



ANNUAL REPORT

2018

Financial Intelligence Unit
SEYCHELLES

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SUBMISSION OF ANNUAL REPORT TO THE BOARD

Board of Directors of Central Bank of Seychelles

Central Bank of Seychelles

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Mahé,

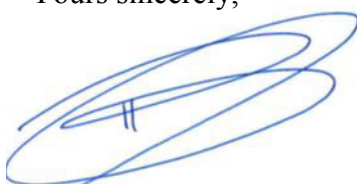
Seychelles

May 24, 2019

Dear Directors,

I have the honour to submit this Annual Report for the year 2018, outlining the activities of the Financial Intelligence Unit in combating money laundering and financing of terrorism. The Annual Report for 2018 is submitted in accordance with the provision of section 16 (8) of the Anti-Money Laundering Act, 2006 and Statutory Instrument 15 of 2010.

Yours sincerely,



Richard, Jacques Rampal

Director

VISION, MISSION & VALUES



To safeguard the economic system through adherence to international best practices and position Seychelles as a leading jurisdiction within the region in the fight against ML/ TF and PF



To deter, detect and disrupt domestic and international money laundering, terrorism financing and proliferation financing. This is to be achieved by ensuring regulatory compliance, the development of high- quality intelligence report, enhance the effectiveness of law enforcement, and domestic and international cooperation



Professionalism; Justice; Accountability; Cooperation; Integrity; Mutual respect; Initiative; Confidentiality; and Transparency.

LIST OF ACRONYMS

AML	Anti-Money Laundering	ME	Mutual Evaluation
AMLA	Anti-Money Laundering Act 2006, as amended	MER	Mutual Evaluation Report
BDC	Bureau de Change	MFTIEP	Ministry of Finance, Trade, Investment and Economic Planning
BO	Beneficial Owner	ML	Money Laundering
CBS	Central Bank of Seychelles	MoU	Memorandum of Understanding
CFT	Countering the Financing of Terrorism	MVD	Motor Vehicle Dealer
COMESA	Common Market for Eastern and Southern Africa	NRA	National Risk Assessment
CRO	Compliance and Reporting Officer	OECD	Organisation for Economic Cooperation and Development
CTR	Cash Transaction Report	PF	Proliferation Financing
DNFBPs	Designated Non-Financial Businesses and Professions	POCA	Proceeds of Crime (Civil Confiscation) Act, 2008
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group	PPBB	Programme Performance-Based Budgeting
FATF	Financial Action Task Force	PQ	Personal Questionnaire
FI	Financial Institutions	PTA	Prevention of Terrorism Act, 2004
FIU	Financial Intelligence Unit	REA	Real Estate Agent
FSA	Financial Services Authority	SADC	Southern African Development Community
FSRB	FATF-Style Regional Body	SLA	Seychelles Licensing Authority
IBC	International Business Company	SRC	Seychelles Revenue Commission
ICSP	International Corporate Service Provider	STR	Suspicious Transaction Report
IMF	International Monetary Fund	TC	Technical Compliance
IO	Immediate Outcomes	TF	Terrorist Financing
LEA	Law Enforcement Agency		

Director's Message



I am pleased to present, the 2018 Annual Report of the Financial Intelligence Unit to the Board of the Central Bank of Seychelles. The Report outlines the activities of the FIU in Combating Money Laundering and Terrorist Financing for the Financial Year 2018.

Firstly, I would like to take this opportunity to thank the out-going Director of the FIU, Mr. Phillip Moustache who has retired after years of loyalty and dedication in the fight against Money Laundering and Terrorism Financing. Mr. Moustache has played a pivotal role in the development of the Seychelles FIU and the country's AML/CFT framework. The FIU would like to thank Mr. Moustache for his commitment and contributions.

The year 2018 has been a challenging year, as Seychelles was subject to the Eastern and Southern Africa Anti-Money Laundering Group ("ESAAMLG") Mutual Evaluation process of the Financial Action Task Force ("FATF"). In September 2018, the FIU took pride in hosting the 36th Task Force Senior Officials meeting where Seychelles took over the Presidency of the ESAAMLG from Tanzania, with Minister Maurice Loustau-Lalanne as new President. The Seychelles Mutual Evaluation Report was also adopted in that same meeting. Since the publication of the Seychelles MER in November 2018, the FIU has initiated actions to rectify the deficiencies and implement recommendations made in the Mutual Evaluation Report.

Looking ahead

Despite challenges, I am pleased to report that the FIU has been able to carry out its statutory function. It is hoped that this Report will be of value to all stakeholders and the general public, especially as it provides an insight of the nature and value of the work of the FIU. The FIU's commitment is to pro-actively continue to play its role in the combat against Money Laundering and Terrorist Financing in Seychelles. In accordance with the provisions of section 16 (8) of the Anti-Money Laundering Act 2006, I present this Report on the operation and activities of the FIU for 2018.

A blue ink signature of Richard, Jacques Rampal, written in a cursive style.

Richard, Jacques Rampal

Director Financial Intelligence Unit

Highlights of 2018

1

POST ESAAMLG MUTUAL EVALUATION EFFORTS

Following publication of the National Risk Assessment ("NRA") and the Mutual Evaluation Report ("MER") in 2018, the National Anti-Money Laundering and Countering the Financing of Terrorism Committee strengthened its efforts to harmonize domestic coordination to ensure that Seychelles is better protected from ML & TF threats.

2

COORDINATION WITH FOREIGN COUNTERPARTS

To maximize efforts, to deprive criminals of the proceeds of crime and to effectively deter such practices, since 2012 the FIU has signed a total of 4 domestic Memorandum of Understanding ("MoU") and 16 with international FIUs, 3 of which were signed in 2018.

3

FINANCIAL INTELLIGENCE

For 2018, the FIU received 97 Suspicious Transaction Reports ("STR") from reporting entities and other stakeholders; and disseminated financial intelligence reports in 61 instances to other agencies, both domestic and international, as a result of analysis conducted on STRs and other sources of intelligence received.

