

CENTRAL BANK OF SEYCHELLES (AMENDMENT) BILL, 2024

(Bill No. 13 of 2024)

OBJECTS AND REASONS

The object of this Bill is to amend the Central Bank of Seychelles Act (the “Act”), *Cap 26*, and align it with international best practices and standards, whilst having taking into account the realities of the local context.

This Bill makes provision for clarifying the Bank's primary role of maintaining price stability in relation to its secondary objectives, and explicitly providing for the Central Bank's role in promoting financial stability in Seychelles.

The Bill makes provision for listing of the functions of the Central Bank, and includes new functions which are not reflected in the Act, so as to further promote transparency and accountability of the Central Bank's activities. The functions and powers of the Board of Directors are also clarified with the intention of clearly separating the powers of the Central's Bank Management and those of the Board of Directors.

The Bill makes provision to improve the financial autonomy of the Central Bank by strengthening the statutory capital of the Central Bank and aligning the provisions relating to advances to Government with international best practice.

The Bill makes provision to strengthen the institutional independence of the Central Bank, which includes further clarifying the prevention against improper influence and control of the Central Bank or its employees from any person or authority, and providing for the appointment of a tribunal for the removal of a member of the Board of Directors from office.

Further the Bill puts forth amendments to improve the Central Bank's supervisory role by providing for administrative penalties in relation to non-compliance to certain provisions of the Act.

Ultimately, the proposed amendments aim to make necessary changes to the Act so as to further strengthen the independence and autonomy of the Central Bank, whilst promoting increased transparency in respect of the Central Bank's activities and operations.

Dated this 12th day of July, 2024.

**NAADIR HASSAN
MINISTER OF FINANCE,
NATIONAL PLANNING AND TRADE**

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ARRANGEMENT OF SECTIONS

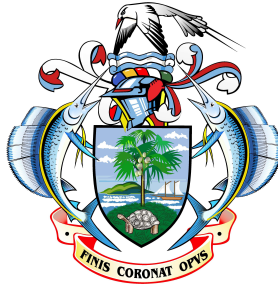
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A BILL

FOR

AN ACT TO AMEND THE CENTRAL BANK OF SEYCHELLES ACT, (CAP 26).

ENACTED by the President and the National Assembly.

Short title

1. This Act may be cited as the Central Bank of Seychelles (Amendment) Act, 2024.

Amendment of section 2

2. Section 2 of the Central Bank of Seychelles Act, in this Act referred to as the principal Act is amended —

- (a) by inserting in its proper alphabetical order, the following new definition —

“non-executive director” means a member of the Board other than the Governor, First Deputy Governor or Second Deputy Governor”.

- (b) by repealing the definition of “force majeure” and substituting it with the following new definition —

“force majeure” includes —

- (a) a catastrophic event posing a severe funding market disruption as determined by the Bank;
- (b) a disaster as defined in the Disaster Risk Management Act, 2014;
- (c) a state of emergency declared under the Constitution; or
- (d) a public health emergency declared under the Public Health Act, 2015,

which in the opinion of the Bank substantially and materially disrupts or is likely to substantially and materially disrupt the stability of the economy and financial system;

- (c) by repealing the definition of “marketable securities” and substituting it with the following new definition —

“marketable securities” means securities bearing interest at prevailing market rates and having the tenure of outstanding government securities;”

Amendment of section 3

3. Section 3 of the principal Act is amended by repealing subsections (2) and (3), and substituting them with the following —

“(2) The Bank shall, in pursuit of its objectives and discharge of its functions, act independently and shall not be under the direction or control of any person or authority.

(3) A person shall not improperly seek to influence the Board, its decision-making bodies, or any of the Bank's employees, in the discharge of their duties or otherwise interfere in their lawful activities.”

Amendment of section 4

4. Section 4 of the principal Act is amended by repealing subsection (2), and substituting it with the following —

“(2) Without prejudice to the primary objective of the Bank under subsection (1), the other objectives of the Bank are to promote financial stability and soundness of the financial system of Seychelles.”

