

**NATIONAL  
RISK  
ASSESSMENT FOR  
MONEY LAUNDERING &  
TERRORIST FINANCING  
(SANITIZED EDITION)**



**Ministry of Finance, National Planning and Trade**  
Financial Services Development Division

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## **DISCLAIMER**

The Seychelles conducted its second National Risk Assessment for Money Laundering and Terrorist Financing (ML/TF) as a self-assessment using the methodology provided by the World Bank. The World Bank only delivered the methodology and offered guidance. All data, statistics, information, and findings from the assessment belong solely to the Seychelles authorities and do not reflect the views of the World Bank Group or its Board of Executive Directors. This document does not limit or waive any privileges or immunities of the World Bank, all of which are specifically reserved.

# ABBREVIATIONS AND ACRONYMS

**AC** – ANTI-CORRUPTION

**ACCS** – ANTI-CORRUPTION COMMISSION SEYCHELLES

**AGO** – ATTORNEY GENERAL’S OFFICE

**AML** – ANTI MONEY LAUNDERING

**AML/CFT ACT** – ANTI MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM ACT 2020

**ARINSA** – ASSET RECOVERY INTER-AGENCY NETWORK OF SOUTHERN AFRICA

**BO** – BENEFICIAL OWNER

**BO ACT** – BENEFICIAL OWNERSHIP ACT, 2020

**BDC** – BUREAU DE CHANGE

**CBS** – CENTRAL BANK OF SEYCHELLES

**CDD** – CUSTOMER DUE DILIGENCE

**CFT** – COUNTERING THE FINANCING OF TERRORISM

**CO** – COMPLIANCE OFFICER

**CM** – CAPITAL MARKETS

**CISSS** – COLLECTIVE INVESTMENT SCHEMES SUPERVISION SECTION

**CPC** – CRIMINAL PROCEDURE CODE

**CFT** – COUNTERING/COMBATTING THE FINANCE OF TERRORISM

**DBS** – DEVELOPMENT BANK OF SEYCHELLES

**DNFBPs** – DESIGNATED NONFINANCIAL BUSINESSES AND PROFESSIONS

**EDD** – ENHANCED DUE DILIGENCE

**ESAAMLG** – EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP

**EU** – EUROPEAN UNION

**FATF** – FINANCIAL ACTION TASK FORCE

**FCIU** – FINANCIAL CRIME INVESTIGATION UNIT

**FI** – FINANCIAL INSTITUTION

**FIA** – FINANCIAL INSTITUTION ACT

**FIU** – FINANCIAL INTELLIGENCE UNIT

**FSA** – FINANCIAL SERVICES AUTHORITY

**HFC** – HOUSING FINANCE COMPANY

**IBC** – INTERNATIONAL BUSINESS COMPANIES

**IFRS** - INTERNATIONAL FINANCIAL REPORTING STANDARDS  
**KYC** - KNOW YOUR CUSTOMER  
**LEAs** - LAW ENFORCEMENT AGENCIES  
**MDA** - MINISTRIES, DEPARTMENTS AND AGENCIES  
**MER** - MUTUAL EVALUATION REPORT  
**ML** - MONEY LAUNDERING  
**MLA** - MUTUAL LEGAL ASSISTANCE  
**ML/TF** - MONEY LAUNDERING / TERRORIST FINANCING  
**MOF** - MINISTRY OF FINANCE  
**MOU** - MEMORANDUM OF UNDERSTANDING  
**NAC** - NATIONAL ANTI-MONEY LAUNDERING COMMITTEE  
**NCCTiP** - NATIONAL COMMITTEE FOR COMBATTING TRAFFICKING IN PERSONS  
**NISCC** - NATIONAL INFORMATION SHARING AND COORDINATION CENTRE  
**NPO** - NON-PROFIT ORGANISATION  
**NRA** - NATIONAL RISK ASSESSMENT  
**OECD** - ORGANISATION FOR ECONOMIC COOPERATION DEVELOPMENT  
**OFI** - OTHER FINANCIAL INSTITUTION  
**PEPs** - POLITICALLY EXPOSED PERSONS  
**RBA** - RISK BASED APPROACH  
**SCR** - SEYCHELLES RUPPEES  
**SCU** - SEYCHELLES CREDIT UNION  
**SLA** - SEYCHELLES LICENSING AUTHORITY  
**SMSA** - SEYCHELLES MARITIME SAFETY AUTHORITY  
**SRC** - SEYCHELLES REVENUE COMMISSION  
**STR** - SUSPICIOUS TRANSACTION REPORT  
**TAC** - TECHNICAL ANTI-MONEY LAUNDERING COMMITTEE  
**TCSP** - TRUST AND COMPANY SERVICE PROVIDERS  
**TF** - TERRORIST FINANCING  
**TiP** - TRAFFICKING IN PERSONS  
**VA** - VIRTUAL ASSETS  
**VASP** - VIRTUAL ASSETS SERVICE PROVIDER  
**VAONRA** - VIRTUAL ASSET OVERALL NATIONAL RISK ASSESSMENT  
**WB** - WORLD BANK

# FOREWORD

## Message from the Minister for Finance, National Planning and Trade



The Republic of Seychelles is committed to combating money laundering, terrorist financing as well as the financing of proliferation of weapons of mass destruction and other related threats to the integrity of its financial system.

We are pleased to present the second National Risk Assessment report on Money Laundering and Combating the Financing of Terrorism building on the progress made from the 2017 National Risk Assessment which provided valuable insights into the measures needed to mitigate these risks.

The National AML/CFT Committee, responsible for improving Seychelles' effectiveness in combating money laundering, terrorist financing and proliferation financing by ensuring the deficiencies identified in the '2018 MER are properly addressed, have been engaged with the Eastern and Southern Africa Anti-money Laundering Group (ESAAMLG) since 2019, presenting the improvements to Seychelles' AML/CFT regime.

The 2018 Mutual Evaluation Report identified Seychelles as having twenty (20) Financial Action Task Force Recommendations of Partially Complaint (PC) or Non-Compliant (NC). As of the submission of this report, Seychelles has only five (5) Recommendations that are not assessed as Largely Complaint (LC) or Compliant (C). In 2025, it is anticipated that Seychelles will be Largely Compliant or Compliant on all forty (40) FATF Recommendations. These achievements demonstrate the commitment of the Seychelles to improve its AML/CFT regime.



Despite these achievements, there is still a lot of work to be done in improving Seychelles' effectiveness in combating money laundering, terrorist financing and proliferation financing. The global landscape continues to evolve requiring Seychelles to remain vigilant and be able to adapt its approach to meet the new challenges. Seychelles is prepared to meet these challenges.

In response, Seychelles has completed its first comprehensive Virtual Assets and Virtual Assets Service Providers risk assessment. In addition, Seychelles is undergoing an assessment of the Non-Profit Organizations sector to identify risks and threats related to terrorist financing. These activities demonstrate the proactive approach to AML/CFT and help to inform the development of the National AML/CFT Strategy and Action Plan, as well as providing guidance for the implementation of measures to strengthen Seychelles' AML/CFT regime.

In an effort to promote compliance with the FATF Recommendations and improve its effectiveness, the Government has prioritized updating or amending existing legislation. In addition, the Government has supported, under the direction of the National AML/CFT Committee, the efforts to conduct this national risk assessment to assist the public and private sectors in identifying their money laundering, terrorist financing and proliferation financing risks.

We graciously thank all the stakeholders involved in supporting this assessment exercise. The results of this undertaking will inform targeted actions improving the integrity of Seychelles' financial systems and assisting in Seychelles' effectiveness in combating money laundering, terrorist financing and proliferation financing. Thank you for your continued commitment to this important endeavor.

# EXECUTIVE SUMMARY

This NRA builds upon the 2017 NRA and the findings and recommendations of the ESAAMLG MER of 2018. The assessment has the benefit of access to other key public reports and work completed since the 2018 report was adopted. The assessment has been conducted with cross-government participation, including law enforcement agencies, the FIU, industry regulators and the private sector. The findings of the assessment concerning the overall level of risk for Seychelles are that the ML risk is Medium High and the TF risk as Low. The Seychelles is an international finance center and most international ML risks derive from VA/VASP that are legal entities of Seychelles but operate outside of Seychelles. The domestic risks are related to drug trafficking and environmental crimes. The laundering of proceeds through Seychelles' financial sector is primarily derived from domestic predicate offenses. The types of services provided in the Seychelles, especially in the IBC sector, may be used to conceal the proceeds of crime or to conceal or disguise the origins of those proceeds, through VA/VASP providers and associated international transfers of funds, to include the use of complex corporate structures.

Cross-sectoral risks in the Seychelles arise from a number of sources including the rapid development and introduction of new technologies, the increasing use of digital currencies, de-risking and the Island's economic model which is aimed at attracting financial and related business from corporations, high net worth individuals, etc.

The objective of the authorities is to take an informed and proactive approach to preventing and detecting ML/TF in response to the risks identified. Banks, other sectors and individuals providing services to companies and trusts established in the Seychelles, including company incorporation, should be particularly aware of the threats and vulnerabilities identified in the NRA and the need for comprehensive and timely reporting of STRs to the FIU.

In summary, the public and private sectors must work collaboratively to protect the Seychelles from being exploited to launder criminal and terrorist finances and it is a role of Government to foster this integrated approach. In addition, FIs and DNFBPs should consult the NRA when undertaking their own assessments of risk.

