

Seychelles



Brent Taylor

Brief history of the country¹:

Although the French were the first to start settlement on these uninhabited islands, the Arab traders were probably the first to have spotted them. Later on during the 16th century the islands were frequented and some were even named by the Portuguese. In 1742 the French took possession of Seychelles, and they landed on Ste Anne Island to start permanent settlement in 1770. They ruled Seychelles for 40 years. In 1771, a year after settling in, Pierre Poivre started the first plantation industry in Seychelles with a view to compete with the Dutch in the European spice trade. During that period Seychelles was also being used as a transit point for slaves from Africa, India, Madagascar and other countries. A few were retained here to work for their masters. The geographical location of Seychelles also made it ideal for both the French and the British during their respective reign of the islands to send all those who they wanted to get rid off for various reasons (Isolation, punishment). To name just a few the Dauphin of France, Louis XVII, son of Louis XVI, King Prempeh of Ghana, the archbishop Makarios of Cyprus (later upon his return to his country became the President of Cyprus). From 1794 and for the next thirteen years which followed, the islands changed hands seven times between the French and the British. In 1811 after a series of sea battles Seychelles was occupied by the British. In 1814 the Treaty of Paris rendered both Seychelles and Mauritius formally British. A year later this session was sanctioned and the Seychelles became under the dependence of Mauritius.

In 1903 it became a separate British crown colony. In 1835 Seychelles saw the abolishment of slavery and 1853 the establishment of the Roman Catholic Church, two important events in the history of Seychelles.

1976 marked the birth of the first republic. Seychelles got its independence and stayed with the British Commonwealth of Nations. In 1979 a constitution established a one party regime (the second Republic) until 1992 when multiparties were legalized again. In 1993 a constitution established the third Republic

Population²: 82,247 (July 2008 est.)

GDP and GDP per head³

- GDP (Purchasing Power Parity): \$1.537 billion (2008 est.)
- GDP (Official Exchange Rate): \$779 million (2008 est.)
- GDP Per Capita: \$18,700 (2008 est.)
- GDP Composition by Sector:

¹ Seychelles Nation Online – “The History of Seychelles.” <http://www.nation.sc/>

² CIA World Factbook

³ Ibid

- *agriculture: 1.9%*
- industry: 28.3%*
- services: 69.9% (2008 est.)*

Most important industries: fishing, tourism, processing of coconuts and vanilla, coir (coconut fiber) rope, boat building, printing, furniture; beverages

Macro data such as inflation, unemployment⁴

- Inflation Rate: 42.6% (March 2009)
- Unemployment: 4.4% (February 2009)

Growth rates

GDP – Real Growth Rate: 4.2% (2008 est.)

BANKING SYSTEM:

Number and size of banks⁵

- Barclays Bank (Seychelles) Ltd.⁶
 - Barclays has operated in Seychelles since 1959 and has been closely associated with all phases of the country's development. Barclays has the largest banking office and cash machine network in the country with representation on the three main islands of Mahe (two branches and one agency), Praslin (one branch and one agency) and La Digue (one agency). The Barclays name, which is recognized worldwide, gives us true global reach.
 - Business Banking
 - Barclays has more than a 30% share of the banking market in Seychelles
- Mauritius Commercial Bank (Seychelles) Ltd⁷
 - Locations : Mahe (1 branch, 1 counter), Praslin (1 branch, 1 counter), La Digue (1 counter)
 - ATMs: Mahe (4), Praslin (3), La Digue (1)
 - The Mauritius Commercial Bank (Seychelles) Limited, trading under the name of MCB Seychelles has been incorporated in Seychelles since 14 March 2003. Wholly owned subsidiary of The Mauritius Commercial Bank Limited, Mauritius, (MCB Ltd) which started business on July 01, 2003 replacing the

⁴ Central Bank of Seychelles, February & March 2009

⁵ Central Bank of Seychelles as of 9.2.2008

⁶ Barclays of Seychelles. http://www.barclays.com/africa/seychelles/barclays_in.htm

⁷ <http://www.mcbseychelles.com/>

Seychelles branches of Banque Française Commerciale Ocean Indien (BFCOI) also wholly owned by MCB Ltd. This development was prompted by the sale by The Mauritius Commercial Bank Limited to Société Générale of 50% of its shareholding in BFC network with the exception of the banking services carried out in the Republic of Seychelles.