4

LEGISLATIVE AMENDMENTS

The Cabinet of Ministers approved a Policy Paper to amend the Anti-Money Laundering Act 2006, ("AMLA") to strengthen the AML/CFT framework and bring it in line with the Financial Action Task Force ("FATF") standards.

5

CAPACITY BUILDING

The FIU embarked on a series of awareness programs to sensitise Financial Institutions ("FI"), Supervisory Authorities and Law Enforcement Agencies ("LEAs") of ML and TF Risks; and AML/CFT obligations.

CHAPTER I - OVERVIEW OF THE FIU

BRIEF HISTORY

The FIU was first established as a department housed within the Central Bank of Seychelles (“CBS”) in June 2006 with the repealing of the Anti-Money Laundering Act 1996 and enactment of the Anti-Money Laundering Act 2006 (“AMLA”), which defines the FIU’s duties, rights, functions and powers. In 2008, the AMLA was amended to establish the FIU as an independent body corporate, thus segregating its functions from those of CBS. With the promulgation of the Transfer of Statutory Functions (AML Act) Order, 2010, the President of the Republic transferred the exercise of powers and performance of duties conferred upon him under sections 16 (4), (6), (7), (8), (9), (10), (11); 17 (5) (a), 17 (7) and 18 (2) (c) of the AMLA to the Board of Directors of the CBS.

Primary Function

Similarly to other FIUs, the Seychelles FIU’s core statutory function as espoused by the FATF is to serve as the national center to receive, analyse, interpret financial data on suspected transactions of money laundering and, in case a crime is suspected, to disseminate information to LEAs spontaneously to decide whether a preliminary investigation should be launched and upon request.

Other Function

i. Monitor, supervise, create awareness and train reporting entities and supervisory authorities and the public in respect to their obligations under the AMLA;

- ii. Establish cooperation with domestic and international institutions and foreign counterparts, entrusted with the responsibility for organizing an effective AML/CFT regime;
- iii. Exchange information with foreign FIUs on partnership principles in accordance with the Statute of the Egmont Group of Financial Intelligence Units and in accordance with the Memoranda of Understanding; and
- iv. Enforce compliance with the AMLA by imposing sanctions in cases of non-compliance.

MEMBERSHIPS

Given the transnational element of ML and TF, in 1999 Seychelles joined 13 other countries in the region to found the Eastern and Southern African Anti-Money Laundering Group (“ESAAMLG”) which is an FATF-Style Regional Body (“FSRB”) whose main objectives are to adopt and implement the 40 Recommendations of the FATF and implement measures contained in the multilateral agreements and initiatives relevant to prevention and control of laundering of proceeds of all serious crimes and TF.

The FIU is also a member of the Egmont Group, which unites 159 similar FIUs across the globe, whose activities provides a platform for the secure exchange of expertise and financial intelligence to combat ML and TF internationally.

Supporting Legal Framework

Fig. 1 illustrates the AML/CFT Legislative Framework and other supporting legislative framework in Seychelles for AML and CFT.

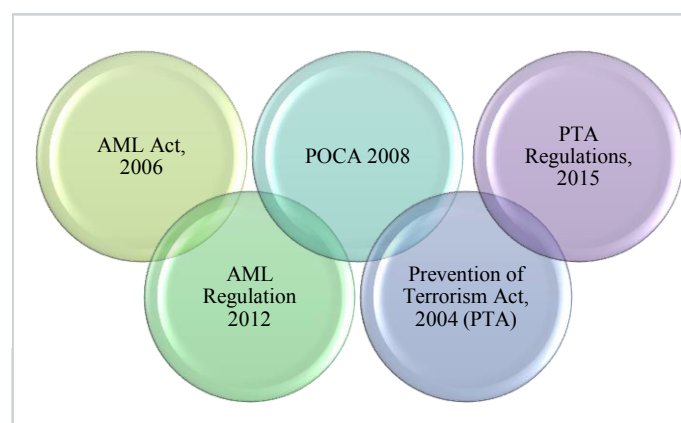


Fig 1. AML/CFT Legislative Framework

CHAPTER II – OPERATIONS OF THE FIU

Office of the Director

The Office of the Director is responsible for ensuring sound management and execution of the FIU's statutory mandate. The Director reports to the Board of the CBS on certain governance matters and the Ministry of Finance, Trade, Investment and Economic Planning ("MFTIEP") for budgetary matters. The Director of the FIU is tasked with the responsibility to:

- manage the FIU's budget, staff and other resources, including setting the strategic direction, monitoring and evaluating the operations of all units to ensure optimum output;
- manage domestic, inter-agency, regional and international AML/CFT stakeholder relationships;
- together with the National AML/CFT Committee, coordinates and facilitates national risk and threat assessments;
- coordinate and facilitate together with relevant stakeholders the Mutual Evaluations conducted by ESAAMLG; and
- represent Seychelles at regional and international fora dealing with AML/CFT matters such as FATF, ESAAMLG, the Egmont Group of FIUs, World Bank, IMF,

Finance – FIU Budget

The FIU is currently budget dependent and the operational funding is voted by the National Assembly. *Fig. 2 – FIU Budget* illustrates the FIU's allocated Budget over the past 3 years.

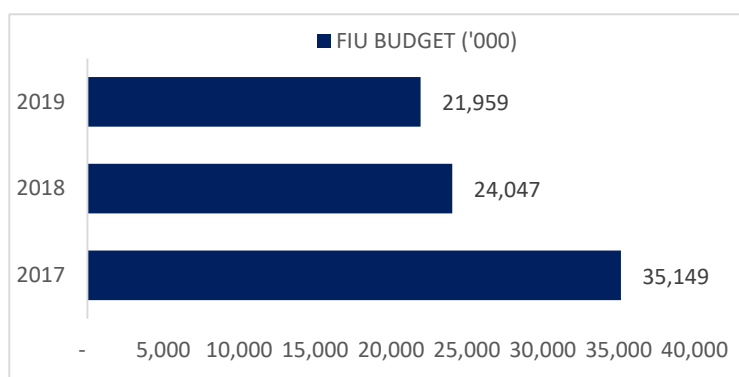


Fig. 2 – FIU Budget

The FIU is following the Programme Performance-Based Budgeting ("PPBB") being spearheaded by the MFTIEP which aims at allocating public resources to prioritise objectives as identified by the budget dependent Ministries.