Amendment of section 4A

5. The principal Act is amended, by repealing section 4A, and substituting it with the following section —

“Functions of the Bank

4A.(1) The functions of the Bank are to —

- (a) formulate and implement monetary policy with a view to promoting its primary objective;
- (b) determine the foreign exchange rate regime in accordance with section 25(5);

- (c) have macro-prudential oversight over Seychelles' financial system and co-ordinate activities involved in the safeguarding of financial stability in order to maintain and enhance a stable financial system;
- (d) license, regulate and supervise the activities of financial institutions and other entities under its regulatory purview;
- (e) issue currency notes and coins that are legal tender and regulate all matters relating to the domestic currency;
- (f) hold and manage all the official foreign reserves of Seychelles;
- (g) promote the establishment and oversight of a safe, secure, efficient and effective national payment system;
- (h) advise the Government on banking, monetary and financial matters, including the monetary implications of proposed fiscal, credit policies or operations of the Government;
- (i) act as banker and fiscal agent to the Government;
- (j) act as banker to banks;
- (k) act as the resolution authority for banks and other designated institutions;
- (l) establish facilities for the collection and consolidation of credit information or any other information which the Bank considers relevant in the discharge of its functions;

- (m) fairly, reasonably, and effectively handle financial consumer disputes within its regulatory purview; and
- (n) collect, compile, disseminate, on a timely basis, monetary and other financial statistics relevant to the Bank's objectives and functions.

(2) The Bank shall have all the necessary, incidental or ancillary powers to give effect to its objectives and carry out its functions.

Insertion of new section 4B

6. The principal Act is amended by inserting after section 4A, the following section —

“Draft laws relating to the Bank's objectives

4B.(1) Any draft law concerning matters relating to the objectives of the Bank shall —

- (a) be the subject of consultation with the Bank before it is laid before the National Assembly; and
- (b) be submitted with the views of the Bank when the draft law is laid before the National Assembly.

(2) The Bank shall not be subject to any legal provision that would hamper the attainment of the Bank's objectives or the carrying out of its related functions.

(3) A provision of this Act shall not be repealed or, amended unless the Bank is consulted of any such change beforehand.”

Amendment of section 5

7. The principal Act is amended, by repealing section 5, and substituting it with the following section —

“The Board of Directors

5. (1) There shall be a Board of Directors, in which all the powers of the Bank shall be vested, which shall —

- (a) oversee the functioning of the Bank; and
- (b) be responsible for the policy and affairs of the Bank.

(2) Without derogating from the generality of subsection (1), the Board shall have power to —

- (a) approve the regulations, guidelines and instructions of general application to be issued by the Bank;
- (b) approve the budget of the Bank;
- (c) approve the annual report of the Bank;
- (d) make decisions regarding the establishment or abandonment of a branch of the Bank;
- (e) determine the strategic direction and policies applicable to the administration and operations of the Bank;
- (f) determine the accounting policies of the Bank and approve the Bank’s financial statements;
- (g) approve the procedures of the Board, the Audit and Risk Committee and any other body of the Bank;

- (h) determine and establish an effective governance, risk and compliance structure within the Bank;
 - (i) appoint the chairperson of the committees appointed under section 9 (9) of the Act;
 - (j) appoint the secretary of the Board upon recommendation of the Governor;
 - (k) approve the appointment and dismissal of the Head of Internal Audit;
 - (l) approve external assignments of the Governor, Deputy Governors and employees of the Bank; and
 - (m) do all such things as are necessary or incidental to the exercise and performance of other powers and functions granted by this Act or any other Act.
- (3) The Board shall consist of —
- (a) the Governor;
 - (b) the Deputy Governors; and
 - (c) six non-executive directors.
- (4) The term of office of the Governor, Deputy Governors and non-executive directors of the Board shall be 6 years and they are eligible for re-appointment provided that a member shall not serve more than two terms in their respective office.
- (5) Notwithstanding subsection (4), the members of the Board who are appointed for the first time upon the

commencement date of this amendment Act, shall be appointed at different times for a period of 6 years to ensure continuity of the management of the Bank.

(6) The terms of office of the Board members performing the functions of office on the commencement date of this Act, shall be deemed to have commenced on the dates on which they were appointed.”

Amendment of section 6

8. The principal Act is amended, by repealing section 6, and substituting it with the following section —

“The Governor, Deputy Governors and members

6.(1) The Governor, Deputy Governors and non-executive directors shall be fit and proper persons who —

- (a) hold an advanced university degree in financial, banking affairs, or economics; and
- (b) have at least 8 years' professional experience and held a senior position for at least 5 years.

(2) Notwithstanding subsection (1)(a), non-executive members may alternatively hold an advanced degree in auditing, compliance, administration, human resources, risk management, Information Technology, accounting and law.

(3) The Governor and the Deputy Governors shall be appointed by the President in consultation with the non-executive directors of the Board.

(4) The non-executive directors shall be appointed by the President on the recommendation of the Governor, who shall consult the Nomination and Remuneration Committee prior to making such recommendation in accordance with section 9C(3)(a).