## **Key findings:**

The reforms introduced by the NAC and supported by the government, including improved legislation and increased capacity building are having positive results. The reforms have been underpinned by strategy, policy and procedural development enabling the authorities to work together in a more collaborative and effective manner. Effective use needs to be made of these improvements and the remaining deficiencies need to be positively addressed in order to mitigate the ML/TF risks.

Continued investment in developing expert knowledge, skills and specialist training to support the pursuit and positive resolution of ML/TF cases needs to be reinforced. The authorities now have better data available, but improved capturing of ML/TF/PF statistics and other data is required. This must be followed by full analysis and understanding of the data. Such analysis will assist in informing risk-based supervision at sector and firm level, and promote better utilization of resources by the FIU and LEA. Continued socialization and capacity building of the Judiciary on ML/TF offenses and the implementation of dissuasive sanctions for violations should continue.

Overall, the products and services available in the Seychelles have not altered significantly since the 2017 NRA. However, the emergence of VA/VASP has significantly changed the landscape. New data confirms many of the findings of the 2017 assessment and is also providing regulators with a more in-depth understanding of each sector and how sectoral risks relate to each other.

The Regulators need to continue and intensify regular, risk-based supervision of AML/CFT with obliged entities to ensure compliance. Businesses carrying on designated business activities which are not registered should be investigated and administered appropriately. The utilization, authentication, and continued improvements of the BO database, maintained by the FIU, should continue using a risk-based approach. A continued focus on the quality of border controls in respect of cash movements, including training, interrogation of declarations, reporting to the FIU, and domestic collaboration and coordination is required.

## 4.0 INTRODUCTION

This NRA for ML/TF used the WB's assessment tool which assisted in creating a methodology that assisted Seychelles in identifying and subsequently mitigating its ML/TF risks. The assessment, covering the period of January 2017 to June 2022, examined ML/TF threats and vulnerabilities, various financial sectors, proceeds generating crimes, misuse and abuse of legal entities, and other related matters.

The NRA aims to assist Seychelles to identify, understand, and mitigate ML/TF risks, thus fostering an effective risk-based AML/CFT regime. Key areas assessed included the scale of criminal proceeds, terrorism financing, gaps in combating ML/TF, and AML/CFT deficiencies within the FIs and DNFBPs sectors.

An NRA team consisting of AML/CFT stakeholders from law enforcement, intelligence, regulatory bodies, the ACCS, FIU, MOF, AGO, the Registrar's Office, and the private sector was formed. This diverse team applied the WB's tool in conducting this assessment focusing on the ML/TF threats and the vulnerabilities of public and private sector players. The NRA encompassed both internal and external ML/TF risks, drawing from sources such as the 2018 MER, FATF typologies, international reports, press articles, statistics and reports maintained by competent authorities, and findings from local commissions of inquiry. This comprehensive approach ensured a thorough analysis and informed recommendations.

## 5.0 OBJECTIVE

The NRA's main objective is to assess Seychelles' risk for ML/TF and introduce appropriate measures to mitigate the identified risks. During this process ML/TF threats are identified and subsequently compared with the 2017 NRA findings. This comparison will help to identify progress and deficiencies. These findings will also inform about:

- Utilizing a RBA for risk identification and efficient resource allocation;
- Enabling government, LEA, regulators, and the private sector to target resources to high-risk areas, ensuring informed actions;
- Fulfilling Seychelles' obligation to adhere to the FATF Standards as an ESAAMLG and Egmont Group member;
- Providing policymakers a clear view of national ML/TF risks to assist in establishing an effective multi-agency coordinated response;
- Creating a basis for updating legislation and processes according to changing and emerging threats.

## 6.0 UNDERSTANDING OF RISKS

The Overall Money Laundering Risk

In the context of this NRA: Risk = Threats + Vulnerabilities. This report will summarize the threats for ML/TF faced by Seychelles and its vulnerabilities. The analysis of these elements will result in an assessment of Seychelles' ML/TF overall risk as well as level of risk in specific sectors of the economy. As previously mentioned, the methodology utilized applies the Risk Assessment tool developed by the WB and an important aspect of the tool is its use of ratings which are based on the comprehensive analysis of a myriad of information and the employment of variables, weightings, and scoring that is integrated into the tool.

As previously stated, based on the information assessed by the NRA team, it was determined that the overall ML risk for Seychelles is Medium-High. This conclusion is a product of an assessment of the national ML threat which is determined as Medium-High and an assessment of the national ML vulnerability which has a rating of Medium. Combining these two elements determined the rating.

## **Money Laundering Threat - Medium-High**

Seychelles, as an international financial center and top tourism destination, faces significant domestic and external ML threats. Key crimes generating ML risks include drug trafficking, cybercrimes related to VA and VASP, and environmental crimes. Corruption, fraud, and tax crimes also pose ML risks. External threats mainly come from cybercrime proceeds linked to the Seychelles IBC sector, where Seychelles' legal entities operate VA/VASP activities in other jurisdictions. Most documented ML cases involve funds moving through Seychelles' financial sectors.

## **National Vulnerability - Medium**

Seychelles' national ML vulnerability is rated medium, due primarily to resource and capacity constraints within competent authorities and significant gaps in managing cross-border risks across its 115 islands. The review examined the negative impact to vulnerability that different deficiencies in different sectors have to the overall national vulnerability. This includes sector-specific vulnerabilities and strategic weaknesses in investigating and prosecuting ML offenses, cross-border controls, and asset management challenges. Combined, these factors impede the overall national capacity to combat money laundering effectively increasing Seychelles' vulnerability to ML/TF activities.

# **7.0 SUMMARY OF FINDINGS**

## **7.1 NATIONAL THREAT**

In determining Seychelles overall ML risk level, focus was placed on the major ML threats emanating from both domestic and foreign criminality that directly and indirectly impacts Seychelles. Given the combination of the internal and external threat as evidenced by proceeds generated from predicate offences committed domestically and laundered internationally; and, predicate offenses committed internationally and laundered domestically, the overall money laundering threat is rated Medium High. This is further illustrated in the table below.

**Table 1 Overall Threat**

Overall Threat Assessment	Assessment Basis	ML Threat					Trend		
		High	Medium High	Medium	Medium/Low	Low	No change	Increasing	Decreasing
<b>Domestic ML Threat</b>	Predicate offence Break Down/ sector breakdown							↑	
<b>ML Threat from Abroad</b>	Origin and Cross Border threat							↑	
<b>ML Threat with Unidentified Origin</b>	Origin Breakdown							↑	
<b>Overall Threat</b>	All the input & Analysis on threat							↑	

Domestically, drug-related crimes pose a very high ML threat to Seychelles, while internationally, cyber-related and VA/VASP crimes are very high threats. In addition, environmental crime has been identified as a medium-high ML threat. The assessment has concluded that corruption, fraud, tax evasion, theft, human trafficking, and gold smuggling pose medium-low to low ML threats. The assessment determined that TF poses a very low risk. The July 2022 VA/VASP assessment revealed a Very High level - 87% of all international ML threats - are derived from VA/VASP activities. This threat is exacerbated by the inadequate KYC by fiduciary providers shrouding the true number of domiciled VASP.

## 7.2 NATIONAL VULNERABILITY

Seychelles' overall national vulnerability is rated Medium. This is derived from the overall national combating ability and an assessment of specific sectoral vulnerabilities. Vulnerability considers the reactionary side of the risk, referring to the capacity to resist an attack (the threat) and the ability to combat that specific threat. In assessing a vulnerability, the Working Group examined several factors to include, knowledge and skill of staff, number of staff, available resources, IT infrastructure, level of integrity, organization and coordination. The overall sectoral vulnerability ratings are found below in Table 2.

**Table 2: Vulnerability ratings by sector**

Sector		Qualitative vulnerability ratings
<b>Banking</b>		Medium
<b>Securities</b>		Medium High
<b>Insurance</b>		Medium Low
<b>Other Financial Institutions</b>	Money Remittances	Medium High
	Buying and Selling of Foreign Currencies	Medium
	Mobile Financial Services Providers	Medium High
	Other Lenders	Medium
<b>DNFPB</b>	Legal Professionals	Medium High
	Accounting Professional	Medium High
	Real Estate	Low
	Dealers in Precious Metals and Stones	Medium
	Dealers in Motor Vehicle	Low
	TCSP	Medium High
	Casinos	Medium Low
<b>Legal Persons</b>		Medium High
<b>Environment and Natural Resources</b>		Medium High



### **7.3 BANKING SECTOR - MEDIUM**

The banking sector's ML vulnerability is rated Medium which was determined by the constructive implementation of general AML controls and an assessment of product-specific vulnerabilities. Positive aspects that impact the level of vulnerability include comprehensive AML legal frameworks, effective CDD frameworks, and committed bank management. Concerns that impact vulnerability include inadequate suspicious activity monitoring, reporting, and staff compliance with AML/CFT requirements. The assessment acknowledges that improvements are needed in CBS supervisory practices, sanctions enforcement, independent information availability, and staff AML knowledge. In addition, analysis of 14 banking products indicates varying inherent vulnerabilities. Deposits for legal entities is rated Medium High; retail deposits, non-retail legal entity accounts, corporate credit, retail current accounts, correspondent accounts, and wire transfers are rated Medium. Six other products assessed are rated Medium Low.