- Bank of Baroda
- Habib Bank Limited
- Seychelles International Mercantile Banking Corporation (SIMBC) trading under the name "Nouvobanq"
- Seychelles Savings Bank
- BMI Offshore Bank, Seychelles
 - BMI is a joint venture between BMI Bank (Bahrainbased) and Seychelles based bank Nouvobanq each with 50% shareholdings.
 - The bank is licensed to conduct offshore banking business in the Seychelles, both for corporate and private customers based around the world. The license to conduct offshore banking business is only the 2nd such license issued by the Central Bank of Seychelles over the last 4 years.

Foreign versus domestic ownership

- Depository Corporations Survey⁸:
 - Net Foreign assets = 1,923.21 million rupees
 - Net domestic assets = 5,228.50 million rupees

Source of funds

Investment of funds

Privatizations: partial versus full

Banks are privately held

Interest spread (lending rate minus deposit rate)⁹:

16.36% - 9.97% = 6.39%

Represents the average lending rate less the savings deposit rate as of January 2009

Bank credit to the private sector¹⁰

2,780.31 million rupees

Bank credit to the public sector¹¹

1,930.27 million rupees

Deposit insurance: partial versus full

⁸ Central Bank of Seychelles, February 2009 (<http://www.cbs.sc/economicindicators.html>)

⁹ Ibid

¹⁰ Ibid

¹¹ Ibid

Insurance companies and other financial institutions:

The Insurance Act contains provisions for the licensing of offshore insurance companies, insurance managers and principal insurance representatives. That Act, which regulates domestic and nondomestic insurance business, is an excellent legal framework for conducting offshore insurance activities. The law provides for full confidentiality, except in cases involving criminal investigation. Like its banking counterpart, an offshore insurance company must be either a company limited by shares or an unlimited company incorporated or registered under the Seychelles Company Law.¹²

Central bank and its role in the economy

The objectives of the Central Bank of Seychelles as per the Central Bank of Seychelles Act 2004 are¹³:

- a) to regulate the issue, supply and availability of money and its international exchange;
- b) to promote price stability and the maintenance of both domestic and external value of the Seychelles currency;
- c) to advise the Government on banking, monetary and financial matters, and in particular on the monetary implications of proposed fiscal or credit policies or operations of the Government;
- d) to promote internal and external monetary stability;
- e) to promote a sound financial structure;
- f) to foster financial conditions conducive to the orderly and balanced economic development of Seychelles; and
- g) to perform such other functions as may be assigned to the Bank by any law.

Does it set interest rates, if so how?

Yes, the Central Bank sets the minimum deposit interest rate

Does it set exchange rates or are they floating?¹⁴

Floating: The Central Bank Act of 2004 was amended in a session of the National Assembly on October 31, 2008 that removed the Bank's control of the exchange rate and allowed the rupee to float freely against other currencies. But as the free market takes on the role of establishing the exchange rate, the Central Bank is able to use other monetary instruments to attempt to direct the course of Seychelles' economy

¹² Seychelles International Business Authority, <http://www.siba.net/index.php?s=offshoreinsurance>

¹³ Central Bank of Seychelles

¹⁴ Seychelles Nation Online. "New challenges for a new generation: the Central Bank at 30." 11.30.2008. <http://www.nation.sc/index.php?art=14257>

Data on the rates it sets and on the exchange rate

See Xcel file on 2009 archived rates on WebCafe. Summary as of March 19, 2009:

Reference Rate (Mid Rate), Bank Notes

USD: 16.3733/\$

Euro: 21.6938/Euro

UK Pound: 23.1276/Pound

Functions: unitary role of price stability; or price stability plus bank supervise

As per the “Bank objectives” aforementioned, the role of the bank is to promote price stability and the maintenance of both domestic and external value of the Seychelles currency.” All legal controls on the purchase and sale of foreign currency in the Seychelles have been removed as of November 1, 2009.¹⁵

Independence and governance

- As an independent statutory body, the Central Bank is granted autonomy by the Central Bank Act of 2004, which makes the Bank and its staff accountable to the board of the Central Bank and free to operate away from any political influence.
- The members of the board of the Central Bank – who are appointed to six year terms of office by the President – are currently Errol Dias, Wilfred Jackson, Francis ChangSam and Jean WeelingLee, as well as the Bank’s governor Pierre Laporte and deputy governor Jennifer Morel.

