AMLCFT/RegulatoryFramework.html</p> <p>Through the AMLCFTCPF Policy of 2020, CBS discloses information on its internal AML/CFT control framework, relating to its activities/services that give risk to ML/TF risks.</p>
Comments	<p>CBS can further disclose information on procedures for revising its supervisory policies and guidance and how it ensures consideration of private sector feedback.</p> <p>Reporting on the implementation of the AMLCFTCPF Policy by the CBS Compliance Unit and its audit could be disclosed, including timely remediation of identified weaknesses.</p>
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	Institutional Arrangement and Strategy:

	<p>The Consumer Protection function is undertaken by the Market Conduct Section (MCS) of the Financial Inclusion and Market Conduct Division (FIMCD). The CBS organizational structure is published on its website.</p> <p>Consumer Protection was an issue identified in the 2014 Financial Sector Development Implementation Plan which resulted from a study commissioned by the Government to identify ways to develop the financial sector. CBS Strategic Plan 2019-2023 mentions Financial Consumer Protection as one of the strategic pillars.</p> <p>With the enactment of the Financial Consumer Protection Act, CBS along with the FSA now have the mandate for financial consumer protection. The Financial Consumer Protection Act commenced on May 01, 2022, with a transitional period of 6 months. The function for financial consumer protection will continue to be discharged by the Market Conduct Section of CBS. The scope of financial institutions supervised by CBS regarding consumer protection is determined within Schedule 4 (Part A) of the FCPA.</p> <p>-Disclosure of measures and transparency of financial Institutions and legal framework for consumer protection that relates to fair treatment and business conduct.</p> <p>The new FCPA on Market Conduct Supervision and Consumer Protection gives authority to CBS to regulate supervised FSPs and to monitor the disclosure and transparency of financial products and services. CBS currently performs a limited regulatory function whereby it supervises the behavior of regulated entities. Given that the function is still relatively new to CBS, the frameworks are still being developed to allow the level of supervision required by the new FCPA.</p> <p>-Data protection and privacy usage of customer data and information sharing of consumer data.</p> <p>Data Protection is included as a consumer protection issue in the newly enacted FCPA; part VII that covers protection of consumer data and confidentiality.</p>
Review	***
Comments	<p>The newly enacted Financial Consumer Protection Act grants the CBS more authority to act where necessary against Financial Services Providers (FSPs) where any infringements have been identified. In addition, the law sets out the minimum standards by which these FSPs should be abiding, which did not exist previously. CBS has an ongoing process of developing secondary regulations to modify the complaints procedure in accordance with the new law and to secure the implementation of fair treatment and business conduct measures. The complaints mechanism will be also enhanced in accordance with the new legislation and efforts on this regard are work in progress.</p>
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: <i>The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.</i>
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	The MPF document defines the CBS policy rates as the operational targets, the decision-making process for its implementation, as well as the policy instruments (including

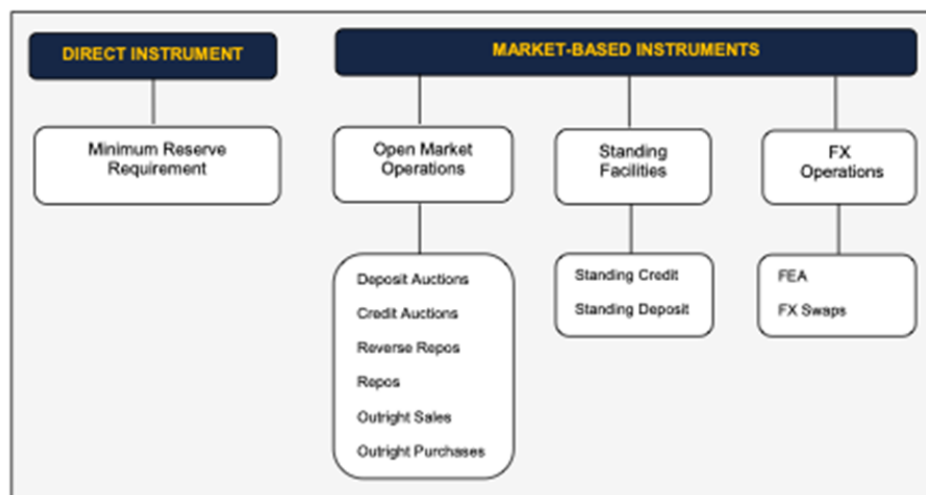
	<p>reserve requirements), collaterals and eligibility criteria as follows (see also Principle 2.1.1).</p> <ul style="list-style-type: none"> • In January 2019, the monetary policy framework transitioned from reserve money targeting to an interest rate-based framework whereby the focus of monetary policy shifted from indirectly influencing the intermediate target of money supply growth to guiding short term interest rates. This was done through the introduction of a MPR that serves as the key policy variable used for signaling the monetary policy stance. • The MPR is complemented by: (i) open market operations; (ii) a symmetrical interest rate corridor, which is adjusted following changes in the MPR. The MPR lies within the IRC, with the Standing Deposit Facility and the Standing Credit Facility serving as the floor and ceiling respectively. The interbank market rate is expected to fluctuate between the floor and ceiling of the IRC; and (iii) minimum reserve requirement. • The changes introduced in 2019 also involved: (i) the reduction of the frequency of short-term Deposit Auction Arrangement (DAA) to one per week; (ii) the decision on allotment amount for DAA based on liquidity forecasts; (iii) the discontinuation of the internal interest rate corridor applied to DAA auctions; and (iv) the use of the standing facilities through an online portal. • Some of the changes were paused during the COVID-19 period: (i) the excess reserves (as determined by the short-term liquidity forecasting exercise) have not been systematically mopped-up; (ii) a maximum bid rate for regular DAA has not been systematically announced; and (iii) fine-tuning operations in case of significant unforeseen liquidity imbalance, (especially at the end of the reserve requirement maintenance periods) have not been activated.
Review	<p><i>Core</i></p> <p>CBS disclosures on its monetary policy instruments are comprehensive except for a numerical operational target within the corridor that would be different from the CBS policy rates.</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to disclosure of its monetary policy operational framework, publication of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>
Principle 3.1.2.	<p>Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.</p>
Description	<p>Details of each instrument are specified in the Operational Guidelines for Policy Tools:</p> <ul style="list-style-type: none"> • Minimum reserve requirement : The MRR has been an integral part of the Central Bank of Seychelles' range of monetary policy instruments since its inception in 1981. The system has evolved from its accommodative role with respect to the predominant fiscal policy to an important monetary policy

instrument. The ratio has changed several times within a range of 2.5% and 20%. Currently, it stands at 10% on rupee deposits and 13% for foreign currency deposits of residents. The [Operational Guidelines on MRR](#) provide detailed and updated information on specifications of the instrument.

- *Open market operations*: utilized to send signals about the stance of monetary policy and to guide interest rate formation by managing the level of liquidity in the banking system. OMOs are conducted through an auction mechanism.
 - Deposit auctions may be conducted from 2 days to 7-days, and thereafter multiple of 7 up to 91 days, as well as for longer-term of 182 and 365 days. The [Operational Guidelines on Deposit Auction Arrangement](#) provide detailed and updated information on the specifications of the instrument.
 - Credit auctions may be conducted against eligible collateral. The [Operational Guidelines on Credit Auction Arrangement](#) provide detailed and updated information on the specifications of the instrument.
- *Standing facilities*: an overnight Standing Credit Facility and Standing Deposit Facility provide a corridor for interbank market transactions. The [Operational Guidelines for Standing Facilities](#) provide detailed and updated information on the specifications of these instruments.
- *FX Operations*, including Foreign Exchange Auctions and Foreign Exchange Swaps.
 - FEA allows for the purchase and sale of foreign exchange (EURO, USD, and GBP only) by CBS. This policy tool can be used by CBS for both liquidity and international reserves management purposes. Auctions are carried out as and when necessary, in the context of the current foreign exchange and monetary policies as well as the reserves management and investment guidelines. The features of the FEA are disclosed in the [Operation Guidelines for Foreign Exchange Auctions](#).
 - FX swaps may be used for liquidity management by the CBS, at its own initiative. FS swaps transactions shall be backed by a FX Swap Agreement. Besides their use to temporarily change the composition of international reserves, FX swaps may be used for fine-tuning liquidity conditions in the system. As disclosed in the CBS 2021 Annual Report, this instrument is yet to be used by the Bank since its inception in 2010.
- *Collateral arrangements*: the [Operational Guidelines for Values of Collateral](#) defined the eligible collateral for all CBS lending facilities. The assets considered as eligible collaterals against CBS's lending consists of instruments issued by the CBS, the government and financial corporations. Additionally, other assets such as balances due are also taken to be qualified. These assets are classified according to their respective risk profile. They are classified in three categories, with category 1 having the lowest risks and category 3 the highest. In all circumstances, the value of the collateral shall be equal to or greater than the credit being sought. The term-to-maturity of the collateral should not be less than the term of the credit facility. A haircut shall be applicable to the value of

these collaterals in a bid to protect the Bank from the risks associated with holding them, notably market risk and credit risk of the issuer. This document provides the haircuts applicable on eligible collaterals, as well as the methodology to determine the market value of securities.

Monetary Policy Instruments



Source: CBS Monetary Policy Framework document

Review	<i>Comprehensive</i>
Comments	
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	While a counterparties' framework per se does not exist, the MPF document and the Operational Guidelines for Policy Tools define eligibility criteria for participation in the CBS's monetary and FX operations as follows: (i) any participant liable to reserve requirements; (ii) participants must be in a 'generally sound financial condition' and must not have any existing arrangement under the Emergency Loan Facility; (iii) any additional criteria as set out in the relevant sections of the instruments as per the Operational Guidelines for Policy Tools . Participation is entirely on a voluntary basis.
Review	<i>Comprehensive</i>
Comments	
Principle 3.2.	Cross-Border Financial Flows and Foreign Exchange Administration: The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.
Principle 3.2.1.	Instruments: The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.

Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 3.2.2.	Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 3.3.	Foreign Exchange Management: The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>CBS FX Instruments are set out in the MPF and the modes of access are defined under the Operation Guidelines for Foreign Exchange Auctions as follows:</p> <ul style="list-style-type: none"> • The CBS intervenes in the domestic FX market to buy or sell foreign exchange (EURO, USD, and GBP only) as part of its foreign exchange and monetary operations, through FEA. While CBS disclosures make reference to a FX swaps instrument for temporarily changing the composition of international reserves, the CBS 2021 Annual Report indicates that this instrument has never been by CBS since its inception in 2010. • The CBS intervenes in the FX market for external reserves management purposes or to smooth out excessive volatility in the domestic exchange rate and ensure orderly market conditions. Purchases from the market add liquidity whilst also increasing the official reserves; a sale has the opposite effect.” • Eligibility criteria for participation in CBS’s FX operations are limited to: (i) any participant liable to reserve requirements; (ii) participants must be in a “generally sound financial condition” and must not have any existing arrangement under the Emergency Loan Facility. • CBS announcements related to FX interventions are published to authorized counterparties through the OMO portal developed and managed by the CBS. <p>Key considerations for the choice of mode of access, more than choice of instrument, are outlined in the announcement for the operation posted on the CBS website.</p> <p>As regards licensing, the CBS publishes on its website names of entities licensed to conduct foreign exchange business (i.e. Class A and Class B Bureaux de Change as well as banks). It also publishes their location as well as contact details and website links, as</p>

	applicable. Criteria required to be met to be granted a license is outlined in relevant legislation (i.e., the Financial Institutions Act, 2004). The conditions to be met to be granted a Bureaux de Change license are posted on the website.
Review	<i>Comprehensive</i> The CBS is transparent with regard to the set of instruments used for FX management policy and has disclosed the objectives for its FX interventions as well as eligibility criteria for its counterparties.
Comments	Should the FX swaps instrument be activated for international reserves management purposes, operational guidelines would need to be disclosed to ensure full transparency.
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	The MPF defines the depository corporations as the target for foreign exchange auctions. The list of counterparties to the CBS FX operations is posted on the website. The MPF discloses the type of FX interventions (FX spot auctions and FX swaps), as well as their intended objectives (see also Principle 2.3.1). The MPF discloses Sanctions rules in cases of a default are also disclosed in detail in the MPF, including the type of financial and non-financial penalties.
Review	<i>Comprehensive</i> The CBS is transparent with regard to the markets and agents who are targeted by the FX management policy, including the list of counterparties, the type of FX interventions, and penalties in the event of default by a counterparty.
Comments	
Principle 3.4.	Foreign Exchange Reserve Management: <i>The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.</i>
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	The provisions of Part VI of the CBS Act regarding eligible asset classes and the composition of instruments (see Principle 2.3.1) are supplemented by additional disclosures in the Annual Reserves Management Report with regard to risk considerations and composition of assets and currencies as follows: <ul style="list-style-type: none"> • Segregation of the reserves into three sub-portfolios-tranches (see Principle 2.4.1 for details) to promote operational efficiency and ensure that the investment objectives of capital preservation, liquidity and return are achieved, in line with the provisions of the CBS Act. • The benchmark regarding the investment horizon and currency composition of each sub-portfolio tranches.