### **7.4 SECURITIES SECTOR - MEDIUM HIGH**

The securities sector's inherent vulnerability is rated Medium High, indicating AML controls as inadequate and having ineffective measures against ML risks. Deficiencies include poor suspicious activity monitoring, staff compliance, and weak management commitment. The sector's rapid growth, international transactions, and onboarding of non-residents further increases ML risks. Despite a comprehensive AML legal framework, there are inadequate supervision tools, policies, procedures, and enforcement by the Supervisory Authority resulting in an overall low level of compliance by securities firms.

## **7.5 INSURANCE SECTOR - MEDIUM LOW**

The insurance sector's overall AML/CFT vulnerability is rated medium low. Life insurance policies with cash-surrender values are more prone to ML risks than general insurance. However, the sector's AML/CFT culture needs improvement and increased awareness among practitioners. Despite familiarity, some staff and intermediaries fail to adhere to standards, impacting risk identification. The FSA has strong entry controls and fit-and-proper requirements for industry officials; however, there is a need to intensify AML/CFT on-site inspections to review and improve sector monitoring procedures. The FSA's AML/CFT Unit should increase collaboration with the insurance supervision section of FSA, to improve real-time data collection and increase risk analysis to identify issues earlier and address shortcomings more effectively.

## **7.6 OTHER FINANCIAL INSTITUTIONS - MEDIUM HIGH**

Despite robust legislation, the money remittance and mobile financial services sectors are rated medium high in vulnerability due to insufficient supervisory enforcement and staff knowledge. The foreign currency and other lenders sectors are rated medium. Staff struggle with identifying suspicious transactions, and the monitoring systems used are inadequate. There is no on-site supervision program for mobile financial services providers, and often times off-site submissions are insufficient for sufficient AML assessments. There is a lack of monitoring and reporting of suspicious transactions, with compliance teams focusing more on CDD rather than comprehensive AML requirements.

## **7.7 DNFBPs - RANING FROM LOW TO MEDIUM HIGH**

The vulnerability assessment of DNFBPs in Seychelles shows ratings from low to medium high across sectors like accounting, lawyers, real estate, motor vehicles, and precious metals. Challenges include ineffective supervision due to competing priorities. While staff integrity and commitment to AML/CFT are high, AML knowledge and ongoing training need improvement. Compliance functions are rated medium, but suspicious activity monitoring and STR reporting are weak. Enhancing supervision, entry controls, and training are crucial.

In the TCSP sector, players generally understand ML risks and have appropriate controls, but enhancing AML supervision and enforcement is required. In the gambling industry, licensed establishments have a Medium Low rating for preventing money laundering abuse, while internal AML policies and compliance procedures are rated Medium High. Consequently, the overall quality of AML controls in the gambling industry is considered Medium Low. Strengthening AML measures and enforcement across both sectors remains important.

## **7.8 LEGAL PERSONS**

Key findings reveal incomplete or missing data submissions by relevant agencies in Seychelles. Data submitted and reviewed indicated poor information collection and poor coordination affected by the lack of a central data repository. This undermines the availability and credibility of the information, hampering risk analysis of this sector. Seychelles is an attractive center for forming legal structures due to its fast incorporation process, low fees, and tax exemptions for offshore entities. The Beneficial Ownership (BO) Act provides for robust collection and access to BO information by designated authorities. Offshore structures, particularly Foundations and Limited Partnerships (LPs), are deemed more vulnerable to ML/TF abuse.

## **7.9 ENVIRONMENT AND NATURAL RESOURCE CRIME - MEDIUM HIGH**

Seychelles has authorities for coordinating and implementing measures against environmental crimes, but efforts to track and combat related financial flows are low. Environmental crimes are treated as secondary to other offenses, with vague legal definitions and enforcement gaps allowing perpetrators to evade punishment. Consequently, the environment and natural resources sector is rated Medium High in vulnerability to ML and TF.

## **7.10 LIMITATIONS**

While the risk assessment was carried out with the aim of collecting the best available information, there were still a number of data deficiencies observed. These are outlined below.

1. Data collection was hindered by the lack of a data repository within Government institutions which either led to non-availability and/or incomplete data sets, particularly for the level of detail and quantitative data required for conducting a comprehensive risk assessment.
2. The response rate for the various questionnaires was low for some sectors. Despite several reminders, there were non-responses to some of the RFIs sent, thus resulting in some critical data not being received on time for further analysis within the context of the risk assessment.

## **7.11 MONEY LAUNDERING RISK - MEDIUM HIGH**

Understanding ML sources and methods in Seychelles is crucial for effective AML/CFT programs. Sector-specific risks and ML threats were assessed by examining prevalent offenses, detected cases, and proceeds identified, seized, or confiscated from 2019 to March 2023. The assessment also considered patterns in the origin and investment of proceeds, cross-border threats, and the laundering of both domestic and international criminal proceeds.

## 7.12 MONEY LAUNDERING THREAT ANALYSIS

This ML Threat assessment report expands on the first NRA Report, using consultations, interviews, and data analysis. It reveals that criminals commonly use cash and high-value assets like real estate, marine vessels, and motor vehicles to disguise illicit funds. The banking sector is also targeted for laundering proceeds, as indicated by FIU disclosures[1]

Many international corporate entities in Seychelles open VA wallets with limited local ties. The prevalent technique for laundering foreign proceeds is through VA acquisition and disposal. This poses a significant reputational threat as laundered proceeds don't originate or stay in the country. This threat and rise of VA and VASP require appropriate legislation and enhanced monitoring.

[1] 467 STRs received from the banking sector from a total of 1,438 for the period 2019 to June 2022. The confiscated amount involving banks is SCR 90,035,221.6 from a total amount of SCR 312,883,572.5

## 7.13 OVERALL ML THREAT LEVEL BY PREDICATE OFFENCES

Table 3 shows the overall level of ML threat per predicate offence, including new threats not previously identified. Drug trafficking is rated very high for ML threats, while corruption, fraud/forgery, and environmental crimes are rated medium high. Tax offences have an undetermined rating[1], and human trafficking is rated low. Emerging threats include VA/VASP and cybercrime. The acquisition and disposal of virtual assets are increasing in frequency and volume, with proceeds from online fraud and theft, occurring mainly from outside Seychelles, nearing almost \$5 billion in criminal proceeds. Recovered and confiscated funds related to this emerging threat totals SCR190,089,918. However, the current legislative and regulatory framework is inadequate to address VA/VASP and cybercrime activities.

[1] 467 STRs received from the banking sector from a total of 1,438 for the period 2019 to June 2022. The confiscated amount involving banks is SCR 90,035,221.6 from a total amount of SCR 312,883,572.5

*Table 3: overall level of threat identified per predicated offences.*

Predicate Offence	Threat Level	Trend from 1 <sup>st</sup> NRA
Drug Offences	VH	↑
Tax Crime	Undetermined	
Fraud/forgery	MH	↑
Corruption	MH	→
Cybercrime	L	Emerging
Environmental Crimes	MH	Emerging
Trafficking in persons and migrant smuggling	L	Emerging
Crypto related/VA-VASP	VH	Emerging

There have been civil and criminal prosecutions of predicate offenses, with proceedings under the POCCCA and AML/CFT Act totaling SCR 354,761,873. Banks are the main channels for these proceeds, supported by numerous STR from the banking sector. Similar to the findings of the first NRA, law enforcement agencies focus more on investigating predicate offenses than money laundering. The exact number of cases investigated by Seychelles Police based on FIU intelligence disseminated products could not be determined.

[2] A separate risk assessment of Tax offenses is to be conducted in 2024.

## 8.0 EMERGING THREATS

### 8.1 VIRTUAL CURRENCIES: VASPs

The VASP sector in Seychelles is unregulated, and a July 2022 risk assessment highlights a significant increase in VA and VASP activities, posing a high risk for external money laundering threats. The absence of VASP licensing and oversight, coupled with outdated AML/CFT legislation, contributes to a Very High-Risk rating. All VASPs in Seychelles remain unregistered and unsupervised, underscoring the urgent need for regulatory measures and enhanced oversight.

The VAONRA report also revealed that several international investigations into VAs trading platform scams have been traced to Seychelles. A VA intelligence company conducted a review of VASPs in 80+ countries and suggested in their report[1] that 72% of African-Domiciled VASPs are registered in Seychelles, 70% of Seychelles domiciled VASPs have bad or porous KYC, totaling 75% of all of Africa's KYC-deficient VASPs, and thereby making Seychelles a preferred destination for potential money launderers. The same report also assessed the outflows of Seychelles-domiciled VASPs and found that 96% of the exchange-to-exchange BTC volume was cross-border, with 51% of the total cross-border volume being sent to VASPs with demonstrably weak KYC. These identified deficiencies put the overall ML/TF threat of VA and VASP in Seychelles as Very High (87%)[2]. A new study[3] has also revealed that Seychelles, in terms of cryptocurrency ownership, estimated 2119 crypto owners amid the population of 100,000 making a total of 2.1% of the total Africa 53 million. In another study[4] identified Security Breaches, Fraud, & Scams Involving Crypto 2011-2022, in Seychelles where 5 major incidents totaling approximately USD346 million, with the major one being Kucoin, a Seychelles registered VASP which was hacked resulting in \$323 million (current value) being stolen.

