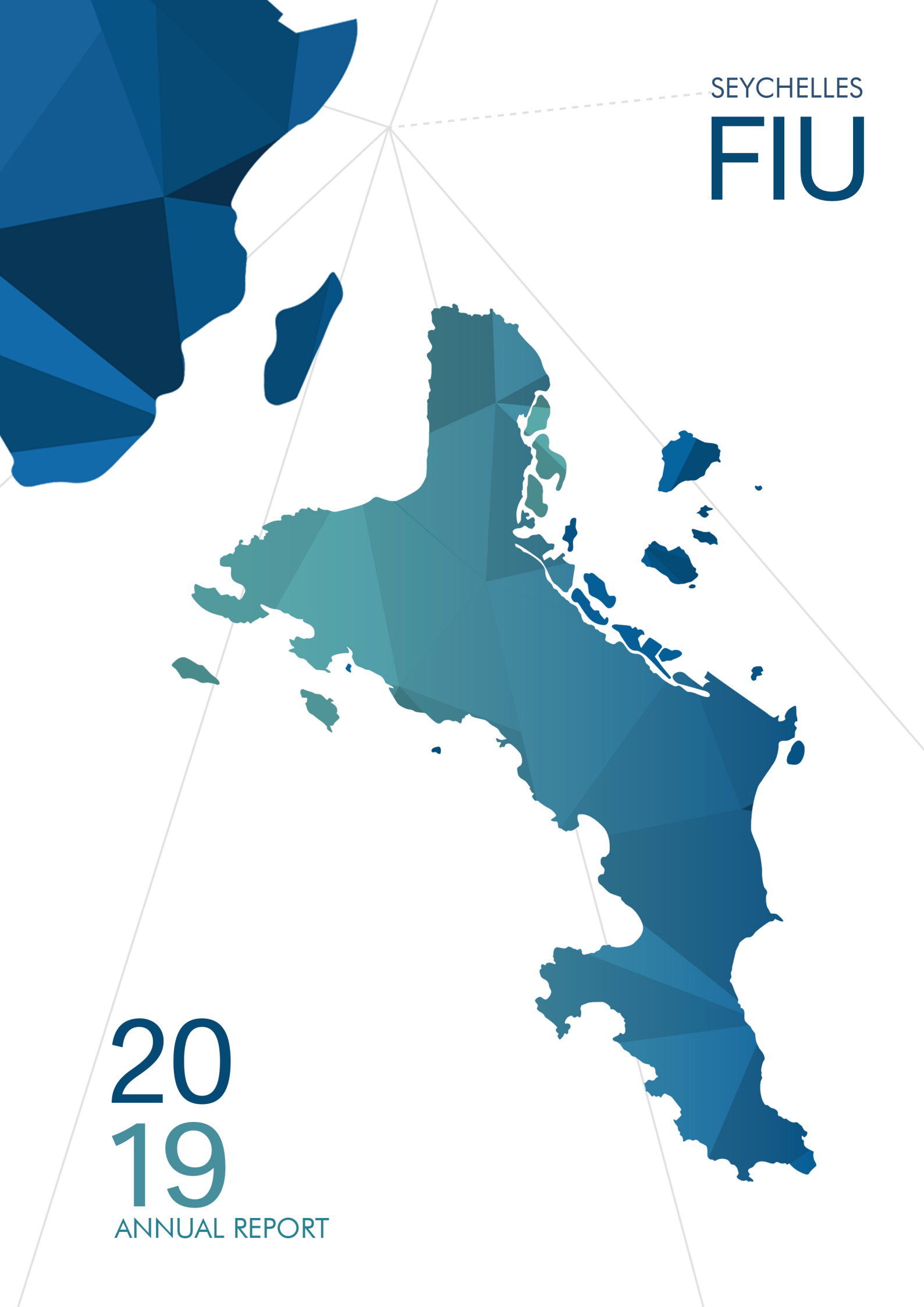


SEYCHELLES

FIU

20
19

ANNUAL REPORT



**FINANCIAL
INTELLIGENCE
UNIT**



**FINANCIAL
INTELLIGENCE UNIT**
ANNUAL REPORT
2019

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SUBMISSION OF THE ANNUAL REPORT TO THE BOARD

Chairperson of Central Bank of Seychelles

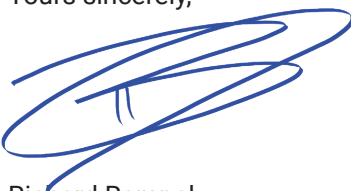
Central Bank of Seychelles
Victoria,
Mahé,

May 5th, 2020

Dear Governor,

I have the honour to submit this Annual Report for the year 2019, outlining the activities of the Financial Intelligence Unit in combating money laundering and financing of terrorism. The Annual Report for 2019 is submitted in accordance with the provision of section 16 (8) of the Anti-Money Laundering Act, 2006 and the Transfer of Statutory Functions (Anti-Money Laundering Act) Order, 2010.

Yours sincerely,



Richard Rampal

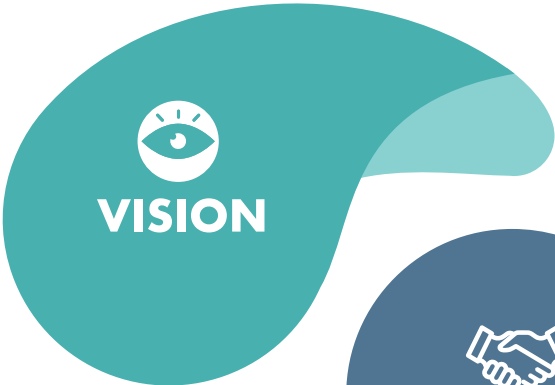
Director
Financial Intelligence Unit

VISION, MISSION VALUES

VISION



To safeguard the financial system through adherence to international best practices and position Seychelles as a leading jurisdiction within the region in the fight against money laundering, terrorist financing and proliferation financing.



MISSION



To deter, detect and disrupt domestic and international money laundering, terrorism financing and proliferation financing through ensuring regulatory compliance, the development of high-quality intelligence reports, the enhancement of domestic and international cooperation.

VALUES



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

ACRONYMS/ABBREVIATIONS

ACCS	Anti-Corruption Commission Seychelles
AML	Anti-Money Laundering
AMLA	Anti-Money Laundering Act 2006, as amended
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AG's Office	Attorney General's Office
ARINSA	Asset Recovery Inter-Agency Network of Southern Africa
ANB	Anti-Narcotics Bureau
BDC	Bureau de Change
BO	Beneficial Ownership
CBS	Central Bank of Seychelles
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
COMESA	Common Market for Eastern and Southern Africa
CTR	Cash Transaction Report
DFA	Department of Foreign Affairs
DNFBPs	Designated Non-Financial Businesses and Professions
ESA	East and Southern Africa
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FCIU	Financial Crime Investigation Unit
FIU	Financial Intelligence Unit
FIs	Financial Institutions
FSA	Financial Services Authority
FSRB	FATF-Style Regional Body
HoFIUs	Head of FIUs
ICSP	International Corporate Service Provider
ME	Mutual Evaluation
MEIC	Ministry of Employment, Immigration & Civil Status
MER	Mutual Evaluation Report
M&A	Monitoring and Analysis
MOFTIEP	Ministry of Finance, Trade, Investment and Economic Planning

LEAs	Law Enforcement Agencies
ML	Money Laundering
MHILT	Ministry of Habitat, Infrastructure and Land Transport
MoU	Memorandum of Understanding
MVD	Motor Vehicle Dealer
NAC	National Anti-Money Laundering and Combating the Financing of Terrorism Committee
NPO	Non-Profit Organisation
NRA	National Risk Assessment
OECD	Organisation for Economic Cooperation and Development
PF	Proliferation Financing
POCCCA	Proceeds of Crime (Civil Confiscation) Act, 2008
PPBB	Programme Performance-Based Budgeting
PTA	Prevention of Terrorism Act, 2004
PTR	Prevention of Terrorism (Implementation of UNSCR on Suppression of Terrorism) Regulations, 2015
QTR	Quarterly Terrorist Reports
RAS	Reimbursable Advisory Services
RBA	Risk-Based Approach
RBS	Risk-Based Supervision
RD	Registration Division
REA	Real Estate Agent
SCCI	Seychelles Chamber of Commerce and Industry
SIB	Seychelles Investment Board
SLA	Seychelles Licensing Authority
SRC	Seychelles Revenue Commission
SRP	Supervision Risk and Prevention
STR	Suspicious Transaction Report
TAC	Technical Anti-Money Laundering and Combating the Financing of Terrorism Committee
TC	Technical Compliance
TF	Terrorist Financing
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime

DIRECTOR'S FOREWORD

I am pleased to present the fourth edition of the Annual Report of the Seychelles FIU. 2019 has been another eventful year, marked by increased commitments and bolstered effort to counter ML and TF, and other financial crimes in the jurisdiction.

During my tenure, the FIU has witnessed major transformation and development – in our strategy, our structure, our capabilities and most importantly, our staff. The FIU remains the catalyst of development in the Seychelles' AML/CFT space, especially through dissemination of financial intelligence to LEAs and the strengthening of supervisory efforts of reporting entities, as the sole AML/CFT regulator in Seychelles.

This reporting year presented unique challenges especially the rapid increase in usage of new technology, products and related services, that have the potential to spur financial innovation but also present new opportunities for criminals to launder their proceeds or finance illicit activities. Supervision of the varying reporting sectors with their inherent vulnerabilities to ML and TF crimes has also been challenging. However, the FIU's AML/CFT supervision function continues to adapt to new challenges and with the adoption of a RBA to supervision this will allow for more focused supervision and better allocation of resources.



At a national level, the FIU has received strong support of the Government, with an increase of 24.8% of the FIU's annual budget for 2020 and financed the goAML platform that is expected to be functional in the fourth quarter of 2020. This will allow us to improve our regulatory capacity and strengthen our operational and strategic analysis capabilities.

The FIU is thrilled to report that all agencies being member of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAC), which the FIU is party to and assumed the important role as the Secretariat, has been meeting every forth-nightly. The Committee is actively spearheading the progress of AML/CFT framework in Seychelles to address the identified deficiencies and Memorandum of Understanding are progressing well between key agencies of the NAC, to renew efforts for improving national coordination and cooperation.

To further consolidate the country's commitment to strengthen its AML/ CFT framework, the NAC spearheaded the recruitment of a Resident Advisor, with extensive knowledge and understanding of the application of international standards as it relates to AML/ CFT, to assist the Committee in implementing the requisite measures. The Resident Advisor based at the FIU, has in 2019 supported the enhancement of the FIU's statutory function.

With the support of my dedicated team in 2019, we have developed a new organisational structure, scheme of service and strategic plan that has been well received and approved by the MOFTIEP. This has enabled the FIU to reorganise its operation, recruit skilled and professional personnel and improve its efficacy.

LOOKING AHEAD 2020

For the year 2020, focus of the FIU will be on delivering its new strategic direction by building on the 5 pillars being Capability, Innovation, People, Strategic Positioning and Compliance. We are committed to:

- bring together Government and private institutions in a collaborative and secure information sharing environment;
- produce timely and accurate financial intelligence reports so that we can work with our partners to understand and respond to threats and risks in an appropriate manner; and
- collaborate with the industry to develop and publish risk assessments guidelines.

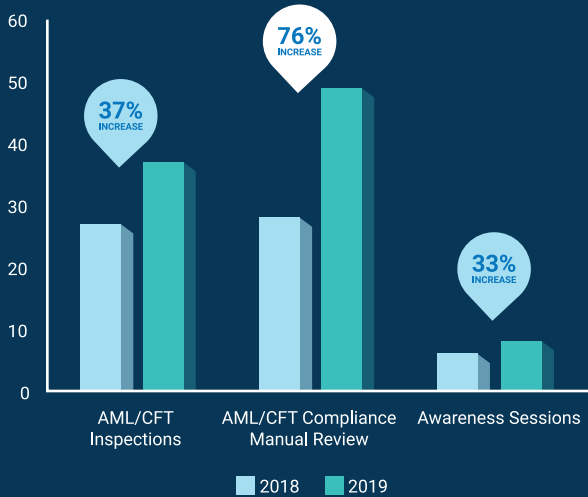
The FIU remains committed to work with and support key forums that bring together our national and international partners.

Lastly to the AML community who provided their support and commitment, I look forward to working with you in 2020 in achieving our vision "To safeguard the financial 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."



Richard Rampal
Director

OUR YEAR IN REVIEW



At the 26th Plenary of the Egmont Group, held from 1st – 5th July, 2019 in The Hague, Netherlands, Seychelles FIU was nominated as the Regional Representative of the East and Southern Africa Regional Group for the period 2019 - 2021.

As a direct result of being endorsed as the ESA Regional Representative in the Egmont Group, the Seychelles FIU through the Manager of external relations assumed the role of Chairperson of the Heads of FIU Forum in ESAAMLG in September, 2019.