(5) The remuneration terms and conditions of the Governor, Deputy Governors and non-executive directors shall be determined by the President based on proposals made in accordance with sections 9B(3)(b) and 9C(3)(b) of the Act.

(6) The Governor or, in his or her absence, the First Deputy Governor and in the absence of the Governor and the First Deputy Governor, the Second Deputy Governor shall —

- (a) preside at the meetings of the Board;
- (b) be the chief executive officer of the Bank responsible to the Board for the execution of its policy and the day-to-day management of the Bank;
- (c) appoint employees at such remuneration, terms and conditions in accordance with approved Board policies;
- (d) subject to the provisions of this Act, or any resolution of the Board, have the power to act, contract and sign instruments and documents on behalf of the Bank; and
- (e) delegate such powers to other employees of the Bank.”

(7) The remuneration and allowances of the Governor, Deputy Governors and the non-executive directors shall not be reduced during their term of office.”

Amendment of section 7

9. Section 7 of the principal Act is amended —

- (a) in subsection (1) —

- (i) by repealing paragraph (g), and substituting it with the following paragraph —
- “(g) being a non-executive director of the Board, he or she is also an employee of the Bank;”
- (ii) in paragraph (h), by deleting the full stop (“.”) and substituting it with “; or”;
- (iii) by inserting after paragraph (h), the following paragraph —
- “(i) is a public officer, official or representative of a public body, but does not include an academic.”
- (b) by inserting after subsection (1), the following new subsection —
- “(1A) Notwithstanding subsection (1), a member of the Board shall be allowed to be a member of —
- (a) the Financial Stability Committee established under the Financial Stability Act, 2023; and
- (b) a board of one public body as long as the public body does not have a banking or finance role.
- (c) in subsection (2), by inserting after the words “the President shall remove him or her from office” the words “in accordance with section 7A”.
- (d) by inserting after subsection (6), the following subsections —

“(7) A Board member shall not, for a period of 6 months following his or her exit from office, take employment, provide consultancy services or be appointed as a director of any institution under the regulatory jurisdiction of the Bank.

(8) Subsection (7) shall annul and substitute any cooling off period negotiated and provided for contractually or otherwise.”

Insertion of new section 7A

10. The principal Act is amended by inserting after section 7, the following section —

“Appointment of tribunal

7A.(1) In this section, “high judicial office” means at least the office of a judge of the Supreme Court or retired judge or such similar position.

(2) Whenever it appears to the President that a Governor, Deputy Governor or non-executive director of the Board no longer meets the requirements of his or her office in accordance with section 7 of the Act, the President shall appoint a tribunal to inquire into the matter.

(3) The tribunal shall —

- (a) consist of not less than three and not more than five persons, one of whom holds or has held high judicial office or is an attorney-at-law with more than ten years of experience; and
- (b) be presided by a person who holds or has held high judicial office or the attorney-at-law referred to in paragraph (a).

(4) When conducting its inquiry, the tribunal shall provide the Board member concerned an opportunity to be heard.

(5) The tribunal shall submit its findings and recommendations to the President for his determination within 30 days of its appointment.

(6) At the time of the appointment of the tribunal, the President may, if the member concerned is the Governor or a Deputy Governor, grant the member leave of absence, and in the case of a non-executive director, suspend the director pending the investigation.

(7) Members of the tribunal shall be paid such fee as may be determined by the President and shall be an expense incurred by the Bank.”

Amendment of section 8

11. Section 8 of the principal Act is amended —

- (a) in subsection (1) by repealing the word “rules” and substituting it with the word “guidelines”;
- (b) by repealing subsection (3).

Amendment of section 9

12. Section 9 of the principal Act is amended —

- (a) by renumbering subsections (4), (5), (6), (7), (8) as subsections (7), (8), (9), (10), (11);
- (b) by repealing subsection (3) and substituting it with the following subsection —

“(3) A quorum for a meeting of the Board shall be two executive directors and four non-executive directors,

entitled to vote, provided that any matter requiring urgent action may be determined by two executive directors and three non-executive directors.”

- (c) by inserting after subsection (3), the following new subsections —

“(4) Notwithstanding subsection (3), decisions made by the Board shall not be invalidated in the absence of a quorum, or merely by reason of the existence of a vacancy or vacancies on the Board.

(5) Decisions made under subsection (4) shall be ratified by the Board as soon as the Board has quorum.

(6) The Board may make guidelines to provide for the holding of meetings of the Board and voting at such meetings by teleconferencing or by any other electronic means of communication.”

- (d) in subsection (7), by repealing the words “, except for the Attorney General who shall have no voting rights,”.

