



# Anti-money laundering and counter-terrorist financing measures

## Seychelles

2<sup>nd</sup> Enhanced Follow-up Report & Technical Compliance Re-Rating

December 2020

Follow-Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 18 countries and also includes a number of regional and international observers such as AUSTRAC, COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

For more information about the ESAAMLG, please visit the website: [www.esaamlg.org](http://www.esaamlg.org)

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

**This report was approved by the ESAAMLG Task Force of Senior Officials at the December 2020 virtual meeting.**

Citing reference:

ESAAMLG (2020), *Anti-money laundering and counter-terrorist financing measures - Seychelles, 1<sup>st</sup> Enhanced Follow-up Report & Technical Compliance Re-Rating*, ESAAMLG, Dar es Salaam

<http://www.esaamlg.org>

© 2020 ESAAMLG. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission. Applications for such permission, for all or part of this publication, should be made to the ESAAMLG Secretariat, P. O. Box 9923, Dar es Salaam-United Republic of Tanzania Tel: +255 22 2667895/7679

Fax No: +255 22 2668745

Email: [executivesec@esaamlg.org](mailto:executivesec@esaamlg.org)

---

## Table of Contents

<b>I.INTRODUCTION .....</b>	<b>4</b>
<b>II.KEY FINDINGS OF THE MUTUAL EVALUATION REPORT .....</b>	<b>4</b>
<b>III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE.....</b>	<b>5</b>
<b>3.1. Progress in addressing the technical compliance shortcomings identified in the MER</b>	<b>5</b>
<b>3.1.1. RECOMMENDATION 1-ASSESSING RISKS AND APPLYING A RISK BASED APPROACH (Originally rated PC- re-rated to C) .....</b>	<b>6</b>
<b>3.1.2. RECOMMENDATION 26-REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS (Originally rated PC- re-rated to LC).....</b>	<b>8</b>
<b>3.1.3. RECOMMENDATION 29-FINANCIAL INTELLIGENCE UNITS (Originally rated PC- re-rated to LC) .....</b>	<b>9</b>
<b>3.2 Progress on Recommendations which have changed since Adoption of the MER.....</b>	<b>10</b>
<b>3.2.1. Recommendation 2- National cooperation and coordination (Originally rated PC – re-rated to No rerating) .....</b>	<b>10</b>
<b>3.2.2 Recommendation 15-New Technologies (originally rated NC-No Rerating) .....</b>	<b>12</b>
<b>IV.CONCLUSION .....</b>	<b>13</b>



## SEYCHELLES: 2<sup>nd</sup> FOLLOW-UP REPORT & REQUEST FOR RE-RATING

### I. INTRODUCTION

1. The Mutual Evaluation Report (MER) of Seychelles was adopted by the Task Force and approved by the Council of Ministers in September 2018. This follow-up report assesses the progress made by Seychelles to resolve the technical compliance shortcomings identified in its MER. New ratings are given when sufficient progress has been made. This report also assesses the progress made in implementing the new requirements of two of the FATF Recommendations that has been updated since adoption of the MER, namely, Recommendations 2 & 15. In general, countries are expected to have corrected most or all of their technical compliance shortcomings by the end of the third year of follow-up at the latest. This report does not cover the progress made by Seychelles in improving its effectiveness. Progress in this area will be assessed as part of a subsequent follow-up assessment. If sufficient progress has been made, the Immediate Outcome ratings may be reviewed.

### II. KEY FINDINGS OF THE MUTUAL EVALUATION REPORT

2. The MER<sup>1</sup> rated Seychelles' technical compliance as follows:

Table 1. Technical compliance ratings<sup>2</sup>, September 2018

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	PC	LC	PC	PC	PC	NC	NC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	LC	C	C	NC	PC	LC	C	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	LC	LC	LC	PC	PC	LC	PC	PC	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
C	LC	PC	PC	PC	C	PC	NC	PC	LC

<sup>1</sup> Mutual Evaluation Report (MER) of Seychelles, September 2018, <https://esaamlg.org/reports/MER-Seychelles-September%202018.pdf>