Government bond market

- **Treasury Bills:** At present they are being issued on a tender basis. The Central Bank publishes a notice in the Seychelles Nation and on the Central Bank website prior to the subscription of a new issue stating the average interest rate and price of previous bills as indicators for interested buyers. Tenders are placed by filling a tender form and should be deposited in the tender box at the Central Bank before the closing date specified in the notice.
91 Day T Bills are auctioned on a weekly basis are open for public tender. Bids for Treasury Bills must be made in multiples of SR5,000.

| Bills Type | Closing Date of Tenders | Date of Issue of Bills | Maturity Date | Amount in Rs | Average Tender Rate | Average Tender Price |
|-------------------|--------------------------------|-------------------------------|----------------------|---------------------|----------------------------|-----------------------------|
| 91 Days | 26Dec08 | 6Jan09 | 7Apr09 | 347,060,000 | 26.30% | 93.85 |

¹⁵ Speech of Governor of Central Bank of Seychelles, October 31 2008

| | | | | | | |
|---------|---------|---------|---------|-------------|--------|-------|
| 91 Days | 31Dec08 | 6Jan09 | 7Apr09 | 493,545,000 | 28.94% | 93.27 |
| 91 Days | 9Jan09 | 14Jan09 | 15Apr09 | 150,000,000 | 29.21% | 93.21 |
| 91 Days | 16Jan09 | 21Jan09 | 22Apr09 | 99,750,000 | 29.57% | 93.13 |
| 91 Days | 23Jan09 | 28Jan09 | 29Apr09 | 100,000,000 | 29.27% | 93.20 |
| 91 Days | 30Jan09 | 4Feb09 | 6May09 | 100,000,000 | 28.94% | 93.27 |
| 91 Days | 6Feb09 | 11Feb09 | 13May09 | 100,000,000 | 28.76% | 93.31 |
| 91 Days | 13Feb09 | 18Feb09 | 20May09 | 100,000,000 | 27.12% | 93.67 |
| 91 Days | 20Feb09 | 25Feb09 | 27May09 | 100,000,000 | 25.83% | 93.95 |
| 91 Days | 28Feb09 | 4Mar09 | 3Jun09 | 100,000,000 | 25.47% | 94.03 |
| 91 Days | 6Mar09 | 11Mar09 | 10Jun09 | 101,830,000 | 25.21% | 94.09 |

Summary of TBill Rates, 2007 – Q2 2008¹⁶

Table 11
Treasury Bills; 2007-2008

| | 2007 | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Apr. | May. | Jun. |
| | (per cent) | | | | | | | |
| Annual yield (average)¹ | | | | | | | | |
| 91-day bills (tender) | 3.577 | 3.455 | 3.827 | 4.519 | 5.131 | 4.514 | 5.439 | 5.439 |
| 365-day bills (tender) | 4.118 | 4.118 | 4.377 | 4.893 | 4.893 | 4.893 | 4.893 | 4.893 |
| | (R million) | | | | | | | |
| Amount issued² | 1288.6 | 1135.3 | 1130.6 | 1033.4 | 1082.1 | 791.1 | 291.0 | 0.0 |
| 91-day bills (tender) | 1288.6 | 1135.3 | 1035.3 | 1033.4 | 1082.1 | 791.1 | 291.0 | 0.0 |
| 365-day bills (tender) | - | - | 95.3 | - | - | - | - | - |
| Stock outstanding^{2/3} | 1384.6 | 1231.3 | 1130.5 | 1128.7 | 1178.1 | 1178.1 | 1177.5 | 1177.5 |
| 91-day bills (tender) | 1288.6 | 1135.3 | 1035.2 | 1033.4 | 1082.8 | 1082.8 | 1082.1 | 1082.1 |
| 365-day bills (tender) | 96.0 | 96.0 | 95.3 | 95.3 | 95.3 | 95.3 | 95.3 | 95.3 |

¹ Quarterly data are averages of monthly data, compiled on an end-of-period basis.

² At cost value.

³ End-of-period data.

Treasury Bonds – Treasury bonds prospectus is published in the Seychelles Nation at least seven days prior to the subscription of a new issue and interested investors can then contact the Public Debt Section for purchase.

¹⁶ Central Bank of Seychelles Q2 2008 Review

Table 12
Treasury Bonds; 2007-2008

| | 2 0 0 7 | 2 0 0 8 | 2 0 0 8 | 2 0 0 8 | 2 0 0 8 | 2 0 0 8 | 2 0 0 8 | 2 0 0 8 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Apr. | May. | Jun. |
| | (R million) | | | | | | | |
| Amount sold | 69.8 | 30.0 | 23.5 | 39.3 | 0.6 | 0.0 | 0.0 | 0.6 |
| 10.0%, 5-yr | 69.8 | 30.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6.0%, 3-yr | - | - | 23.3 | 39.3 | 0.6 | 0.0 | 0.0 | 0.6 |
| Stock outstanding¹ | 1959.7 | 1817.4 | 1826.2 | 1856.9 | 1856.8 | 1856.7 | 1856.5 | 1856.8 |
| 4%, 3-yr | 222.4 | 50.1 | 35.4 | 26.9 | 26.2 | 26.7 | 26.5 | 26.2 |
| 5%, 5-yr | 490.9 | 490.9 | 490.9 | 490.9 | 490.9 | 490.9 | 490.9 | 490.9 |
| 7%, 7-yr | 183.0 | 183.0 | 183.0 | 183.0 | 183.0 | 183.0 | 183.0 | 183.0 |
| 8%, 10-yr | 293.6 | 293.6 | 293.6 | 293.6 | 293.6 | 293.6 | 293.6 | 293.6 |
| 8.25%, Esmeralda II | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| 6.0%, 3-yr | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 |
| 10.0%, 3-yr | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| 10.0%, 5-yr | 69.8 | 99.8 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 6.0%, 3-yr | - | - | 23.3 | 62.6 | 63.2 | 62.6 | 62.6 | 63.2 |