Insertion of new sections 9A, 9B and 9C

13. The principal Act is amended by inserting after section 9, the following sections —

“Audit and Risk Committee

9A.(1) The Board shall establish an Audit and Risk Committee consisting of at least three non-executive directors —

- (a) who shall possess qualifications and experience in accounting, auditing, banking, economics, risk management, compliance, information technology or administration; and

- (b) at least one member shall possess accounting or auditing expertise.
- (2) The Audit and Risk Committee —
 - (a) shall elect a chairperson from amongst its members;
 - (b) shall meet not less than four times a year; and
 - (c) may consult external and independent experts on any matter before them.
- (3) The Audit and Risk Committee shall be responsible for —
 - (a) reviewing and endorsing policies pertaining to the audit, compliance, risk management and business continuity functions of the Bank;
 - (b) overseeing the work of the internal audit division and the divisions and units related to the governance of the Bank;
 - (c) overseeing the implementation of the recommendations of the internal and external auditors;
 - (d) reviewing and recommending the approval of the Bank's financial statements and accounting policies to the Board;
 - (e) reviewing and recommending the approval of the Bank's budget to the Board;
 - (f) recommending the appointment and dismissal of the Head of Internal Audit to the Board;

- (g) reviewing the appointment, reappointment or termination of external auditors in consultation with the office of the Auditor General;
- (h) endorsing the external auditor's review of the financial statements prior to the Board's approval;
- (i) overseeing the Bank's internal controls; and
- (j) any other function assigned by the Board.

(4) The Audit and Risk Committee shall provide a report to the Board on the performance of its functions at least twice a year.

Human Resources Committee

9B.(1) The Board shall establish a Human Resources Committee consisting of at least three non-executive directors who shall possess qualifications and experience in financial or banking affairs, auditing, administration, human resource or information technology.

(2) The Human Resources Committee —

- (a) shall elect a chairperson from amongst its members;
- (b) shall meet not less than four times a year; and
- (c) may consult external and independent experts on any matter being considered by the Committee.

(3) The Human Resources Committee shall be responsible for —

- (a) monitoring the implementation and effectiveness of the human resource strategies and activities of the Bank;
- (b) submitting the proposed remuneration of the executive directors, as agreed by the non-executive directors, to the President; and
- (c) any other function assigned by the Board.

Nomination and Remuneration Committee

9C.(1) The Board shall establish the Nomination and Remuneration Committee consisting of three independent persons, who are of recognised standing and possess qualifications and experience in fields relevant to central banking, human resources management or corporate governance.

(2) The Nomination and Remuneration Committee shall elect a chairperson from amongst its members.

(3) The Nomination and Remuneration Committee shall be responsible for —

- (a) proposing appropriate individuals to fulfil the role of non-executive directors of the Board for the consideration of the Governor, who will submit names of the most appropriate candidates to the President for his determination; and
- (b) proposing appropriate remuneration of non-executive directors for the consideration of the Governor, who will submit the recommended remuneration to the President for his determination.

(4) Members of the Nomination and Remuneration

Committee shall be paid such fee as may be determined by the Board and shall be an expense borne by the Bank.

(5) A member of the Nomination and Remuneration Committee shall be dismissed by the Board if he or she has been convicted, whether in Seychelles or elsewhere, of a felony involving dishonesty, fraud or any other similar offence which makes the person unfit to discharge his or her responsibilities.

Amendment of section 10

14. Section 10 of the principal Act is amended, by repealing subsection (5) and substituting it with the following subsection —

“(5) Any person who contravenes any provision of this section commits an offence and is liable on conviction to a fine of Level 3 on the Standard Scale or to imprisonment for 6 months or both.”

Amendment of section 11

15. The principal Act is amended, by repealing section 11 and substituting it with the following section —

“Confidentiality

11.(1) A person who serves or has served as a member of the Board, the Nomination and Remuneration Committee, or as an employee of the Bank shall not disclose any confidential information acquired in the course of the performance of their duties under this Act or any other law, relating to the affairs of the Bank or any entity that falls under the Bank's supervision to any person except —

- (a) for purposes of the performance of their duties or the exercise of their powers under this Act or any other law;
- (b) when required to do so by a court of law or under any other law;

- (c) for the purposes of meeting the requirements of an agreement or understanding undertaken by the Bank with any other central bank, supervisory or resolution authority which are consistent with the objectives and functions of the Bank under this Act.

(2) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine of Level 4 on the Standard Scale or to imprisonment for 1 year or both.”

Amendment of section 14

16. The principal Act is amended, by repealing section 14 and substituting it with the following section —

“Authorised capital of the Bank

14.(1) The authorised capital of the Bank shall be an amount equivalent to SCR550 million.