<sup>2</sup> Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

- 
3. In the light of these results, Seychelles was placed in the enhanced follow-up process.<sup>1</sup>
  4. The assessment of Seychelles' request for technical compliance re-ratings and preparation of this report were undertaken by the following experts (Supported by ESAAMLG Secretariat: Joseph Jagada, Muluken Dubale and Bhushan Jomadar):
    - Zenobia Barry (Namibia)
    - Susan Mangori (Botswana)
    - Motsisi Mongati (Botswana)
    - Didimalang Segaiso (Botswana)
    - Titus Mulindwa (Uganda)
    - Francesca Brito (Angola)
    - Evans Siziba (Zimbabwe)
    - Clara Hwata (Zimbabwe)
    - Marina Pascal (Madagascar)
  5. Part III of this report summarises the progress made by Seychelles on technical compliance. Part IV sets out conclusions and contains a table of Recommendations for which a new rating has been given.

### *III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE*

6. This section of the report summarises the progress made by Seychelles in improving technical compliance by addressing the shortcomings identified in its MER and implementing the new requirements associated with the changes made to FATF standards since adoption of the MER (R. 2 & 15).

#### *3.1. Progress in addressing the technical compliance shortcomings identified in the MER*

7. Seychelles has made progress in addressing the technical compliance shortcomings identified in the MER and the first FUR for the following Recommendations:

- R. 1, R. 26 and R. 29 which had all been rated PC.

---

<sup>1</sup> Enhanced follow-up is based on the traditional ESAAMLG policy for members with significant shortcomings (in technical compliance or effectiveness) in their AML/CFT systems, and involves a more intense follow-up process.

8. Given the progress made, Seychelles' ratings have been revised for the following Recommendations: 1, 26 and 29. The ESAAMLG warmly welcomes the progress made by Seychelles to improve its technical compliance with regards to Recommendations 2 and 15. However, the progress does not justify a re-rating of these Recommendations.

### **3.1.1. RECOMMENDATION 1-ASSESSING RISKS AND APPLYING A RISK BASED APPROACH** *(Originally rated PC- re-rated to C)*

9. The main shortcomings identified in the MER were as follows: a) Seychelles has not shared the results of the NRA to public and private sectors; b) Seychelles has not implemented a risk-based approach for efficient allocation of resources to mitigate the identified risks; c) the simplified CDD measures in place are not informed by identified risks; d) there were no specific obligations for FIs and DNFBPs to identify institutional ML/TF risks; and e) there are no obligations for FIs and DNFBPs to have policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified.
10. In terms of section 30(1) of the AML/CFT Act, the results of the NRA shall be disseminated to all stakeholders by the National AML/CFT committee. The results of the NRA were communicated to the AML/CFT stakeholders from the public and private sectors on 9<sup>th</sup> July 2018. The NRA was also published on the websites of the Ministry of Finance, Trade, Investment and Economic Planning (in summary) and the Central Bank of Seychelles (full report).
11. Section 30(2) of the new AML/CFT Act provides that the National AML/CFT Committee may consider the allocation of resources for mitigation of ML/TF risks based on the results of the NRA. Seychelles has incorporated a risk-based approach to allocation of resources to mitigate the risks identified with the help of the World Bank. With this improved understanding of risks the sectoral supervisors (CBS, FSA and FIU) have put in place appropriate resources to prevent and mitigate the identified risks. Under section 30(2) of the AML Act, the NAC may consider the allocation of resources aligned with the risks identified.
12. Section 32(3) and 40 of the AML/CFT Act 2020 permits reporting entities to apply simplified CDD where they determine lower ML/TF risk under section 40 of the AML/CFT Act. The simplified CDD requirement in the Act is based on the

---

reporting entity assessment of the business relationship and the country's assessment of its ML/TF risks. Thus, in order to apply simplified customer due diligence measures, the reporting entity must identify, assess and understand the business relationship or transaction risks; and, in order to determine such risk, the reporting entity is obligated to take into account any risk assessment carried out at national level. Moreover, the identified deficiencies against criterion 1.8 in relation to Regulation 11 of the Regulations is now repealed by Regulation 23 of the new AML/CFT Regulations, 2020. As per Regulation 15 of the same Regulations, subject to the provisions of Section 40 (1) and (2) of the Act, it is provided that a reporting entity may apply simplified customer due diligence measures by taking into account, risk factors, risk assessment, relevant information produced or made available by supervisory authority, and, results of national risk assessment. Section 58(1) of the AML/CFT Act empowers supervisory authorities to supervise and enforce compliance with the requirements contained in the Act (including the specific riskbased measures).