	<ul style="list-style-type: none"> Data on the ideal currency composition of the international reserves and their actual composition on an annual basis, with explanations if and when changes in the benchmark have been decided by the Board. <p>Note 42 to the audited financial statements provides useful information with regard to the section of instruments. However, the risk exposures are not disclosed.</p>
Review	<i>Expanded</i>
Comments	Transparency in this dimension of FX reserve management would be enhanced by the publication of the risk exposures.
Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	<p>The Annual Reserve Management Report discloses the criteria to select eligible market counterparties and service providers and eligible market to conduct FX management operations as follows:</p> <ul style="list-style-type: none"> Eligible market counterparties and eligible markets to conduct its FX reserve management operations are mentioned on an exceptional basis in the Annual International Reserves Management Report. Disclosure of the key elements of the arrangement with an external fund management service in place since 2014 to actively invest a portfolio of fixed income securities, including the benchmark against which the fund is managed, as well as actual performance during the year under review. <p>Disclosure of the arrangement with the World Bank as part of the RAMP, including related performance during the year under review.</p>
Review	<p><i>Core</i></p> <p>While limits to credit risks are disclosed (see Note 42.2 to the audited financial statements published in the CBS Annual Report, indicating that “no more than 35 percent of reserves are invested in claims on international banks and other financial institutions with a minimum rating of A-), there is not disclosures of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets. In addition, there is no disclosures related to the assessment of the performance of the RAMP.</p>
Comments	Disclosure of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets would enhance transparency, as would disclosure of the methodology for assessing performance of the RAMP.
Principle 3.4.3.	Assessment: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	The foreign exchange reserves level on gross and net terms are published on the CBS website (International Reserves Template and Gross Official Reserves) on a monthly basis, with one month lag. This information is also published in the monthly Statistical Bulletin. Details on adequacy are published annually through both the CBS Annual Report and the Annual Reserves Management Report.

	<p>In recent times increased regular disclosures have been made in terms of reserves adequacy through more active press presence by the CBS amid the COVID-19 pandemic.</p> <p>Note 42 to the audited financial statements published in the CBS Annual Report dealing with <i>Financial Risks Management</i> provides detailed information on the sensitivity analysis stress tests performed annually with regard to currency risk, market price risk, credit risk, as well as information on the net liquidity gap with regard to liquidity risk.</p>
Review	<p><i>Expanded</i></p> <p>The CBS conduct and discloses on an annual basis in the Annual Report the criteria to assess adequacy and liquidity parameters as well as sensitivity analysis conducted to assess currency, market price and credit risks associated with its international reserves' portfolios.</p>
Comments	Disclosures of stress tests specific to liquidity risk (for instance in Note 42 to the audited financial statements) would enhance further transparency of financial risks management with regard to international reserves management.
Principle 3.5.	<i>Financial Stability Assessments and Stress Testing:</i> <i>The central bank periodically discloses its assessment of domestic financial stability to the public and is transparent about the methods used for such assessments, including its framework for stress testing.</i>
Principle 3.5.1.	Financial Stability Assessments: The central bank periodically provides to the public its assessment of risk to financial stability, including new and emerging sources of vulnerability.
Description	<p>The CBS publishes annually the FSR under the auspices of the FSC, which CBS chairs. The Report highlights the key developments and risks which were predominant during the year under review. The report also contains a chapter highlighting the outcome of the annual stress test of the domestic banking system.</p> <p>https://www.cbs.sc/finstability/Reports.html</p> <p>Moreover, towards the end of each quarter, the FSC convenes to discuss pertinent matters, which may pose a threat to financial stability and outlines policy directions going forward. The CBS issues a press release thereafter to outline some of the key matters discussed, as well as the Committee undertaking press conferences.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS publishes, on a regular basis, information on its assessments of the vulnerabilities of the financial system and is transparent on the methods underpinning such assessments.</p>
Comments	The CBS may consider disclosing the methods and underlying data used for the assessments of the financial stability, including stress testing data, to the extent such disclosure is compatible with the CBS access to data protection rules.

Principle 3.5.2.	Macroprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>To assess the resilience of the domestic banking sector, the CBS conducts periodic and ad-hoc stress tests. The CBS discloses in the FSR the methods and key assumptions of stress testing. Stress testing is carried out once a year. It focuses on systemic risk. The objective is to gain an overall understanding of how the banking system would respond to major shocks. The resilience of the domestic banking sector is assessed using three hypothetical scenarios - baseline, adverse and severe. The scenarios are based on the length of time the banking sector remains stressed and the severity of the shocks. The scenario analysis focused on adverse macroeconomic shocks to GDP, as well as interest rate and exchange rate risks.</p> <p>Furthermore, the CBS ran a liquidity test to assess the ability of the domestic banking system to resist liquidity shocks. The liquidity test was conducted over five rounds with available liquid assets reducing after each round based on estimated withdrawal rates. The result of the recent test showed that after week five all banks remained liquid, thus indicating they have sufficient liquid assets to withstand liquidity shocks for a minimum period of five weeks.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p> <p>Furthermore, the CBS published the methodology and outcome of the solvency stress testing aimed at assessing the resilience of financial institutions in the event that the CBS unwinds its policy measures implemented throughout 2020. Accordingly, the test aimed to assess whether financial institutions have sufficient loss-absorbing capital in the event of unforeseen loan default consequent to the removal of the COVID-19 measures. The outcome of the solvency stress test assisted in the decision-making process; to determine the timing of policy unwinding; and whether the CBS should completely withdraw the measures or adopt a targeted approach. A dedicated press conference was arranged to discuss the unwinding strategy.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Media%20Presentation%20-%20CBS%20Unwinding%20Strategy%20of%20COVID-19%20Policy%20and%20Relief%20Measures.pdf</p> <p>Two scenarios have been considered in this exercise—a baseline scenario and adverse scenario. The scenarios are mainly distinguished by the level of economic performance domestically, influenced mostly by a resurgence of COVID-19 cases globally and the potential spill-over effects on the financial system and economy in general.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the methods and key assumptions of the stress testing framework.</p>
Comments	<p>The CBS may consider disclosing information on the data is used and more details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon and evolution of financial statements over the stress test horizon, and the regulatory framework considered.</p>

Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	<p>The CBS discloses that the stress testing covers the domestic banking sector. The outcomes of the stress tests, presented in the FSR, are for the entire banking sector, and the impact on foreign banks are used for comparative purposes. The CBS discloses the size of the banks covered in its stress testing, which are divided into three categories: all banks, large banks with more than 10 per cent of the industry's depositors and small banks with less than 10 per cent of the industry's depositors.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Stability%20Report%202020.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the types of institutions covered in stress testing.</p>
Comments	The CBS may consider disclosing the number and the type of banks covered by the stress testing.
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	<p>The CBS discloses the benefit of using stress testing tools to identify and prevent systemic risk. It also discusses possible remedial measures to mitigate the vulnerabilities in the financial sector. In particular, the CBS has utilized the results of the stress test in order to calibrate its unwinding strategy of the measure introduced during the pandemic. Based on the stress test outcomes, the CBS undertook a phased and targeted approach in respect of the unwinding strategy, such as with the dividend payment measure. As indicated, the financial system remains resilient in the face of adverse economic shocks and the withdrawal of policy measures. For instance, based on the adverse scenario, the CBS closely monitors financial institutions with capital adequacy that is marginally above the minimum capital requirement. Moreover, all financial institutions are encouraged to strengthen their capital positions to minimize losses arising from potential adverse shocks.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<p><i>Expanded</i></p> <p>The CBS discloses the main purpose of stress testing.</p>
Comments	While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.
Principle 3.6.	Macprudential Policy Implementation: The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.

Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	<p>The CBS discloses the design and objectives of its financial stability instruments. In the last two years, COVID-19 pandemic has been the main preoccupation as the source of risks to the domestic financial system. Furthermore, the sustainability of the country's overall debt level and government finances remains a concern, which was further worsened by the pandemic and its spillover effects.</p> <p>The CBS disclosed several actions and measures to preserve and enhance the resilience of the domestic financial system. These measures were aimed to cope with the financial impact of the pandemic include amendments to relevant legislative frameworks, adjustment in the Monetary Policy Rate, setting-up of a credit facility to assist affected individuals and businesses with their cash flow, moratorium and rescheduling of loan facilities, new policy allowing CBS to buy-back and re-sell government securities, and the strategy on the use of foreign exchange reserves. (See Principle 2.5.2).</p> <p>https://www.cbs.sc/COVID-19/PolicyMeasures.html</p> <p>The CBS also organized press conferences to inform the general public on the measures taken to address the impact of the pandemic on the financial sector. Regular press conferences are also arranged to update the public on the macrofinancial situation and any amendment to the relief measures taken.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Media%20Presentation%20-%20CBS%20Unwinding%20Strategy%20of%20COVID-19%20Policy%20and%20Relief%20Measures.pdf</p> <p>The CBS organized jointly with the Seychelles Bankers Association press conferences to discuss COVID-19 measures to address the economic challenges for the banking sector, as well private sector relief schemes. Through the Private Sector for Relief Credit Line Facilities (one for micro, small and medium enterprises, and another for large enterprises), the CBS has made SCR1.250 billion available for affected individuals and businesses. It aims to complement other measures implemented by the Government. The scheme is being managed by commercial banks.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Joint%20CBS%20and%20SBA%20Press%20Conference%20on%20COVID-19%20Relief%20Measures%20Status%20Update.pdf</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the design and scope of application of financial stability tools. It consults the relevant stakeholders before enacting major changes to the design of financial stability tools.</p>
Comments	
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.

Description	<p>The CBS enforces its financial stability measures through its prudential regulatory and supervisory power as part of its mandate, based on the provisions set forth in the banking regulation.</p> <p>The Financial Institutions Act (FIA) allows CBS, as a prudential supervisory authority, to issue rules and regulations, and notices, to enforce its financial stability measures for the banking sector. The CBS is also empowered to monitor the implementation of these measures.</p> <p>https://www.cbs.sc/Downloads/legislations/2020.06.08%20-%20Bank%20Notice.pdf https://www.cbs.sc/Downloads/legislations/Bank%20Notice%2027-07-2020.pdf</p> <p>As the relief scheme, amendment was introduced to the Financial Institution Act, to cover the scheme established for banks to provide financing from advances obtained from the CBS to customers affected by the COVID-19 pandemic.</p> <p>https://www.cbs.sc/Downloads/legislations/10.08.2020%20Notice%20to%20banks%20issued%20under%20section%2074A%20of%20the%20FIA.pdf https://www.cbs.sc/Downloads/legislations/Bank%20Notice%2031-08-2020.pdf</p> <p>For the prohibition on declaration and payment of dividend, the following notice was issued.</p> <p>https://www.cbs.sc/Downloads/legislations/2020.04.07%20Circular%20to%20all%20banks%20Measures%20on%20declaration%20and%20payment%20of%20dividends%20in%20light%20of%20Covid%2019.pdf</p> <p>As overseer of the payment system, the CBS disclosed its legislative powers to regulate and oversee payment systems that may potentially pose systemic risk. It also disclosed the enforcement mechanisms that are available to influence the design and operation of FMI.</p> <p>https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the enforcement mechanism of financial stability measures.</p>
Comments	
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.