(2) Notwithstanding subsection (5), the Government shall build up the authorised capital of the Bank over a period of 10 years starting as at 1st January 2024.

(3) All capital stock of the Bank as and when issued shall be for the sole account of the Government and shall not be transferable or subject to encumbrance.

(4) The authorised capital of the Bank —

- (a) may be increased by such amounts proposed by the Bank and approved by the Government;
- (b) shall be reviewed at least every 10 years; and
- (c) shall not be reduced at any time.

(5) For the purposes of this Act, all authorised capital shall be deemed to be fully paid up.”

Amendment of section 15

17. Section 15 of the principal Act is amended —

- (a) by renumbering subsections (4) and (5) as subsections (7) and (8) respectively;
- (b) by repealing subsections (1) to (3) and substituting them with the following subsections —

“(1) The Bank shall establish and maintain a General Reserve to which distributable earnings referred to under section 16 shall be allocated at the end of each financial year, and the General Reserve together with authorised capital shall form the statutory capital of the Bank.

(2) The General Reserve under subsection (1) shall not accumulate a balance of less than zero.

(3) The Bank shall establish a revaluation reserve to account for unrealised gains and losses, owing to its positions with foreign currencies, gold, financial instruments, and other assets.”

- (c) by inserting after subsection (3) the following new subsections —

“(4) Where according to the latest audited annual financial statements of the Bank, the General Reserve accumulates a balance of less than zero, the Bank shall, within a period of not more than 30 calendar days of publication of the annual accounts, assess the situation and prepare a report on the causes and extent of the shortfall.

(5) Where the Board approves the report prepared under subsection (4), the Bank shall request for a capital contribution from the Government to remedy the deficit

with a prospect of restoring the General Reserve to at least zero.

(6) Upon receipt of the request made under subsection (5), the Government shall, within a period of no more than 90 calendar days, transfer to the Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at prevailing market interest rates.”

- (d) In subsection (7) by repealing the words “subsection (3)” and substituting them with the words “subsection (6)”.
- (e) In subsection (8) by repealing the words “subsection (4)” and substituting them with the words “subsection (7)”.

Amendment of section 16

18. Section 16 of the principal Act is amended —

- (a) by renumbering subsection (3) as subsection (4);
- (b) by repealing subsection (2) and substituting it with the following subsection —

“(2) Where the Bank has distributable earnings for any financial year, 100 per cent of those earnings shall be distributed to the General Reserve until statutory capital reaches 10 percent of monetary liabilities.”

- (c) by inserting after subsection (2), the following subsection —

“(3) Any residual distributable earnings remaining after the distribution in subsection (2) shall be transferred to the Consolidated Fund.”

Amendment of section 18

19. Section 18 of the principal Act is amended, by repealing subsection (5) and substituting it with the following subsection —

“(5) For the purpose of this Act, a coin or note shall be deemed to have been illegally dealt with if it has been impaired, diminished or lightened otherwise than by fair wear or tear, has been defaced by any name, word, device or number being stamped or engraved on it, marred, spoilt, torn, burnt or any other form of deliberate and willful abuse whether or not the coin or note has been diminished or lightened.”

Amendment of section 20

20. The principal Act is amended, by repealing section 20 and substituting it with the following section —

“Issue of notes and coins

20. The Bank —

- (a) shall arrange for the printing of notes and the minting of coins and for all other related matters, including the security of such notes and coins;
- (b) shall issue, reissue, withdraw and, at its discretion, exchange notes and coins including legal tender notes and coins issued before the commencement of this Act;
- (c) may issue currency in digital form;
- (d) shall arrange for the storage and safe custody of notes and coins; and
- (e) shall arrange for the destruction, disposal or recycling of currency notes and coins withdrawn from circulation or otherwise found by the Bank to be unfit for use.”

Amendment of section 21

21. Section 21 of the principal Act is amended —

- (a) in subsection (1), by repealing the words “and design” and substituting them with the words “, material, design and other characteristics”;
- (b) in subsection (3), by inserting after the words “in the *Gazette*” the words “and in other media platforms likely to reach the public's attention”

Amendment of section 23

22. Section 23 of the principal Act is amended —

- (a) by repealing subsection (3) and substituting it with the following —

“(3) The Bank may, by notice published in the *Gazette* and in a daily local newspaper specify a period during which notes or coins which have ceased to be legal tender may be exchanged at the head office of the Bank or other designated place, after which those notes or coins shall no longer be exchanged.” and

- (b) by inserting after subsection (3), the following subsection —

“(4) The Bank may levy a handling charge, as it may determine, for the exchange of notes or coins in accordance with subsection (3).”