13. Section 32(1) of the AML/CFT Act requires reporting entities as provided in the First Schedule to identify, assess and understand their ML/TF risks. Moreover, section 32(2-5) sets out specific steps for reporting entities to take.
14. Section 33 requires a reporting entity to implement internal policies, procedures and controls. Those procedures and system have to be approved by senior management and should also be monitored and enhanced when required. The procedures and systems should also take into account the risks identified at country level and should be proportionate to the nature and size of the reporting entity business.
15. The AML/CFT Act provides for the application of simplified due diligence measures at section 40(1) where there is a determination by the reporting entities that the relationship presents a low degree of risk. Seychelles has now met criterions 1.9 to 1.11.

### *Weighting and Conclusion*

16. Seychelles has addressed all the deficiencies identified against R.1 in the MER. In view of the progress made Seychelles' rating for R.1 should be upgraded from PC to C.

---

### 3.1.2. RECOMMENDATION 26-REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS (Originally rated PC- re-rated to LC)

17. The shortcomings identified in the MER include: a) there were no risk-based approach to supervising and monitoring compliance with AML/CFT obligations by reporting entities.; b) frequency and intensity of supervision and monitoring not informed by risk identified; and c) in the absence of ML/TF risk assessments of the regulated sector, no reviews can be made.
18. Section 58(1) of the AML/CFT Act requires every supervisory authority to monitor reporting entities under their control on a risk-sensitive basis and take necessary measures for the purpose of ensuring compliance with the Act. For that purpose, the supervisory authorities should also consider the adequacy and implementation of reporting entities policies, internal controls and procedures taking into consideration the risk profile and size of the institution. Moreover, the reporting entity should take into account the outcome of any risk assessment carried out at national level under section 32(3) of this Act.
19. The Seychelles indicated that they have engaged the World Bank for implementing risk-based supervision across the different sectors since December 2019. The supervisors for financial institutions have implemented a supervision risk matrix tool which integrates the characteristics of the financial institutions which include the diversity, numbers and the degree of discretion allowed under the RBA including institutional risk assessments. The information is then integrated into the supervision risk matrix which informs the frequency and intensity of the on-site and the off-site supervision. The supervisors have developed risk profiles of FIs by using the supervision risk matrix tool.. There is ongoing monitoring of high risk FIs based on an agreed action plan with the relevant supervisor.
20. Under section 58(2)(a) of the AML/CFT Act, every supervisory authority is required to develop and implement a risk-based approach to supervision, taking into consideration the ML/TF risk profiles and risk assessments or the results of its review. The outcome of the risk assessment is updated regularly and submitted to the supervisory authority for that purpose under section 32(5) of this Act. Besides, the NRA provides the foundation for the sectoral supervisors to have access to an



---

assessment of risk of their respective sectors. However, neither the above provisions include the application of consolidated group supervision for AML/CFT purposes nor the risk assessment is updated when there are major events or developments in the management of the institutions.

### *Weighting and Conclusion*

21. Seychelles has addressed the deficiency identified against criterion 26.5 mostly addressed the deficiency identified against Criterion 26.6 and partly addressed the deficiencies identified against Criterion 26.4 in Recommendation 26. In view of the minor shortcoming, **Seychelles is re-rated Largely Compliant for R. 26.**

### **3.1.3. RECOMMENDATION 29-FINANCIAL INTELLIGENCE UNITS (Originally rated PC- re-rated to LC)**

22. The shortcomings identified under the MER were that: a) no strategic analysis is performed by the FIU and b) there were inadequate legal and regulatory means to safeguard autonomy and operational independence of the FIU.
23. The issue on some of the operational activities of the FIU to be exercised as a competent authority such as the attorney general office under the previous AML Act is now repealed as per section 100(1) of the current AML/CFT Act. Under the current AML/CFT Act (sections 10(3), 11(2), 12(1), 13, 16, 19, 25, 26, 27 & 28) the FIU is established as a central authority for receiving and analysing suspicious transaction reports and other information relevant to ML and TF and for disseminating the results of that analysis. The FIU shall not in the performance of its function be subject to the direction, control or influence from any other party who or which may compromise its operational independence and autonomy.
24. Although Seychelles authorities indicated that they conduct strategic analysis and share strategic analysis reports with domestic supervisors and other competent authorities, Reviewers could not confirm this since the authorities did not share reports (sanitised) of strategic analysis.