Description	<p>According to the CBS, no emergency liquidity assistance has ever been provided for individual banks thus no information is disclosed on its website.</p> <p>The CBS disclosed the type and size of liquidity support that was provided for the market. In particular, it made available SCR1.250 billion as relief loans for the private sector channeled via the banking sector. Furthermore, the CBS updates monthly the public on the size of the relief loans that have been utilized.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Private%20Sector%20Relief%20Schemes%20Update%2004-05-2022.pdf</p>
Review	<p><i>Expanded</i></p> <p>Through various channels of information, the CBS discloses the forms and size of market-wide liquidity support and provide timely and complete information in support of the financial stability objective, including the delineation of liquidity support operations from standard operations, with information regarding maturity, amounts of liquidity support, and financial parameters.</p>
Comments	
Principle 3.9.	Resolution: Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>AML/CFT Supervisory Processes and Allocated Resources:</p> <p>The AML/CFT Unit of the CBS's Financial Surveillance Division is responsible for ensuring that CBS-supervised entities are complying with their AML/CFT obligations. It conducts offsite and onsite surveillance of financial institutions as well as policy-related work in relation to AML supervision.</p> <p>Internal AML/CFT Control Activities and Allocated Resources:</p> <p>The AMLCFTCPF Policy of 2020 clarifies that each CBS stakeholder has roles and responsibilities in implementing the policy, including the CBS Board, Management,</p>

	<p>Compliance Unit, Audit and Review Committee, and all CBS employees. (Section XXI. Roles and Responsibilities)</p> <p>CBS has two staff dedicated to implementing the AMLCFTCPF Policy of 2020.</p>
Review	<p><i>Not Implemented</i></p> <p>The CBS does not disclose general information on its approach to off-site and on-site AML/CFT supervision of supervised entities and on the human and technical resources allocated to these activities. In the 2019 Surveillance Report (which was prior to the designation of the CBS as the AML/CFT supervisor), the CBS disclosed limited scope inspections relating to AML/CFT were conducted in 2015 (4), 2018 (3) and 2019 (1), but did not specify the underlying motivation or criteria for such inspection.</p> <p>(https://www.cbs.sc/Downloads/publications/Financial%20Surveillance%20Report%202019.pdf) The CBS Board approved the risk-based AML/CFT supervisory policy in August 2021, which describes the processes on licensing, risk assessments, off-site and on-site supervision.</p> <p>CBS provides general information on its internal AML/CFT control activities in the 2021 Annual Report (c/f Part 6.10.2.4 Compliance Unit) but does not disclose the human and technical resources allocated to internal AML/CFT controls. In the 2021 Annual Report, the Compliance Unit identified efforts to discuss amendments to the AMLCFTCPF policy as well as the conduct of staff awareness raising sessions and due diligence screening. A draft of the Code of Ethical Business Conduct for persons wishing to engage with the CBS is also under internal review and is expected to be finalized in 2022.</p>
Comments	<p>The CBS should disclose key elements of its recently approved risk-based AML/CFT supervisory policy to guide supervised entities on criteria for assessing their AML/CFT compliance. In addition, CBS should publish key statistics on information on completion rates of off-site and on-site AML/CFT assessments of supervised entities.</p> <p>CBS could disclose statistical information on the completion rates of its internal AML/CFT control activities.</p>
Principle 3.12.	Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	<p>Disclosure of Measures and Transparency on Consumer Protection of Financial Institutions, Consumer Protection Actions in Relation to Fair Treatment and Business Conduct:</p> <p>Currently the regulations on fair treatment and business conduct are the Financial Institutions (Bank Charges and Fees) Regulations sets out that banks must publish their list of fees and charges on a quarterly basis. Financial Institutions must submit information on this regard to the CBS. The consolidated fees and charges gives an overview of the information received, which is published on the CBS website.</p> <p>CBS has also developed a tab for consumer awareness actions clearly disclosed on the website. There is another tab regarding consumer alerts and updates to prevent fraud and convey urgent messages to protect the public from abusive or fraudulent actions.</p> <p>Dispute Resolution Mechanism:</p> <p>Another role undertaken by the MCS is the “Complaints Handling” role of CBS. The</p>

	<p>dispute resolution mechanism is easily accessible on the website where it is explained.</p> <p>A complaint about a regulated services provider it should be lodged first with the financial services provider concerned. If there is no satisfaction, then the claim could be presented to the Central Bank of Seychelles by two means telephone or in person contacting the Financial Inclusion and Market Conduct.</p> <p>Regarding queries from the public a 24-hour hotline was created as medium through which complaints and queries relating to the financial sector were received. Queries could be for example on the timeframe to lodge a dispute.</p> <p>Financial Education on Consumer Protection:</p> <p>The CBS has undertaken several initiatives whereby the grievance procedure has been explained to various segments of the population, including the adult population e.g. this has been done through radio shows, short videos broadcasted on television, articles in newspapers and sharing of information through the CBS Social Media platforms like Instagram, YouTube, and Facebook. There is also Financial Education page on the CBS website.</p>
Review	***
Comments	<p>The two main activities of the CBS regarding consumer protection have been claims and financial education on consumer protection. Although it is important to clarify that actions regarding financial education go beyond consumer protection and make part of a broader agenda. The Market Conduct Section has published a few regulations regarding market conduct to ensure fair treatment of consumers, but this role will be enhanced in accordance with the new FCPA. The regulatory process on consumer protection must follow a public consultation process with stakeholders, ensuring good participation of the banking sector and acknowledging feedback and comments from all parties involved in a transparent and inclusive manner as it was mentioned by some CBS stakeholders.</p>
Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: <i>The central bank is transparent about the outcome of its monetary policy conduct.</i>
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>As per Section 47 (4) of the CBS Act, the CBS submits its Annual Report within three months after the end of the fiscal year, to the President of the Republic and the Speaker of the National Assembly. A Press Communique is issued to accompany the publication of the Annual Report (together with the publication of the Annual Reserves Management Report) and its presentation to the President of the Republic by the CBS Governor, and submission to the National Assembly of Seychelles.</p> <p>The internal accountability framework/decision making process for monetary policy is disclosed in the MPF document (see Principle 2.1 for details).</p> <p>Regarding the accountability of the CBS on monetary policy to the broader public, the following actions are taken by the CBS:</p>

	<ul style="list-style-type: none"> As part of the analysis for the quarterly monetary policy decision, a review of the current quarter is conducted and presented to the media during the press conference held by the Governor at the end of every quarter (see Principle 2.1 for details). The Governor also holds regular live press conferences to explain developments in the domestic market at least once a month. The CBS also meets with the Chief Executives Officers of the commercial banks and credit unions on a regular basis and holds a Bankers Forum every quarter to discuss the approved monetary policy stance. <p>The CBS issues Press Releases and publications about various aspects of its operations on the CBS website and in the local media (see the Publication section of the CBS website).</p>
Review	<i>Comprehensive</i>
Comments	
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	The performance of key indicators that are monitored in relation to the decision on and transmission of monetary policy are discussed as part of the quarterly Press Communique and related media presentation following the meeting of the CBS Board convened to decide on the stance of monetary policy. The presentation includes an overview of the economic environment and forecast for the upcoming quarter, with a section dedicated to price dynamics (headline and core inflation) with a projection for the next month.
Review	<i>Expanded</i>
Comments	Additional disclosures of methods and data underlying the quarterly monetary policy evaluations would enhance transparency of the action taken to achieve the monetary policy objectives.
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>Details of the approved monetary policy stance, and outcomes of open market operations, are published on CBS's Deposit Auction Arrangement section of the website once the results are known.</p> <p>The information on volumes and interest rates are published on the CBS website including the monetary policy rates and corridor. However, the CBS has not disclosed a numerical operational target within the corridor.</p> <p>Actual usage of the overnight standing facilities is disclosed monthly (stock) through the publication of the monetary survey on the website.</p> <p>Aggregate Liquidity conditions are published weekly (every Monday) on the CBS website including. reserves held, excess from the minimum reserve requirement and aggregate</p>

	forecast for issue and maturity of monetary policy instruments and government securities.
Review	<p><i>Core</i></p> <p>While the CBS discloses a broad range of data related to the outcomes of monetary policy implementation, there are a few gaps. For some of those gaps, measures to address them would require changes in the monetary policy operational framework (see Principle 3.1.1).</p>
Comments	<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices, publication of the level of the operational target achieved (once such a target is disclosed, see Principle 3.1.1) would enhance transparency on the outcomes of monetary policy. Such disclosure would facilitate the communication of the policy stance, and support the functioning of money markets, by allowing banks to predictably place surplus liquidity with, and obtain short-term funding from each other or the CBS at rates that are reasonably stable.</p> <p>Frequent and timely disclosure of the activation of the standing credit/deposit facilities would also enhance transparency of monetary policy implementation, as would publication of the aggregated bank balances at the CBS and realized autonomous factors of liquidity.</p>
Principle 4.2.	<i>Cross-Border Financial Flows and Foreign Exchange Administration:</i> <i>The central bank discloses the outcome of its policy implementation.</i>
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	See 2.2.1
Review	Not Applicable
Comments	Not Applicable
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	See 2.2.1
Review	Not Applicable

Comments	Not Applicable
Principle 4.3.	Foreign Exchange Management: The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	<p>The Monetary Policy Technical Committee has responsibility for approving the use of all instruments under the control of the CBS in line with decisions adopted by the Board pertaining to the implementation of monetary policy (see also Principle 2.1.2). The terms of reference of the MPTC are published on the CBS website. This document provides information on the mandate, composition, functions of the MPTC, as well as on the procedures in place with regard to its meetings (see Principle 2.1.2 for details).</p> <p>The detailed presentation provided at the quarterly press conference provides data on FX inflows and outflows as well as information on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see for instance June 30, 2021, presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is included in the CBS Annual Report (Table 6.4 in 2021 Annual Report), as well as in the Annual Reserves Management Report (page 7 in 2021 Report).</p>
Review	<i>Comprehensive</i>
Comments	Disclosures/discussion of the CBS FX interventions in the context of the quarterly press conference would allow an evaluation of these policy actions against their expected benefits. By enhancing the transparency of CBS's FX management actions, these disclosures would therefore support enhanced CBS accountability in relation to these policy actions.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	<p>The rationale for holding reserves is outlined in the Annual Report for Reserves Management (see Principle 2.4.1 for details), which includes the objective of ensuring the capacity of the CBS to discharge its other core mandates, such as the implementation of monetary policy (see Principle 2.3.1 for an elaboration). Furthermore, the Monetary Policy Framework Report explains the role of CBS FX interventions in the context of the current monetary regime.</p> <p>The detailed presentation provided at the quarterly press conference provides data on FX inflows and outflows as well as information on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see for instance June 30, 2021, presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is</p>

	included in the CBS Annual Report (see page 94, Table 6.4 in the 2021 Annual Report), as well as in the Annual Reserves Management Report (see page 7 of the 2021).
Review	<i>Comprehensive</i> The CBS clearly discloses the role of FX management towards achieving its policy objectives in the Annual Reserves Management Report as well as in the Annual Report. Interaction of FX interventions with the CBS broader monetary policy objectives are disclosed in the MPF document.
Comments	
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	Details of Foreign Exchange Auctions are published after each auction on the CBS website. This includes bid/offer rate or amount as well as the aggregate details of bids receive and accepted. The monthly publication “Key Economic Developments” discusses in broad terms developments in the domestic FX market, including exchange rate movements, FX flows (i.e., CBS gross purchases and sales during the period) as well as a year-on-year comparison, and changes in the international reserve position (gross and net position). The detailed presentation provided at quarterly press conferences provides data on FX inflows and outflows and on the evolution of the exchange rate. Whenever the CBS has undertaken FX interventions during the period under review, the presentation provides aggregate data on FX sales and purchases (see June 30, 2021, detailed presentation) together with a description of FX market development that may have prompted such policy action. An evaluation of the policy actions in that regard is included in the CBS Annual Report (see page 94, Table 6.4 in the 2021 Annual Report), as well as in the Annual Reserves Management Report (see page 7 of the 2021 Report).
Review	<i>Comprehensive</i> The CBS systematically and timely discloses the results of its FX interventions operations.
Comments	
Principle 4.4.	Foreign Exchange Reserve Management: <i>The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.</i>
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	Through the website and publication of the Annual Reserves Management Report CBS discloses the detailed internal governance structure in place for FX reserve management). The structure is based on a three-tier framework with CBS Board of Directors as the strategic direction setting body, the Investment Committee responsible for operational decisions, and the operational units responsible for managing the FX reserves (see Principle 2.4.1 for details).