However, although the value of the FIU's work increases, financial resource remains a constraint. Managing the allocated budget has proven to be challenging, especially in relation to capacity building and extensive staff training in order to strengthen cooperation with relevant Competent Authorities and LEAs coupled with being responsible for the monitoring and supervision of over 300 reporting entities.

Legal

The Legal Department is responsible to advise and assist both the Director's and Assistant Director's secretariats. In addition to this, the Legal Advisor is responsible to assist and advise the FIU as a whole in legal, administrative and operational matters so as to support the FIU to pursue its functions and objectives as stipulated under the AMLA.

Human Resource & Administration

Attracting and retaining employees remain a challenge. When coupled with budgetary constraints, the FIU's ability to increase its technical skills is limited. The increasingly dynamic financial arena ignites the need for new technology with the likes of virtual currencies, as such, it is rapidly becoming important for FIU to ensure that staff are appropriately skilled and technically trained to be able to understand new criminal patterns and address changing demands.

Human Resource Statistics

At the end of the reporting period, the FIU had a complement of 36 staff. The statistics depicts the total number of staff segregated per unit and vacancies as of December 2018 are outlined in *Table 1 – Total Employees and Vacancies*.

<i>Level</i>	<i>No. of Employees</i>	<i>Vacancies</i>
<i>Management</i>	2	-
<i>Corporate Affairs</i>	16	1
<i>Legal</i>	1	-
<i>NRA/ME</i>	2	1
<i>Analysis & Monitoring</i>	9	-
<i>Data Management & Policy</i>	2	-
<i>Regulatory Compliance</i>	4	4
<i>Total</i>	36	6

Table 1 – Total Employees & Vacancies

FIU Website

In 2018, an internal review was conducted in order to assess the usability and value of the information being disseminated to stakeholders and the public through the use of the FIU's website. As a result, the FIU has initiated a project for the redevelopment of its website so as to improve the manner in which information, such as legislations, guidelines, statistics, updates and alerts, are presented and disseminated to its stakeholders and the general public.

Information Technology Infrastructure

One of the challenges encountered during the ME process was the provision of accurate statistics. In 2018, FIU saw the full implementation of its IBM FileNet system, whose initial development was initiated in 2015. The IBM FileNet system has been developed and tailored to the FIU's requirement to be used as both a case management and document management system. The FileNet system has the capability to generate statistical reports, thus enhancing the accuracy of statistics provided.

Security

In accordance with the Egmont principles, the FIU reviewed its security procedures focusing on both logical and physical security to ensure the protection and prevention of unauthorized access to the FIU's assets. To strengthen the cyber security strategy, new systems were

implemented which included the implementation of virtual environments to further protect the FIU from potential threats which may infect its network. Procedures for physical access to the FIU's compound and internal access control systems were also re-evaluated.

Staff Training

In view of the advancement in technology and the development of new preventive mechanisms and standards for combating ML & TF, the FIU places a lot of emphasis on training its staff to ensure that they remain on par with international development. As such in 2018, relevant staff have participated in local as well as overseas workshops and seminars, including regional meetings organized by international agencies.

See Annexure I for further details on the trainings/workshops attended by staff of the FIU in 2018.



CHAPTER III – AML/CFT INITIATIVES

NATIONAL RISK ASSESSMENT

In January 2016, Seychelles undertook its first AML/ CFT National Risk Assessment (“NRA”) whose main purpose was to identify the domestic ML and TF risks with an aim to assist policymakers, supervisors, regulators, and LEAs as well as the private sector to appropriately allocate resources to the identified areas or services which represents the highest level of ML and TF risks. In April 2018, the Cabinet of Ministers endorsed Seychelles’ first NRA Report. On July 9, 2018 the NRA Report was officially released to all relevant stakeholders through a workshop session. The focal point of the session was to convey the ML and TF risks identified to relevant participants and formulate actions and mitigating measures to be applied by all. Furthermore, the NRA Report was published on the websites of the MFTIEP and the CBS.

Seychelles Mutual Evaluation

In 2018, Seychelles underwent the FATF Peer Review, which was conducted by the ESAAMLG. As the custodian of the National AML/CFT Framework for Seychelles, the FIU was appointed as the coordinating agency for the Seychelles’ second round of the ME. The Seychelles MER on the FATF standards was approved and adopted on September 7, 2018 by the ESAAMLG Council of Ministers based on the recommendation of the plenary of the ESAAMLG Task Force of Senior Officials. The approved MER was published by the ESAAMLG on the November 9, 2018.

Based on the outcome of the ME, Seychelles has been placed under the Enhanced Follow-Up Process which will necessitate bi-annual reporting of progressions made to the ESAAMLG Task Force. Annexure II illustrates the Seychelles Ratings on TC and Annexure III Ratings on Immediate Outcomes

with the FATF Recommendations and the level of effectiveness of the AML/CFT systems and measures implemented. The Seychelles’ MER is accessible on <http://www.esaamlg.org>

36th Task Force of Senior Officials’ Meeting

In September 2017 at the 34th ESAAMLG Task Force of Senior Officials meeting, the Seychelles authorities accepted to take over presidency of the ESAAMLG Council of Ministers. As a consequence, in 2018, Seychelles hosted the 36th Task Force Meeting and 18th Council of Ministers Meeting, as well as assumed the Chairmanship of the ESAAMLG Task Force of Senior Officials. The FIU, as the principal coordinator, worked closely with a number of public and private agencies to host this event. The event saw the participation of over 500 high level officials from the 18 Member countries of the ESAAMLG as well as Observers.