Background checks conducted

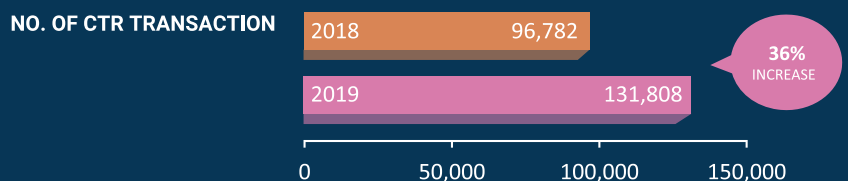
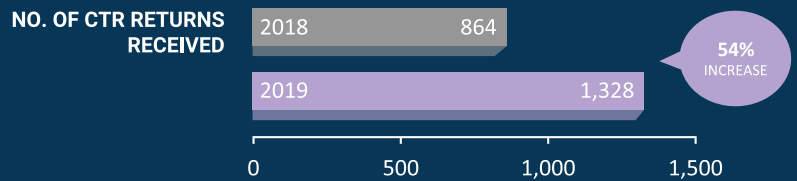
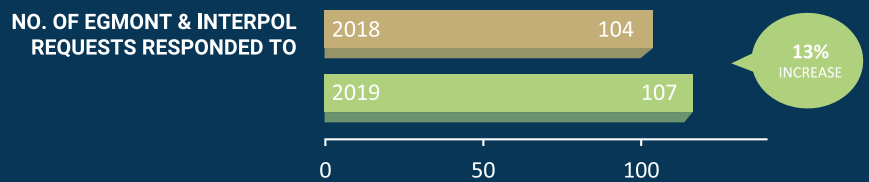
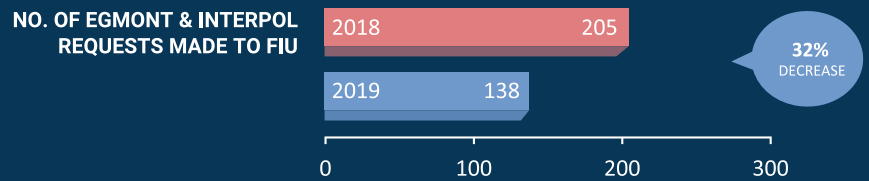
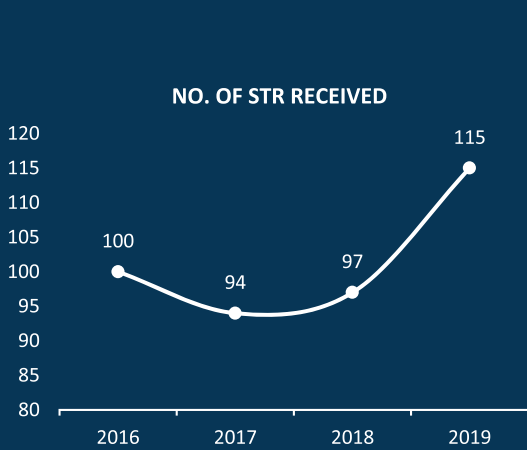


MoU with Pakistan

The MoU was signed on 23rd december 2019



Countries highlighted in **GREEN** have signed MoUs with FIU
MoU signed in 2019 in **RED**



1996

The FIU first established as a department housed within the Central Bank of Seychelles ("CBS")

2003

Seychelles ratified the UNTOC convention on 22nd April, 2003

2008

The AMLA was amended to establish the FIU as an independent body corporate, thus segregating its functions from those of CBS.

2000

The United Nations through Article 7 (1) (b) of the United Nations Convention against Transnational Organized Crime ("UNTOC") urged all countries to establish 'a financial intelligence unit to serve as a national center for the collection, analysis and dissemination of information regarding potential money laundering'. On 12th December 2000 Seychelles signed the UNTOC.

2006

June 2006 with the repealing of the Anti-Money Laundering Act 1996, the AMLA was enacted, thus effectively establishing the FIU as a directorate within the CBS.

2010

With the promulgation of the Transfer of Statutory Functions (AMLA) 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.

FIU HISTORY

2011

In December 2011 amendments were made to the AMLA to allow the FIU to exchange information with its foreign counterparts and other international organizations for intelligence purposes only.

2013

The FIU first established as a department housed within the CBS

2017

July to September 2017 saw amendments to both the POCCCA, 2008 and the AMLA. The amendments to the POCCCA served to transfer the FIU's power to seize and confiscate assets derived from proceeds of crime and/or any assets which were used in criminal conduct to the Seychelles Police. There was also a partial repeal of Section 10 of the AMLA by removing the ability of the FIU to impose administrative freeze of up to 180 days

2012

In April 2012, the Minister of Home Affairs and Transport promulgated the AML Regulations on Customer Due Diligence measures and ongoing monitoring.

2018

The Seychelles NRA was approved by the Cabinet in April 2018

In September 2018, the Seychelles Mutual Evaluation Report was approved and endorsed by the ESAAMLG Council of Ministers.

2019

August 1st, 2019 saw a major restructuring of FIUs internal operations and structure in order to align it with its functions.

OVERVIEW OF THE FIU

FIU'S MANDATE

ML/TF are serious offences which can take years to investigate and prosecute successfully. It is for such reasons that criminals will take any means necessary to obscure the money trail leading back to the underlying crime so that they may avoid detection, investigation and prosecution. In response to this global conundrum, the United Nations through Article 7 (1) (b) of the UNTOC urged all countries to establish a financial intelligence unit to serve as a national center for the collection, analysis and dissemination of information regarding potential ML. On December 12th 2000 Seychelles signed the UNTOC and ratified the convention on April 22nd, 2003. In June 2006, the AMLA was enacted, thus effectively establishing the FIU as a directorate within the CBS.

Since its establishment in 2006, the FIU has been one of the leading agencies in Seychelles responsible for preventing and detecting ML and TF.

To fulfil this role and produce financial intelligence, the FIU works in close collaboration with various stakeholders ranging from reporting entities, supervisory authorities and the general public. Reporting entities range from banks and casinos to single-operator businesses in the key sectors of financial services, BDC, REA and high value dealers.

The financial intelligence produced by the FIU supports, and often triggers, investigations by LEAs as well as international counterparts in relation to ML and TF activities. However, whilst fulfilling its core mandates as espoused under the FATF Recommendation 29, the FIU is also committed to safeguarding the information that it receives and discloses to LEAs. The FIU values the information it receives, and in order to maintain stakeholder confidence, the FIU takes all necessary measures to protect the confidentiality of information.

INDEPENDENCE OF THE FIU AND RESPONSIBILITIES OF THE DIRECTOR

Consistent with international norms, operational independence and autonomy are core characteristics of an FIU. Similarly, for the FIU's operational independence and autonomy is paramount despite being financially dependent on Government funding. To mitigate the risk of the FIU not being influenced by other parties, the Director of the FIU is solely vested with the powers to carry on, manage and control generally the administration and business of the FIU. This includes the responsibility to:

- manage the FIU's budget, staff and other resources, including setting the strategic direction, monitoring and evaluating the operations of all Divisions to ensure optimum output;
- manage domestic, inter-agency, regional and international AML/CFT stakeholder relationships;
- together with the NAC, coordinate and facilitate national risk and threat assessments; and
- represent Seychelles at regional and international fora dealing with AML/CFT matters such as FATF, ESAAMLG, Egmont Group, World Bank, IMF, COMESA, OECD and SADC.

FIU'S STRUCTURE

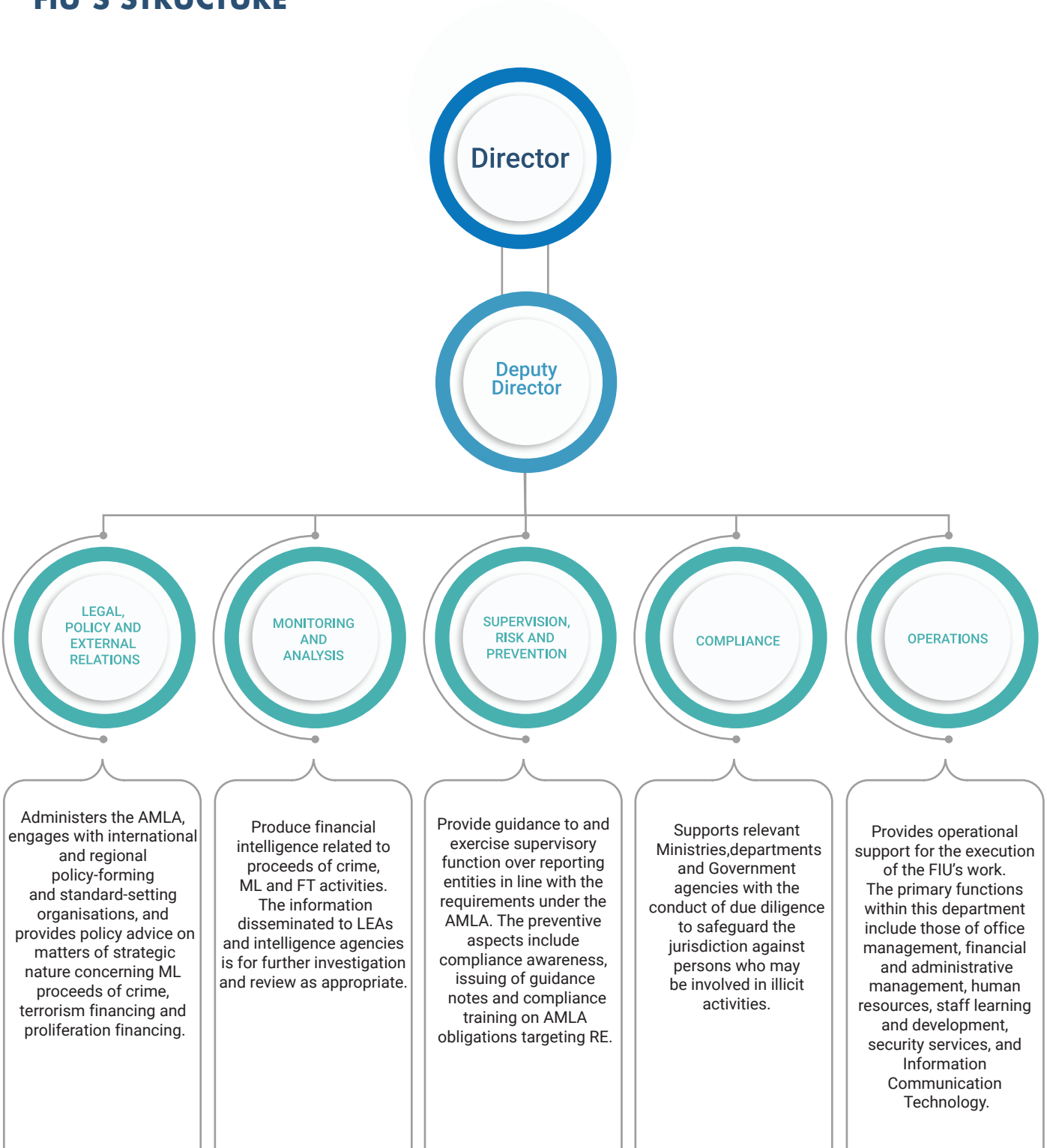


Fig.1.0 New FIU structure

Over the years the FIU has undergone several major restructurings all in a bid to render the institution more aligned with developments both on the domestic scene as well as in the international arena. One major recent development which took effect on August 1st, whereby the FIU's internal operations and structure, which is depicted per Fig.1.0

ORGANISATIONAL ENVIRONMENT

The staff complement of FIU as at December 31st, 2019 comprised of 46 staff. For efficiency, the FIU is organized into three (3) levels being Directorate, Technical and Operational.

FIU'S STRATEGIC PLAN 2019-2022

Over the past year, FIU has engaged its employees at all levels and relevant partners to develop its first Strategic Plan 2019–2022 which was approved by the MOFTIEP on August 1st 2019. The plan will guide the FIU through the next three years to strengthen its operational effectiveness and fulfilling its vision to safeguard the financial 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.

The foundation of the strategic plan rests on five key pillars: Promote a robust system to detect and deter financial crimes; build an innovative, high-performing, and diverse workforce; create information technology driven operations; maintain stakeholder's confidence in the institution; and create a compliance culture and system. Going forward, this new strategic plan aims to guide the FIU in tackling challenges that global ML, TF, and PF risk poses to the jurisdiction.

FIU'S GLOBAL NETWORK

Given the transnational element of ML and TF, Seychelles FIU works with its allies and partners in a global effort to combat international ML, TF, and PF activity. Seychelles is a member to various international standard setting bodies such as the ESAAMLG and the Egmont Group of Financial Intelligence Units that conducts research, develop common policies and standards, and share best practices to combat ML, TF and PF.