Amendment of section 24

23. The principal Act is amended, by repealing section 24 and substituting it with the following section —

“No right to recover value of lost, stolen or mutilated notes or coins

24.(1) A person shall not be entitled to recover from the Bank the value of any lost, stolen, mutilated or imperfect note or coin or of any note or coin which has been illegally dealt with.

(2) The Bank may —

- (a) withdraw and confiscate without compensation any notes and coins that have been illegally dealt with or altered in their external appearance, including in particular, notes that have been written on, painted on, dye-stained, stamped or perforated, or to which adhesive matter has been applied; and
- (b) at its discretion, grant compensation in whole or in part if more than 50 per cent of a note's surface has not been lost.”

Insertion of new section 24A

24. The principal Act is amended by inserting after section 24, the following section —

“Reproduction or use of images of notes and coins

24A.(1) A person shall not reproduce or use images of notes and coins issued by the Bank or create any objects that imitate any such note or coin without the prior authorisation of the Bank.

(2) The Bank shall determine the conditions for the reproduction of notes and coins.

(3) A person who breaches this section commits an offence and is liable upon conviction to a fine of Level 6 on the Standard Scale or to imprisonment for 1 year or both.”

Amendment of section 29

25. The principal Act is amended, by repealing section 29 and substituting it with the following section —

“Deposits with and lending by the Bank

29.(1) The Bank may, on such terms and conditions as the Board may determine, open accounts for, accept and remunerate deposits from banks and other institutions.

(2) The Bank may grant loans, advances and rediscounts to a solvent bank or credit union in Seychelles for monetary policy purposes and on a short term basis.

(3) The Bank shall determine the terms and conditions when granting a loan, advance or rediscount in accordance with subsection (2) which shall include —

- (a) the interest rate chargeable, being, not lower than the monetary policy rate; and
- (b) the requirement for the bank or credit union to provide the Bank with adequate collateral for the liquidity provided.”

Amendment of section 29A

26. The principal Act is amended, by repealing section 29A and substituting it with the following section —

“29A.(1) Section 29A is repealed.

(2) Notwithstanding the repeal of this section, any loans, advances or rediscounts issued in accordance with section 29A immediately prior to the effective date of this amendment Act, shall continue to be valid under the same terms and conditions.”

Insertion of new section 29B

27. The principal Act is amended by inserting after section 29A, the following section —

“Emergency liquidity assistance

29B.(1) To ensure financial stability, the Bank may provide short term emergency liquidity assistance to a bank or credit union in Seychelles which —

- (a) is temporarily illiquid but solvent and viable as determined by the Bank;
- (b) has adequate collateral as determined by the Bank; and
- (c) has exhausted all alternative liquidity options.

(2) The Bank shall determine the terms and conditions when providing emergency liquidity assistance under this section, which shall include —

- (a) the maturity of the assistance, which shall be for a period not exceeding 2 weeks but may be rolled over for succeeding periods each of up to 2 weeks, for a total period not exceeding 6 months;
- (b) the collateral to be provided to the Bank, which in the opinion of the Bank shall be sufficient to cover all risks to the Bank associated with such assistance; and
- (c) the interest rate chargeable on the emergency liquidity assistance, which shall be higher than the interest rate applied to loans or advances made in accordance with section 29.

(3) Notwithstanding subsection (1), in order to ensure financial stability, the Bank may, with the agreement of the Minister and on such terms and conditions as the Board determines, provide liquidity support to a bank or credit union in accordance with subsection (2), —

- (a) in the event of uncertainty on the solvency of a temporarily illiquid bank or credit union;
- (b) in the event of uncertainty on the sufficiency of available collateral for emergency liquidity assistance; or
- (c) where necessary for the purposes of meeting resolution objectives.

(4) The Bank may provide liquidity support under subsection (3), only if —

- (a) the Bank is fully indemnified by the Government for any losses it may incur in relation to such assistance; and
- (b) the bank or credit union complies with measures prescribed by the Bank to ensure the bank or credit union becomes solvent and viable in the context of a resolution or restructuring plan.”