### *Weighting and Conclusion*

25. Seychelles has addressed most of the deficiencies identified against R. 29 in the MER except sub-Criterion 29.4(b). In view of the progress made and the remaining minor

shortcoming, Seychelles' rating for Recommendation 29 has been upgraded from PC to LC.

### *3.2 Progress on Recommendations which have changed since Adoption of the MER*

26. Since Seychelles 2<sup>nd</sup> round of ME on-site visit in November/December 2017, the FATF has amended Recommendations 2 and 15. This section considers Seychelles' compliance with the new requirements and progress to address the technical compliance deficiencies in relation to R.2 and R.15.

#### **3.2.1. Recommendation 2- National cooperation and coordination (Originally rated PC – re-rated to No rerating)**

27. The identified deficiencies against Recommendation 2 were that: a) AML/CFT strategy and policies not informed by identified risks; and b) no PF domestic cooperation and coordination mechanism in place. In October 2018, R.2 was amended to require countries to have cooperation and coordination between relevant authorities to ensure compatibility of AML and counter-terrorist financing (AML/CFT) requirements with Data Protection and Privacy rules. The amended Recommendation further requires a domestic mechanism for exchange of information.

28. Seychelles has a National Strategy for Combatting Money Laundering and the Financing of Terrorism and Proliferation 2020-2023 which sets out the approach which Seychelles adopts to tackle money laundering (ML), terrorist financing (TF) and proliferation financing (PF) threats over the next three years. The strategy is informed by the risks that Seychelles has identified and the gaps identified in the MER. The National Strategy Plan 2020-2023 which was launched in August 2020 seem to be comprehensive since it included all the deficiencies identified in the MER and also includes the up-to-date FATF Recommendations.

29. There are no mechanisms to facilitate cooperation and coordination amongst competent authorities to combat the financing of proliferation of weapons of mass destruction. There is no co-operation and co-ordination mechanisms in place to ensure AML/CFT requirements comply with data protection and privacy rules.

---

Though Seychelles has the 2003 Data Protection Act, the Act is not yet in effect and there is no explicit provision in the Act to understand the compatibility of AML/CFT requirements with Data Protection and Privacy rules.

30. Seychelles indicated that they have a cooperation and co-ordination mechanism in place in the form of two (2) national committees, provided for in both the AML/CFT Act and the Prevention of Terrorist Act. Seychelles provided an update on the cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT/CPF requirements with Data Protection and Privacy rules and other similar provisions. The update provided by the Authorities in relation to cooperation and coordination was just a general one including that on financial intelligence.
31. Seychelles has different sectoral laws that provide for data protection including the Civil Code, 1976, the Electronic Transactions Act, 2001, the International Business Companies Act, 2016 and the Beneficial Ownership Act, 2020.<sup>1</sup> Section 16 of the Beneficial Ownership Act 2020 provides that the BO Act prevails where confidentiality provisions or restrictions are limiting the disclosure of information in other laws in relation to beneficial ownership information. However, the AML law does not have a broad provision to prevail over any data protection law in Seychelles. Seychelles has not also demonstrated any evidence to support the cooperation and coordination between the different authorities responsible for the implementation of laws which have data protection provisions and the AML/CFT public institutions either through formal or informal channels.

### *Weighting and Conclusion*

32. Seychelles has addressed the identified deficiencies against Criterion 2.1 but has not sufficiently addressed the deficiencies against Criteria 2.4 and 2.5. Due to the importance of the remaining deficiencies, **Recommendation 2 remains Partially Compliant.**

---

<sup>1</sup> Seychelles does not have a single comprehensive law that addresses the collection and use of personal data. The key piece of legislation is the Data Protection Act (DPA), which was enacted in 2003 to provide individuals with privacy rights regarding the processing of their personal data. However, as of December 2017, the DPA has not yet been given the force of law.