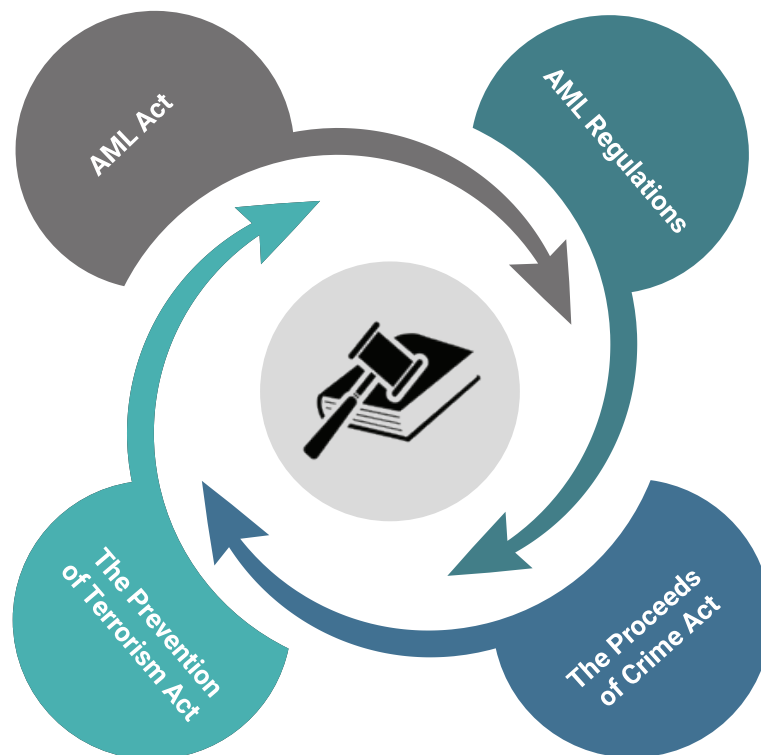
The ESAAMLG is a FSRB that subscribe to global standards to combat ML, TF and PF as espoused by the FATF. Its eighteen member countries comprise of Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and Seychelles being a founding member since its establishment in 1999.

The Egmont Group, established in 1995, is a global network comprising of 164 FIUs from around the world. The mandate of this international grouping is to provide its membership with a secure platform to cooperate internationally through the effective exchange of information and expertise to combat the global scourge that is ML, TF and PF as well as its related predicate offences. Seychelles FIU has been a member of the Egmont Group since July 2013 and during this period to date, has participated actively in the Working Groups and plenaries in furtherance of the global AML/CFT efforts.

SUPPORTING LEGAL FRAMEWORK

In addition to the AMLA, 2006 and AML Regulations 2012, the national AML/CFT legal framework comprises the Proceeds of Crime (Civil Confiscation) Act, 2008, the Prevention of Terrorism Act, 2004 and the Prevention of Terrorism Regulations, 2015.

These suites of laws provide for legal and institutional framework to combat ML and associated predicate offences. It does this through the establishment of the FIU with all its requisite powers and responsibilities and criminalization ML it also prescribes the preventive measures to be adopted by the FIs and DNFBPs as a means to protect the integrity of our financial sector and the applicable criminal sanctions for compliance failures.



Establishes the procedure through which the proceeds of all criminal conduct as set out in the AML Act, 2006 may be confiscated and forfeited to the state. The POCCA provides for the civil confiscation of proceeds of crime.

Criminalizes terrorism and provides for the detection, prevention, prosecution, conviction and punishment of terrorist acts, Financing of Terrorist and for the confiscation, forfeiture and seizure of terrorists' asset. Further, the PTA regulations, 2015, sets out the implementation of the United Nations Security Council Resolutions on Suppression of Terrorism.



TYPES OF FIUs

ADMINISTRATIVE FIU

The main rationale for such an arrangement is to establish a “buffer” between the financial sector (and, more generally, entities and professionals subject to reporting obligations) and the law-enforcement authorities in charge of financial crime investigations and prosecutions. Under this structure, the FIU’s power is limited to the receipt and analysis of STR’s and other reports and disseminating relevant information to law enforcement agencies.

LAW ENFORCEMENT FIU

Under this arrangement, the FIU will be close to other law-enforcement units, such as a financial crimes unit, and will benefit from their expertise and sources of information. In return, information received by the FIU can be accessed more easily by LEAs and can be used in any investigation, thus increasing its usefulness. Law-enforcement-type FIU will normally have the law-enforcement powers of the law-enforcement agency itself (without specific legislative authority being required), including the power to freeze transactions and seize assets (with the same degree of judicial supervision as applies to other law-enforcement powers in the country). This is likely to facilitate the timely exercise of law-enforcement powers when this is needed.

JUDICIAL FIU

This type of FIU is established within the judicial branch of the state and most frequently under the prosecutor’s jurisdiction. Disclosures of suspicious financial activity are usually received by the prosecutor’s office, which may open an investigation if suspicion is confirmed by the first inquiries carried out under its supervision. The judiciary’s powers (e.g., seizing funds, freezing accounts, conducting interrogations, detaining suspects, and conducting searches) can then be brought into play without delay.

HYBRID/MIXED MODEL FIU

This hybrid type of arrangement is an attempt to obtain the advantages of all the elements put together. Some FIUs combine the features of administrative-type and law-enforcement-type FIUs, while others combine the powers of the customs office with those of the police. Seychelles is in the process of becoming an administrative FIU, the Seychelles FIU was a hybrid FIU (a mix of Administrative and enforcement models). Under this structure, in addition to its core function of receipt, analysis and dissemination of information, the FIU was empowered to investigate, confiscate and freeze assets relating to money laundering and financial terrorism.

Financial Intelligence Units: An Overview, International Monetary Fund World Bank, 2004

OPERATIONS
DIVISION

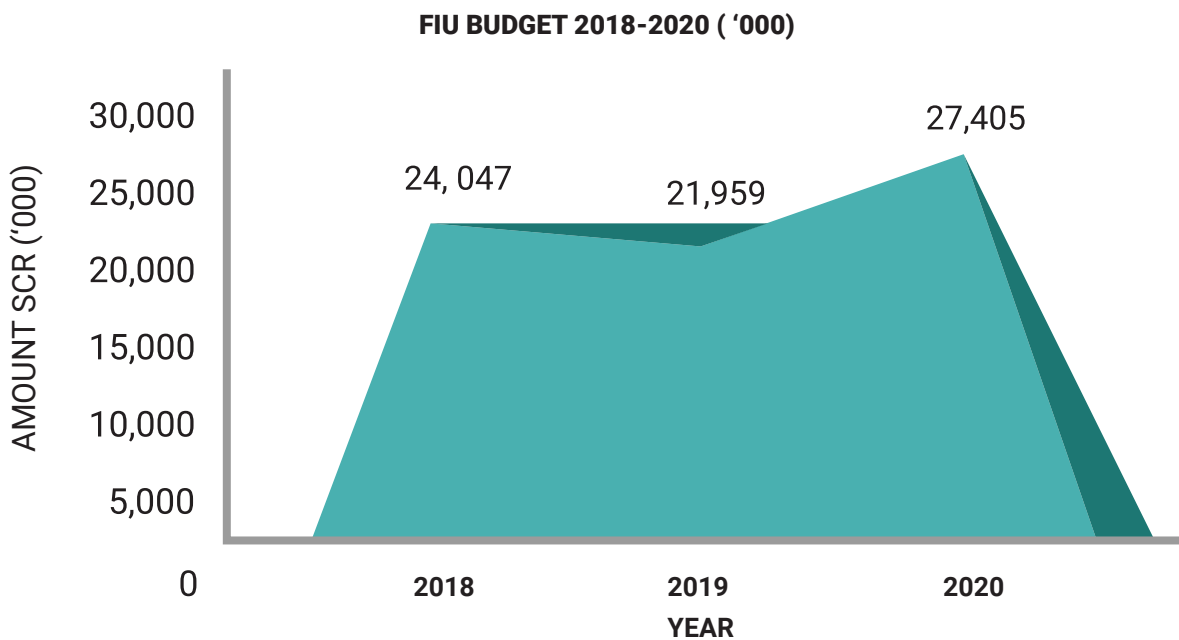


OPERATIONS DIVISION

Following the 2019 restructuring, the Operations Division was set up to provide operational support for the execution of the FIU’s work. The primary functions within this division include those of office management, financial and administrative management, human resources, staff training and development, information communication and security services.

FINANCE UNIT

The FIU is fully funded by the Government and follows the PPBB being spearheaded by the MOFTIEP which aims at allocating public resources to prioritised objectives as identified by the budget dependent Ministries, Departments and Agencies. The annual budget of the FIU is submitted for approval to the National Assembly annually. The FIU is accountable to the MOFTIEP under the PPBB on the use of the allocated budget. For the year 2019, the FIU’s total appropriation was approved for the amount of SCR 21,958,812.93. Graph. 1.0 below illustrates the allocated budget for the years 2018, 2019 and 2020.



Graph. 1.0 Comparison of FIU’s budget 2018-2020

For the year 2018, the FIU was granted a supplementary budget of SCR 3.5 million for hosting the Annual ESAAMLG Meeting of the Council of Ministers. In line with the Appropriation Act 2020, there is a 24.8% increase in the FIU budget to SCR 27,405,384.5 for the year 2020. This shows Government’s commitment to strengthen the AML/CFT framework through the increased allocation of resources.

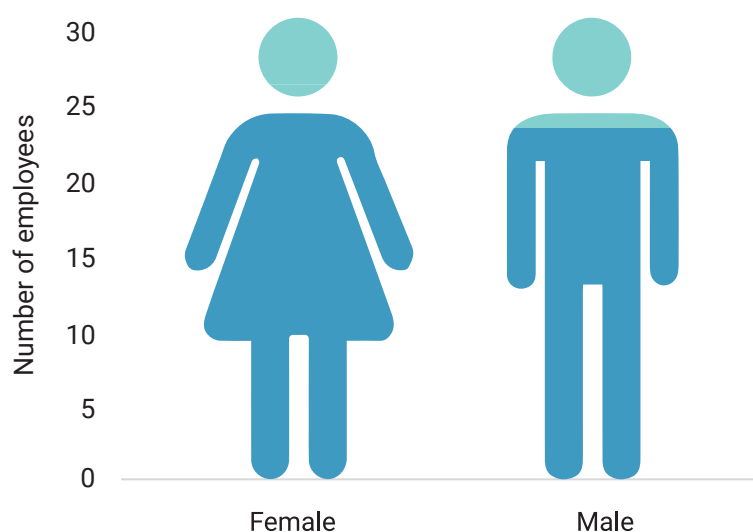
HUMAN RESOURCE UNIT

Attracting and retaining employees remain a challenge similar to the preceding years. With the increased dynamism to the financial arena, the FIU has to ensure that staff are appropriately skilled and technically trained to understand the evolving criminal activities. As at December 31st, 2019, the FIU had a complement of 46 employees. Table 1.0 and Graph 1.1 hereunder depict the total number of staff segregated per Division and gender profile.

Division	N° of Employees
Senior Management	2
Operations	18
Legal, Policy & External Relations	4
Supervision Risks & Prevention	5
Monitoring & Analysis	9
Compliance	8
Total Employee Headcount	46

Table 1.0 Staff complement

In line with the Organisational Structure of the FIU, new positions were created where a total of 14 new recruitment were made during 2019. The FIU has recorded a significant decrease of in the number of resignations, compared to the preceding years as depicted per Table 1.1.



Graph. 1.1 FIU staff gender profile

Year	Total Staff Resignation
2017	24
2018	6
2019	3

Table 1.1 Total resignation from 2017-2019

THE FINANCIAL ACTION TASK FORCE

The FATF is an intergovernmental organization founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. In 2001, its mandate was expanded to include terrorism financing.

The objectives of FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

FATF is a “policy-making body” that works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. FATF monitors progress in implementing its Recommendations through “peer reviews” (“mutual evaluations”) of member countries.

Seychelles is not a member of the FATF, however, Seychelles is a member of the ESAAMLG, which is an FATF-Style Regional Body. The ESAAMLG is an associate member of the FATF, thus its members have also made the commitment to endorse and implement the FATF Recommendations.



STAFF TRAINING

The FIU places particular emphasis on training of staff to ensure that they remain on par with international development. As such in 2019, staff participated in local and overseas workshops and seminars, including regional meetings organised by international bodies. Appendix 1 depicts meetings and trainings/workshops attended by staff of the FIU during 2019.

INFORMATION TECHNOLOGY UNIT

In 2019, the IT Unit embarked on a three (3) year project with the main objectives of auditing and improving the overall FIU IT infrastructure, with the aim of bringing the organisation into the digital era. With the modernization of the IT infrastructure, new systems were acquired to be implemented in 2020 to ensure that the IT infrastructure and platform is self-sustaining. This will be through a newly improved and dynamic website with current information, high level of security for online reporting; and facilitate communications between FIU and its stakeholders.

The major development for 2020 will be the implementation of goAML system that has been developed by UNODC for the use of FIUs.

With the introduction of this system, FIU will be running on a fully digitalized platform to undertake its core functions of receipt, analysis and dissemination of information. The main benefits of this digital platform is to improve the engagement process with stakeholders for reporting purpose and to host the Beneficial Ownership Databases of legal persons and arrangements formed in Seychelles.