Amendment of section 31

28. Section 31 of the principal Act is amended —

- (a) by repealing subsection (1) and substituting it with the following subsection —

“(1) The Bank may, by written notice to each bank or credit union require —

- (a) the maintenance of such reserves against deposits and other similar liabilities; and
 - (b) the submission of reports of the bank or credit union's deposit liabilities and any other relevant information to the Bank as may be specified in the notice.”
- (b) in subsection (4) —
 - (i) by repealing paragraph (a) and substituting it with the following paragraph —
 - “(a) the Bank shall not, unless the market conditions so require, require banks and credit unions to hold a total amount of reserves in excess of 40 per cent of the total deposit and other similar liabilities to which reserve ratios are applicable;”
 - (ii) by repealing paragraph (d) and substituting it with the following paragraph —
 - “(d) the required reserve ratios shall be uniform for each class of bank and credit union in Seychelles.”
- (c) by repealing subsection (5) and substituting it with the following subsection —
 - “(5) A bank or credit union which fails to comply with any requirement of the Bank under subsection (1)(a) shall be liable to pay a financial penalty in accordance with such formula as may be prescribed by regulations.”
- (d) by repealing subsection (6) and substituting it with the following subsection —

“(6) A bank or credit union required to provide information according to subsection (1)(b) which —

- (a) fails, refuses, neglects or unreasonably delays to supply information as required by the Bank; or
- (b) furnishes information which is false or misleading in any material particular;

shall be liable to an administrative penalty in accordance with Part XIVA.

Amendment of section 32

29. Section 32 of the principal Act is amended, in subsection (5) by repealing the words “commits an offence and is liable on conviction to a fine of SCR20,000 and to imprisonment for six months” and substituting them with the words “is liable to an administrative penalty in accordance with Part XIVA.

Amendment of section 33

30. Section 33 of the principal Act is amended, in subsection (3) by repealing the words “commits an offence and is liable on conviction to a fine of SCR20,000 and to imprisonment for six months” and substituting them with the words “is liable to an administrative penalty in accordance with Part XIVA.

Amendment of section 40

31. The principal Act is amended, by repealing section 40 and substituting it with the following section —

“Advances to Government

40.(1) The Bank may, in respect of temporary deficiencies of revenue, grant temporary advances in Seychelles rupees to the Government on such terms and conditions determined by the Bank including —

- (a) such temporary advances being consistent with the monetary policy; and
- (b) subject to an interest rate not lower than the monetary policy rate.

(2) The total amount of such advances outstanding shall not at any time exceed 10 per cent of the Government's average revenue from the preceding three years as determined annually by the Bank, in consultation with the Ministry of Finance and published by notice in the *Gazette*.

(3) Any advances granted under subsection (1) and converted into Government bearer securities, prior to the 31st December, 2022 including those under repurchase agreements, shall not be included in the limit on advances and shall be used solely for monetary policy purposes.

(4) All such advances shall be repaid as soon as possible and shall in any event be repayable not later than 6 months after the end of the financial year in which they are granted.

(5) For the purpose of subsection (2) “revenue” does not include borrowings, grants and any other form of financial assistance.”

Amendment of section 40A

32. The principal Act is amended, by repealing section 40A and substituting it with the following section —

“Temporary advances in the event of force majeure

40A.(1) The Bank may grant temporary advances in Seychelles rupees to the Government in the event of force majeure where there is a temporary deficiency of revenue, and the grant of the advance shall be —

- (a) consistent with the primary objective of the Bank, the monetary policy and the established limit on public debt;
- (b) for a period of not more than 1 year; and
- (c) subject to an interest which shall not be lower than the monetary policy rate.

(2) An application by the Government for an advance in the event of force majeure shall illustrate the event and the means by which it has negatively impacted the Government budget.

(3) The limit on total temporary advances granted under subsection (1) shall be determined by the Board and published by notice in the *Gazette*.”

Insertion of new section 40B

33. The principal Act is amended by inserting after section 40A, the following section —

“Credit provided from proceeds

40B.(1) Notwithstanding sections 40 and 40A, the Bank may provide credit to the Government, in Seychelles rupees —

- (a) from proceeds of special drawing rights, where such special drawing rights were allocated to Seychelles under Article XV of the Articles of Agreement of the International Monetary Fund; or
- (b) from proceeds of other financial assets received by the Bank as a result of the membership of Seychelles to an international financial organisation.

- (2) Credit granted in accordance with subsection (1) shall —
- (a) bear such interest as may be determined by the Bank, such rate not being less than the interest rate or charge payable by the Bank in respect of the special drawing rights or other financial asset;
 - (b) be for such term as may be determined by the Bank, which term shall not exceed, where applicable, the maturity date or redemption date of the corresponding financial asset;
 - (c) be documented in a loan agreement approved by the Board; and
 - (d) be reported in the Bank's report and accounts submitted to the President in accordance with section 47(4).”