[1] CipherTrace, Cryptocurrency Crime and Anti-Money Laundering Report - February 2021. The Overall Money Laundering Risk

In the context of this NRA: Risk = Threats + Vulnerabilities. This report will summarize the threats for ML/TF faced by Seychelles and its vulnerabilities. The analysis of these elements will result in an assessment of Seychelles' ML/TF overall risk as well as level of risk in specific sectors of the economy. As previously mentioned, the methodology utilized applies the Risk Assessment tool developed by the WB and an important aspect of the tool is its use of ratings which are based on the comprehensive analysis of a myriad of information and the employment of variables, weightings, and scoring that is integrated into the tool.

As previously stated, based on the information assessed by the NRA team, it was determined that the overall ML risk for Seychelles is Medium-High. This conclusion is a product of an assessment of the national ML threat which is determined as Medium-High and an assessment of the national ML vulnerability which has a rating of Medium. Combining these two elements determined the rating. cited on pp 27 of the VAONRA Report

[2] VAONRA Report, July 2022

[3] The Overall Money Laundering Risk

In the context of this NRA: Risk = Threats + Vulnerabilities. This report will summarize the threats for ML/TF faced by Seychelles and its vulnerabilities. The analysis of these elements will result in an assessment of Seychelles' ML/TF overall risk as well as level of risk in specific sectors of the economy. As previously mentioned, the methodology utilized applies the Risk Assessment tool developed by the WB and an important aspect of the tool is its use of ratings which are based on the comprehensive analysis of a myriad of information and the employment of variables, weightings, and scoring that is integrated into the tool.

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#### [4] The Overall Money Laundering Risk

In the context of this NRA: Risk = Threats + Vulnerabilities. This report will summarize the threats for ML/TF faced by Seychelles and its vulnerabilities. The analysis of these elements will result in an assessment of Seychelles' ML/TF overall risk as well as level of risk in specific sectors of the economy. As previously mentioned, the methodology utilized applies the Risk Assessment tool developed by the WB and an important aspect of the tool is its use of ratings which are based on the comprehensive analysis of a myriad of information and the employment of variables, weightings, and scoring that is integrated into the tool.

As previously stated, based on the information assessed by the NRA team, it was determined that the overall ML risk for Seychelles is Medium-High. This conclusion is a product of an assessment of the national ML threat which is determined as Medium-High and an assessment of the national ML vulnerability which has a rating of Medium. Combining these two elements determined the rating.

## 8.2 ENVIRONMENTAL CRIMES

Criminal markets in Seychelles are relatively limited, with specific challenges including the illicit reptile trade, particularly targeting the rare giant bronze gecko. Illegal fishing and lobster catching by Chinese and Sri Lankan trawlers contribute to revenue loss and depletion of resources. While there are concerns about illegal tree felling and increased poaching of the rare coco-de-mer seed during the pandemic, no money laundering cases related to these environmental crimes have been reported.

A 2018 "Typologies Report" published by ESAAMLG suggests that criminal networks involved in other illicit activities, such as drug trafficking and smuggling, may overlap with those engaged in wildlife product smuggling. This indicates a need for closer scrutiny of wildlife crimes, despite their relatively low prevalence in Seychelles. Cases have been detected and investigated by environmental protection officers. Considering these factors, the environmental threat in Seychelles is rated as Medium High.

### 8.3 TRAFFICKING IN PERSONS (INCLUDING SEXUAL EXPLOITATION)

The Seychelles Trafficking in Persons Prohibition Act 2014 addresses trafficking issues, but the country's geographic reality of 115 islands over a vast territory presents challenges. The NCCTiP manages trafficked victims. Recent data reveals an emerging risk of labor-related trafficking, with 51 cases investigated and 8 prosecuted over the last 4 years, involving more than 295 victims.

With 51 trafficking cases and 8 prosecutions involving 295 victims, this indicates an emerging threat. Urgent analysis and better data collection are needed to understand the money laundering threat. Due to the volume and of cases and prosecutions this offense is rated Medium-High for ML. Additionally, the lack of prosecutions for sexual exploitation cases involving foreign nationals needs to be positively addressed, to include pursuing possible money laundering violations.

## 9.0 ORIGIN OF CRIME BREAKDOWN

The Origin of Crime breakdown details where crime proceeds originate, whether from foreign jurisdictions or domestic, their laundering process, and the affected sectors. Table 9 outlines four possible scenarios for the origin of laundered proceeds.

*Table 9: Number ML criminal investigations vs prosecutions and convictions by the source of proceeds*

ID	Origin of laundered proceeds	ML Cases investigated	ML cases prosecuted	ML convictions	No of persons convicted	Amount of ML proceeds seized/frozen	Amount of ML confiscations
1.	Offences committed in home jurisdiction	15	2	3	9	0	0
2.	Offences committed in foreign jurisdiction	0	0	0	0	0	0
3.	Offences committed both in home and foreign jurisdiction	1	1	0	0	0	0
4.	Origin country cannot be identified	0	0	0	0	0	0
	<b>Total:</b>	<b>16</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>0</b>	<b>0</b>

The data demonstrates that few ML cases are investigated, prosecuted, or result in convictions. Only nine convictions from cases involving ML within Seychelles were identified. As a Financial Center, Seychelles is vulnerable to ML through domestic and international legal entities. In addition, the assessment explores cross-border threats and international cooperation mechanisms, including Egmont FIU requests, Interpol, tax data exchanges, and Mutual Legal Assistance exchanges.

## **9.1 CROSS BORDER THREAT ANALYSIS**

The assessment reviewed both predicate offenses occurring in foreign jurisdictions, laundered in Seychelles and the laundering of domestically generated crime proceeds abroad. However, limited data on ML cases and typologies limits the capacity to precisely determine the true threat level. The Working Group analyzed information exchange patterns involving the FIU, Police, Revenue Commission, and AGO, revealing that Seychelles received 1,474 information requests primarily about fraudulent activities and cybercrime, while sending 184 requests to foreign counterparts. Economic relations and financial flows were also assessed.

Seychelles faces a significant threat from foreign crime proceeds due to about 200,000 IBCs incorporated in Seychelles since 1994. These IBCs often have non-resident clients and limited ties to Seychelles, with transactions typically involving professional intermediaries and no face-to-face interactions. Funds associated with these IBCs are mainly from outside Seychelles and routed through foreign bank accounts. The rise of virtual payments and commodities through IBCs highlights the need for improved regulation and legislation.

## 9.2 CASH SMUGGLING

Data on cash seizures at ports revealed fourteen cases involving Seychellois, Iranian, Nigerian, and Australian passengers, with total seizures valued at EUR 30,950, USD 24,850, and SCR 10,997,341, which were forfeited to the state. No criminal charges were filed, and details on individuals and subsequent actions are lacking. This underscores the need for better reporting and record-keeping. Improved enforcement actions inbound/outbound of passengers and crew as well as forwarding cash declaration reports to the FIU is crucial for improving detection and prevention of cash smuggling.

## 9.3 SECTOR THREAT

From 2019 to March 2023, Table 10 shows that the FIU received 746 STRs, primarily from banking institutions. The FIU analyzed and disseminated 194 reports to law enforcement agencies. The unregulated VASP sector reported 691 STRs, highlighting the need for closer scrutiny and the employment of appropriate regulatory measures.

*Table 10: STRs received by FIU*

Sector	STR (2019-2023)
Banking Institution	467
Bureau De change	54
Non-Bank	40
ICSP	151
Real Estate	1
Insurance	9
Capital Market	22
Casino	1
Lawyers/ Notaries	1
MVD	0
	746

Table 11 highlights that Seychelles' banking institutions and BDCs are the main sources of money laundering detections. These sectors are particularly vulnerable to illicit proceeds, underscoring the need to improve investigative capacity to turn intelligence into actionable evidence and strengthen anti-money laundering efforts.

*Table 11 Sectorial channel used to launder illicit proceeds.*

Sector	ML detection
<b>Banking Institution</b>	50
<b>Bureau De change</b>	10
<b>Non-Bank</b>	0
<b>ICSP</b>	2
<b>Real Estate</b>	5
<b>Insurance</b>	2
<b>Capital Market</b>	1
<b>Casino</b>	10
<b>Lawyers/ Notaries</b>	3
<b>VA/VASP</b>	2
<b>MVD</b>	2
<b>Total:</b>	87

Analysis of STRs from the past three years identifies common money laundering methods in the banking and fiduciary sectors, including: local accounts used for immediate ATM withdrawals, transactions just below SCR 50,000, inconsistent transactions with customer profiles, suspicious fund movements, high transaction volumes, large cash amounts from unexplained sources, and adverse online information about individuals or companies.

# 10.0 MONEY LAUNDERING NATIONAL VULNERABILITY - OVERALL RATING MEDIUM

In determining Seychelles ML vulnerabilities, the Working Group assesses weaknesses in systems, institutional mechanisms, sectors, political commitment, and other related elements. The components evaluated include resources, quality, commitment, sectors, integrity, regulations, transparency, cooperation, and other relevant factors. The indicators reviewed include training, operational independence, presence and effectiveness of policy(s), level of inter-agency cooperation, capabilities of international cooperation and any inhibitions. The findings concerning the effectiveness of the examined systems are rated in accordance of their negative impact on vulnerability which ranges from low, medium low, medium, medium high to high. Thus, the overall impact of the collated vulnerability assessments of Seychelles' AML/CFT regime is rated as medium. This, combined with the level of Threat indicate Seychelles' level of ML risk.