Chairmanship of ESSAMLG Task Force

On September 2, 2018, the Director of the FIU assumed Chairmanship of the ESAAMLG Senior Task Force. On September 7, 2018, the Minister for Finance, Trade, Investment and Economic Planning took over the Presidency of ESAAMLG Council of Ministers from the United Republic of Tanzania for a period of 1 year. The Kingdom of Eswatini is the next country in line to take over the Chairmanship.

AML/CFT Technical Committee

The NRA and the ME exercise revealed an urgent need for the Seychelles to strengthen and modernise its AML/CFT framework to align it with international standards. In this regard, a Technical Committee comprised of representatives from the MFTIEP, FIU, CBS, FSA, Registrar of Companies and the Seychelles Police was formed and tasked with the responsibility to undertake preliminary review of the AMLA and provide recommendations to the government on policy matters in relation to the AML/CFT framework.

OECD Peer Review

In November 2018 the Organization for Economic Cooperation and Development (“OECD”) launched the Seychelles OECD Peer Review on the implementation of international standards of transparency and exchange of information for tax purposes. The on-site review is due to take place in July 2019.

Corruption and Associated Money Laundering in the ESAAMLG Region

The Seychelles is participating in the typology study being conducted by ESAAMLG pertaining to corruption in the public sector. Through the FIU’s coordination, the preliminary information gathering stage from both public and private sector/civil society organizations has been completed. The project is ongoing and further discussions are expected to take place in the April 2019 Senior Task Force Meeting.

Typology on Beneficial Ownership

The Seychelles is party to the Risk, Compliance and Financial Inclusion Working Group of ESAAMLG for developing a concept paper on Beneficial Ownership that may be of importance to the region and report back in April 2019. The team from Seychelles comprised the FIU, CBS and the FSA.

CHAPTER IV – ANALYSIS AND MONITORING

Like other FIUs, Seychelles FIU's core statutory functions is to serve as a national centre for the receipt and analysis of suspicious reports on transactions suspected of ML and TF from reporting entities and analysis of other information relevant to ML and TF, and for the dissemination of the results of that analysis. The Second Schedule of the AMLA outlines all reporting entities accountable to the FIU for AML/CFT obligations. This chapter provides insights on the core functions of the FIU as undertaken by the Analysis and Monitoring Unit and the Data Management Unit, two units within the FIU which receives, analyses and disseminate data to identify the proceeds of crime, money laundering and terrorist financing.

Receipt of STRs

In accordance with section 10 of the AMLA, where a reporting entity has knowledge or reasonable grounds to suspect that any service, or transaction may be related to the commission of criminal conduct including an offence of money laundering, financing of terrorism or to money or property that is or represents the benefit of criminal conduct; the reporting entity shall confidentially make a suspicious transaction report to the FIU only.

It is essential to recognize that the FIU preserves the confidentiality of the information it receives and sends only the data needed to ascertain and investigate crimes to investigative authorities, the prosecutor's office and courts. The FIU does not disclose the identity of the person or the entity reporting the information and the reporting entity should not disclose to any other party including a regulatory Authority that an STR has been filed with the FIU. Investigative Authorities and the Prosecutor's Office establish ML in the criminal cases on which they conduct proceedings, while the FIU ascertains potential ML incidents on the basis of financial information from the private sector.

Suspicious Transaction Reports



In 2018, the FIU received **97** STRs from Reporting Entities

39 from banks followed closely by 34 from International Corporate Service Providers ("ICSPs"). The other 24 STRs were from various other reporting sectors.

Table 2 hereunder – Provides comparative statistics on STRs received for the past 3 years.

<i>Category/ Sector</i>	2016	2017	2018
<i>Banking Institution</i>	78	57	39
<i>Bureau De Change</i>	1	1	6
<i>Non-Bank Credit Institution</i>	0	0	11
<i>ICSP</i>	21	11	34
<i>Real Estate Agents</i>	0	0	1
<i>Supervisory Authority</i>	0	25	6
Total	100	94	97

Table 2 – Comparatives Statistics on STRs

Albeit a decrease on the number of STRs submitted by Banking Institutions, and Supervisory Authority, the total STRs reported to the FIU during 2018 have shown a slight increase, with the highest increase from the Non-Bank Credit Institutions and the ICSPs. The attributing factors for the low level of STR filing across all sectors include insufficient AML/CFT awareness, supervision and monitoring, as well as the inability of the FIU to administer administrative sanctions to reporting entities that fail to report suspicious transactions. Therefore, for 2019 the FIU will embark on a rigorous sensitization programme to both FIs and Designated Non-Financial Businesses and Professions (“DNFBPs”) of their obligation to file STRs.

Analysis of information collected/received from reporting entities is the second element of the core functions of an FIU as defined by the Egmont Group. The main information source to initiate an analytical process is the STR. Other sources include spontaneous disclosure, local and foreign LEA’s request for information and voluntary information Reports.

The purpose of the analysis is to establish whether the data contained in the reports, substantiated as necessary by the FIU, provide sufficient basis to warrant transmitting the file for further investigation or for prosecution. Generally, there

are three level of intelligence produced and identified: tactical, operational and strategic.

Tactical analysis includes the matching of data received from reporting institutions with data held by the FIU or accessible to it, including lists of names, addresses, phone numbers, and data in the

other reports forwarded by the reporting institutions.

Operational analysis consists of using tactical information to formulate different hypotheses on the possible activities of the suspect to produce operational intelligence.

Strategic analysis is the process of developing knowledge (“strategic intelligence”) to be used in shaping the work of the FIU in the future. The main characteristic of strategic intelligence is that it is not related to individual cases, but rather to new issues and trends.