With this system, the FIU will proudly be able to reduce its carbon footprint through cuts in paper consumptions by 80 – 90% where most reporting would be made online as opposed to submission of physical documents.



SECURITY

In 2019, the FIU reviewed its security procedures in accordance with the Egmont principles, in order to bring it at par with such principles. The focus was based on both logical and physical security to ensure the protection and prevention of unauthorised access to the FIU's physical and digital assets. Security risks were identified and ways for mitigation of risks were prioritised, so that the FIU and the country status/reputation is preserved, as a breach in the security systems would result in catastrophic implications both locally and internationally. To secure the digital data, the implementation of a more stringent cybersecurity strategy is being applied.

The new systems implemented include the use of virtualisation to further protect the FIU's network from potential threats. In addition, complete audit was made in relation to the procedures governing the physical access to the FIU's compound and internal access control systems where strengthening measures were implemented. As the world of IT is dynamic and fast evolving, the FIU is also following suit, by mitigating risks which may compromise the system and ensure high level of security.

**MONITORING
AND ANALYSIS
DIVISION**



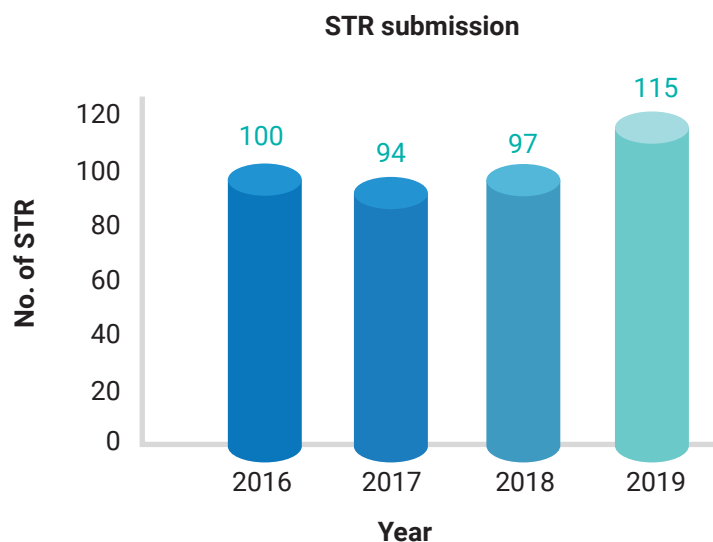
LA DIGUE ISLAND

MONITORING & ANALYSIS DIVISION

As part of its mandate, FIU provides actionable financial intelligence to LEAs to assist in combating ML and TF in the Seychelles financial system. Following the 2019 restructuring plan, the former Analysis & Monitoring Unit and Data Management Unit were amalgamated to form the Monitoring and Analysis Division. As at December 31st, 2019, the Division was manned by eight (8) staff. This part highlights the achievements of this Division, numbers of STRs received, analysis conducted, and dissemination made domestically and internationally.

SUSPICIOUS TRANSACTION REPORTS

Reporting entities have an obligation under the AMLA to submit STR to the FIU when they suspect that any service or transaction may be related to an offence of ML/TF. STR remains a key source of information used by the FIU to generate intelligence. For 2019, the FIU received 115 STR being the highest number of STRs filed over the past three (3) years. This represents a 15% increase which can be attributed to improvement in the internal control system of reporting entities for monitoring and detection of suspicious activities related to predicate crimes as illustrated in Graph 2.0 hereunder.



Graph 2.0. Comparative view of the total STRs submitted from 2016 to 2019

WHAT ARE SUSPICIOUS TRANSACTION REPORTING?

Money launderers use many different and sophisticated types of schemes, techniques and transactions to accomplish their ends. While it would be difficult to describe all ML methodologies, the following are the more frequently observed signs of suspicions:

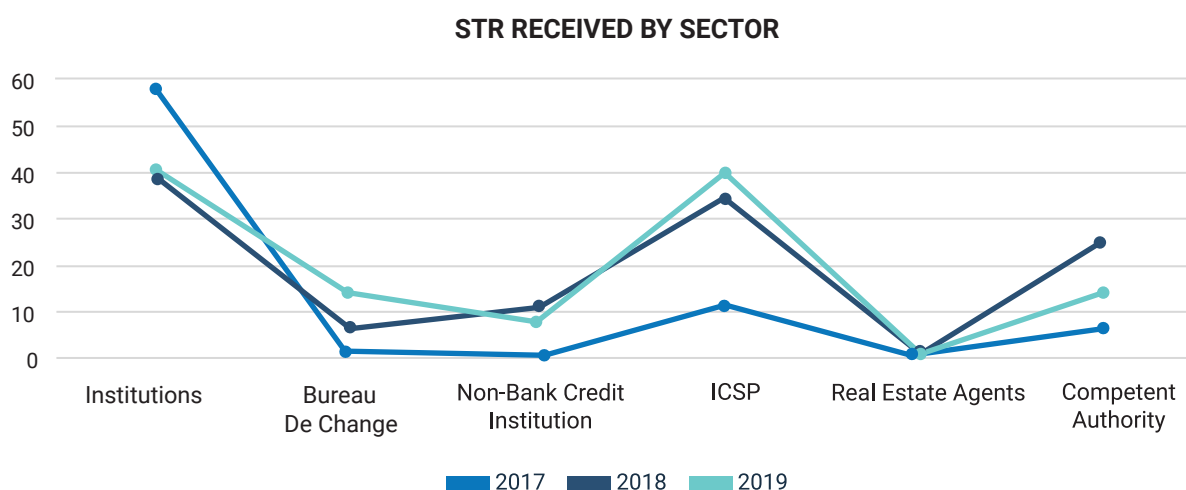
- Transactions that appear inconsistent with a client's known legitimate business or personal activities or means; unusual deviations from normal account and transaction;



- Unauthorised or improperly recorded transactions; inadequate audit trails;
- Unconventionally large currency (especially cash) transactions, particularly in exchange for negotiable instruments or for the direct purchase of funds transfer services;
- Apparent structuring of transactions to avoid dealing with identification requirements or regulatory record-keeping, source of funds and reporting thresholds;
- Transactions passed through intermediaries for no apparent business reason; and
- Introduction of a client by an overseas associate or financial institution based in a country or jurisdiction known for drug trafficking and production, other financial crimes and bank secrecy.

In cases where reporting entities detect or suspect suspicious transaction, they are obliged under the law to file an STR with the FIU.

Graph 2.1 provides a comparison of STR received by category of reporting entities for the past three (3) years. It should be noted that for 2019 the FIU experienced an increase in STR received across most sectors.



Graph 2.1. Comparison of STR per sector 2017-2019

	2017	2018	2019
Banking Institutions	57	39	40
Bureau De Change	1	6	14
Non-Bank Credit Institutions	0	11	8
ICSP	11	34	40
Real Estate Agents	0	1	0
Competent Authority	25	6	13

Table 2.0. Comparison of STR per sector 2017-2019

INFORMATION SOURCE

The FIU is not an investigative agency, its role within the criminal justice value chain is to focus on the financial aspects of crime. The FIU follows financial transaction to identify criminal proceeds. Fig. 2.0 hereunder depicts the different sources of information accessible by the FIU for the conduct of its financial analysis. These information are used in the compilation of intelligence reports which are disseminated to law enforcement and other competent authorities.



Fig. 2.0 other sources of information received by the FIU

Subsection (b) of the table under Section 16 states "The FIU shall have the authority to collect any information that the FIU considers relevant to an offence under this Act or any other law that is publicly available, including commercially available databases, or information that is collected or maintained including information that is stored in databases maintained by the government"

Subsection (f) of the table under section 16 states "the FIU may send any report, any information derived from such report or any other information it receives to the appropriate law enforcement agency and supervisory authorities, if on the basis of its analysis and assessment the FIU has reasonable grounds to suspect that a transaction is unlawful"

CASH TRANSACTION REPORT

The CTR is made on any daily cash transaction(s) amounting to SCR 5,000 or more, or the equivalent in a foreign currency across three reporting sectors, BDC - Class A and Class B, MVD and REA. The CTR requirement was first implemented in March 2018. Currently CTRs are submitted through a secure portal, however it is anticipated that in the fourth Quarter of 2020, goAML would be the new platform to host this reporting obligation.

In 2019, the FIU received 1,328 reports from the reporting sectors, which represented a significant increase of 54% in the number of returns and 36% in the transactions received from reporting entities when compared to the previous year except REA, where a noticeable decrease in the number of transactions received was observed.

Class B BDCs submissions increased by 217% with the number of transactions increasing by 191%. With regards to MVDs, there was an increase of 36% in submissions and 87% increase in volume of transactions. The increase in submission may be attributed to the identification of non-submission of returns and sensitization by the FIU. Depicted in Table 2.1 hereunder is the total return and transaction submitted for 2018-2019 and the total value of transaction in Seychelles Rupees.

Sectors	No. of Returns Received		No. of Transactions		Value of Transaction in SCR ('000)
	2018	2019	2018	2019	2019
BDC Class A	451	528	91,131	116,025	23,327
BDC Class B	137	434	5,029	14,634	327
MVD	230	316	612	1,143	50
REA	46	50	10	6	37
Total	864	1,328	96,782	131,808	23,741

Table 2.1 Total return and transaction submitted for 2018-2019



THE PURPOSE OF A SUSPICIOUS TRANSACTION REPORT?

STRs are reports that are required to be filed with the FIU by various businesses also referred to as reporting entities when they observe suspicious transactions or activities. The purpose of the STR is to detect and report known and suspected illegal activities observed by reporting entities including including tax fraud, ML, TF and other financial fraud.

The FIU assesses and analyzes the data from those reports to create a picture that serves to uncover financial relationships and networks that will:

- assist law enforcement in investigating or prosecuting offences related to ML/TF, as well as threats to the security of Seychelles;
- detect trends and patterns related to ML/TF risks;
- uncover vulnerabilities of the Seychelles' financial system; and
- enhance public awareness of ML/TF matters.

DOMESTIC AND INTERNATIONAL COOPERATION

Cooperation in the exchange for information to LEAs is vital in facilitating the investigations and prosecutions of persons suspected of committing ML and TF related activities. Equally, intelligence sharing with foreign FIUs is a key aspect in combating illicit activities that have cross border links and networks.

During 2019, the FIU played a leading role in this mutually benefited information sharing mechanism. The FIU disseminated 69 financial intelligence reports both domestically and internationally, as a result of analysis conducted. Fig 2.1 illustrates the recipients and types of Analytical products disseminated by the FIU.

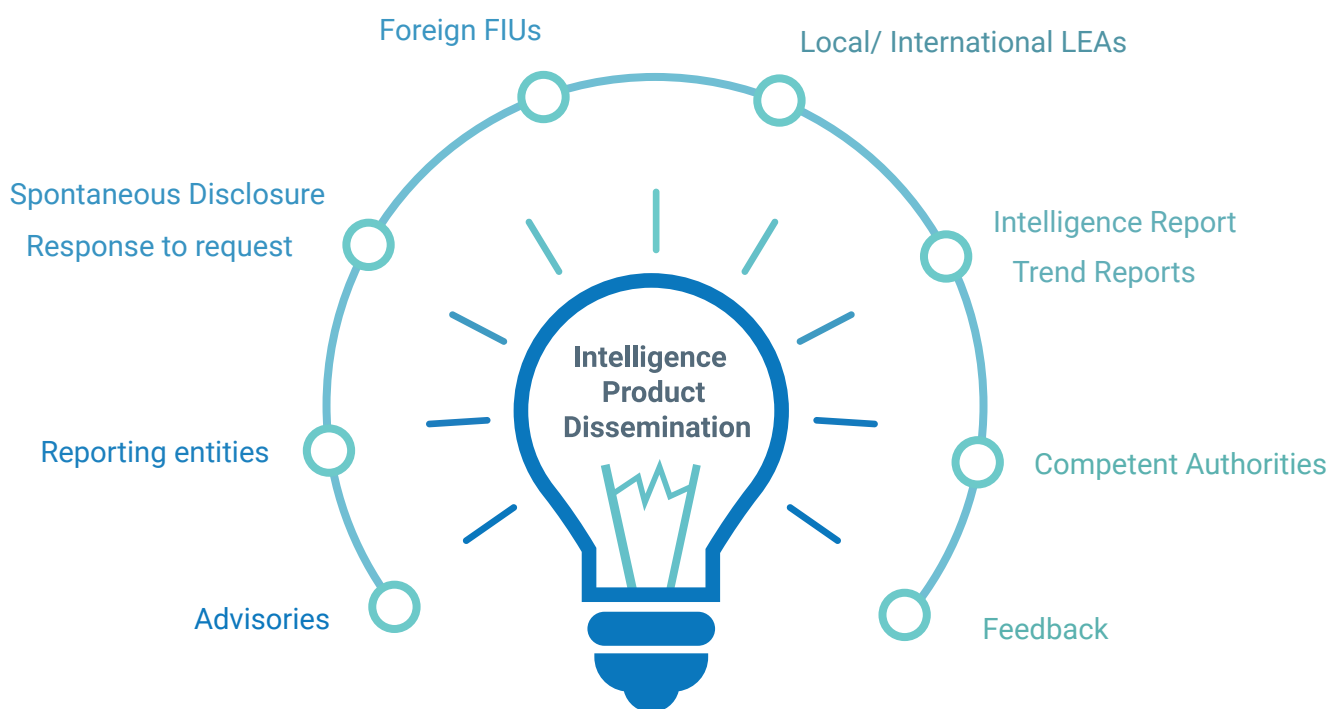


Fig.2.1 Recipients of the FIU's Analytical products

DOMESTIC REQUEST FOR INFORMATION

Correspondingly the FIU received 105 requests for information from local competent authorities, related to suspected ML/TF and associated predicate offences of which 87 requests were from the Seychelles Police. The FIU has cooperated with the requesting agencies for all requests received, as illustrated in Table 2.2.