The WB Risk Assessment tool consists of specific issues to address as well as a myriad of complex variables and inputs that assist assessors determine the relevant ratings through an overall objective rather than subjective lens. This section of this report will not go into a level of detail depicting the WB tool but will provide a record of the findings in an abridged manner in an effort to inform the reader. It is noteworthy to remember that Risk = Threats + Vulnerabilities and this section will identify Seychelles ML/TF vulnerabilities.

Some of the factors that assist assessors include: what is the capacity of law enforcement agencies to investigate financial crimes; what is the capacity of prosecutors to successfully prosecute financial crimes; what is the capacity of judges to adjudicate financial crime cases; what is the capacity of prosecutors/judges in asset forfeiture cases; how is the culture of integrity within law enforcement, prosecution, and judicial authorities; how efficient is Seychelles' identification system; how is the culture of corporate and trust transparency; and, how is the culture of tax compliance.

The overall national ML vulnerability rating is Medium. This rating is induced by an assessment of the overall national capacity to combat ML. This medium rating is primarily derived from resource and capacity constraints within many competent authorities as well as challenges and vulnerabilities concerning cross border risks considering Seychelles is a nation of 115 islands ranging over a vast territory. Strategic weaknesses in the national ability of authorities to combat ML that contributed to this rating include limited resources of authorities in charge of investigating and prosecuting ML offences, inadequate cross border controls and limited experience in asset management.

The following comprise of specific items, consistent with the WB Risk Assessment Tool, that guided the Working Group in identifying specific vulnerabilities within Seychelles' AML/CFT regime. The following sections provide brief summaries of the findings of the Working Group concerning each specific item.

### **10.1 QUALITY OF AML AND STRATEGY**

In response to the 2018 MER results, the AML/CFT ACT 2020 was enacted on August 28, 2020, to address identified deficiencies. Section 7 of the Act led to the establishment of the NAC and TAC to oversee and drive Seychelles' compliance with the FATF Recommendations. Both committees receive strong government and political support to implement necessary changes. The NAC is responsible for fostering collaboration, implementing AML/CFT policies, recommending legislative reforms, enhancing international cooperation, overseeing communication strategies, conducting risk assessments and advises government. The TAC, consisting of technical officers and is directed by and supports the NAC.

Following the creation of NAC, the below legislations have been amended or enacted:

- The Prevention of Terrorism Act;
- Extradition Act;
- Proceeds of Crime (Civil Confiscation) Act;
- Beneficial Ownership Act;
- Anti-Corruption Act;
- Trusts Act;
- Mutual Assistance in Criminal Matters Act; and
- Custody Management and Disposal of Seized Forfeited or Confiscated Properties Act 2021

Following the principal laws' enactment, subsidiary legislation and a national strategy for 2020-23 were introduced in response to the MER findings. The NAC adopted the strategy, which includes action plans and ongoing assessments of each agency's implementation progress, including agencies conducting risk assessments to identify AML/CFT gaps. In early 2022, under NAC's direction, a risk assessment focusing on cybercrime and the use of VA and VASP was conducted.

NAC considers policy decisions and strategies based on risk assessment results, focusing on effective implementation. Key areas include strengthening systems to detect financial crimes, fostering a culture of compliance, enhancing ICT, managing reputational risks, and developing a skilled workforce. Since the first NRA publication, Seychelles has implemented a coordinated approach involving both the public and private sectors. Seychelles aims to enhance financial crime detection and enforcement, improve FIU operations, and develop and implement training programs to advance the effectiveness of all competent authorities.

Sectoral risks have prompted regulatory entities in Seychelles to develop a coherent strategy to address ML and TF. Supervisors are implementing a RBA aligned with the country's strategic plan. The NAC and TAC have significantly enhanced Seychelles' ability to combat ML/TF risks and continue to address the challenges in implementing an effective AML/CFT regime.



## 10.2 EFFECTIVENESS OF ML CRIME DEFINITION

Under the AML/CFT ACT, ML involves converting, transferring, or handling property known or believing it to be from criminal conduct, or concealing its true nature. It also includes aiding or conspiring in such activities. Offenders can face fines up to SCR5,000,000 or imprisonment up to 15 years, while legal entities face fines up to SCR10,000,000. The Act provides a clear and comprehensive definition of ML and employs an “all crimes” approach. In addition, the sanctions imposed for violations are both dissuasive and proportionate.

The AML/CFT ACT is seen as detailed and effective, particularly in cash forfeiture cases. However, judicial discretion in sentencing has resulted in less than desirable sentences being dispensed. Cases under Sections 74 and 76 of the Act from 2021-2022 demonstrate its successful application, with significant contributions from the FCIU.

In 2020, 9 people were charged under section 3 of the AML/CFT Act; 2 pleaded guilty and were sentenced in 2021. In 2021, 4 were charged, with 2 pleading guilty. The AML/CFT legislative regime is technically compliant with the FATF Recommendations and overall is effective.

## 10.3 COMPREHENSIVENESS OF ASSET FORFEITURE LAWS

UPrior to 2017, Seychelles had a reasonably effective asset forfeiture regime resulting in amendments to improve the legislation. Current legislation includes the POCCCA of 2008, as amended, which allows courts to prohibit the disposal of seized property, issue interlocutory orders for up to 12 months, and grant final disposal orders. The law covers all types of property, including money, real estate, and intangible assets.

The Seychelles court can enforce orders or secure compliance with property located outside the country through various arrangements or agreements with other jurisdictions. This includes handling assets like cryptocurrencies confiscated under the POCCCA, where virtual asset service providers operate offshore but are registered in Seychelles.

Under the AML/CFT ACT, "benefit from criminal conduct" includes any property received through criminal activities. Relevant provisions include FIU powers (Section 27), restraint orders (Section 69), search and seizure (Section 74), cash declarations over SCR50,000 (Section 75), and forfeiture proceedings (Section 76). Section 69 allows for restraint of all realizable property, including property held by others.

The Misuse of Drugs Act addresses both drugs and associated assets. The CPC provides alternative legislation for cash seizures and disposal, directed by the Commissioner of Police. Section 153B of the CPC covers forfeiture of proceeds from crime, including all types of property and interests derived from criminal offenses.

The Custody Management and Disposal of Seized Properties Act (CMDPA) 2021 establishes a mechanism to manage seized assets while protecting bona fide third-party rights. The Anti-Corruption Act 2016 includes provisions for seizure, custody, disposal restrictions, and forfeiture of property. Amendments in the Anti-Corruption (Amendment) Act 2022 and the AML/CFT ACT enhance the ACCS's ability to prosecute corruption and money laundering, including offenses under previous AML laws.

Under the Revenue Administration Act (RAA), customs officers have limited enforcement powers but can use section 74 of the AML/CFT Act for searches and cash seizures. The Customs Management Act grants customs officers with powers to inspect and seize goods and documents, control vessels, and assist in seizing prohibited goods. Law enforcement agencies may also apply other relevant laws based on the case specifics.

During the review period, the FCIU used POCCCA and AML/CFT ACT section 74 for asset seizures, with disposal via public auction and Ministry of Finance support. Despite a robust civil forfeiture framework, gaps in the CPC, AML/CFT ACT, and AAct have been identified and need addressing. Addressing these gaps will rectify the vulnerabilities and improve the comprehensiveness of Seychelles' asset forfeiture laws.

## 10.4 QUALITY OF FIU INTELLIGENCE GATHERING & PROCESSING

The FIU has extensive powers under the AML/CFT ACT, including receiving, analyzing, and disseminating financial intelligence. It monitors compliance, supervises financial institutions, and requires reports of suspected ML and TF activities. This framework positions the FIU centrally in detecting and preventing financial crimes.

The FIU is essential in analyzing STRs from various sectors, totaling 1,050 reports from 2016 to June 2022. The banking sector has seen a significant increase in STRs due to stricter regulations, improved compliance, better AML/CFT training, and closer collaboration with law enforcement. Other sectors have shown limited growth in STR reporting due to varying compliance practices, reliance on banks for due diligence, and variations in AML/CFT awareness.

## 10.5 CAPACITY AND RESOURCES FOR FINANCIAL CRIME INVESTIGATIONS

Investigators in Seychelles handling financial crimes, such as ML, TF, and corruption, come from the ACCS and FCIU. The FCIU, a specialized unit of the Seychelles Police Force, focuses on asset identification and recovery. Formed in late 2018, the FCIU receives international assistance and training, including e-learning and on-the-job training. The ACCS's Investigations Unit, supported by the Financial Forensic Unit and a new digital forensics lab established with UK NCA assistance, faces challenges due to staff shortages and workload. The SRC manages revenue laws and handles tax-related offences. As a result of the risks involved in conducting criminal investigations, it was noted that safeguards for officers' safety and security were considered insufficient. There are limited resources and capacity issues faced by the FCIU, ACCS and SRC in conducting financial investigations. The limited capacity and the inadequate resources negatively impact Seychelles' capabilities to conduct financial investigations. Thus, this deficiency increases Seychelles' ML/TF vulnerabilities.

## **10.6 INTEGRITY & INDEPENDENCE OF FINANCIAL CRIME INVESTIGATORS**

FCIU officers demonstrate strong independence and integrity, having maintained a clean record with no breaches in money laundering cases. The ACCS is enhancing its recruitment process and developing new HR policies and ethics codes, despite a past incident where a staff member was prosecuted under the Anti-Corruption Act. Law enforcement agencies adhere to a strict chain of command, and there have been no reported interferences in money laundering investigations or asset forfeiture. This overall situation reflects the investigators' commitment to independence and the rule of law, resulting in a Medium Low rating for this variable.