Data Analysis

In addition to analysis of the STRs received from reporting entities, the FIU receives and analyses weekly Cash Transaction Reports (“CTRs”) on transactions conducted across three reporting sectors as follows:

- Bureau de Change (“BDC”) – Class A and Class B
- Motor Vehicle Dealers (“MVD”)
- Real Estate Agents (“REA”)

Directives were issued to these sectors in view of their vulnerability to money laundering as identified within the NRA Report 2017, with the aim of collating further intelligence in order to support and enhance the value of the operational analysis conducted by the FIU. Whilst directives were issued to Class A BDC since 2017, directives to submit returns to the FIU were issued in March 2018 for MVDs and REAs; and in October 2018 for Class B BDC.

In 2018, the FIU has received 864 of returns, consisting of a total of 96,782 transactions as depicted in *Table 3 – CTR Received* across. The transaction information is maintained as intelligence in a database which is used for tactical analysis.

Reporting Sector	No. of Returns Received	No. of Transactions
<i>BDC Class A</i>	451	91,131
<i>BDC Class B</i>	137	5,029
<i>MVD</i>	230	612
<i>REA</i>	46	10
TOTAL	864	96,782

Table 3 – CTR Received

Through analysis of the transactions and the formulation of i2 charts to identify links between suspected parties, the Data Management Unit identified 403 transactions which were of a suspicious nature and were passed to the Analysis & Monitoring Unit for further analysis through the submission of 11 internal STRs.

These 403 transactions originated from the BDC Class A & B (89%) and the MVD (11%) sectors.

Dissemination of Reports

The third core function of the FIU is the dissemination of the information it has received. There are three aspects to the dissemination function:

- a) the first relates to the duty of the FIU to transmit information to the competent authorities for further investigation or prosecution;
- b) second relates to the exchange of information between the FIU and domestic agencies other than the ones to which files are transmitted for further investigation or prosecution; and
- c) the third is the international exchange of information, mainly, but not exclusively, from FIU to other FIUs.

For 2018, the FIU spontaneously disseminated financial intelligence reports, in 61 instances to other agencies, both domestic and international, as a result of analysis conducted on STRs and other sources of intelligence received. *Table 4 – Dissemination* below illustrates the agencies with which information was shared.

Dissemination (Domestic)

<i>Seychelles Police</i>	8
<i>SRC</i>	9
<i>FSA</i>	13
<i>CBS</i>	1
<i>SLA</i>	1
<i>Govt. Ministries/Agencies</i>	4

Dissemination (International)

<i>Egmont</i>	24
<i>Interpol</i>	1

Table 4 - Dissemination

CHAPTER V – DOMESTIC AND INTERNATIONAL COOPERATION

Domestic Cooperation and

Engagement

Seychelles has effectively renewed its commitment in the fight against ML/TF through the working of the National AML/CFT Committee and the subsequent creation of the technical committee. Consistent with the FATF Recommendation 2 the National AML/CFT committee's term of reference is to ensure that policy-makers, LEAs and Supervisory Authorities have effective mechanisms in place to enable cooperation, and, where appropriate, coordinate and exchange information domestically with each other concerning the development and implementation of policies and activities to combat ML & TF.

Supervisory Authorities

The FIU being the sole Regulatory Authority for AML/CFT has in 2018 strengthened relations with domestic Supervisory Authorities through sharing of information in relation to deficiencies identified through AML/CFT examinations and enhance coordination through joint examinations.

Law Enforcement Agencies

The FIU analyses STRs and in case a crime is suspected, disseminate these analyses in the form of a report to stakeholders including LEAs (*refer to Chapter IV, Table 4*). These LEAs include Seychelles Revenue Commission and the Seychelles Police. The information provided by the FIU facilitates LEAs in carrying out their investigations on predicate offenses and ML/TF. Collaboration between the LEAs especially the Police and the FIU in 2018 has proven to be challenging in view of the amendments of the POCA whereby certain function of the FIU was transferred to the Police and this has disrupted internal coordination.

As part of its strategy for 2019, the FIU has the objective to strengthen relations with the LEAs and improve coordination.

Memorandum of Understanding (Domestic)

Domestically, FIU has so far signed 4 MoUs with counterparts, as illustrated per *Table 5 – Domestic MoUs* hereunder, with the aim of strengthening the collaborative effort amongst domestic agencies in the national fight against ML/TF.

<i>Agency</i>	<i>Date</i>
<i>Seychelles Revenue Commission</i>	March 2009
<i>Central Bank of Seychelles</i>	October 2015
<i>Financial Services Authority</i>	October 2015
<i>Seychelles Licensing Authority</i>	June 2018

Table 5 – Domestic MoUs

Exchange of Information (Domestic)

In line with the National AML/CFT Committee's objective to ensure domestic stakeholders have effective mechanisms in place to facilitate the exchange of information, the FIU assists with the provision of information to LEAs and Supervisory Authorities, for intelligence and/or information purposes. Furthermore, as part of its analysis, the FIU also requests for information from LEAs and Supervisory Authorities.

During the reporting period, the FIU has received 39 requests for information, which include 20 requests from the Seychelles Police. A total of 983 requests for information were made to LEAs and Supervisory Authorities by the FIU. This includes 604 request to the Seychelles Police (72.8% were directed to the Anti-Narcotics Bureau) and 211 to the SRC.

International Cooperation and Engagement

The FATF Recommendation 40 requires countries to cooperate and rapidly share information in relation to ML, associated predicate offences and TF with domestics and international counterparts.

The sharing of Financial Intelligence is a key aspect to combating illicit activities as it facilitates investigations and prosecution of persons suspected of committing or participating in ML/TF related activities.

Memorandum of Understanding (International)

In addition to being a member of the Egmont Group, the FIU has signed a total of 16 Memoranda of Understanding (MoU) (*Annexure IV*) with other FIUs, 3 of which were signed in 2018 (*Table 6 – 2018 International MoUs*), and 1 Letter of Undertaking with another FIU, to further facilitate the cross-border exchange of information, thus strengthening the country's ability to assist international partners in the global fight against money laundering and terrorist financing.