Local Agencies	Request Made By FIU	Response Received	Request Received	Response Provided
ACCS	-	-	9	9
AG's OFFICE	-	-	3	3
FSA	125	125	1	-
POLICE	34	34	87	73
SRC CUSTOMS	19	19	5	5
TOTAL	178	178	105	90

Table 2.2 Number of local requests sent & received

INTERNATIONAL EXCHANGE OF INFORMATION

The FIU also receives spontaneous disclosures, and requests from foreign counterparts, predominantly through the ESW or from the Interpol. As a member of the Egmont Group since 2013, for the reporting period the Seychelles FIU had reciprocated cooperation with other Egmont Group Members (as illustrated per Fig. 2.2 hereunder) through the ESW a platform that ensures secure exchange of expertise and financial intelligence.

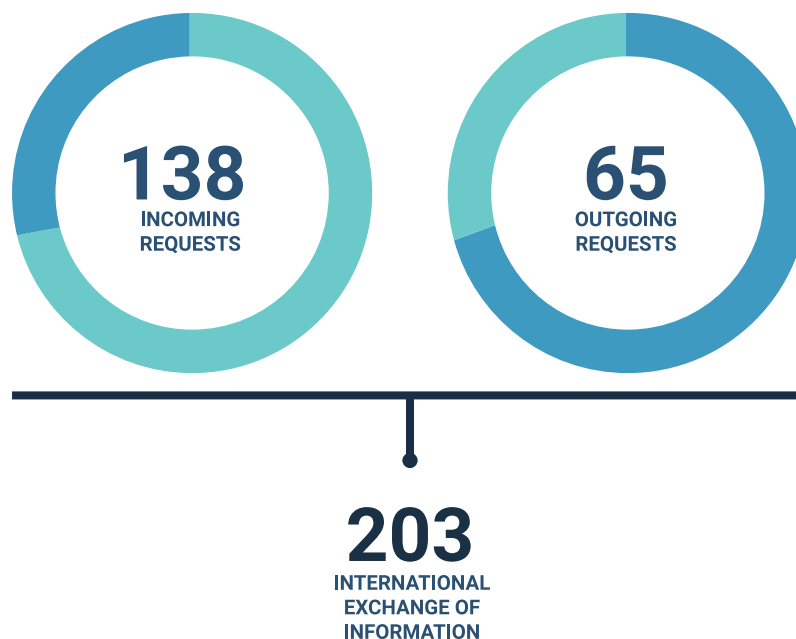


Fig 2.2 International exchange of information

Table 2.3 hereunder provides a breakdown of request received and made by the FIU for 2019 Egmont and Interpol.

January – December 2019	Egmont	Interpol	Total
REQUESTS FROM COUNTERPARTS			
Number of incoming requests	96	42	138
Number of responses made	87	30	117
REQUESTS BY FIU TO COUNTERPARTS			
Number of outgoing requests	49	16	65
Number of responses received	29	5	34

Table 2.3 International Exchange of Information 2019

CASE STUDY: THE FUGITIVE

The FIU received a request from a local Authority, Authority C, regarding individual D, a foreigner, who was applying for a business in Seychelles. From review conducted by the FIU, it was confirmed that individual D, entered Seychelles on August 3rd 2019, on a tourist permit and exited November 10th, 2019. Despite being on a 3-month tourist permit, the individual entered into a 1-year lease agreement for an apartment.

Through cooperation with international partners, it was revealed that the name and date of birth of the individual matched that of another individual who was subject of an investigation in March 2016 in another jurisdiction, Country A. It was also established the individual was wanted for arrest, by an order of the court in Country A, on allegations of international narcotics trafficking.

Open sourced information revealed that the subject was arrested in April 2019 in Country B and that extradition to Country A was pending.

Based on the information gathered, the FIU spontaneously disseminate its findings to the Police, Authority C and Seychelles Customs. The aim of the disseminations was to alert Customs and the Police, so that the individual may be searched and questioned, and possibly arrested in the event that he attempted to re-enter Seychelles.



FINANCIAL ANALYSIS

Table 2.4 below provides a breakdown on the 115 STR and other reports received per categories of suspected offences

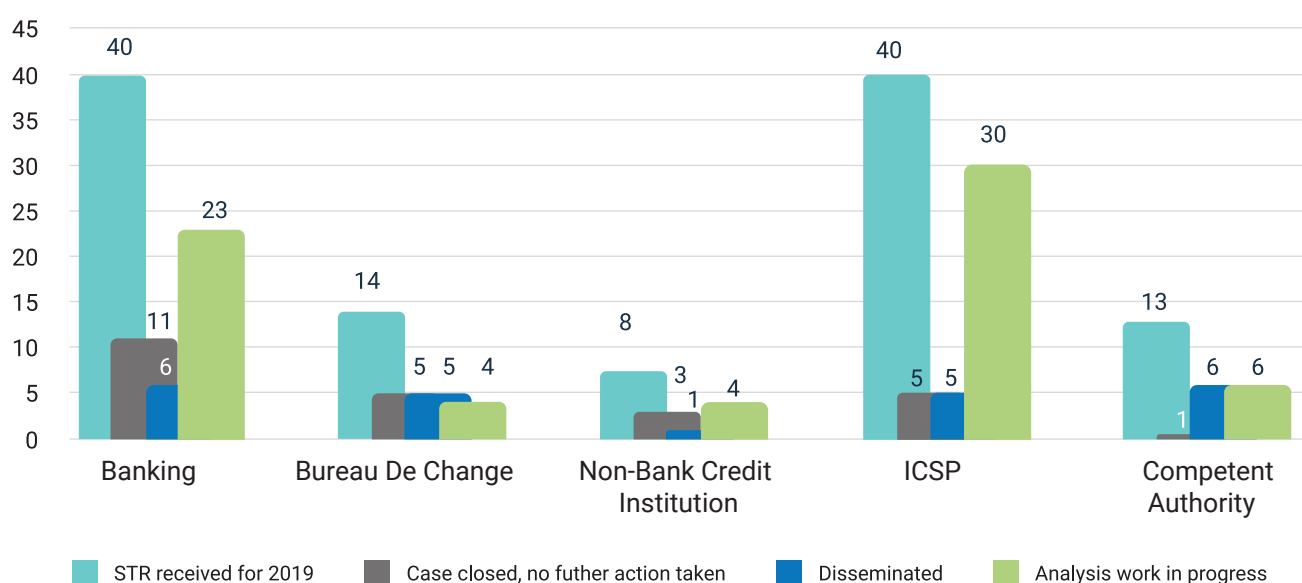
Crime type	STR	Request from foreign counterparts	
	Received	Received	Sent
Adverse Media	11	0	0
Digital Currency	11	0	0
Cybercrime	1	2	0
Numerous Cash Deposits	25	0	0
Money Laundering	51	72	57
Tax Evasion	2	6	1
Fraud & Forgery	7	26	2
Criminal Investigations	4	8	1
Corruption	0	8	1
Narcotics	1	5	1
Theft	2	1	0
Child Pornography	0	5	2
Terrorist Financing	0	4	0
Swindling	0	1	0
Total	115	138	65

Table. 2.4 Breakdown of crime type 2019

During 2019, Monitoring and Analysis Division received 102 STRs from reporting entities and 13 from other competent authorities, totalling 115 submissions for 2019. Out of the 115 STRs, the FIU closed 25 cases (21.7%) and disseminated 23 cases (20%) to local Authorities and other FIUs for further analysis. At the end of 2019, the FIU had 67 active

cases remaining representing 58.3% of the total STRs received. The FIU received the majority of its STRs from banks and ICSPs, being 69.6% cumulatively. BDC submitted 14 STRs, competent authorities submitted 13 STRs whilst the non-bank credit institutions submitted the lowest number of STRs with 8 submissions.

STR Status Analysis



Graph 2.2 Breakdown on STR analysed in 2019

NATIONAL RISK ASSESSMENT

Identifying, assessing, and understanding ML/TF risks is an essential part of the implementation and development of an effective national AML/CFT regime, which includes the legal framework, enforcement and other measures to mitigate identified ML/TF risks. This exercise is the cornerstone in the prioritisation and efficient allocation of resources by authorities for the deployment of the mitigation measures. The results of a NRA can also provide useful information to FIs and DNFBPs to support the conduct of their own institutional risk assessments. Once ML/TF risks are properly understood, competent authorities are suitably empowered to strengthen domestic AML/CFT measures in a way that ensures they are commensurate with identified risks as espoused by the FATF standards for the purpose of protecting the integrity of the country's financial sector.



A key component to guarantee the success of a Risk Assessment is effective and efficient co-operation and coordination between both public and private sector stakeholders. Whilst FATF Recommendation 1 lays out a number of basic principles which underpins the conduct of risk assessments, the designation of “an authority or mechanism to co-ordinate actions to assess risks” remains a primordial factor to ensure that the process is smooth and attains its ultimate objectives which is to ensure that countries understand their inherent risks to ensure that they apply commensurate and effective mitigation measures to circumvent any identified ML/ TF risks. It is on the basis of this understanding that countries are empowered to require FIs and DNFBPs to apply enhanced measures in circumstances where higher risks have been identified or simplified measures where lower risks have been identified.

Table 2.5 below illustrates the receivers of the 69 intelligence Reports generated by the FIU in 2019

Institution Receiving the Dissemination	N° of Dissemination
ACCS	2
ANB	12
FCIU	15
OTHER FIUs	14
FSA	12
IMMIGRATION	4
SRC	10
TOTAL DISSEMINATION	69

Table 2.5 Receivers of intelligence reports

FEEDBACK OF DISSEMINATION

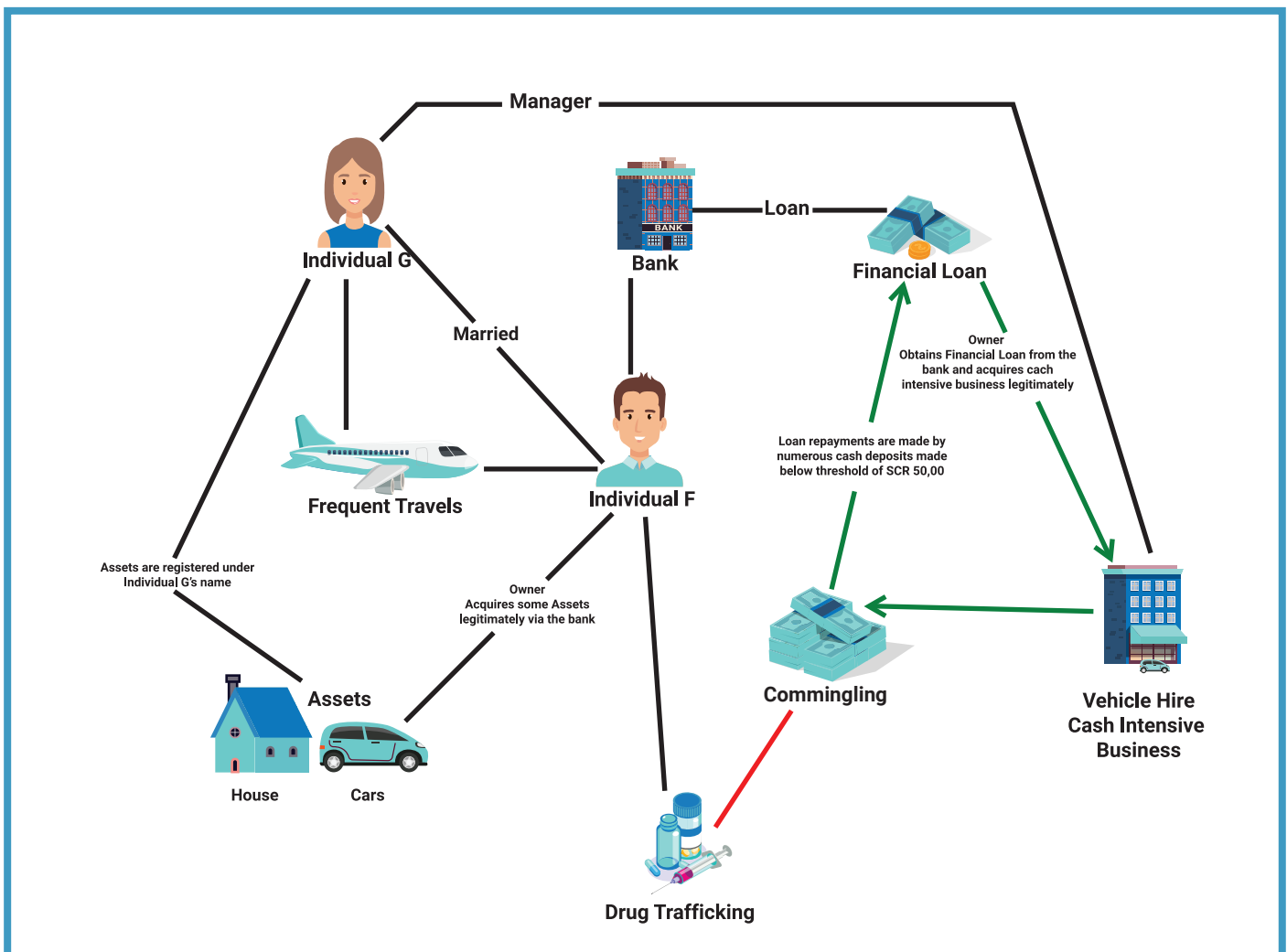
FROM COUNTERPARTS

In the fourth quarter of 2019 the FIU emerged with two forms with the aim to capture feedback on intelligence product provided to both local and international counterparts. It is anticipated that during the course of 2020 the feedback provided would allow the FIU to improve on the information disseminated to its counterparts.