	<p>The Annual Reserve Management Report discloses the frameworks in place to monitor and manage the risks related to FX reserve management (i.e., market, liquidity, credit and operational risks). The 2021 Annual Reserve Management Report provided the following information in that regard:</p> <ul style="list-style-type: none"> • <i>Market risk</i>: measures taken by the Board to manage the currency risk, including the Board decision to adjust the SAA and the rationale for this action (currency composition and duration of the instruments). • <i>Liquidity risk</i>: review of agreements with counterparties to ensure the liquidity of investments. • <i>Credit risk</i>: diligent monitoring of counterparty credit rating to ensure continued compliance to approved credit risk rating limits and due diligence reviews on current counterparties to ensure consistency with the institutional risk tolerance. • <i>Operational risk</i>: implementation of the ORM framework formulated in the previous year. <p>The CBS Annual Report and the Annual Reserve Management Report provide an evaluation of the policy actions taken over the period under review, most notably in the “Challenges Encountered” section of the Annual Reserved Management Report. For instance, the 2021 Report discussed the effects of the Covid pandemic on global market developments and their impact on the CBS about to meet the objectives for holding reserves and the definition of reserves (i.e., liquidity and availability of reserves). The Report discusses actions taken to that effect, such as an assessment undertaken with regard to the status of reserves invested with commercial bank counterparties and the BIS to ascertain whether fixed deposit investments could be lifted ahead of their maturity dates, which led to discontinuing investments with counterparties that could not accommodate the liquidity requirement.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses the principles and actual organization of its internal governance structure in its Annual Reserve Management Report, as well as policy actions taken to ensure achievement of the objectives for holding reserves and the definition of reserves.</p>
Comments	
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	<p>Information on the level and composition of reserves assets is disclosed on an annual basis through the Annual Reserves Management Report, including:</p> <ul style="list-style-type: none"> • Gross and net international reserves position at the end of the year. • International reserves, expressed in terms of month of exports cover. • Level of Net International Reserves (NIR) considered as the quantitative performance criteria under the EFF program with the IMF.

	<ul style="list-style-type: none"> • Key factors behind the changes in international reserves over the period (i.e., IMF disbursements under the EFF; budget support loans and grants; SRD allocation by the IMF; FX purchases from the market through FX auctions). • Use of international reserves (i.e., purchases of goods and services for the public sector; repayment of external debt; FX auctions sales). <p>Furthermore, the monthly Statistical Bulletin provides monthly data on gross and net international reserves, as well as the number of months of imports these indicators imply.</p>
Review	<i>Comprehensive</i>
Comments	
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	<p>The CBS's audited financial statements prepared in accordance with the CBS Act and IFRS and published in the CBS Annual Report provide information on the amount, composition, profit/loss, and risks arising from foreign exchange reserves particularly as part of the disclosures under the section relating to Financial Risk Management. For instance, the 2021 Annual Report provided the following information:</p> <ul style="list-style-type: none"> • <i>Main body of the Annual Report.</i> Discussion on the return of the portfolio, with a discussion of the developments that negatively impacted the return of the USD bond portfolios managed by the CBS and external managers, including mention of a negative return position and the amount of the corresponding loss. • <i>Profit/loss.</i> Note 27 to the audited financial statements provides information on the interest income on investment securities, and interest on deposits with banks. Note 32 provides information on losses and gains arising from foreign currency transactions (realized and unrealized). • <i>Financial Risk Management.</i> Note 42 to the audited financial statements provides detailed information on the risks arising from the foreign exchange reserves as follows: <ul style="list-style-type: none"> ○ General explanation: (i) policy to have a currency composition of the reserves which mirrors the country's FX liabilities to provide a natural currency risk hedge; (ii) attempts to further mitigate exposures to short-term currency volatility through tactical management of the currency risk around the strategic currency composition; (iii) gains and losses arising from the revaluation of FX denominated assets and liabilities recognized in profit or loss and transferred to the Revaluation Reserve Account in accordance with Section 16 of the CBS Act. ○ Detailed data on the currency risks associated with assets and liabilities; results of sensitive analysis to currency risk performed based on each type of market risks to which CBS is exposed. ○ Detailed data on other price risks (i.e., fluctuation of fair value): results of sensitive analysis in relation to changes in market price.

	<ul style="list-style-type: none"> ○ Detailed data on credit risk: including data on credit risk measurement and expected credit loss measurement following IFRS 9; results of sensitivity analysis. ○ Detailed data on liquidity risk: including data on the contractual maturity of financial assets and liabilities, and the net liquidity gap.
Review	<p><i>Comprehensive</i></p> <p>A Note to CBS's audited financial statements provides detailed information on the risks arising from foreign exchange reserves.</p>
Comments	
Principle 4.5.	Macprudential Policy: <i>The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.</i>
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	<p>While the responsibility for macroprudential policy has not been defined, the FSC is tasked with maintaining financial stability in Seychelles, which is chaired by the Governor of CBS, and comprises representatives of the MOF and other financial regulators. The FSC is an advisory committee and does not undertake any actions or issue recommendations. Towards the end of each quarter, the FSC convenes to discuss pertinent matters which may pose a threat to financial stability and outlines policy directions going forward.</p> <p>The FSC issues press release, published on the CBS website, after each meeting to outline some of the key matters discussed as well as the Committee undertaking press conferences.</p> <p>https://www.cbs.sc/Downloads/Pressrelease/Outcome%20of%20the%20first%20Financial%20Stability%20Committee%20discussions%20for%202022.pdf</p> <p>However, in addition to its core mandate of maintaining price stability, CBS's objective is also to maintain the soundness of financial stability. To this end, the CBS plays a leading role in identifying, monitoring, and addressing risks for the stability of the financial systems. It undertakes actions and measures when needed. The measures are implemented by relying on its power as prudential regulator. In this context, the CBS is subject to the general accountability mechanisms of its mandates through regular reporting, including through an annual report.</p> <p>https://www.cbs.sc/AccessToInfo/AnnualReports.html</p> <p>Additional accountability channels are the publication of the FSR and Financial Surveillance Report.</p> <p>https://www.cbs.sc/finstability/Reports.html</p> <p>https://www.cbs.sc/Publications/SupervisionReports.html</p> <p>Furthermore, CBS organized on regular basis press releases and press conferences dedicated to discussing the CBS roles and responsibilities for financial stability issues.</p> <p>https://www.cbs.sc/COVID-19/PolicyMeasures.html</p>

	Furthermore, CBS has signed an MoU with the members of the FSC regarding financial stability matters. It intends, for example, to assist and the mutual exchange of information for the purpose of meeting the objectives of the FSC. However, this MoU is not publicly available. Work is in progress to draft a new MoU in anticipation of the FSC becoming a decision-making body for financial stability matters.
Review	<i>Expanded</i> ⁵ The CBS discloses the legislation and mechanisms that specify its financial stability policy objectives and its responsibilities.
Comments	The CBS could consider disclosing the main modalities governing the interaction and exchange of information between the CBS and other relevant financial market authorities involved in financial stability though, for example, publication of the existing MoU between the CBS and the authorities participating in the FSC.
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	<p>The CBS discloses ex-post valuation of its financial stability policy through various publications, including the FSR and the press release and conferences. In particular, in the 2020 edition of the FSR, the CBS explains the policy and the intended effects on financial stability and what has been achieved.</p> <p>Furthermore, the CBS dedicated a comprehensive study to serve as a strategy to unwind, withdraw and/or remove the measures implemented since 2020. This study also takes into account the impact of the introduced measures on the financial sector and the economy at large. As the economy in Seychelles is recovering, attention is increasingly being geared towards the phasing-out of the various support measures, whilst avoiding cliff-edge effects. In this context, the CBS understands the challenges of unwinding as recovery is on the horizon. Therefore, it gives careful consideration to both health and economic implications for the unwinding process whereby the outlook of macroeconomic stabilization with consequences on immediate risks to financial stability have been thoroughly assessed.</p> <p>A solvency and liquidity stress tests were carried out to assess the resilience of financial institutions in the event that the CBS unwinds its policy measures implemented throughout 2020. Accordingly, the test aimed to assess whether financial institutions have sufficient loss-absorbing capital in the event of unforeseen loan default consequent to the removal of the COVID-19 measures. The outcome of the solvency stress test assisted in the decision-making process; to determine the timing of policy unwinding; and whether the CBS should completely withdraw the measures or adopt a targeted approach.</p> <p>https://www.cbs.sc/Downloads/covid19/PolicyMeasures/Unwinding%20Strategy_Abridged%20Version%202022.pdf</p>
Review	<i>Expanded</i> The CBS published dedicated policy evaluations around its specific financial stability tools.

⁵ While Expanded range of practices is not defined for this sub-principle, CBS's accountability policy is above Core level but does not fully reach the Comprehensive level.

Comments	The CBS may undertake and publish analytical studies covering ex-post evaluations of whether the implemented financial stability measures have achieved the intended effects.
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	<p>According to CBS, bilateral ELA to financial institutions was never provided, although this information is not disclosed.</p> <p>For market-wide exceptional liquidity support measures, the CBS discloses the terms and conditions, amount and types of entities that received liquidity support. They are reported on an aggregate basis.</p> <p>The CBS communicates openly the market liquidity conditions and explains how its support measures restored market functioning. It also updates the public on a regular basis the allocated liquidity support and the receiving institutions.</p>
Review	<p><i>Expanded</i></p> <p>For market-wide liquidity support, the framework discloses the amount, conditions, and types of economic entities that received support.</p>
Comments	The CBS may consider disclosing information on how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning. It may also provide more information on the central bank's risk taking in connection with the support.
Principle 4.8.	Resolution: Selected principles from KA.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>See above principles 2.10 and 3.11 for the overarching legal framework and policies on CBS's AML/CFT supervision (AMLCFT Act, Section 55.1) and AML/CFT internal controls (i.e., AMLCFTCPF Policy of 2020).</p> <p>The AML/CFT Act of 2020 provides the CBS with the power to publish findings of the non-compliance in relation to the imposition of administrative sanctions for AML/CFT violations. (Section 60) Any covered entity aggrieved by the decision of the CBS with respect to administrative sanctions may appeal to the Appeals Board. (Sections 61 and 62) Relevant disclosures are made as deemed relevant through press releases guided by CBS's communication team.</p>
Review	<p><i>Not Implemented</i></p> <p>The CBS does not publish the outcomes of its AML/CFT supervisory activities. While CBS has issued sanctions related to AML/CFT violations under the Financial Institutions Act in the past, no sanctions have yet been issued within the legal framework of the AMLCFT Act of 2020, given its recent approval. In addition, CBS is constrained from issuing any administrative sanctions, until the Appeals Board is constituted, and its procedures established.</p> <p>The CBS also does not publish the outcomes of its internal AML/CFT controls on an annual basis. While the Compliance Unit is required to submit internal reports twice a year to the Audit and Review Committee, public reporting on these activities is not conducted.</p>
Comments	<p>The CBS should publish outcomes of its AML/CFT supervisory activities to better guide and instruct other supervised entities. Prompt establishment of the Appeals Board should be prioritized to ensure that the CBS is fully empowered to impose administrative sanctions for any violations by supervised entities under the AML/CFT Act.</p> <p>The CBS should also publish the outcomes of its internal AML/CFT controls annually, including information on their effectiveness (such as statistical information on filing of suspicious transaction reports to the financial intelligence unit).</p>
Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	<p>Dispute Resolution Outcome:</p> <p>The dispute resolution outcomes have been consistently reported in the Annual Reports. For example, the Annual Report 2021 page 111, explains on the results of the 24-hour hotline regarding queries on consumer protection; on this regard it says "Approximately 70 queries were recorded on average during a month, of which, at least 5 required interventions by the Bank, and were dealt with within 1-2 days. Other queries mainly sought clarifications on certain matters relating to financial institutions, namely, commercial banks."</p>