Country	Date
Botswana	September 3, 2018
Kingdom of Eswatini	September 4, 2018
Australia	September 26, 2018

Table 6 – 2018 International MoUs

Exchange of Information (International)

As a member of the Egmont Group, the FIU adheres to the Egmont Group Statement of Purpose and its Principles of Information Exchange between FIUs and is able to send and receive requests for information to and from other member Financial Intelligence Units via the Egmont Secure Web. Note that any information shared by the FIU is strictly controlled and safeguarded ensuring

compliance with national and foreign provisions on data protection and privacy.

Table 7 – International Exchange of Information depicts the number of international requests made through Egmont and Interpol, to and from the FIU.

	EGMONT	INTERPOL
Number of Requests Received	137	68
Number of Requests Made	81	23

Table 7 – International Exchange of Information



CHAPTER VI – REGULATORY COMPLIANCE MONITORING

Supervision & Monitoring

The AMLA sets out the obligations that Reporting Entities are required to comply with. The AMLA further empowers the FIU to monitor and supervise reporting entities' compliance with the relevant AML/CFT legislation, regulations and guidelines and to take relevant persuasive and dissuasive enforcement actions when required. The Regulatory Compliance Unit of the FIU is tasked with the responsibility to monitor and supervise Reporting Entities and relevant bodies to ensure they are complying with their obligations.

As the AML/CFT Supervisor, the FIU monitors compliance by both FIs and DNFBPs, comprising of over 300 entities across the different reporting sectors. The supervisory approach has been defined primarily to be rules-based although internally the Regulatory Compliance Unit has devised certain rudimentary mechanism which takes into consideration risk factors such as vulnerability to ML/TF risk, nature of business i.e. uses of intermediaries, non-face-to-face, cash transactions, whilst undertaking desk based monitoring and on-site examinations. However, the FIU remains attentive to new developments and growth of the supervised sectors, as such the FIU has resolved to adopt a Risk Based Supervisory Framework towards the third quarter of 2019.

Review of AML/CFT Policies

The FIU as part its mandate reviews the internal AML/CFT Compliance Manuals of reporting entities. The FIU also assists the CBS and the FSA to review the manuals of potential and/or existing licensee which is submitted as part of their licence application requirements. Additionally, the FIU also reviews AML/CFT Compliance Manuals of reporting entities as part of the examinations conducted of these entities by the FIU. In 2018 the FIU has received and reviewed twenty-eight (28) AML/CFT

Compliance Manuals; two (2) from CBS; thirteen (13) from FSA and thirteen (13) from reporting entities.

Outreach & Awareness Programme

During the review period, the unit conducted training as part of awareness creation to ensure that the regulated institutions and other reporting entities understand their obligations in terms of the AMLA.

Table 8 – AML/CFT Awareness provides further details on the six (6) outreach and awareness training conducted by the Regulatory Compliance Unit of the FIU in 2018.

Month	Audience	Training	Participants
May	LEAs	AML	35
June	Banking Institution	AML	54
July	Banking Institution	AML	17
August	Supervisory	AML	26
September	Banking Institution	AML	11
October	Supervisory	CDD	14
Total Participants trained			157

Table 8 – AML/CFT Awareness

On-site Examination

Compliance examinations is an important supervisory tool as it informs the FIU, through a series of interrelated test of entities with systematic deficiencies, which entities may pose a threat to the financial system. The examination plan for the year was prepared, based on the results of the off-site assessment of individual entities and available information from external supervisors. Further, attention was given to the other areas identified as higher risk. *Fig. 3 – Examination Scope* hereunder illustrates the scope for on-site examination.

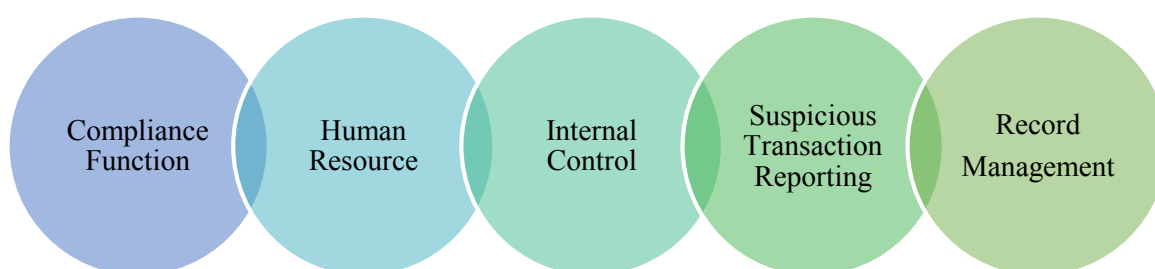


Fig. 3 – Examination Scope

During the review period, the Regulatory Compliance Unit conducted 27 on-site examinations of which:

- i. 11 full scope inspections were conducted to assess compliance with the AML/CFT obligations stipulated under the AMLA as depicted in *Table 9* hereunder;
- ii. 9 focused inspections at the office of ICSPs, whereby 899 International Business Companies (IBCs) were tested for retention of records; and

- iii. 7 follow-up examinations to assess the implementation of recommendations made to reporting entities.

Table 9 – Full Scope Examinations and Table 10 – Follow Up Examinations provides further details on the supervisory coverage for the year 2018.