TO REPORTING ENTITIES

For 2019, feedback has been given for 47 cases out of 115 STRs. Face to face meeting with reporting entities were also conducted as part of the private public partnership initiative to improve the quality and quantity of STR supplied.

CASE STUDY: COMMINGLING OF ILLICIT FUNDS



In May 2018 the Seychelles FIU was conducting an investigation in relation to a couple, Individual F and Individual G. At that same time, the FIU received a request for assistance a LEA, of suspected narcotic dealing by the couple. The FIU gathered financial and other information from the various sources including commercially held databases, which revealed that:

- both individuals held personal bank accounts with local commercial banks;
- they were both the legal and beneficial owners of a Car Rental business, having a Corporate Account and a Loan Account with a Commercial Bank;
- the individuals were the legal owner of a parcel of land;
- together, owned 6 registered vehicles under their names;
- from analysis of their travel history, it indicated that they were frequent travelers; and
- the couple was living a lavish lifestyle.

Through financial analysis conducted, the FIU was able to ascertain the mode of repayment of the business loan as monthly cash deposit. Patterns and trends in Seychelles from analysis conducted, reveal that repayment of loans through cash deposits is a common modus operandi used by money launderers.

From all the searches and analysis conducted, the FIU was able to produce a thorough financial profile on Individual F and Individual G. The outcome of the analysis revealed that the lavish lifestyle and assets owned by the couple could not be explained nor justified which raised suspicion that they may be involved in certain illicit activities.

Therefore, financial intelligence was disseminated to the Police responsible for civil confiscation of proceeds of crime, for their necessary action.

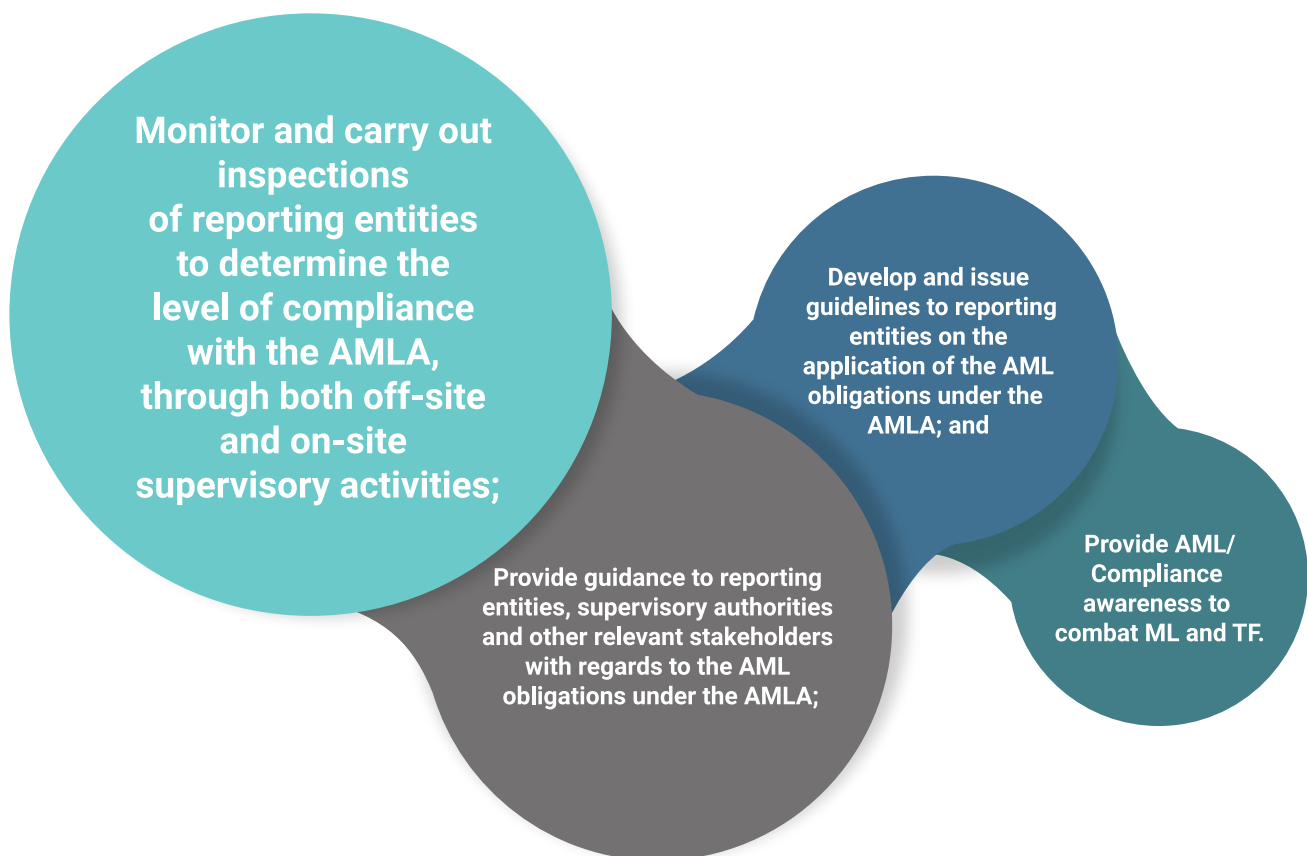
Following the FIU's dissemination, Individual F and G were arrested in March 2019 in relation to drug trafficking charges. In addition, the Department of Police made seizure under POCCCA, of all vehicles registered under their personal names and all vehicles registered under the Car Rental Business. These vehicles were seized and auctioned in December 2019 where proceeds from the sales of these vehicles were transferred to the Republic. The couple were sentenced early 2020, on drug related charges.

**SUPERVISION,
RISK AND
PREVENTION
DIVISION**



SUPERVISION, RISK AND PREVENTION DIVISION OVERVIEW OF DIVISION

Effective August 1st, 2019 the Regulatory Compliance Unit was restructured and rebranded to Supervision, Risk and Prevention ("SRP") Division of the FIU. The Division manned by five staff is responsible for overseeing and enforcing reporting entities' compliance with the provisions of the AMLA to ensure that reporting entities implement adequate measures to enable them to deter, detect and report ML and TF activities. The Division's main responsibilities are to:



Currently, as the sole AML/CFT Supervisor, the FIU monitors compliance to the AMLA by both FI's and DNFBSs, comprising of over 300 reporting entities across the different reporting sectors.

WHO ARE REPORTING ENTITIES?

Reporting Entities are entities who have legal requirements to implement measures to combat ML and TF. These entities are designated under the Second Schedule of the AMLA. This includes, but is not limited to, Banks, Bureau de Change, Corporate Service Providers, Insurance Companies/Brokers, Accountants, Auditors, Casinos, Motor Vehicle Dealers, Real Estate Agents, and other High Value Dealers.



Fig.3.0 - Depicts the requirements for an effective and robust supervisory framework to ensure reporting entities are effectively implementing the required measures in compliance with the AMLA.

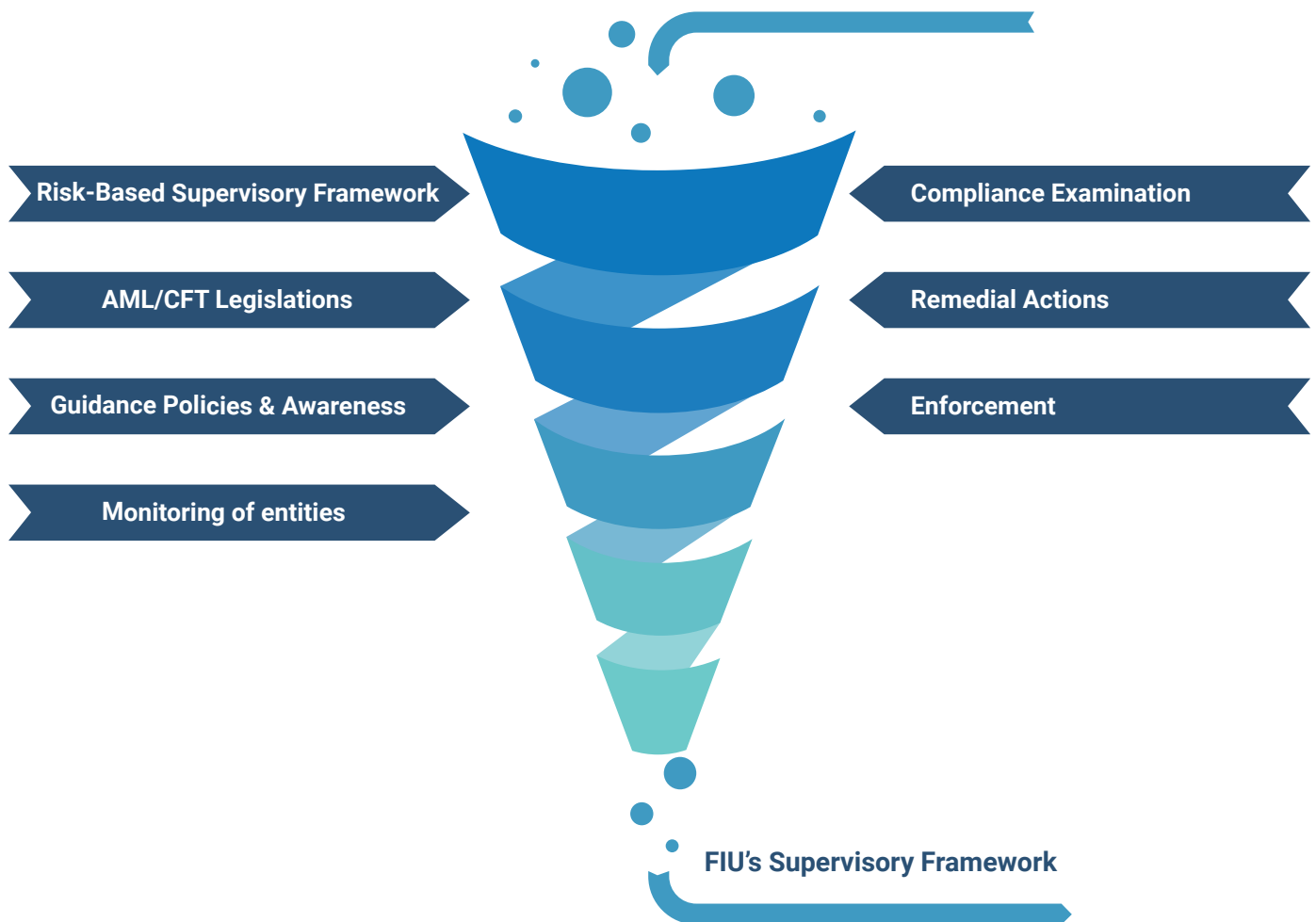


Fig. 3.0 FIU's Supervisory framework



RISK BASED APPROACH TO AML/CFT SUPERVISION

In practice, the “risk-based” principle requires supervisors and reporting entities to assess the risks associated with illicit activities (such as ML and TF) that they may face in order to reasonably deploy corresponding resources before taking prioritized control measures as a response to these risks. Risks are not eliminated under RBA, but supervisors and reporting entities are able to address them in the most efficient and effective way in pursuing their objectives. Broadly, the RBA allows both supervisors and reporting entities to;

- recognise the existence of risk;
- perform assessment of risk; and
- develop and deploy strategies and resources to address risks.