Amendment of section 41

34. Section 41 of the principal Act is amended by repealing subsection (3) and substituting it with the following subsection —

“(3) In the event of a force majeure, the Bank may purchase or acquire treasury bills and other securities issued or guaranteed by the Government on the secondary market at market interest rates.”

Amendment of section 44

35. Section 44 of the principal Act is amended, by inserting after subsection (2) the following subsection —

“(3) Notwithstanding subsection (2)(c), the Bank may acquire shares or ownership interests in any international bank or international financial organisation or any associated or affiliated

bank or financial organisation of such international bank or international financial organisation of which Seychelles or the Bank is a member.”

Amendment of section 46

36. The principal Act is amended, by repealing section 46 and substituting it with the following section —

“Internal audit

46.(1) An internal audit division shall perform internal audit functions of the Bank which shall comprise —

- (a) the provision of independent, objective and risk-based assurance advice on effectiveness of governance, risk management and control processes to the Board as guided by international auditing standards; and
- (b) carrying out any other assignment made by the Board.

(2) The internal audit division shall report functionally to the Audit and Risk Committee and administratively to the Governor.

(3) The internal audit division shall be under the Head of Internal Audit who shall be appointed in accordance with section 5(2)(k) of the Act.

(4) The Head of Internal Audit appointed in accordance with subsection (3) shall be a person who —

- (a) has extensive professional experience in the field of accounting or audit;
- (b) is a member of a professional accounting or auditing body;

- (c) is not insolvent or has not been declared bankrupt whether in Seychelles or elsewhere or enters into an arrangement or composition with creditors;
- (d) has not been convicted of a felony involving dishonesty or of any other similar offence which makes him or her unfit to be the Head of Internal Audit, whether in Seychelles or elsewhere; and
- (e) has not been found to have committed an offence involving dishonesty or fraud after a disciplinary hearing.

(5) The Head of Internal Audit shall be an employee of the Bank who shall carry out his or her responsibilities with a high degree of professionalism and without interference.

(6) A person shall cease to be the Head of Internal Audit in the event that he or she —

- (a) ceases to be an employee of the Bank;
- (b) ceases to be a member of their professional accounting or auditing body;
- (c) has been convicted of a felony involving dishonesty or any other similar offence which makes the person unfit to be the Head of Internal Audit, whether in Seychelles or elsewhere;
- (d) has not performed their duties as would be reasonably expected in accordance with Board approved policies; or
- (e) has been found to have committed an offence involving dishonesty or fraud after a disciplinary hearing.”.

Insertion of Part XIVA

37. The principal Act is amended by inserting immediately after Part XIV, the following new Part. —

“Part XIVA Administrative Penalties

Administrative penalties

48A.(1) If the Governor is satisfied on a balance of probabilities that a bank or a credit union or a person has —

- (a) contravened a provision of this Act or its regulations;
- (b) failed to comply with an order under this Act,

the Governor may serve the bank, credit union or person with a notice requiring the bank, credit union or person to pay an administrative penalty in the amount specified in the determination.

(2) The Bank shall prescribe by regulations the amount or range of amounts, of administrative penalty that may be imposed in respect of each contravention of a specified provision of this Act or its regulations, which may be different for first and subsequent contraventions.

(3) The maximum amount of administrative penalty that may be prescribed under subsection (2) shall not exceed SCR 100 000.

(4) A notice under subsection (1) shall be in the prescribed form and shall contain the prescribed information.

(5) The Governor shall provide the person with an opportunity to be heard if requested and, following the opportunity, may —

- (a) cancel the administrative penalty; or
- (b) confirm the administrative penalty, in which case it becomes due and payable to the Bank.

(6) If an administrative penalty has been imposed under this section, no further proceedings may be taken in respect of the matter, other than to enforce payment of the penalty.

Effect of charging an offence

48B. A person who has been charged with an offence under this Act may not be subject to an administrative penalty in respect of the circumstances that gave rise to the charge.

Recovery of administrative penalties

48C. An administrative penalty imposed under this Act is a debt owed to the Bank and may be recovered as such.

Amendment of section 50

38. Section 50 of the principal Act is amended —

- (a) by renumbering the existing section as subsection (1);
- (b) by inserting after subsection (1), the following new subsections —

“(2) Without limiting the generality of subsection (1), regulations made under that subsection may provide

- (a) for penalties of fines not exceeding level 6 on the Standard Scale or imprisonment not exceeding five years;
- (b) where appropriate, imposition of administrative penalties in respect of an

offence, which penalties shall be a debt due to the Bank which may be recovered as a civil debt in a court of competent jurisdiction;

- (c) that the payment of an administrative penalty may discharge the person of liability from prosecution for an offence.”.