Sector	Total Entities	Total Assessed
<i>FI-Bank & Other</i>		
<i>Financial Institutions</i>	12	1
<i>FI - BDC</i>	25	4
<i>Insurance/ Brokers</i>	29	1
<i>ICSP</i>	68	3
<i>Motor Vehicle Dealers</i>	25	2
Total	159	11

Table 9 – Full Scope Examinations

Reporting Sector	No. of Examination
<i>FI-Bank</i>	1
<i>Non-Bank Credit Institutions</i>	2
<i>FI - BDC</i>	1
<i>Insurance</i>	1
<i>ICSP</i>	1
<i>Motor Vehicle Dealers</i>	1
Total	7

Table 10 – Follow Up Examinations

Retention of Records

In December 2018, the FIU jointly with the FSA undertook 9 Theme-based inspections at the office of ICSP, focusing on examining IBCs that were not in operation/struck off, to establish their level of compliance with the record retention provision under the AMLA in relation to Legal and Beneficial Ownership information. Fig. 4 – Record Retention below depicts the inspection finding:

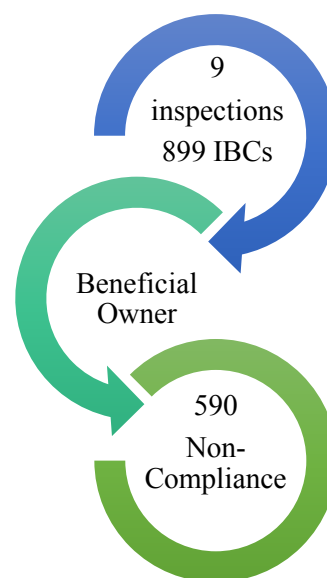


Fig. 4 – Record Retention

Note that regardless of the fact that the IBC was non-compliant with the Register of Beneficial Owner (“BO”) obligation, the identification and verification documents of BO were maintained by the ICSP (as a reporting entity) at its registered office in Seychelles. It is important to note that the high level of non-compliance for the Register of BO of struck off companies was mainly in view that these companies were struck off prior to the enactment of the IBC Act 2016 (which introduced this new requirement).

Deficiencies from AML/CFT examinations

Based on the examinations conducted, it was noted that most deficiencies were being identified within the BDC sector (Class B) and the Motor Vehicle Dealers sector. The major deficiencies identified are summarised as follows:

- Suitability of the Compliance & Reporting Officer;
- Lack of/inadequate AML/CFT procedures and systems; and
- Lack of AML/CFT audit being conducted to test their AML/CFT systems and procedures.

Compliance & Reporting Officer

Reporting entities are required under section 15 (1) (a) of the AMLA to appoint a suitable Compliance and Reporting Officer (“CRO”). To facilitate the supervision of the CRO, in June 2017 the FIU embarked on a project to create a database for identifying all CROs appointed by Reporting Entities. To achieve this, the CROs were required to complete and return a Personal Questionnaire Form (“PQ”) to the FIU. *Fig. 5 – CRO PQ Forms* represents statistics on the number of CRO PQ Forms disseminated and collected as at December 31, 2018.

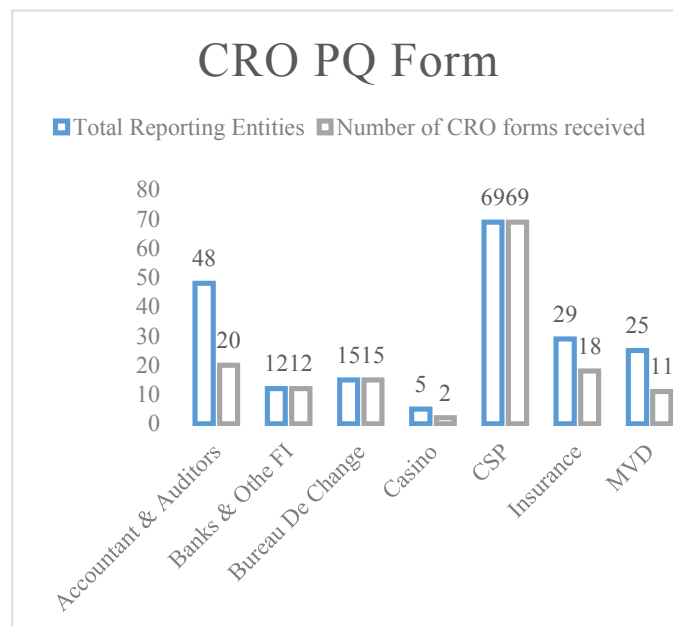


Fig. 5 – CRO PQ Forms

Risk-Based Supervision and Way Forward

The mandate of the Unit remains vast and is ever expanding due to changes in global standards which results in the inevitable emergence of new trends in the sphere of ML and TF. Resources, both human and technological, is few, which further hinders the unit’s ability to effectively supervise the sectors under the FIU regulatory purview. The rule based approach to supervision is becoming obsolete. Therefore, for 2019 the FIU is expected to develop and implement its Risk Based Supervisory Framework and increase the capacity of supervisory staff.

CHAPTER VI – CONCLUSION

Plans for 2019 Development Perspective

The FIU plays a crucial role in the country's commitment to combat money laundering, terrorist financing and proliferation financing. As a result of findings of the NRA and the ME, the FIU's objectives for 2019 are largely driven by the findings and recommended actions outlined in the NRA and MER, with primary focus on legislative changes, human resource capacity and IT infrastructure.

Legislative

Seychelles AML/CFT legislative framework is aimed at mitigating the risks of ML/TF and other related criminal conduct in the financial system. However, based on the findings in relation to the technical compliance to the FATF 40 Recommendations, Seychelles has committed to amend the AML/CFT legislations to align with the FATF standards. The main areas of improvement will be in relation to preventive measures, sanctioning, delegation of certain supervisory function and financing proliferation of weapons of mass destruction.

Human Resource Capacity

Whilst the FIU recognizes that one of its most valuable asset is its human resource, one of the most prevailing challenges faced by the FIU during 2018, is the human resource capacity constraints. Attracting and retaining employees has remained a challenge over the past few years. Furthermore, when coupled with budgetary constraints, the FIU's ability to increase the technical capabilities of its staff is limited. The FIU's objective is to:

- recruit staff especially in the Analysis & Monitoring Unit and the Regulatory Compliance Unit to increase the number of analysis and effectiveness of supervisory activities conducted;
- provide continuous training opportunities for its employees to address the changing ML/TF trends and the demands of constantly evolving technology; and
- create an employee value proposition to attract and retain experienced employees.