HIGHLIGHTS OF 2019

As part of the initiative to build capacity and implement a RBS framework, the FIU together with CBS and FSA as the proposed sectoral supervisors have been undergoing intensive practical training under the World Bank RAS Programme. The first two "RBA to Supervision Workshops" were held in October 2019 and December 2019 with the aim to assist the AML/CFT Supervisors to develop and implement their risk-based supervision framework. The focus of the two workshops was geared towards developing sector-specific Supervision Strategy, conducting risk assessments to enable effective allocation of resources to sectors/institutions posing higher risks, and on-site and off-site supervisory tools to be used as part of supervision and/or monitoring.

The programme is scheduled to continue in 2020 on the development of supervision manuals.

Following the RBA workshops, the FIU has drafted its Supervision Strategy for the DNFBPs which will remain under its purview under the AML/CFT Act 2020. The Risk-Assessment Tool has also been finalised with the identification of the assessment criteria and factors for the relevant sectors. In the second quarter of 2020, as part of the first phase of the implementation of the RBS framework, the FIU will be conducting the risks assessment of each reporting entity that is set to remain under its AML/CFT supervisory purview.

SUPERVISORY ACTIVITIES

The FIU conducted a range of supervisory activities as seen in Fig. 3.1 - *Snapshot of Supervisory Activities* and further outlined in the report.

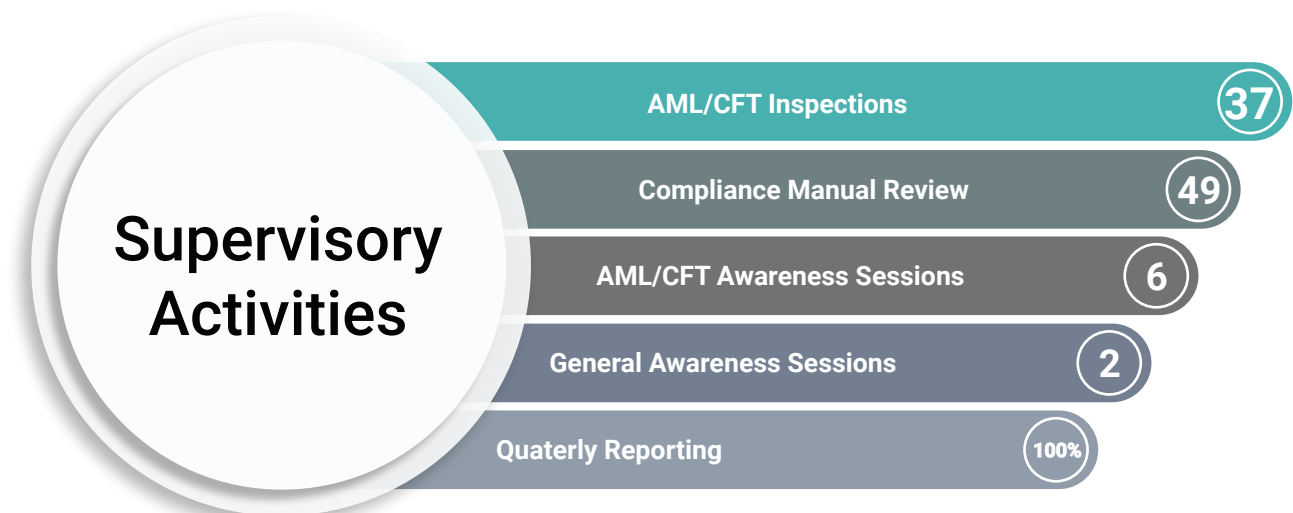


Fig. 3.1 Snapshot of Supervisory Activities



WHAT IS THE ROLE OF A REPORTING ENTITY?

Reporting entities are defined in the Second Schedule to the AMLA and their core obligations are set out in part 2 of the Act. The effective implementation of preventive measures and controls enables reporting entities to detect and deter suspicious activities. This supports the FIU together with LEAs in the identification and investigation of financial crimes.

OUTREACH & AWARENESS PROGRAMME

In 2019, the FIU embarked on an initiative to increase its engagement with the DNFBP sectors that will remain under its supervisory purview. As part of the continuing effort to raise awareness and improve the level of compliance with the AMLA amongst the reporting entities, with particular focus on DNFBP sectors in view of the deficiencies highlighted in both the NRA and MER 2018 in relation to these sectors, the FIU conducted the following awareness sessions:

Month	Sector/ Target Audience	Workshop/ Training	Facilitator	No. of reporting entities	No. of Participants	% Turnout
March 2019	MVD	AML Awareness	FIU	24	21	87.50%
March 2019	REA	AML Awareness	FIU	10	7	70.00%
May 2019	Accountants	AML Awareness	FIU	17	12	70.78%
September 2019	Auditors	AML Awareness	FIU	32	19	59.00%

Table 3.0 Awareness to reporting sectors

The primary focus of these sessions, which were attended by key personnel of these institutions, was aimed at providing an initial level of understanding of the following areas:

- Obligations of reporting entities under the AMLA;
- Key indicators/ red flags for suspicious transaction reporting;
- Key risks identified by the NRA and the MER in the respective sectors; and
- Awareness on UNSCR 1267.

In addition to awareness sessions conducted with the DNFBP sector, similar sessions were conducted with two other institutions as follows:

Month	Institution	Workshop/Training	Facilitator	No. of Employees
October 2019	SRC	AML Awareness	FIU	17
November 2019	Seychelles Pension Fund	AML Awareness	FIU	54

Table 3.1 Other Awareness sessions

As a means to raise awareness about ML and TF and the functions of the FIU in relation to combatting ML/TF, in collaboration with the CBS and the Bankers Association, in 2019 the FIU took part in two educational fairs with the following objectives:

Month	Event	Event Objective	Target Audience
October 2019	Launch of Online Application Process-Guy Morel High Achievement Scholarship-2020 organized by the CBS	To raise awareness on the scholarship programme and the available fields of study which included AML/Compliance. FIU Objective: To provide awareness on AML, the different functions of the FIU and the importance of the AML/CFT procedures and systems implemented by reporting entities	General Public (with main target being students)
November 2019	Anti-Fraud Expo as part of the Fraud Awareness Week organized by the Seychelles Bankers' Association in collaboration with the CBS	To promote Anti-Fraud awareness. FIU Objective: The role of FIU in combating Fraud	General Public

Table 3.2 Other outreach activities

QUARTERLY REPORTING ON TERRORIST PROPERTY

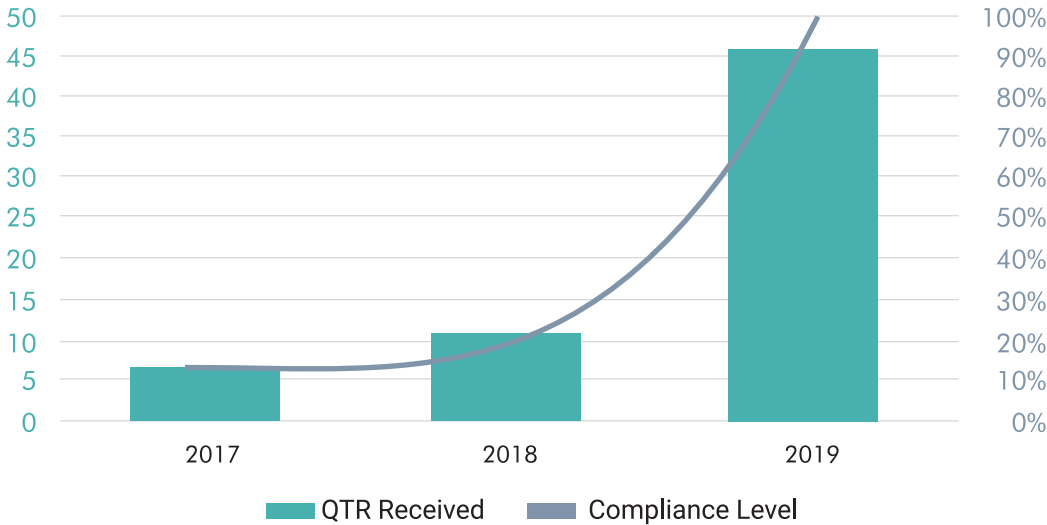
Pursuant to section 35 (2) of the PTA and Regulation 15 of the Prevention of Terrorism (Implementation of UNSCR on Suppression of Terrorism) Regulations, 2015 ("PTR"), FIs as defined by the PTA, are required to disclose on a quarterly basis whether they are (or not) in possession or control of any property owned or controlled by or on behalf of a terrorist group.

In 2017 and 2018 the FIU observed a low level of compliance by FIs (15%) and (23%) respectively with the submission of the Quarterly Terrorist Reports ("QTRs"). In an effort to raise the compliance level, in February 2019, the FIU issued a circular to all FIs reminding them of their obligations under the PTA.

These reports are required to be prepared on the basis of the latest United Nation's ("UN") and country lists. As and when the UNSCR 1267 list are updated, the FIU provide its support by disseminating the list to all reporting entities. A total of Sixteen (16) updates were made and disseminated for the year. For this reporting year, the FIU observed a 100% level of compliance by FI's with the QRT requirement. Graph 3.0 provides a comparison of the 2017-2019 QTR.



Quarterly Terrorist Report ("QTR")

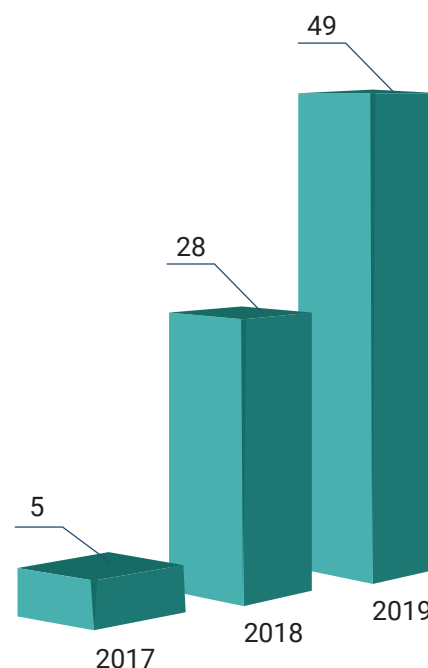


Graph 3.0 Comparative quarterly terrorist Reports 2017-2019

AML/CFT COMPLIANCE MANUAL REVIEWS

As part of its mandate to provide guidance to the sectors it supervises, in 2019 the FIU undertook an audit on the AML/CFT Compliance Manual for forty-nine (49) reporting entities, which represents a 75% increase of such audit in comparison with the preceding year. See Graph 3.1 for comparison of audit conducted on AML/CFT Compliance Manual for the period 2017 to 2018.

It is worth noting that this increase follows the issuance of the Guide to Structuring an AML Compliance Manual for MVDs in August 2019 in the effort of providing guidance to MVDs to have documented system and control in place that commensurate to associated risk. Twenty-two (22) Manuals from this sector were received and reviewed by the FIU.



■ No. of AML/CFT Compliance Manual Review

Graph. 3.1 Comparison of reviews conducted from 2017-2019

WHAT IS THE ROLE OF THE COMPLIANCE REPORTING OFFICER?

An AML Officer's main responsibilities are to detect ML activities in his/her organization and report these activities, if any, to the authorities. Compliance officers are the guardians of financial institutions and one of the gateways for identifying financial crimes like ML and TF.

Their main role is to ensure that their institution is not exposed to criminal risk, and does not inadvertently facilitate financial crime. Broadly speaking, some practical duties of an AML Compliance Officer will include:

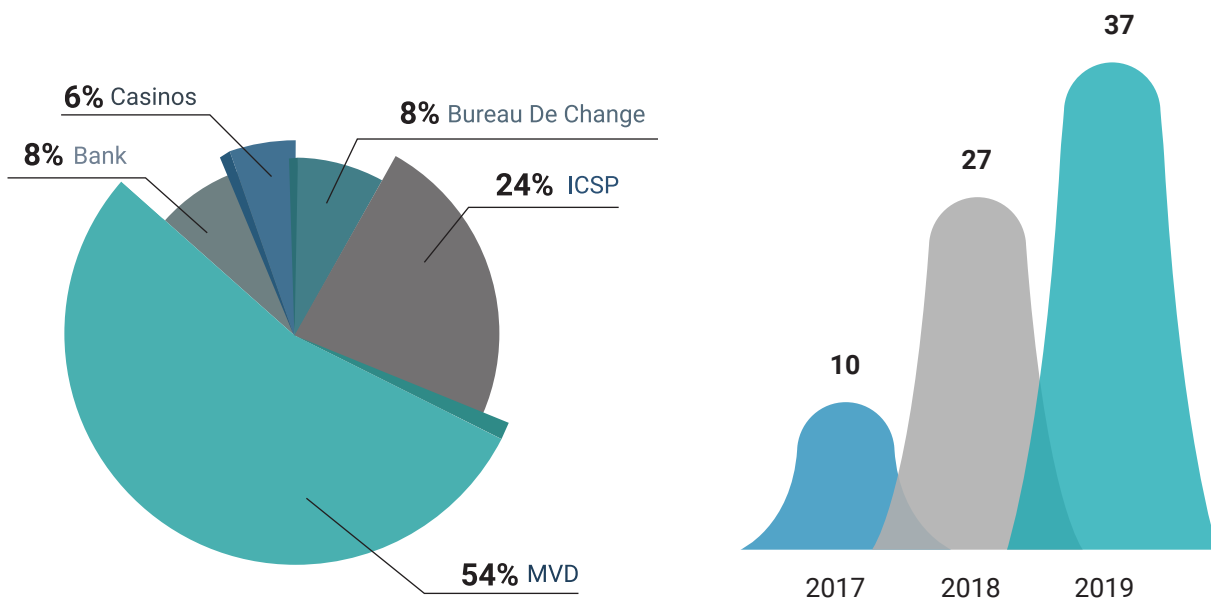
- assisting with the development, implementation, and maintenance of an AML program within their institution;
- ensuring compliance with AMLA, and other relevant legislation;
- developing and maintaining a risk assessment framework for products and services, clients and customers, and other issues relating to ML;
- keeping and maintaining records of high risk customers, and reporting suspicious activities to the FIU;
- briefing and reporting to senior management on matters relating to internal AML compliance policies and procedures; and
- overseeing and implementing an ongoing AML training program for other employees.