	<p>The annual report 2021 (page 111) explains that MCS received on average 20 complaints per month, 4 of which were upheld by the Bank, whilst others were minor issues that were resolved immediately. It further establishes in detail the complaint handling by Banks and the issues that triggered the complaint.</p> <p>The Financial Surveillance Report also discloses the outcomes of complaints handling by the CBS regarding consumer protection (page 37 of the FSR of 2019).</p> <p>Financial Education measures are widely disclosed on the Annual Reports, Financial Surveillance Report, and the CBS website. Financial Education actions effectiveness are measured through surveys; even using the public transportation system as a channel to conduct the direct surveys with the population</p>
Review	***
Comments	<p>The CBS reports and disseminates consumer protection outcomes in a comprehensive manner. Although the mandate and functions on consumer protection are currently limited there are many ongoing regulatory developments to implement the new FCPA.</p> <p>The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; continuous disclosure regarding financial education surveys could be beneficial to enhance transparency.</p>
Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: <i>The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.</i>
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>The Advisory role to the government by CBS is one of the objectives of CBS as stipulated under article 4(2) of the Central Bank Act, that is to “advise the government on banking, monetary and financial matters, including the monetary implication of proposed fiscal, credit policies or operations of the Government”.</p> <p>As part of its advisory role there is a reporting to the Government (Minister of Finance) responsibility of the CBS under article 38 of the CBS Act. Therefore, in accordance with this article the Central Bank submits regular reports to the Ministry about the various aspects of its operation, e.g., daily, monthly, quarterly. The CBS also submit to the Minister of Finance, National Planning and Trade daily statements of accounts, transaction advice, and any ad-hoc statements and/or confirmations, e.g., confirmation of balances, profit distribution advice and IMF transactions details, most of which are related to transactions which have been booked on bank accounts of the Government held in the books of CBS and respond to ahoy queries on same as and when required.</p> <p>Public disclosure of the interaction and coordination between the Governor and the Ministry of Finance in accordance to Article 37 and 38 of the CBS Act is done through various working groups, joint press conferences are held when the need arises. There are also several MoUs signed between the two parties, for financial transaction, which some of them are made public.</p>

	<p>MoU with Government of Seychelles 2008:</p> <p>The MoU, available on the CBS website, defines the roles of the Government and the Central of Seychelles regarding the institutional arrangements between these two parties. It sets out the working arrangements between the CBS and the Ministry of Finance to set a minimum standard of communication to clarify each party's roles, responsibilities, and obligations. It also sets out an agreed basis for policy and operational co-ordination between CBS and the Ministry of Finance.</p> <p>Profit Distribution:</p> <p>Also, a brief disclosure of the Central Bank's relationship with the Government is done in the Annual Financial statements including disclosure of the profit distribution. Furthermore, the Bank discloses details on its distributable earnings whereby any distribution to the Government's Consolidated Fund is executed in line with the CBS Act, 2004.</p>
Review	<p><i>Comprehensive</i></p> <p>The central bank discloses the detailed terms and conditions of the Central Bank functions and policies with respect with the Government, as contained in a regulation or agreement in this case the disclosure of the MoU with the Ministry of Finance on the website.</p>
Comments	<p>The MoU encompasses detailed terms and conditions of the interaction with the Government including a dispute resolution mechanism.</p>
Principle 5.1.2.	<p>The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.</p>
Description	<p>Financial Transactions with the Government:</p> <p>The Central Bank of Seychelles Act establishes in article 34 the agency and banking functions in relation to the government. In this sense, the CBS may, on such terms and conditions as may agree with the Government.</p> <ul style="list-style-type: none"> • Open account for and accept and remunerate deposits in Seychelles rupees and in any foreign currency. • Undertake, as agent for the Government, the issue and management of Government securities. • Act as banker and fiscal agent of the Government in its dealings with any international financial institution and as depository of such institution, and • Open accounts for and accept deposits in Seychelles rupees and in any foreign currency from any Government agency. <p>Specific terms and conditions are covered by the MoU signed by CBS and the Ministry of Finance regarding financial transactions. The functions listed in the MoU are the following: Advise the Ministry on exchange rate policy and keep it informed prior to major policy changes; act as banker and fiscal agent to the Government; act as agent for the Government for the purchase and sale of foreign exchange; keep the Ministry</p>

	<p>informed of economic and financial developments on a regular basis. Ensure that dividends due to the Government are paid annually as per the CBS Act. Also, where appropriate, in the event of financial distress in the banking sector or financial instability generally, the CBS has responsibilities to keep the Ministry informed. CBS must provide regular reports relating to foreign exchange flows, money supply, buying and selling foreign exchange. Work collaboratively on issues that affect both the CBS and the Ministry. Moreover, the Government-CBS MoU has a “dispute resolution mechanism” if a discrepancy arises between the two parties.</p> <p>Regarding banking services, the Current Account is disclosed at the Annual Report (pages 53 to 56).</p> <p>FMD's (Financial Markets Division) responsibility for CBS's role as agent to the government for issuance and management of government securities which is clearly outlined on the CBS website. The objectives of FMD are to: meet the set targets through the effective conduct of domestic market operations and effectively execute government securities' issuances and management as fiscal agent.</p> <p>In the CBS website there are published guidelines for the purchase and re-sell of Government Securities, procedure for auctions and the Government Liability Management Operations Manual.</p> <p>Regarding credit to the government, article 40 and 40 A of the Central Bank Act establishes the possibility of credit to the government, as well as an overdraft facility to the government. There is also public disclosure of limits on Advances to government, published in the Official Gazette at the beginning of the year and access to this facility is bound by the mutually agreed terms, through an MoU. A press release is published to inform the public, as a general practice regarding the issues related to the overdraft facility.</p> <p>This financial transactions regarding lending is disclosed in the Audited Financial Statements. As part of the notes in the Audited Financial Statements, the general terms are mentioned, including the amounts disbursed.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS Act contains a clear mechanism for the establishment of the terms and conditions of the central bank's functions with respect to the government. The CBS also discloses the details terms and conditions of the central bank's functions and policies with respect to the government as contained in the MoU with the Ministry of Finance. Disclosure is done consistently in the website where there is a tab dedicated to financial transactions with the government, the CBS annual reports and press releases. During COVID-19 pandemic, live press conferences were established to explain to the public remediate and urgent measures that were taking by the CBS regarding credit to the government.</p>
Comments	<p>CBS policies terms and conditions are widely disclosed by the CBS on a permanent basis, which demonstrates strong transparency practices regarding relations with the Government in general but also detail disclosure of terms and conditions that regulate its bilateral interaction.</p>
Principle 5.1.3.	<p>The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.</p>

Description	<p>The CBS website has an special tab on Government Securities, it covers ample information by specific tabs regarding the following topics; treasury bills, bonds, security purchase a re-sell and liability management.</p> <p>The issuance of public securities is done and announced in advance and there is a process to communicate to the public every issuance. So to illustrate this interaction is the issuing and managing government securities and the related information that is disclosed by the CBS website on the matter; the current issuance schedule and a the details of a new government security (included in the current schedule). The auctions calendar for government securities, is regularly disclosed in the CBS website, as well of information on the emission of treasury notes.</p> <p>The CBS website also has ample disclosure, in plain language and easily accessible an explanation of the Liability Management Operation and how it help address financial risk to the government. This information is also disclosed in press releases, giving access to the specific MoU between the CBS and the Government.</p> <p>CBS publishes the Central Bank survey (as part of the Monetary Survey) on its website whereby the holdings of government securities are disclosed monthly. They are disclosed in a summarized way in the Audited Financial Statements.</p> <p>Measures to disclose transactions with the government were reinforced by live Joint press conference. During the pandemic the press conference was done every two weeks, and was an excellent tool to explain to the public the measures that the CBS was taking in relation to financial transactions with the government.</p> <p>Disclosure of regarding the issuance of government securities is published on the CBS website after the Ministry of Finance has published its own T-Bond calendar. Upcoming T-Bills Issuance is updated on the CBS website on a monthly basis, after the last auction of the current month, for the following month.</p> <p>In addition, after every T-Bills auction, the date for the next T-Bill auction is advertised on the national TV, together with the result of the auction. For T-Bonds, the CBS publish a notice prior to every auction, after the Ministry of Finance has published its press release. A similar notice together with the corresponding prospectus is also published in the daily newspapers.</p>
Review	<i>Comprehensive</i>
Comments	The disclosure of financial transactions with the government is and established practice done on the CBS website and reported on detailed in the financial statements and the Annual Report.
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	When the CBS implements its advisory function, it does it along with the Ministry responsible for Finance collaborating through various working groups, the outcomes are usually published in documents issued by either institution, but the CBS publishes them in the Annual Report. When necessary, the Bank and the Ministry hold joint press conferences to address such issues or to convey discussions related to matters of mutual interest.

	<p>The CBS's financial statements (subsection 40.1 to 40.4) make disclosures on transactions of the CBS with related parties which include the Government. Transactions are done at arm's length and include banking services, foreign exchange transactions, payment and settlement facility, investment in Government securities and acting as Agent of Government in raising domestic debt.</p> <p>The annual report 2021 (page 6) of the central bank publishes a paragraph informing on Credit to the Government; and briefly explains the financing of the fiscal deficit. Short term advances to the government from the Central Bank are explained under the Chapter on Monetary and Financial Sector, page 28, of the Annual Report, so disclosure made given on short term advances to cater the shortfall on revenue, as allowed in the CBS Act.</p> <p>Part VI of the CBS Act 2004, as amended, (the CBS Act or the Act) confers powers on the Bank to hold and manage the official international reserves on behalf of the country, The Annual Reserves Management Report discloses in detail such a function.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses publicly and on a regular basis the outcome of its interactions, including financial operations with the government. The outcome of the financial transactions is disclosed in the Financial Statements.</p>
Comments	
Principle 5.2.	<i>Domestic Financial Agencies:</i> <i>The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.</i>
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>The CBS discloses its relationships with domestic financial agencies and other stakeholders including arrangements for formal or informal sharing of information. This is done formally through Memorandum of Understanding between public financial institutions such as the Anti-Corruption Commission Seychelles and the Seychelles Revenue Commission to name a few. Although, the MoU itself is not currently disclosed the CBS and the entity release a joint press release explaining the basis of the MoU, the objectives of the institutions and the nature of the cooperation.</p> <p>The signing of the MoU is done with the presence of media and interviews are done on the occasion. A following press release is done and made available on the CBS's website. At present not all relationships with domestic financial agencies are formalized and published.</p> <p>The CBS receives good cooperation from financial agencies like the FSA with whom it has interaction in relation to different initiatives like Financial Inclusion and the Financial Literacy program.</p> <p>Some MoUs with financial public institutions have been published while others have been disclosed only through press releases. An illustrative MoUs signed by the CBS and disclosed is the MoU with Public Enterprise Monitoring Commission (PEMC) 2017, in</p>

	<p>this press release it is noted that the “exchange of information will address issues of transparency.”</p> <p>CBS Participation in Multiagency Committees:</p> <p>CBS is a member of the National AML/CFT Committee, established under the AML/CFT Act 2020. It is tasked to promote cooperation and collaboration on AML/CFT policy-making and implementation, and is mandated to meet at least once every quarter. CBS actively participates in the topics/issues discussed and currently is also the deputy chairperson of the committee. The AML/CFT strategy was published. Press releases are also done and published by the Seychelles media houses.</p> <p>For the detailed description of FSC activities please see 5.2.4 below.</p>
Review	<p><i>Expanded</i></p> <p>The CBS practice of disclosure of information with public financial counterparts is done consistently through press releases. The MoU terms and conditions are not always disclosed just occasionally. There is better disclosure of information when the arrangement is made with a group of public institutions like the FSC.</p>
Comments	<p>Transparency could be enhanced with a more consistent practice of disclosure and explain further or in a detail manner the bilateral agreements with public institutions in reports and the CBS website.</p>
Principle 5.2.2.	<p>The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.</p>
Description	<p>To ensure that policies and instruments used in the interaction of CBS with financial agencies is disclosed in a transparent manner, CBS releases this information through its ongoing press conferences which are usually held fortnightly. In addition, this information is also disseminated through various forums whereby CBS takes the opportunity to consult various stakeholders e.g., Banker’s meetings, meetings of the National Payments Council NPC and National Payments Task Force NPTF, the Steering Committee for Financial Education, as well as the Financial Stability Committee to name a few. The Bank also issues a joint press release with the institution concerned as a regular practice. The MOU is sometimes disclosed on the CBS’s website and the other party however, this has not been consistent in all cases.</p> <p>Financial Services Authority:</p> <p>In 2016 the CBS and Financial Services Authority collaborated on the Financial Literacy Baseline Survey to better understand the perceptions and behavior of individuals in relation to financial services and products. As per the survey, Seychelles prospers from a highly banked population of 94%, the highest reported in Sub-Saharan Africa. Access to financial services and products in the banking sector is therefore not a key concern in regard to financial inclusion. Alternatively, CBS has focused on improving the usage and quality of financial services. This is being achieved through efforts to fortify consumer trust in the financial system and driven by the introduction of the Financial Consumer Protection Act and relevant by-laws.</p> <p>Furthermore, CBS through the National Financial Education Strategy envisages future generations who are well versed in financial services and products and thus adequately prepared to make optimal use of the financial system.</p>