---

### 3.2.2 Recommendation 15-New Technologies (originally rated NC-No Rerating)

33. The MER identified that there were no requirements in Seychelles to comply with obligations relating to ML/TF risk posed by new technologies. In June 2019, R.15 was revised to include obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risk associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and that such supervision should be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.
34. Though Seychelles has enabling provisions to identify and assess ML/TF risks that arise from new technologies and products both at a country and institutional level, the laws have not yet been implemented.
35. As per section 32(4), all reporting entities, inclusive of Financial Institutions are required to: Prior to the launch of a new product or business practice or the use of a new or developing technology, [the reporting entity] shall identify and assess the money laundering and terrorist financing risks that may arise in relation to the development and use of new products or business practices, or new or developing technologies for both new and pre-existing products, and take appropriate measures to manage and mitigate those risks.
36. There are no measures that have been undertaken to address requirements relating to VAs and activities of VASPs.

#### *Weighting and Conclusion*

37. Whilst Seychelles has addressed issues identified in the MER 2018 against Criterion 15.2 and partly addressed Criterion 15.1, there are no measures that have been undertaken to address requirements relating to VAs and activities of VASPs. In view of the importance of the remaining deficiencies, there is no rerating on R.15.

---

#### IV. CONCLUSION

38. Seychelles has made sufficient progress in addressing the technical compliance shortcomings identified in its MER. On the basis of the progress made, Recommendation 1 has been re-rated Compliant while ratings of Recommendations 26 and 29, have been upgraded to Largely Compliant.
39. Reviewers have also evaluated information provided in support of re-rating for Recommendations 2 and 15 (initially rated NC). However, while the steps taken to address the deficiencies have been noted, the information currently provided does not indicate that the country has made sufficient progress to warrant re-rating on Recommendations 2 and 15. On this basis, it was agreed that the rating for these Recommendations should remain as it is.
40. Given the progress made since adoption of its MER, Seychelles' technical compliance with the FATF Recommendations has been revised as shown in the table below:

Table 2. Technical compliance following revision of ratings, December 2020

	<b>R1</b>	<b>R2</b>	<b>R15</b>	<b>R26</b>	<b>R29</b>
<b>Previous Rating</b>	PC	PC	NC	PC	PC
<b>Re-rated to</b>	C	PC (No rerating)	NC (No rerating)	LC	LC

*Note:* Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

41. Seychelles will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving and implementing its AML/CFT measures.



42. Based on the approved re-ratings above, Seychelles' TC rating status is as follows:

<b>R.1</b>	<b>R.2</b>	<b>R.3</b>	<b>R.4</b>	<b>R.5</b>	<b>R.6</b>	<b>R.7</b>	<b>R.8</b>	<b>R.9</b>	<b>R.10</b>
<b>C</b>	<b>PC</b>	<b>LC</b>	<b>PC</b>	<b>PC</b>	<b>PC</b>	<b>NC</b>	<b>NC</b>	<b>C</b>	<b>LC</b>
<b>R.11</b>	<b>R.12</b>	<b>R.13</b>	<b>R.14</b>	<b>R.15</b>	<b>R.16</b>	<b>R.17</b>	<b>R.18</b>	<b>R.19</b>	<b>R.20</b>
<b>C</b>	<b>LC</b>	<b>C</b>	<b>C</b>	<b>NC</b>	<b>PC</b>	<b>LC</b>	<b>C</b>	<b>PC</b>	<b>C</b>
<b>R.21</b>	<b>R.22</b>	<b>R.23</b>	<b>R.24</b>	<b>R.25</b>	<b>R.26</b>	<b>R.27</b>	<b>R.28</b>	<b>R.29</b>	<b>R.30</b>
<b>C</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>PC</b>	<b>LC</b>	<b>PC</b>	<b>LC</b>	<b>C</b>	<b>C</b>
<b>R.31</b>	<b>R.32</b>	<b>R.33</b>	<b>R.34</b>	<b>R.35</b>	<b>R.36</b>	<b>R.37</b>	<b>R.38</b>	<b>R.39</b>	<b>R.40</b>
<b>C</b>	<b>LC</b>	<b>PC</b>	<b>PC</b>	<b>PC</b>	<b>C</b>	<b>PC</b>	<b>NC</b>	<b>PC</b>	<b>LC</b>

[www.esaamlg.org](http://www.esaamlg.org)

December 2020



**Anti-money laundering and counter-terrorist financing  
measures in Seychelles**

**2<sup>nd</sup> Enhanced Follow-up Report & Technical Compliance  
Re-Rating**

This report analyses Seychelles progress in addressing the technical compliance deficiencies identified in the FATF assessment of their measures to combat money laundering and terrorist financing of September 2018.

**Follow-Up Report**