## **10.7 CAPACITY AND RESOURCES FOR FINANCIAL CRIME PROSECUTORS**

The AGO supports government ministries and law enforcement agencies in combating ML and TF. Prosecutors follow a Code for Prosecutors to ensure decisions meet evidential and public interest standards. The AGO finds ML penalties proportionate and the legal definition suitable. Despite limited manpower, the AGO has improved capacity by recruiting skilled staff and providing ongoing local and overseas training. The AGO has established a specialized ML Unit within the office that focuses on ML prosecutions helping to ensure high-quality prosecutions. Nevertheless, increased resources would benefit prosecutions and decrease Seychelles' vulnerabilities.

## **10.8 INTEGRITY & INDEPENDENCE OF FINANCIAL CRIME PROSECUTORS**

The AGO prosecutes all crimes, including financial offenses, with Financial Crime Prosecutors required to sign confidentiality and secrecy declarations. Prosecutors follow a Code for Prosecutors to ensure consistent and ethical decision-making, contributing to integrity and independence. Despite limited staff, the AGO has maintained high standards, reflected in successful cases and assistance with MLA requests. The Supreme Court has proposed a Seychelles Law Society Bill to establish an autonomous Executive Council for self-discipline of lawyers. Given the AGO's performance and integrity, Seychelles has very limited vulnerabilities concerning the integrity and independence of financial crime prosecutors.

## **10.9 CAPACITY AND RESOURCES FOR JUDICIAL PROCESSES**

The Judiciary in Seychelles operates independently under the Constitution and is responsible for resolving legal disputes fairly and timely. Financial crimes, including ML and TF, are heard by the Supreme Court, which oversees lawyers and can revoke licenses. Despite limited resources, the judiciary continues to handle criminal and asset forfeiture matters. In addition, the judiciary is engaged in specialized training with international organizations. Judges, while lacking specialized financial crime expertise, are improving through ongoing education and training. There are no dedicated financial crime courts, and enhancing judicial education is recommended. Despite these challenges, the judiciary is functioning at an acceptable level. Nevertheless, increased resources would benefit court processes and likely rulings and diminish Seychelles' vulnerabilities.

## 10.10 INTEGRITY & INDEPENDENCE OF JUDGES

Article 134 of the Seychelles Constitution safeguards the integrity of judges by allowing their removal only through the Constitutional Appointments Authority. The Seychelles Code of Judicial Conduct further ensures ethical behavior through strict self-regulation. Despite this, judges face pressure, particularly in high-profile cases, which may include media harassment. Overall, political interference is minimal. In addition, judges routinely disclose conflicts of interest and request recusal as needed. However, there are legitimate concerns about challenges to their independence on high-profile cases. The difficulties faced by judges to work independently on high-profile cases increases Seychelles ML/TF vulnerabilities.

## 10.11 QUALITY OF BORDER CONTROLS

The Seychelles Immigration and SRC Customs manage border control, with Immigration handling citizenship and passports, and Customs overseeing goods at borders. Despite their competence, airport customs officers lack resources. Surveillance in Seychelles' territorial waters is managed by the marine police, coastguard, and NISCC. Challenges persist due to limited resources and the mere size of the operating area. The sea is frequently used for illegal fishing and drug smuggling. A notable case was in February 2019 when the Coast Guard intercepted a burning Iranian dhow suspected of carrying illicit drugs. In 2021, a bilateral agreement with the U.S. was ratified to enhance surveillance capabilities through additional resources and support. Seychelles has digitized passenger border formalities with the Seychelles Electronic Border System to enhance security and visibility for travelers. All travelers must submit Immigration forms digitally and face penalties for non-compliance. Since November 2022, Seychelles citizens and residents must complete digital Embarkation and Disembarkation Information Forms, replacing previous paper forms allowing for improved screening of passengers entering and exiting Seychelles.

INTERPOL reported that counterfeit goods, including household items and clothing, are trafficked from China to Victoria port, exploiting gaps in Seychelles' legal framework that only bans counterfeit medicines and food. In addition, gold smuggling emerged more prominently on Seychelles' radar in 2021. In October 2021, the Seychelles authorities seized 22.5 kg of gold originating from Madagascar and the suspects were arrested and detained after discovering the gold onboard the vessel. Additionally, border controls seized approximately 158,740.37g of narcotics in 2021.

The commitment to manage the challenges concerning border controls is present, however, the limited resources and the depth of the challenges result in Seychelles being vulnerable to illicit border activities. Additional resources, enhanced capacity building, and improved domestic coordination are needed to positively address this vulnerability.

#### **10.12 COMPREHENSIVENESS OF CUSTOMS REGIME ON CASH AND SIMILAR INSTRUMENTS**

Customs officers in Seychelles use Section 74 of the AML/CFT Act 2020 to search individuals, their property, and conveyances for illicit cross-border transportation of cash and bearer negotiable instruments. This applies if the cash is undeclared and above the prescribed amount or suspected of being criminal proceeds. Regulations SI 11 of 2022 and the Customs Management (Prohibited and Restricted Goods) Regulations, 2014, outline the requirements for cash declaration and restrictions on prohibited goods, but there are no restrictions on importing precious metals and stones when properly documented.

The Seychelles Electronic Border System with its online Embarkation and Disembarkation Information Forms has improved Seychelles' efficiencies in combating the illicit cross border movement of cash and similar instruments. However, the limited capacity of border authorities to conduct outbound enforcement actions increases Seychelles' vulnerability to the illicit movement of cash departing the country. Thus, this shortcoming adversely impacts the comprehensiveness of Seychelles' Customs regime on the cross-border movements of cash increasing its vulnerability.

### **10.13 EFFECTIVENESS OF CUSTOMS CONTROLS ON CASH AND SIMILAR INSTRUMENTS**

Declaration of cash at Seychelles' borders is mandatory but often under-declared by passengers. Inadequate resources and facilities at airports and seaports hinder effective enforcement. Custom officers are receiving training on scanning equipment, but there's a lack of mechanisms at seaports and resources like sniffer dogs. Customs obtains assistance from other law enforcement agencies when necessary, typically the FCIU. Seizures and fines are imposed for customs offenses

There has also been cash seized under the CPC at the airport by the police. The provisions and use of platforms such as the Seychelles Electronic Border System has allowed improved enforcement measures and controls at the airport. However, inadequate capacity and resources limits effectiveness which impacts Seychelles' vulnerabilities.

### **10.14 EFFECTIVENESS OF DOMESTIC COOPERATION**

Cooperation among agencies within the NAC is strong, especially in information exchange and coordination. The TAC plays a key role in addressing ML/TF deficiencies and recommending improvements. Meetings focus on compliance with the FATF Recommendations, updating laws and regulations and implementing an effective AML/CFT regime in Seychelles.

Inter-agency investigations, particularly within the Seychelles Police, have improved, exemplified by the Republic vs. Leon and Ors. (2021) case. Recent initiatives include a Taskforce for complex financial investigations and enhanced collaboration between ACCS and other agencies. This progress is supported by MOUs signed in 2018.

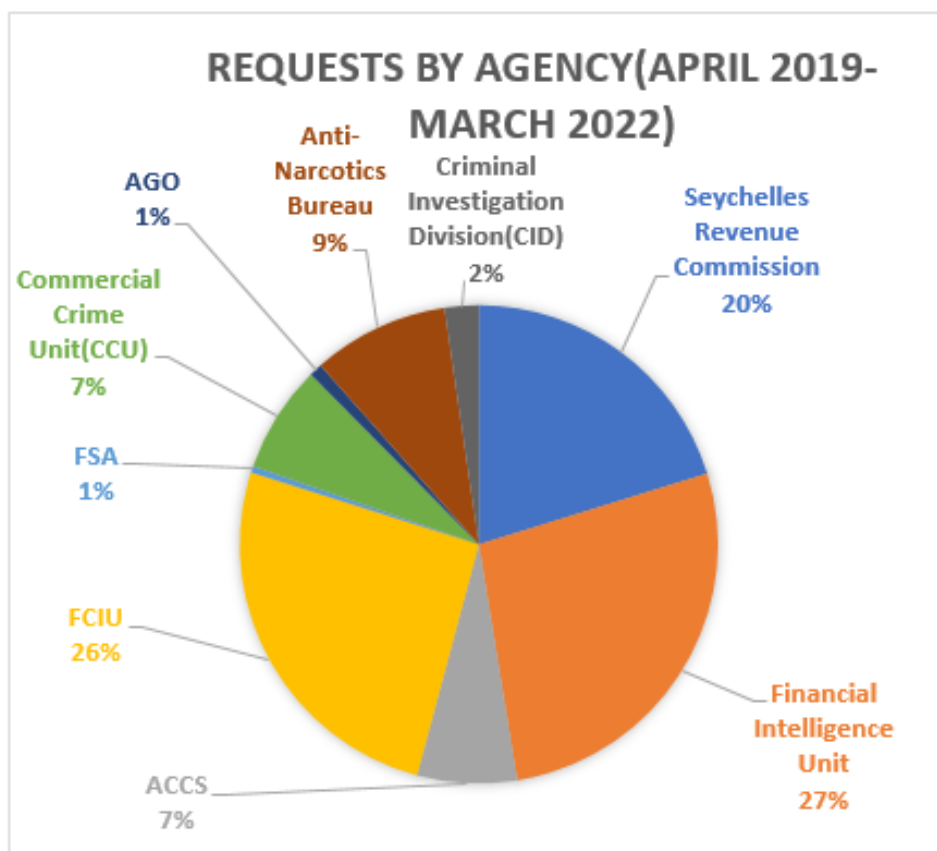


Table 17: MOUs

Date	Organisation
August 14, 2020	Financial Intelligence Unit
October 12, 2020	Seychelles Licensing Authority
December 23, 2020	Financial Services Authority
March 03, 2021	Seychelles Revenue Commission
March 25, 2021	Registrar General
March 29, 2021	Central Bank of Seychelles
August 03, 2021	Ministry of Finance

The MOUs align with international standards, aiming to improve cooperation among law enforcement, regulators, and partners to combat financial and economic crimes in Seychelles. They facilitate training and awareness sessions for stakeholders. The FCIU conducts awareness sessions for customs officers on cash seizures. The registration division and Seychelles Licensing Authority provide essential corporate data for investigations, shared upon request with law enforcement agencies.