Review	<p><i>Expanded</i></p> <p>There is an active exchange of information between with the FSA and the CBS on various topics bilaterally like drafting the FCPA along with other measures on consumer protection, financial literacy since there is has a shared mandate on this topic and there was a need to formalize those mandates with appropriate legislation. There is an active disclosure and dissemination of those actions through press releases, conferences, publications, etc.</p>
Comments	<p>Regarding other domestic institutions relations have been established through MoU. These relations are disclosed mostly by press releases, jointly made with the institutions but the MoU are not always disclosed. A more sustained practice of disclosure of MoU or an explanation of the relationship on the website would be beneficial to increase transparency practices.</p>
Principle 5.2.3.	<p>With respect to macroprudential policy, the central bank discloses its role, responsibility, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.</p>
Description	<p>The Financial Stability Committee is the inter-agency arrangement established for Macroprudential Policy issues. Please see below 5.2.4 Regarding disclosure and transparency of the Central Bank as member of the FSC. Please see below 5.2.4 regarding disclosure and transparency of the Central Bank of Seychelles as member of the FSC.</p>
Review	<p><i>Comprehensive</i></p> <p>The Financial Stability Committee discloses its mandate in the CBS website. The role of the CBS is explained regarding financial stability. Press releases are issued after each FSC meeting, and the Financial Stability Report is issued annually among the various members and leadership of the CBS. Please see 2.5.1 and 2.5.2</p>
Comments	<p>Please see 5.2.4.</p>
Principle 5.2.4.	<p>With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.</p>
Description	<p>The Financial Stability Committee was established in March 2016, by a presidential decree, tasked with maintaining financial stability within the domestic economy. Members of this Committee are the:</p> <ul style="list-style-type: none"> • Central Bank of Seychelles, which holds the Chairmanship • Ministry of Finance, Trade, Investment and National Planning • Financial Services Authority; and • Financial Intelligence Unit <p>The CBS website explains that the “Committee is an advisory body where members can inform one another of emerging risks and risk factors, determine the correct and combined response to mitigate the build-up of excessive risks and collectively ascertain the state of financial stability within the country.”</p>

	<p>The CBS website explains the role and responsibilities of the Central Bank regarding the FSC. On this regard, the CBS collects and analyses data from each FSC member institutions to produce a comprehensive overview of the country's financial stability status and proposes tools or policy changes for maintaining financial stability.</p> <p>The Financial Stability Committee convenes on a quarterly basis to discuss pertinent matters which may pose a threat to financial stability and outlines policy directions going forward. The CBS issues a press release thereafter to outline some of the key matters discussed as well as the Committee undertaking press conferences.</p> <p>The FSC publishes an annual report Financial Stability Report which is published on the CBS website. And a press release is published to disseminate it.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBS discloses and explains on the website the role of CBS as member and chairman of the FSC. After each meeting there is a press release and there is also the publication of the Financial Stability Report, done by the FSC and published in the CBS website. See principles 2.5.1 and 2.5.2 on this regard.</p>
Comments	<p>The FSC is a formal interagency arrangement to advise and exchange information on financial Stability. It has been conveyed by CB authorities the aim to formalize the arrangement and anchored it on legislation. Further actions of disclosure (upon the consent of all involved parties) could enhance transparency like the disclosure of the agenda of the FSC; but generally speaking, the role and mandate of the CBS regarding Financial Stability issues is well disclosed.</p>
Principle 5.3.	<p>Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.</p>
Description	<p>The CBS's Act, article 36 determines that the Central Bank will be representative of the Government in international meetings, councils, and organizations, also the central bank may provide banking services for the benefit of foreign governments, central banks and monetary authorities and for the benefit of international organizations in which the Government participates.</p> <p>CBS's interactions with foreign agencies are included in the Annual Report, pages 65 to page 74, easily accessible in the central bank website. And whenever necessary, through press releases are issued for specific matters which in addition to being published by the media are also published on the CBS website as well.</p> <p>The central bank itself may participate in international organizations that pursue financial and economic stability through international monetary cooperation. Cooperation Agreements with international counterparts are not published but would be accessible upon request given the access of information regulations.</p> <p>Through the Annual Reserves Management Report CBS publishes an account of its investment activities with foreign counterparts, including the exposure sizes as well as risk-return information. The agreements are not published but general information is disclosed in the Reserves Management Annual Report.</p> <p>Financial Transactions:</p>

	<p>The interaction regarding financial transactions with international counterparts are disclosed annually in Section Four on the Annual Report on Government Finance there is disclosure of EFF programs with the IMF (32-month arrangement). The agreement with the African Development Bank and the World Bank is disclosed under page 45 of the Annual Report. Therefore, financial transactions can be accessed in both CBS Annual Report and Annual Reserves Management Report. All reports are accessible on the website.</p> <p>Other International Institutions/Arrangements:</p> <p>Regarding Financial Inclusion, CBS became a member of the Alliance for Financial Inclusion (AFI) network in 2014. AFI is a policy leadership alliance owned and led by member central banks and financial regulatory institutions with the common objective of advancing financial inclusion at the country, regional and international levels. This information is published under pages 104 and 108 of CBS annual report.</p>
Review	<p><i>Expanded</i></p> <p>The CBS Act contains clear provisions regarding interaction and cooperation between CBS and foreign institutions, including other central banks. CBS describes such interactions in the annual report and explains instruments used in financial transactions with foreign agencies. Actions regarding international cooperation and exchange of information, all sorts of engagements with international institutions and even financial transactions with other central banks are also disclosed in press releases, as a regular transparency practice. Reports and press releases are available on the website.</p> <p>Some of the agreements with foreign entities are disclosed, so disclosure of agreements is done on a case-by-case basis. Further disclosure and publication of international agreements, if possible, and in accordance with its counterparts would also improve transparency practices.</p>
Comments	<p>CBS is a very active central bank regarding membership, participation and leadership in international institutions, organizations, and other central banks. Most of the international relations and interactions and even agreements are disclosed in the annual report. Transparency and dissemination of CBS interaction with international counterparts could be enhanced by highlighting international cooperation and actions on the CBS website with and explanation of terms and conditions of the agreements. The accessibility of press releases could be enhanced by having a specific tab on international relations and cooperation on the website.</p>
Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

Appendix I. Central Bank of Seychelles—Proposed Action Plan

Recommendation	Immediate Implementation	Implementation in Short-term Period
<p>1. The various sections of the website, as well as Board Secretary’s Report, and the overview of the Role of Central Bank of Seychelles refer to some components of the legal framework, but do not provide any detailed description or rationale for those.</p>		<p>The CBS will review the relevant parts of website to ascertain where more detailed description or rationale can be given. The recommendations will be made to the CBS website committee for consideration.</p> <p>The CBS will also review the report for enhancement of the components for the legal framework. The enhancements will feature in the 2022 Board Secretariat Report</p>
<p>2. The publication of binding legal documents or non-binding guidelines or recommendations is not centralized as various structural divisions publish guidelines or regulations of their respective fields in relevant sections of the CBS website, without legal unit being aware of those. The CBS occasionally communicates to the market the drafts of new regulations and guidelines, those are not disclosed publicly, or easily accessible and feedback mechanism is not clear.</p>		<p>The CBS will reconsider displaying its binding and non-binding instruments on one page.</p> <p>The CBS to consider the formulation of a disclosure/transparency policy which will, in addition to other matters cover the disclosure of drafts to the public and/or stakeholder. The policy can pronounce on public/stakeholder feedback.</p>
<p>3. In relation to the prevalence of CBS Act over other laws, the CBS clarified that the general legal principle of <i>lex specialist derogate legi generalis</i> would apply to cases of conflict</p>	<p>The CBS will propose a conflict of laws provision as part of the CBS Act amendment.</p>	

<p>between provisions of the Act and those of other Laws, however, this is not clearly communicated to the public.</p>		
<p>4. Transparency could be further enhanced by providing detailed explanation on CBS legal framework, its legal nature and legal protection on the CBS website. The lack of transparency on important components of the conflict of laws, judicial review and pre-judgement attachment can be eliminated by introducing respective provisions to the Act.</p>	<p>The CBS will update its website to provide detailed explanation on CBS's legal framework.</p> <p>The CBS will consult with the Attorney General's Office (AG's Office) whether matters provided for in other laws should be included in the CBS Act.</p>	
<p>5. Ensuring that relevant laws, secondary legislation, regulations and guidelines are available under the unified section (with links to such unified legislation section from other relevant sections) of the website, as well as consistency (all the texts are updated and consolidated) and accessibility (readability and text-related functions) of the texts of the document would contribute to enhanced transparency. The new draft regulations and guidelines can also be made available on the website, along with the mechanism to receive input from stakeholders and providing feedback on the input in transparent manner.</p>	<p>The CBS will reconsider the manner its binding and non-binding instruments are displayed.</p>	<p>The CBS will implement a disclosure/transparency policy.</p>
<p>6. The laws and website fail to provide clear linkages</p>	<p>The CBS Act is to be amended to link the functions of the CBS and its objectives</p>	

<p>between the objectives and functions. This is further amplified by additional powers being assigned to the CBS by the executive branch without clear connection with the objectives. To enhance transparency on mandate of the CBS, clear explanation on relation between objectives, functions and powers may need to be disclosed.</p>	<p>and to ensure that functions delegated by the executive is aligned with stated objectives.</p> <p>The CBS website will be reviewed to emphasize the connection between objectives, functions and powers.</p>	
<p>7. Greater transparency on the mission statement is linked with the objectives could be achieved by disclosing on the website how the mission and vision are related to the mandate and the Act that govern the activities of the CBS.</p> <p>The Central Bank Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the limitation on the scope of the review.</p>	<p>The CBS will review the mission statement and suggest amendments where necessary.</p>	
<p>8. The Central Bank Act is not clear to the limitations of the scope of review by the Auditor General, neither is the information on existence or absence of such limitation available on the website. In this regard, further transparency could be achieved by disclosing the</p>	<p>The CBS to expand the CBS Act provisions on audit to clarify the scope of the audit by the Auditor General.</p>	

<p>limitation on the scope of the review.</p>		
<p>9. In relation to consultations and foreign exchange regime, the procedure of consultation and the mechanism for resolution of differences, if any, should be clearly disclosed.</p>	<p>In accordance with the amended CBS Act 2004, section 25 (5), the Board in consultation with the President, decides on the foreign exchange rate regime to be adopted by the Bank and the adopted regime has to be published in the Official Gazette.</p> <p>The Bank will explore the modalities to formalize its procedure of consultation and mechanism for resolution and once approved by the Board will publish same.</p>	
<p>10. Several functions of the CBS are delegated to it by the decisions of the President and the Minister of Finance (see Principle 1.2. "Functions"). The legislation and the website are silent on the scope and/or limitations attached to the power of the executive branch to delegate functions and powers to the CBS.</p>	<p>The CBS will amend the CBS Act to provide that functions delegated by the executive are aligned with statutory objectives.</p>	
<p>11. Transparency on personal autonomy could be enhanced by disclosing on the website the selection procedure as well as the eligible professional experience (e.g., number of years, level of position) along with the approval and publication of the Board Remuneration Policy. The disclosure of protection from decreasing the remuneration could also serve the objective of greater transparency on personal autonomy. The disclosure on application of legal</p>		<p>The CBS shall endeavor to complete its selection procedure by 2023 and the Board Remuneration Policy will be published in 2023.</p>

<p>protection of the former Board members and former employees may also benefit overall transparency.</p>		
<p>12. Explaining to the public the concept of the CBS's financial autonomy. The purpose of this would be to conceptualize to the public the concept of autonomy and to explain how it is implemented in practice. The CBS could explain in its annual report and, in more detail, on the CBS website the concept of central bank's financial autonomy including the rationale, the related legal provisions, and implementation of the concept of financial autonomy in practice. The latter could include explanation of CBS's actions to safeguard its autonomy and, in that context, references to related resolutions (e.g., links to resolutions on provision of credit to the government).</p>	<p>The CBS to consider including a section on the website focusing on its financial autonomy whereby the different aspects contributing to it, such as legal provisions, governance, capital structure and profit distribution, etc. are explained and links to the relevant documents are provided</p>	<p>The CBS to draft documentation that contributes towards the accounting and financial reporting aspect of this exercise whilst other Divisions/units to provide their contributions based on their respective roles and responsibilities. Implementation by Q4 2023</p>
<p>13. Publishing the CBS annual budget. The purpose would be to explain, e.g., in the annual report, the budget process, the approved and executed budgets, and key determinants of the budget. The budget should include: (i) staff costs; (ii) remuneration of key management personnel; (iii) investments in fixed assets;</p>	<p>The CBS will review the Annual Report layout and structure and recommend changes required.</p>	<p>The CBS will conduct research and recommend template of information to be disclosed to Management for approval by Q4, 2023 for implementation in the 2023 Annual Report. It is anticipated that same will be published on the website by March 2024.</p>