¹ End-of-period data.

Note: - In May 2007 there was the issue of 10.0%, 5-yr bond.

- In November 2007 there was the issue of 6.0%, 3-yr bond.

Interest Rates on Bonds were changed in January 2009:

The prospectuses in respect of the Treasury Bonds specified in Column 1 are amended with regard to the interest rates payable. Column 3 sets out the revised interest rate payable in respect of the Treasury Bond specified in the corresponding entry in Column 1. The revised interest rates become effective as from the 1st January, 2009.

| COLUMN 1 | COLUMN 2 | COLUMN 3 |
|-----------------------------------|---------------------------------|------------------------------|
| Treasury Bond | Date of Final Redemption | Revised Interest Rate |
| 4% 3 year issued in July 2003 | 12 June 2009 | 8% |
| 5% 5 year issued in July 2003 | 09 November 2009 | 10% |
| 6% 3 year issued in July 2006 | 22 October 2009 | 12% |
| 7% 7 year issued in July 2003 | 10 December 2010 | 14% |
| 8% 10 year issued in July 2003 | 04 June 2016 | 16% |
| 8.25% 5 year issued in June 2005 | 22 November 2011 | 16.5% |
| 10% 3 year issued in July 2006 | 16 October 2009 | 20% |
| 10% 5 year issued in May 2007 | 02 October 2012 | 20% |
| 6% 3 year issued in November 2007 | Still Available | 12% |

Treasury Bond Secondary Market

| Bond Type | Amount Available as at March 20, 2009 | Eligible Buyers |
|---|--|------------------------|
| 10% Five Year issued in July 2003. | 40,000 | All |
| 12% Three Year issued in November 2007. | 1,000,000 | Corporate Bodies |

Government Stocks

Table 13
Government Stocks; 2007-2008

| | 2 0 0 7 | | | 2 0 0 8 | | 2 0 0 8 | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Apr. | May. | Jun. |
| | (R million) | | | | | | | |
| Amount sold | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 8.50%, 2017 | - | - | - | - | - | - | - | - |
| Amount redeemed | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 8.50%, 2005/07 | - | - | - | - | - | - | - | - |
| Stock outstanding¹ | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| 8.50%, 2005/07 | - | - | - | - | - | - | - | - |
| 8.00%, 2009 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| 8.00%, 2014 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 | 70.0 |
| 8.50%, 2017 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |

¹ End-of-period data.

6. Stock market: DOES NOT APPLY

The Securities Act 2007 breaks new ground for Seychelles. With a long history of international business the new regulatory system for a fair and transparent securities market extends the scope and appeal of Seychelles. The Act encourages overseas and local securities dealers to trade in foreign and Seychelles Securities and provides the legal framework for the setting up of a Stock Exchange in Seychelles. This bold initiative is on the way and already interest has been shown by overseas companies and mutual funds in obtaining a quotation. The Securities Authority administers the licensing, compliance and the promotion of Seychelles as a location for securities dealing; the interests of the investor are paramount as is shown by the rules on the licensing of investment advisers and of securities dealers, but with exemption possible for licensed dealers under recognized overseas authorities who are members of recognized overseas stock exchange and that of Seychelles.¹⁷

Companies listed

Stock price data if possible

Volumes

Market capitalization

Trading volume

Turnover [Trading volume as a fraction of Capitalization; Trading volume as a fraction of

¹⁷ Seychelles International Business Authority, Securities Industries. <http://www.siba.net/index.php?s=securities>
industries

GDP]

Privatizations through the stock market (e.g., Kenya Airways)

Fraction of local ownership in the stock market

Automation versus manual trading

Listing and size of foreign based funds investing in the stock market

Concentration of listed companies [the top three/five company capitalizations as a fraction of total market cap]

If possible aggregate stock market returns (both in local currencies and dollars)

Regional integration initiatives