IT Infrastructure

In view of the constraint of having a manual data management system and filing system, the FIU aims to explore the opportunities surrounding the use of technological solutions such as Sup-Tech (Regulatory Technologies for Supervisors) to automate and streamline administrative and operational procedures, digitizing data and working tools, improving data analytics and enhance the value and accuracy of statistics. Furthermore, the FIU aims at reviewing and optimizing its IT/Security infrastructure to meet its strategic needs.

Annexure I

Trainings/Workshops attended by FIU Staff

Facilitator	Participants	Country	Course Details
<i>International Initiatives Meetings</i>			
<i>FATF Plenary</i>	3	France	FATF Plenary Groups Meetings
<i>Egmont Plenary</i>	3	Australia	Egmont Plenary Groups Meetings
<i>ESAAMLG Meeting</i>	1	Tanzania	ESAAMLG Plenary Groups Meetings
<i>Meeting for developing Guidelines on ESAAMLG FIU Analysis Placement Programme</i>	1	South Africa	
<i>ESAAMLG Meeting</i>	25	Seychelles	ESAAMLG Plenary Groups Meetings
<i>Familiarization Trainings</i>			
<i>National Crime Agency</i>	3	England	Familiarization
<i>Exchange Visit</i>	2	Namibia	Familiarization
<i>Seminars/ Workshops</i>			
<i>OECD (Beneficial Ownership)</i>	1	Portugal	Workshop
<i>Public Corruption</i>	2	Botswana	Workshop
<i>Financial Investigative Technique</i>	2	Botswana	Course
<i>Strategic Analysis</i>	2	Namibia	Course
<i>Risk based supervision for the securities and insurance/pension supervisor</i>	2	Mauritius	Workshop
<i>AML & Illicit Financial Flows</i>	1	Botswana	Workshop
<i>FATF Standards Training Course</i>	1	Zambia	Course

Annexure II

Seychelles Ratings – Technical Compliance with FATF Recommendations

Key: C – Compliance, LC – Largely Compliant, PC – Partially Compliant, NC – Non-Compliant

R.1 Assessing Risk and applying RBA PC	R.2 National Cooperation & Coordination PC	R.3 Money Laundering Offence LC	R.4 Confiscation & Provisional Measures PC	R.5 Terrorist Financing Offence PC
R.6 Targeted Financial Sanctions – Terrorism & Terrorist Financing PC	R.7 Targeted Financial Sanctions – Proliferation NC	R.8 Non-Profit Organisations NC	R.9 Financial Institution Secrecy Law C	R.10 Customer Due Diligence LC
R.11 Record Keeping C	R.12 Politically Exposed Persons LC	R.13 Correspondent Banking C	R.14 Money or Value Transfer Services C	R.15 New Technologies NC
R.16 Wire Transfers PC	R.17 Reliance on Third Parties LC	R.18 Internal Controls and Foreign branches and Subsidiaries C	R.19 Higher-Risk Countries PC	R.20 Reporting of Suspicious Transactions C
R.21 Tipping-off and Confidentiality C	R.22 DNFBPs: Customer Due diligence LC	R.23 DNFBPs: Other Measures LC	R.24 Transparency & Beneficial Owner of Legal Persons LC	R.25 Transparency & Beneficial Owner of Legal Arrangements PC
R.26 Regulation and Supervision of Financial Institutions PC	R.27 Powers of Supervisors LC	R.28 Regulation and Supervision of DNFBPs PC	R.29 Financial Intelligence Units PC	R.30 Responsibilities of LEAs and Investigative Authorities C
R.31 Powers of LEAs and Investigative Authorities C	R.32 Cash Couriers LC	R.33 Statistics PC	R.34 Guidance and Feedback PC	R.35 Sanctions PC
R.36 International Instruments C	R.37 Mutual Legal Assistance PC	R.38 Mutual Legal Assistance: Freezing and Confiscation NC	R.39 Extradition PC	R.40 Other forms of International Cooperation LC

Annexure III

Ratings of Seychelles on level of effectiveness of AML/CFT Systems

in line with FATF Immediate Outcomes (“IO”)

IO.1 RISK, POLICY AND COORDINATION LOW	IO.2 INTERNATIONAL COOPERATION LOW	IO.3 SUPERVISION LOW	IO.4 PREVENTIVE MEASURES MODERATE
IO.5 LEGAL PERSON & ARRANGEMENT LOW	IO.6 FINANCIAL INTELLIGENCE LOW	IO.7 ML INVESTIGATION & PROSECUTION LOW	IO.8 CONFISCATION LOW
IO.9 TF INVESTIGATION & PROSECUTION LOW	IO.10 TF PREVENTIVE MEASURES & FINANCIAL SANCTION LOW	IO.11 PF FINANCIAL SANCTIONS LOW	

Annexure IV

List of International MoUs

<i>Country</i>	<i>Date</i>
<i>South Africa</i>	<i>May 23, 2012</i>
<i>Madagascar</i>	<i>November 2, 2012</i>
<i>Japan</i>	<i>July 3, 2013</i>
<i>Mauritius</i>	<i>September 3, 2013</i>
<i>Angola</i>	<i>September 3, 2013</i>
<i>Kenya</i>	<i>September 3, 2013</i>
<i>Namibia</i>	<i>September 7, 2013</i>
<i>Russian Federation</i>	<i>June 4, 2014</i>
<i>Zambia</i>	<i>September 4, 2014</i>
<i>Zimbabwe</i>	<i>September 4, 2014</i>
<i>Uganda</i>	<i>March 25, 2015</i>
<i>Belgium</i>	<i>September 26, 2016</i>
<i>Canada</i>	<i>October 17, 2017</i>
<i>Singapore (Letter of Undertaking)</i>	<i>September 2017</i>
<i>Botswana</i>	<i>September 3, 2018</i>
<i>Kingdom of Eswatini</i>	<i>September 4, 2018</i>
<i>Australia</i>	<i>September 26, 2018</i>

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