Registrar receives requests from various sectors illustrated below.



Since the 2018 MER, domestic cooperation has improved; however, additional steps are required to improve effectiveness and further reduce Seychelles' vulnerabilities. The objectives set by the NAC continue to mutually benefit the agencies and the country by promoting domestic cooperation.

### **10.15 EFFECTIVENESS OF INTERNATIONAL COOPERATION**

Seychelles' LEAs, including the FCIU, ACCS, and FIU, demonstrate strong international cooperation through organizations like Egmont, INTERPOL, and ARINSA. These collaborations aid in information exchange, asset tracing, asset recovery, and support training, improved resources and capacity building. Notable efforts include the ACCS's 2022 agreement with the Basel Institute on Governance for casework support and legislative reform, and the FIU's 20 international MOUs and 7 domestic MOUs since 2009. The FIU, active in the Egmont Group, has handled 717 requests and 90 disseminations between 2018–2022. The AGO's AML/IC Unit processed 57 MLA requests in 2022, focusing on ML and fraud, while the SRC made 6 international requests. Seychelles became an associate member of IACCC in 2020 and ratified the SADC Protocol against Corruption in 2021. The FCIU processed 534 international requests and participated in asset recovery, including cryptocurrency cases. Despite effective international cooperation, challenges include low rates of feedback and insufficient resources across the competent authorities responsible for facilitating Seychelles' international cooperation. Overall, Seychelles is effective in international cooperation and thus has limited its vulnerabilities in this area.

## 10.16 AVAILABILITY OF INDEPENDENT AUDIT

The FIU considers this sector low risk for money laundering and contributing to this assessment is the level of financial transparency and reliability ensured by well-established audit firms like ACM & Associates and Pool & Patel Chartered Accountants. While the IFRS, adopted by the Central Bank of Seychelles, are not mandatory, most firms follow International Standards on Auditing. To operate, auditors must apply to the Registrar of Companies, demonstrating qualifications and experience, including certification from international bodies. The SLA oversees and licenses auditors and reports receiving no complaints or administering any penalties. There is no mandatory rotation of auditors or disclosure of fees, but audit remuneration must be disclosed. Taxpayers are not required to submit audited financial statements unless audited for tax purposes. Seychelles ranks 59th out of 143 in auditing and reporting standards. The robust processes and overall adherence to international standards increases the reliability of this sector, however, the lack of certain legislative requirements increases Seychelles' vulnerabilities.

## 10.17 LEVEL OF FINANCIAL INTEGRITY

The SRC complies with the MAC & Tax Information Exchange Agreement (TIEA) for sharing information internationally, based on a case-by-case review. It utilizes Article 25 of the OECD's Model Tax Convention for such exchanges and can reject requests deemed as fishing expeditions. The SRC has developed a Compliance Improvement Plan to enhance domestic tax processes, focusing on registration, filing, reporting, and payments. This plan aims to ensure tax compliance and accuracy. Auditors can use financial records to trace money flows in investigations.

The Seychelles Revenue Administration Act mandates record-keeping and information collection. Personal income tax is handled through two regimes: employers remit taxes for employees, and businesses file annual tax returns. LEAs like FCIU and ACCS share information with SRC and the FIU. While most businesses comply with tax requirements, flaws in the system contribute to a medium rating for financial integrity.

## 10.18 EFFECTIVENESS OF TAX ENFORCEMENT

The RAA 2009 guides the SRC's operations, enhancing tax enforcement with provisions for penalties and safeguards. While SRC staff handle tax audits, most lack AML/CFT training and rely on basic resources without specialized audit software. Training is mostly on-the-job, with some internal and external courses provided. The taxpayer education section conducts numerous workshops, improving public compliance. However, staff shortages and the imbalance between auditors and taxpayers are issues. Audit quality is ensured through multi-level checks, and staff typically reach full capacity in four years, though many leave sooner.

Despite the efficient work conducted by the tax authorities, the high staff turnover and lack of legislation on specific tax evasion offenses hinders consistency and effectiveness of tax enforcement in the country. This markedly increases Seychelles' vulnerabilities in relation to effectiveness of tax offenses.

## 10.19 LEVEL OF FORMALIZATION OF THE ECONOMY

In 2021, formal employment in Seychelles averaged 49,634, down 6.2% from 2020, largely due to pandemic-related disruptions that paused unemployment data collection. Both male and female unemployment rates were steady at 3.3% by the end of 2020. The informal sector, comprising cash-based businesses like street vendors and unregistered services, poses regulatory challenges that hinder financial crime investigations. As of 2018, 16.8% of formal sector workers were engaged in informal work activities, particularly in agriculture and construction. The lack of reliable data complicates the understanding of the informal sector's economic effects. The Employment Division monitors unemployment data, but limited regulation of cash transactions contributes to this sector's significant unrecorded economic impact, heightening Seychelles' vulnerabilities to financial crimes.

## 10.20 AVAILABILITY OF RELIABLE IDENTIFICATION INFRASTRUCTURE

Seychelles has a secure national identification system managed by the Immigration and Civil Status Department. Biometric passports, introduced in November 2022, and the SeyID digital ID platform, launched in October 2022, enhance security and facilitate online identity verification. SeyID can be accessed via mobile apps and integrates with various public and private services. Although National Identity cards lack modern security features, issuance practices are robust. Immigration and border control use the Seychelles Electronic Border System for pre-screening passports. AML-regulated institutions lack a secure database for verifying identity documents. Despite this, the identification infrastructure is considered strong but could benefit from additional verification procedures.

## 10.21 AVAILABILITY OF INDEPENDENT INFORMATION SOURCES

In 2018, Seychelles' Central Bank's risk assessment highlighted issues with IBCs not being required to audit their accounts or report their accounting records when struck off the register. This led to the drafting of legislation amendments by the NAC to align with global standards, including the AML/CFT ACT 2020 and the BO Act 2020. These reforms mandate that legal entities keep proper accounting records, align beneficial ownership definitions with international standards, and retain records for five years post-liquidation, with significant sanctions for non-compliance.

Under the AML/CFT ACT, Section 35 requires reporting entities to apply CDD, including verifying customer identity using reliable documents. This requirement aids financial investigations and involves data from entities like banks, public utilities, and immigration offices. The GoAML platform, hosted by the FIU, is being developed to standardize data reporting, with STR reporting expected in 2023.

Despite these measures, inconsistencies in data reporting from entities such as BDCs and casinos persist. Banks do not always submit STRs, impacting the analysis of client patterns. Although the Strategic Analysis Unit of the FIU captures trends from various data sources, limited access to historical financial information from some organizations and inconsistent data recording negatively impacts the effectiveness of client identification and KYC procedures, increasing the vulnerabilities related to the availability of independent information sources.

## 10.22 AVAILABILITY AND ACCESS TO BENEFICIAL OWNER INFORMATION

Following the last National Risk Assessment (NRA), the Seychelles FIU introduced the Beneficial Ownership (BO) database, which was 90% populated by early 2022. This database, managed by the FIU under the BO Act 2020, centralizes beneficial ownership information reported by legal entities through their resident agents. The BO Act mandates that beneficial ownership registers be maintained at the principal place of business and are accessible to competent authorities and LEAs, but at this time, not to reporting entities.

The Seychelles, listed as a non-cooperative jurisdiction by the EU in 2020, has faced scrutiny for having sub-standard safeguards negatively impacting its capacity to combat tax fraud and money laundering. The BO Act and its subsequent implementation has significantly enhanced Seychelles' compliance with EU and FATF Beneficial Ownership requirements. The database and its regulations, including compliance checks on IBCs and trusts, are conducted and are crucial for combating illicit activities. However, access to the BO register is restricted to authorized officers of competent authorities, and information is not publicly available.

The BO database is used for various purposes, including cross-matching with STRs and sanctions lists. While the BO Act and AML/CFT ACT mandate comprehensive record-keeping and transfer of records when TCSPs cease operations, there are areas for improvement in supervision and enforcement. Overall, the introduction and implementation of the BO Act has significantly increased Seychelles' capacity and has minimized its vulnerabilities in this sector.