<p>(iv) administrative expenses; and (v) other operating expenses.</p> <p>The abovementioned information can easily be included on the CBS website. However, incorporating it (at a high level) in the annual report would also be beneficial. This would require revisiting the concept of the annual report which currently focuses primarily on past year's economic developments. While it also provides an overview of CBS's key activities (Section 6), it does so at the level of CBS organizational units and committees – not at the level of the CBS as would be expected from a corporate annual report. Thus, the CBS would need to first revisit the structure of the annual report before incorporating the abovementioned information. Revisiting the concept of the annual report is also recommended to address observations under principles 1.5 (Risk management) and 1.6 (Accountability Framework).</p>		
<p>14. The allocation of the responsibilities between the Governor and the Board is not clearly spelled out in the Act, neither is further clarification or explanation provided on the CBS website. The transparency of governance arrangements would benefit greatly from</p>	<p>The CBS to consider amending the CBS Act to provide more clarity on the allocation of responsibilities between the Governor and the Board.</p>	

<p>the publication of such information.</p> <p>Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>		
<p>15. Transparency on this principle could be achieved by publication of the charters of the Board and respective Committees, highlighting their respective roles as advisory or decision-making. The board charter (not published) requires the board to approve board recruitment procedures to ensure consistency and transparency of the appointment of independent members. No such document is published.</p>		<p>The Board Charter and that of the Sub-Committees will be published on the CBS website in 2023.</p>
<p>16. The CBS discloses a lot of information on its risk exposures that include foreign reserves as well as domestic market operations. However, transparency could be enhanced by revisiting the concept of the annual report, as suggested in comments under principle 1.3.4, and including in the report a</p>		<p>The CBS will discuss this recommendation and consider it in the Annual Report for 2023.</p>

<p>dedicated subsection on risk management that should provide: (i) a high-level overview of the CBS's key risks (financial and non-financial); (ii) an explanation or mapping of these against the CBS's mandate or objectives; (iii) a short risks statement; and (iv) key developments in these risks. Presenting this information in a dedicated subsection would also allow for a clearer picture of the relative importance of sources of CBS's risks.</p>		
<p>17. Also, in its financial statements the CBS quantifies financial risks in terms of carrying values and Expected Credit Losses. It could also consider calculating and disclosing in the annual report and/or financial statements Value at Risk and Expected Shortfall figures (a short note on the methodology would need to be included in the annual report or the financial statements). This should also help stakeholders to understand the importance of CBS's financial buffers (capital, general reserves, retained earnings, revaluation accounts etc.).</p>		<p>The CBS will discuss this recommendation and consider it in the Annual Report for 2024.</p>
<p>18. The CBS's disclosures on the risk framework are quite comprehensive. Transparency, nonetheless, could be enhanced by revisiting the structure of the annual report, as mentioned</p>		<p>The CBS will review this recommendation and consider its inclusion in the Annual Report for 2023.</p>

<p>in comments under principles 1.3.4 and 1.5.1, and including in it a subsection dedicated to risk management that would (in addition to items mentioned under 1.5.1) provide: (i) a high-level overview of risk governance; (ii) the process of continuous identification and evaluation of risks (financial, operational, and legal); (iii) risk strategies (risk avoidance, mitigation, and transfer) in key areas; and (iv) key tools and internal controls for managing operational risks. Presenting this information in a dedicated subsection would also force prioritization and consistency in the level of detail provided with respect to developments in key risks and related risk strategies at the CBS.</p>		
<p>19. Transparency could be improved by disclosing on the CBS website the arrangement between the CBS and the Auditor General on the appointment of audit firms that conduct audits of the CBS financial statements on the Auditor General's behalf.</p>	<p>The CBS will liaise with the Office of Auditor General for consensus on the disclosure of the agreement on the CBS website.</p>	
<p>20. Transparency could be improved by: (i) disclosing on the CBS website a short summary of rules on the appointment and dismissal of the head of internal audit; and/or (ii) publishing the Internal Audit Charter.</p>	<p>The CBS will publish the Audit Charter by end of September 2022.</p>	<p>The CBS will revise its Annual Report to feature the changes recommended.</p>

<p>Transparency could be improved by: (i) explaining the role of the Audit and Risk Committee on the CBS website; and by (ii) publishing the Audit and Risk Committee charter.</p> <p>Finally, the Board's oversight role as well as the role of the Audit and Risk Committee could feature more prominently in the CBS annual report, together with other assurance providers, once the concept of the annual report is revisited, as already suggested in comments under principles 1.3.4, 1.5.1, and 1.5.2. The Board Secretary Report published in 2018 and 2019 could provide a good basis for the corporate section of the CBS annual report.</p>		
<p>21. Opportunities for improvement always exist. CBS should continue improving the Management's commentary on the audited financial statements in Annex I to the 2021 annual report, e.g., by including additional tabular information or infographics. CBS could also consider repositioning the commentary, especially once it has revised the concept of its annual report, as suggested in comments under other principles (e.g., 1.3.4, 1.5.1, 1.5.2).</p>		<p>The recommendation will be evaluated and possible improvements will be made by 2024.</p>
<p>22. Transparency could be enhanced by including in the</p>		<p>The CBS will amend the Annual Report to feature the</p>

relevant section of the CBS annual report the basis for the audit methodology and the result of the last External Quality Assessment.		changes recommended by 2023.
23. Transparency could be enhanced by featuring the description of the Board and the Audit and Risk Committee oversight function more prominently in the CBS annual report, once the concept of the report has been revisited by CBS as mentioned above. CBS could also consider including in the annual report (or on the CBS website) the committee's annual report on its work (signed by the chair of the committee).		The CBS will evaluate its current section in the annual report relating to the Audit and Risk Committee for improvement. The CBS will discuss the possibility of implementing an annual ARC Report.
24. Relevant domestic anticorruption laws should be explicitly referred to in the CBS's legal framework and website. In this regard, CBS staff is currently working on an anti-bribery and corruption policy, which is expected to be made publicly available. In compliance with the requirements under the Anti-Corruption Act of 2016, transparent procedures for whistleblowing within CBS should also be considered.		The CBS will complete and publish its Anti-Bribery and Corruption policy.
25. A publicly available version of the Code of Conduct and Ethics is likewise being drafted. The authorities should also consider a methodology for disclosing enforcement activities with		The CBS will complete its Code of Ethics by December 2022. The Code of Ethical Business will be finalized within the coming years.

<p>respect to the Code of Conduct and Ethics, including transparency on the statistics on sanctions imposed for violations. CBS's Procurement Policy is also undergoing review, which will cover a Code of Ethical Business when dealing with contract bidders for CBS's procurement needs.</p>		
<p>26. Transparency could be significantly improved by including in the CBS's annual report and/or the CBS website information on the CBS human capital management, such as: (i) enhanced statistics on CBS staff; (ii) staff salary scale and salaries of key officials; (iii) allowances and other benefits such as the staff pensions scheme and loans provided to staff; (iv) a description of the accountability mechanism; (v) an explanation of governance related to human capital management (e.g., the role of the Human Resources Committee in this context); (vi) recruitment policy; and (vii) policies for attracting, promoting, and retaining staff, and on leadership and succession planning. Where appropriate, CBS should provide the rationale for these policies and measures, e.g., by explaining that loans are provided to staff to minimize risk of actual or perceived conflict of interest.</p>		<p>The CBS will consider publishing statistical information related to human capital by 2023.</p>

<p>27. The communications policy is work in progress as communicated by the CBS communications unit. The development of a communication policy or guideline will facilitate the institutional processes for communication, and a better understanding of the institutional communication arrangement. For transparency purposes it would be beneficial the publication of CBS institutional communications policies and guidelines in the CBS website. Disclosure, dissemination, or further explanation to the public of the annual report while being presented to National Assembly could reinforced transparency practices of the CBS.</p>	<p>The CBS will complete and approve the new Communications policy and create awareness to staff by end of 2022.</p>	
<p>28. The press conference is done in Creole, and it is a direct message in plain language from the CBS itself (Governor) to the public. It is further disseminated through press releases in English and Creole, but it seems important to facilitate access to this information in English language; that is, Governor's presentation and complementary information prepared by the CBS staff. This will easily disseminate such information across the English-speaking community and the written press.</p>	<p>The CBS will publish press conference presentations from pre-recorded press conferences under relevant existing tabs on the CBS website.</p> <p>The CBS will continue using the Financial Education for Seychelles social media pages to disseminate financial education-related materials.</p> <p>The CBS gather stakeholder feedback surveys after interactions/trainings/seminars to evaluate impact.</p>	<p>The CBS will review the website to accommodate a centralized location for press conference presentations.</p> <p>The CBS will build capacity of the Communications Unit to maintain social media accounts through relevant training and establish guidelines for interaction on the official CBS social media page(s).</p> <p>The CBS will complete and approve the Communications Policy and identify suitable evaluation methods for relevant stakeholders/target audiences.</p>

<p>The use of social media could be reinforced specially to target specific groups. CBS is already using digital platforms like Facebook and Instagram. There is a need to further disseminate to specific audiences the availability of information under this platform.</p> <p>CBS actively engages with the public and stakeholders, but since the communications policy or a specific communications strategy are not disclosed to the public it is difficult to follow the outcomes of the communications actions. At the same time, active evaluation like surveys or other evaluation methods like focus group queries and workshops could benefit CBS efficiency and transparency regarding communications.</p>		
<p>More workshops and educational activities for specific audiences like journalists, academics, parliamentarians, and the public seem to be a need to accelerate understanding of the CBS role and mandate but also to broaden financial literacy in general.</p> <p>Engagement with the CBS seems to be an interest by different institutions and stakeholders; especially regarding knowledge sharing on economic and financial matters.</p>		<p>The recommendation will be included in the financial education plan for 2023 which will include targeted activities for the recommended segments.</p>

<p>Rules and regulations, voluntary policies or guidelines could be developed to implement the confidentiality provisions of the CBS Act. The confidentiality system could be explained to the public including the data classification system. With the implementation of the ATIA the CBS reinforces its confidentiality legal framework, bringing clarity to determine which type of information could be classified as sensitive information.</p>		<p>The CBS will develop a confidentiality policy taking into account the Data Classification policy and its obligations under the ATIA. The Policy will be disclosed to the public.</p>
<p>While the monetary policy framework is qualified as an inflation targeting framework in some publications (i.e., IMF AREAER Annual Report), monetary policy is currently in a transition phase with the goal to introduce a fully-fledged inflation targeting framework at a later stage. Greater clarity in CBS communications in that regard would enhance transparency of the monetary policy framework in place at this juncture.</p> <p>To support a fully-fledged IT framework better alignment of the de jure and the de facto monetary policy framework in the CBS communication would be desirable. In that context, disclosure of an explicit numerical medium-term inflation objective (different</p>		<p>The CBS will publish the relevant indicators in line with the prevailing framework and the necessary explanations will be provided to ensure clarity.</p>

<p>from the near-term inflation forecast) would enhance transparency of the monetary policy framework as it would provide a cornerstone for its monetary policy actions and communications. Similarly, disclosure of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the communication of the policy stance.</p>		
<p>While most market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to the policy decision making process, the publication of a Monetary Policy Report would enhance further transparency. The CBS may also consider systematically publishing the Governor's speech given at the monetary policy briefing, as well as regularly posting video recordings of the press conference which have been sporadic in the past.</p>	<p>The CBS has published the Monetary Policy Report on August 2, 2022.</p>	
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to supporting analysis for monetary policy decisions, transparency in that dimension of monetary policy would be enhanced by the disclosure of key elements of</p>		<p>The CBS will publish relevant indicators in line with the prevailing framework; taking into account the requirements of the market.</p>