## **11.0 SECTORAL AML CONTROLS**

### **11.1 COMPREHENSIVENESS OF AML LEGAL FRAMEWORK (CLOSE TO EXCELLENT (0.9))**

Following the 2018 MER, the Seychelles addressed several deficiencies in its legal framework by enacting the AML/CFT ACT and Regulations 2020, which align with the FATF Recommendations. The updated law includes enhanced provisions for CDD, record-keeping, and STR, among others. However, minor deficiencies remain, such as the lack of a requirement for reporting entities to identify and verify individuals acting on behalf of customers. Additionally, enforceable measures are needed for obtaining senior management approval for continuing relationships with PEPs, ensuring third-party CDD compliance, and applying consistent AML/CFT measures across financial groups and foreign branches.

## **11.2 AVAILABILITY AND ENFORCEMENT OF ADMINISTRATIVE SANCTIONS (LOW)**

The AML/CFT ACT 2020 provides for various administrative sanctions, including activity restrictions, fines up to R1 million, and license termination. However, supervisory bodies for DNFBPs can only recommend suspension or revocation of licenses, with no obligation for the licensing body to act on these recommendations, potentially limiting enforcement. Despite having dissuasive sanctions, their effectiveness is untested as no sanctions have been imposed yet, and the appeals board has only recently been established. Supervisory authorities do have powers to caution and impose sanctions for non-compliance.

## **11.3 AVAILABILITY AND ENFORCEMENT OF CRIMINAL SANCTIONS (LOW)**

The AML/CFT ACT 2020 establishes criminal sanctions for AML non-compliance and money laundering, applicable to all individuals, including bank staff. Although surveys indicate that these sanctions are seen as dissuasive, their effectiveness is unproven as no criminal sanctions have been enforced to date, nor have any actions been taken for financial crimes like fraud. Criminal penalties under the AML/CFT ACT are capped at SCR400,000, significantly lower than the SCR1,000,000 for administrative sanctions. This discrepancy raises concerns about the effectiveness of criminal penalties compared to administrative. In comparison, other countries impose higher fines for similar offenses, suggesting Seychelles' penalties may need to be increased. The lower financial penalties and lack of supporting evidence for their determination may undermine their effectiveness and deterrent value.



## 12.0 TERRORISM FINANCING RISK

This chapter provides an overview of the assessment of TF risk in Seychelles, considering factors such as the terrorism threat level, the potential for TF activities, and the effectiveness (vulnerabilities within) of the CFT framework. The assessment employs a logical model that blends qualitative and quantitative information while recognizing the limited availability of domestic TF data. The challenge of insufficient data necessitates an approach that relies on expert judgments and the best available data sources to evaluate the TF risk factors specific to Seychelles, with the goal of informing strategies and policies for managing and mitigating these risks effectively.

### 12.1 METHODOLOGY

Seychelles adapted a scaled-down version of the WB's Terrorist Financing Risk Assessment Module, part of its NRA Toolkit, to assess its TF risks. This toolkit includes guidance manuals, Excel worksheets, and methodological formulas aimed at helping Seychelles understand and address TF risks per FATF Recommendation 1. The assessment combines qualitative and quantitative data, although data scarcity on terrorism poses challenges. Seychelles used expert judgment extensively due to limited quantitative data. The assessment covers TF threats from terrorist organizations, national and sectoral TF risks, and national TF vulnerabilities, guiding Seychelles in developing a risk-based approach to its counter-financing of terrorism (CFT) regime. The resulting action plan will target effective CFT measures at both national and sectoral levels.

## **12.2 TERRORISM THREAT IN SEYCHELLES**

Counterterrorism is a priority for the Seychelles government, focusing on prevention, preparedness, response, and recovery, and relying heavily on international partnerships. The nation's diverse population, including many Creoles and various minority groups, and its geographical proximity to Africa, where terrorism has occurred, influence its security considerations. Seychelles, a prominent tourist destination with visa-free access for many countries, is attractive to global travelers and businesses. Although global terror networks like ISIL and Al-Qaeda pose threats worldwide, Seychelles has not experienced terrorist attacks or credible threats domestically or from abroad. While there are no immediate signs of extremism or radicalization, the government emphasizes ongoing vigilance and proactive monitoring of potential security threats. The current assessment of the terrorism threat in Seychelles is low, with no imminent risks identified, but continuous enhancement of security measures is essential to address potential threats.

## **12.3 TERRORISM FINANCING THREAT IN SEYCHELLES**

The national threat assessment of Seychelles examines TF comprehensively, covering fund generation, movement, storage, and use. Despite Seychelles' lack of terrorist incidents and absence of terrorist organizations within its borders, its geographical location near regions with active terrorism—such as Somalia, Kenya, and Mozambique—poses potential risks. Seychelles ratified the AU Convention on Terrorism in 2003 and enacted the Prevention of Terrorism Act in 2004, establishing the National Terrorism Committee in 2017 to oversee counterterrorism efforts. However, there is no national terrorism alert system in place.

Globally, terrorist organizations utilize funds for operations, propaganda, training, salaries, and social services, using methods like donations abuse, criminal activities, and cash smuggling. Seychelles has not experienced confirmed TF cases or terrorist activities. The assessment concludes that despite the global TF trends, the current TF threat in Seychelles is low due to its limited exposure, lack of terrorist activities, and absence of significant connections to global terror financing networks and methods.

The country's large IBC sector does not significantly impact TF risks, and the nation's status as a regional financial center does not correlate with increased TF threats. Seychelles remains vigilant and continues to strengthen its regulatory frameworks and international cooperation to mitigate any potential risks.

### **12.3 TF INHERENT RISKS**

This evaluation reviews Seychelles' CTF efforts, focusing on legislative provisions, law enforcement collaboration, capacity-building, and vulnerabilities related to NPOs. The analysis highlights Seychelles' strengths and identifies areas for improvement in addressing TF risks.

### **12.4 LEGISLATIVE FRAMEWORK**

Seychelles' legislative framework to combat TF is anchored by the AML/CFT ACT and the Prevention of Terrorism Act 2004 (PTA). The PTA criminalizes TF and includes measures to freeze terrorist assets and prevent financial support to terrorists. Recent amendments to the PTA have strengthened provisions against terrorist property and foreign fighter financing. Despite partial compliance with the FATF Recommendations, Seychelles has demonstrated adaptability in updating its laws to align with international standards. The country also has legislation related to FIs, BO, and reporting obligations supporting its CFT framework.

### **12.5 IMPLEMENTATION OF UNSC SANCTIONS**

The PTA governs the implementation of UNSC sanctions in Seychelles, including asset freezes for terrorists and prohibitions on providing financial support to them. While Seychelles has established mechanisms for implementing sanctions, gaps remain in operationalizing the law and coordinating effectively with domestic and international stakeholders. Despite no requests to freeze terrorist assets, efforts to improve CDD and record-keeping have been strengthened. Awareness of AML/CFT is high among financial sectors, though DNFBPs show varying levels of awareness.

## **12.6 STRs AND QUALITY OF FIU INTELLIGENCE**

The FIU receives and analyzes STRs but notes a lack of TF-related links in these reports. Contributing factors include political stability, geographic location, and the complexity of TF schemes. Limited resources and expertise within reporting entities, along with high reporting thresholds, may lead to underreporting. Enhancing TF reporting requires awareness campaigns, TF-specific training, and improved international collaboration.

### **5.9.7 INTELLIGENCE GATHERING BY OTHER AGENCIES**

Seychelles' intelligence agencies primarily focus on ML and drug-related crimes, with a notable gap in specialized TF intelligence. Overreliance on external partners for TF-related intelligence exposes a critical vulnerability. Developing a self-reliant TF intelligence capability and improving skills to investigate cybercrime are urgent needs.

### **5.9.8 INVESTIGATIVE DESIGN AND CAPACITY**

The AML/CFT ACT empowers Seychellois regulators and LEAs to investigate AML/CFT offenses. However, with only 20 investigators and 6 analysts, there is a need for continuous training, especially in cybercrime and digital currency investigations. The current capacity may be insufficient to address the growing complexity of financial crime.

### **5.9.9 COOPERATION**

Agencies in Seychelles show proactive cooperation in AML/CFT investigations, formalized through MoUs. However, there is a need to enhance the prompt exchange of information and build stronger collaborative frameworks. Improving domestic and international cooperation is essential for effective TF countermeasures.

### 5.9.10 **VULNERABILITIES ASSOCIATED WITH NPOs**

Seychelles' recent Risk Assessment regarding NPOs, in line with FATF Recommendation 8, found a low TF threat related to NPOs. The assessment identified potential vulnerabilities such as proximity to extremist communities, foreign funding sources, and the involvement of unverifiable controllers. However, most vulnerabilities lack strong evidence or reliable data linking them to TF risks. The foreign infiltration of religious NPOs was noted as a low to medium risk. Overall, NPOs are not considered inherently vulnerable to TF abuse.

### 5.9.11 **OVERALL TF VULNERABILITY**

Seychelles has a robust legal and institutional framework for combating TF, suited to the identified threat level. Ongoing efforts are needed to address gaps in FATF compliance and improve the effective implementation of laws. The overall TF vulnerability in Seychelles is currently assessed as medium-low, reflecting the strengths of its framework and areas needing further development. In summary, Seychelles demonstrates a commitment to combating TF through legislative measures, international cooperation, and capacity-building. However, challenges remain in addressing specific gaps, enhancing intelligence capabilities, and improving the effectiveness of its TF prevention efforts. Continued vigilance and adaptation are essential to maintain a low TF risk.



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