<p>the macroeconomic forecasts (i.e., scenario analysis, risks to the outlook, and models used for the forecast and the scenario analysis). In the first stage, CBS may consider publishing the forecast of key economic variables for the medium-term and risks to the baseline scenario. At a later stage, CBS may also consider disclosing alternative scenarios and details of its macroeconomic model. Such publications could set the stage for greater involvement of relevant stakeholders, such as collaborative projects with academia on matters related to macroeconomic management in general, and monetary policy conduct in particular.</p>		
<p>Disclosure of ex-post evaluations of the economic impact of the FX interventions would enhance transparency of foreign exchange management.</p>	<p>The CBS will discuss the publication of the current Investment Policy on the CBS website.</p>	<p>The CBS will discuss on the communication of substantial changes in the Investment Policy.</p>
<p>Periodic (i.e., annual) disclosures of fully-fledged analysis (i.e., a quantitative illustration of the changing risk-return expectations) supporting the policy decisions would enhance further transparency.</p>	<p>The CBS will include in the Annual Report for Reserves Management for 2022.</p>	
<p>As the FSC is considered the forum in Seychelles to discuss financial stability issues, the disclosure of its activities and outcome could be further improved. In this context, the</p>		<p>The CBS will revamp relevant documents and discuss on ways to facilitate the disclosure of FSC activities.</p>

<p>CBS may discuss with other involved authorities in the FSC the possibility to publish agendas and sanitized minutes or summary of the outcomes.</p> <p>The FSC lacks the appropriate legal basis to effectively discharge its mandate. Consequently, groundwork was undertaken to draft a Financial Stability Act aimed at addressing the shortcomings. Moreover, as part of the CBS's plan to enhance the financial stability framework, work began on drafting a Macroprudential Framework and Toolkit, which will set out the objectives of the macroprudential policy and outline the macroprudential tools. In this context, the CBS should consider to be more transparent on the process of strengthening the macroprudential and financial stability framework, which would allow the relevant stakeholders to be involved in the deliberations in order to achieve an effective framework.</p>		
<p>The CBS should periodically publish key indicators, such as early warning indicators, and explain how they relate to the need for financial stability policy action.</p>		<p>The CBS with relevant technical assistance will undertake a risk mapping exercise to identify risk to financial stability so as to update the risk dashboard and accompanying indicators.</p>

<p>The CBS may consider disclosing the general rules, parameters, terms and conditions for bilateral liquidity support. General rules and applicable parameters should include: (i) institutional eligibility (including the set of entities or markets that are generally eligible for liquidity support); (ii) conditionality (including the ability of the central bank or supervisory authority to collect, monitor, and assess information on whether the use of the liquidity provided is consistent with the objectives of the liquidity support); (iii) supervisory intrusion (including the central bank's or supervisor's legal power to conduct enhanced supervisory oversight and the ability to adopt early intervention measures); and (iv) financial parameters (including the applied interest rate, eligible collateral, maturity, and currency in which liquidity support is provided).</p>	<p>The CBS will upload the guidelines on the CBS website after the relevant approvals have been received.</p>	
<p>CBS can further disclose information on procedures for revising its supervisory policies and guidance and how it ensures consideration of private sector feedback.</p>		<p>The CBS will discuss internally on the best way to implement the recommendation and the necessary can be formulated and implemented in 2023-2024</p>
<p>Reporting on the implementation of the AMLCFTCPF Policy by the CBS Compliance Unit and its audit could be disclosed, including</p>		<p>The CBS will evaluate this recommendation and commence implementation in 2023.</p>

timely remediation of identified weaknesses.		
<p>The newly enacted Financial Consumer Protection Act grants the CBS more authority to act where necessary against Financial Services Providers (FSPs) where any infringements have been identified. In addition, the law sets out the minimum standards by which these FSPs should be abiding, which did not exist previously. CBS has an ongoing process of developing secondary regulations to modify the complaints procedure in accordance with the new law and to secure the implementation of fair treatment and business conduct measures. The complaints mechanism will be also enhanced in accordance with the new legislation and efforts on this regard are work in progress</p>		<p>The enactment of the Complaints Handling Regulations will be completed by the end of 2022.</p>
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices with regard to disclosure of its monetary policy operational framework, publication of a numerical operational target within the corridor (different from the CBS policy rates) would enhance further transparency as it would facilitate the</p>	<p>The CBS will conduct a review of monetary policy operational framework and discuss the issue of a numerical operational target within the corridor.</p>	

communication of the policy stance.		
Should the FX swaps instrument be activated for international reserves management purposes, operational guidelines would need to be disclosed to ensure full transparency.	The CBS will upload the Operational Guidelines for FX swaps on the CBS website.	
Transparency in this dimension of FX reserve management would be enhanced by the publication of the risk exposures.	The recommendation will be considered internally for inclusion in the annual report for reserves management for 2022.	
Disclosure of the rules and procedures for the selection of eligible market counterparties and service providers and eligible markets would enhance transparency, as would disclosure of the methodology for assessing performance of the RAMP.		The recommendation will be discussed internally for publication on the CBS website.
Disclosures of stress tests specific to liquidity risk (for instance in Note 42 to the audited financial statements) would enhance further transparency of financial risks management with regard to international reserves management.		The CBS will discuss internally to evaluate how the enhancement of disclosure can be incorporated.
The CBS may consider disclosing the methods and underlying data used for the assessments of the financial stability, including stress testing data, to the extent such disclosure is compatible		The CBS will evaluate how the recommendation can be incorporated in the planned work plan to develop a stress testing framework in 2023.

with the CBS access to data protection rules.		
The CBS may consider disclosing information on the data is used and more details on the macroeconomic full set of assumptions, including details on its estimation, plausibility, and time horizon and evolution of financial statements over the stress test horizon, and the regulatory framework considered.		The CBS will evaluate how the recommendation can be implemented whilst ensuring adherence to the CBS access to data protection rules. The CBS will initiate the discussion in 2023.
The CBS may consider disclosing the number and the type of banks covered by the stress testing. While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.	The recommendation will be implemented in the next stress test.	
While the CBS discloses the benefit of running stress testing for prevention of systemic risk, it may increase the clarity on how individual stress testing results have benefited the CBS financial stability policy decisions.		The CBS will discuss how to implement the recommendation.
The CBS should disclose key elements of its recently approved risk-based AML/CFT supervisory policy to guide supervised entities on criteria for assessing their AML/CFT compliance. In addition, CBS should publish	The CBS will publish the approved supervisory policy and also disclose the number and types of examinations conducted.	

<p>key statistics on information on completion rates of off-site and on-site AML/CFT assessments of supervised entities.</p> <p>CBS could disclose statistical information on the completion rates of its internal AML/CFT control activities.</p>	<p>The CBS will discuss on the modality for disclosure of the policy.</p>	
<p>The two main activities of the CBS regarding consumer protection have been claims and financial education on consumer protection. Although it is important to clarify that actions regarding financial education go beyond consumer protection and make part of a broader agenda. The Market Conduct Division has published a few regulations regarding market conduct to ensure fair treatment of consumers, but this role will be enhanced in accordance with the new FCPA. The regulatory process on consumer protection must follow a public consultation process with stakeholders, ensuring good participation of the banking sector and acknowledging feedback and comments from all parties involved in a transparent and inclusive manner as it was mentioned by some CBS stakeholders.</p>	<p>The CBS will ensure direct feedback is provided to stakeholders after they have provided their comments on the complaints handling regulations, and where necessary, meetings can be set to discuss further so as to ensure that the new regulations are as practical as possible for all stakeholders</p>	<p>The CBS will continue to carry out the practice of ensuring stakeholders are well consulted for all regulations to be issued under the FCPA.</p>
<p>Additional disclosures of methods and data underlying the quarterly monetary policy evaluations would enhance</p>		<p>The CBS will amend the relevant documentations/ publications, such as the MP press communiqué, media</p>

<p>transparency of the action taken to achieve the monetary policy objectives.</p>		<p>presentation, Monetary Policy Report to reflect the enhanced analytical coverage.</p>
<p>While market participants at this juncture did not flag problematic gaps in transparency in current CBS practices, publication of the level of the operational target achieved (once such a target is disclosed, see Principle 3.1.1) would enhance transparency on the outcomes of monetary policy. Such disclosure would facilitate the communication of the policy stance, and support the functioning of money markets, by allowing banks to predictably place surplus liquidity with, and obtain short-term funding from each other or the CBS at rates that are reasonably stable.</p> <p>Frequent and timely disclosure of the activation of the standing credit/deposit facilities would also enhance transparency of monetary policy implementation, as would publication of the aggregated bank balances at the CBS and realized autonomous factors of liquidity.</p>	<p>The CBS will discuss the recommendation internally for publication on the CBS website.</p> <p>The aggregated liquidity condition is currently being published on the CBS website on a weekly basis.</p>	
<p>Disclosures/discussion of the CBS FX interventions in the context of the quarterly press conference would allow an evaluation of these policy actions against their expected benefits. By enhancing the</p>		

<p>transparency of CBS's FX management actions, these disclosures would therefore support enhanced CBS accountability in relation to these policy actions.</p>		
<p>The CBS could consider disclosing the main modalities governing the interaction and exchange of information between the CBS and other relevant financial market authorities involved in financial stability though, for example, publication of the existing MoU between the CBS and the authorities participating in the FSC.</p>		<p>The CBS will finalize the MOU for approval by the FSC by 2023 once the new legislation comes into force.</p>
<p>The CBS may undertake and publish analytical studies covering ex-post evaluations of whether the implemented financial stability measures have achieved the intended effects.</p>		<p>The CBS will discuss how the modalities will be carried out.</p>
<p>The CBS may consider disclosing information on how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning. It may also provide more information on the central bank's risk taking in connection with the support.</p>	<p>The CBS will consider this recommendation for enhanced disclosures in the Annual Report of 2022.</p>	
<p>The CBS should publish outcomes of its AML/CFT supervisory activities to better guide and instruct other supervised entities. Prompt</p>		<p>The CBS is collaborating with the National AML/CFT Committee to establish the Appeals Board. Once established, there will be</p>

<p>establishment of the Appeal Board and publication of its procedures should be prioritized to ensure that the CBS is fully empowered to impose administrative sanctions for any violations by supervised entities under the AML/CFT Act.</p> <p>The CBS should also publish the outcomes of its internal AML/CFT controls annually, including information on their effectiveness (such as statistical information on information on filing of suspicious transaction reports to the financial intelligence unit).</p>		disclosures on the sanctions applied.
<p>The CBS reports and disseminates consumer protection outcomes in a comprehensive manner. Although the mandate and functions on consumer protection are currently limited there are many ongoing regulatory developments to implement the new FCPA.</p> <p>The CBS has made an excellent effort disclosing financial education measures and outcomes on consumer protection; further disclosure regarding financial education surveys could be beneficial to enhance transparency.</p>		Further to the enactment of the FCPA, the CBS will set out in a transparent manner as to the method to which it will implement its market conduct and consumer protection function
<p>Transparency could be enhanced with a more consistent practice of disclosure and explain further or in a detail manner the</p>		The CBS to consider the formulation of a disclosure/transparency policy.

<p>bilateral agreements with public institutions in reports and the CBS website.</p> <p>Regarding other domestic institutions relations have been established through MoU. These relations are disclosed mostly by press releases, jointly made with the institutions but the MoU are not always disclosed. A more sustained practice of disclosure of MoU or an explanation of the relationship on the website would be beneficial to increase transparency practices.</p> <p>CBS is a very active central bank regarding membership, participation and leadership in international institutions, organizations, and other central banks. Most of the international relations and interactions and even agreements are disclosed in the annual report. Transparency and dissemination of CBS interaction with international counterparts could be enhanced by highlighting international cooperation and actions on the CBS website with and explanation of terms and conditions of the agreements. The accessibility of press releases could be enhanced by having a specific tab on international relations and cooperation on the website.</p>		
--	--	--

Appendix II. List of CBS Units and External Stakeholders

CBS Senior Management and Staff:

- Governor
- Second Deputy Governor
- Members of the Board of Directors
- Banking Services Division
- Communications Unit
- Compliance Unit
- Financial Inclusion and Market Conduct Division
- Financial Markets Division
- Financial Surveillance Division
- Human Resources Division
- Internal Audit Division
- Research & Statistics Division
- Risk Management Unit

External Stakeholders:

- Academia (University of Seychelles)
- Commercial Banks (ABSA Bank, Mauritius Commercial Bank)
- Fair Trading Commission
- Financial Intelligence Unit
- Financial Services Authority
- Information Commission
- Media Commission
- Ministry of Finance, National Planning and Trade
- Media Representatives (Seychelles Broadcasting Corporation, Seychelles Nation, Today in Seychelles)
- National Assembly
- Seychelles Chamber of Commerce