COMPLIANCE INSPECTIONS

As part of its supervisory function the FIU conducted thirty-seven (37) compliance inspections of reporting entities (Graph 3.2 - 2019 Compliance Inspections and Pie Chart. 3.0 - Sector Coverage), which represents a 37% increase in inspections conducted in comparison to 2018. These inspections encompassed both off-site inspections and on-site examinations, follow-up inspections and a series of focused compliance testing summarized as follows:

- 5 reporting entities to assess compliance against obligations under the AMLA;
- 8 Off-site examination of reporting entities to assess compliance against obligations under the AMLA based on data and documents submitted to the FIU; and
- 5 reporting entities previously examined to verify the measures implemented to rectify deficiencies identified within their AML/CFT framework



Pie Chart 3.0 Sector coverage of compliance inspections conducted

Graph 3.2 Overview of compliance inspections over the past three years

These supervisory activities will assist in the determination of which reporting entities or sectors have systematic deficiencies within the AML/CFT framework.

FOCUSED COMPLIANCE TESTING

Following the issuance of the Guide to Structuring an AML Compliance Manual for MVDs in August 2019, in November the FIU undertook a round of Focused Compliance Testing at the principal place of Business of nineteen (19) MVDs to assess their level of compliance to the following core obligations:

i. Application of CDD

MVDs recorded all identification details of customers upon onboarding. Despite the MVD received the CDD documents, in 49% of cases these copies were not retained as part of the MVDs' records, as these records were being handed over by the MVD to the SLA as part of the registration process for the motor vehicle.

ii. Monitoring of Transactions

The preferred method of payment for motor vehicles were through the financial systems, which accounted for 77% of transactions conducted directly through bank transfers or cheque payments. However, it was noted that 23% of the sales had a cash component, with only 4% sales wholly conducted through cash for which in 7 transactions the source of funds was not established.

The scope of the compliance testing was to review CDD documents maintained by MVDs relating to the sales of motor vehicles for the period April 2019 to September 2019. Out of 22 MVDs 19 were targeted for this compliance testing where a total of 1,076 sales were recorded across the 19 MVDs, for which 379 (35%) sales were sampled.

OVERALL AML/CFT DEFICIENCIES

Examination of the findings of the supervisory reports produced in 2019 across sectors shows that the key deficiencies identified within the inspected reporting entities' AML/CFT framework were as follows:

- Inadequate understanding of their AML/CFT risks in order to implement adequate measures to mitigate those risks;
- Level of CDD being applied not commensurate with the risks posed by the customer and documents used for the verification of customers' identity were not always being retained;
- Inadequate level of transaction monitoring being conducted to ensure that the transactions conducted by customers are in line with the customers' known profile; and
- Although reporting process is in place, there is a low level of reporting of suspicious activities or transactions, which may be attributed to the inadequate transaction monitoring systems.

ENFORCEMENT ACTIONS

Although the AMLA does not make provision for administrative sanctions, the FIU enforces compliances through other means, such as issuance of directives with recommended actions and warning letters to secure compliance to the provisions of the Act. Through these enforcement actions which are undertaken as a result of supervision and monitoring activities, reporting entities are provided with a specific time-frame to take remedial actions in order to remedy any deficiencies identified. In 2019, the following actions were undertaken by the FIU to enforce compliance to the provisions of the Act

- 8 directives were issued to 8 reporting entities for non-submission of weekly cash transaction returns, non-submission of documented AML/CFT compliance manuals and for failure to appoint a suitably qualified and experienced Compliance officer; and
- Caution letter to a reporting entity for failure to appoint a suitably qualified and experienced Compliance & Reporting Officer.



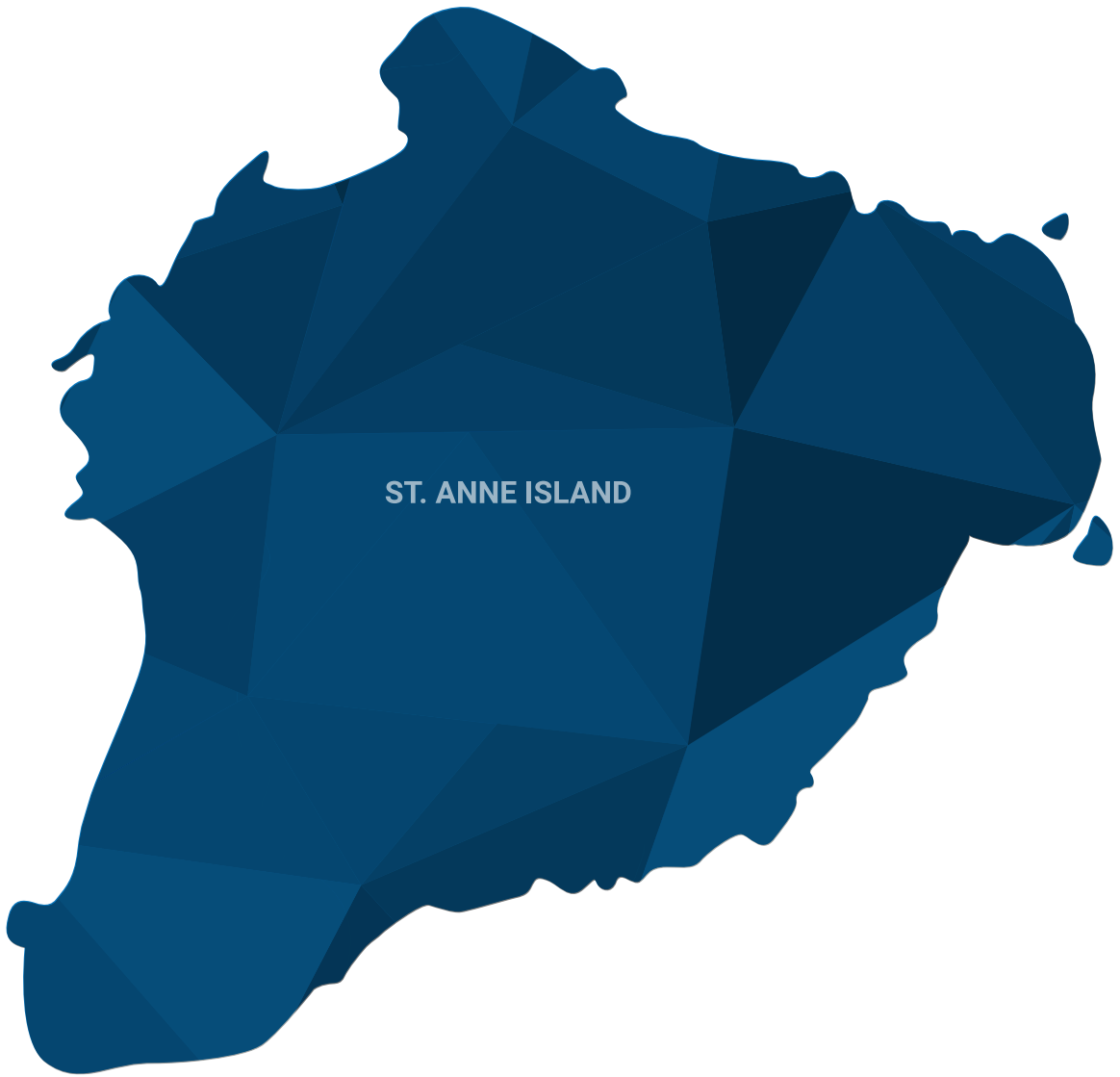
CASE STUDY: EXCHANGE OF DEMONETIZED NOTES

The FIU received an STR from the Monetary Authority on individual A, in relation to significant transactions of demonetized notes. Checks conducted by the FIU revealed that individual A, travelled to Seychelles on January 14th, 2019, and during his visit he exchanged a sum of SCR 114,990 worth of demonetized notes on three separate occasions. In this instance, the individual left the country on January 19th, 2019, after spending 5 days in Seychelles.

The FIU additionally received two further STRs from the same authority on another individual, individual B, also in relation to significant transactions of demonetized notes. Checks conducted by the FIU revealed that individual B travelled to Seychelles twice during 2019. During his first visit in February, he exchanged a sum of SCR 136,360 worth of demonetized notes. On his second visit in October, he further exchanged a sum of SCR 116,955 worth of demonetized notes. For both visits the individual spent 4 days in Seychelles.

Through its analysis, the FIU established that both individuals showed similar mode of operation whereby they entered Seychelles to exchange significant amount of demonetized notes and departed the country within five days. The FIU spontaneously disseminated the information of individual A and B to the Seychelles Customs. The aim of the dissemination was to alert Customs, so that the individuals may be searched and questioned in the event that they attempt to re-enter Seychelles.

COMPLIANCE
DIVISION



ST. ANNE ISLAND

COMPLIANCE DIVISION

OVERVIEW OF THE DIVISION

Effective August 1st, 2019 the Analysis and Monitoring Unit was restructured and rebranded to form the Compliance Division manned by seven (7) staff. The Compliance Division provides assistance to conduct background and due diligence checks on individuals and entities on behalf of the Seychelles Government Requesting Agencies. Typically request for assistance for conducting checks on individuals and entities relating to the below:





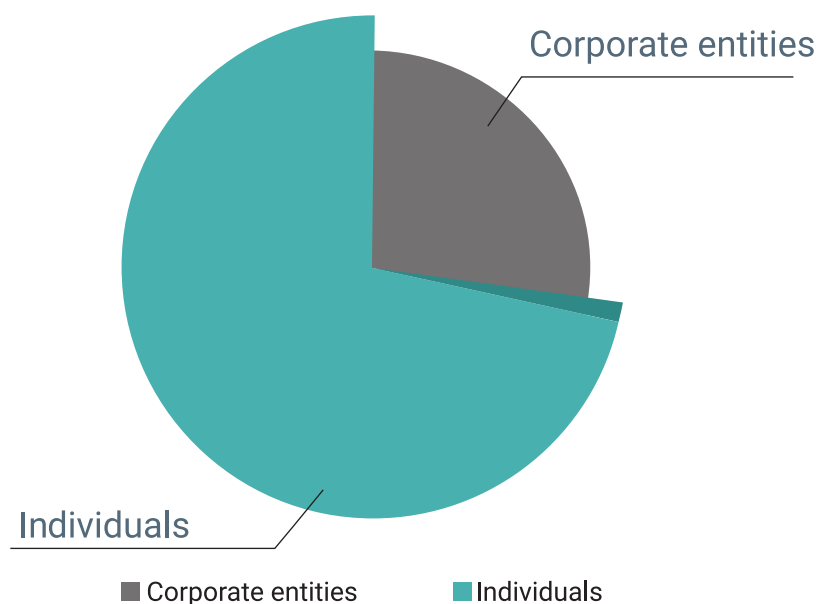
 <p>Application for Sanction</p>	 <p>Business proposals being submitted to the Seychelles from foreign counterparts interested in investing in the country;</p>
 <p>Assist Supervisory & Regulatory Authority</p>	 <p>Application for Residency</p>

Fig. 4.0 Categories of checks performed

In 2019, the Division received 390 application requesting for assistance in the conduct of background checks. As depicted in Pie Chart 4.0, these applications relate to;

- 346 individuals from 42 nationalities; and
- 116 corporate entities

During this reporting period, the FIU has worked closely with its partners for support and assistance in the conduct of background checks.



Pie Chart 4.0 Breakdown of requests for background checks for 2019

Table 4.0 hereunder provides detailed breakdown of the Categories of Government Agencies and other parties that sought the assistance of the FIU in 2019.

Agencies	N° of Requests received	Completed cases
FSA	23	23
MEIC	158	158
MOFTIEP	2	2
DFA	30	30
MHILT	58	58
SIB	84	84
SLA	34	24 ¹
SRC	1	1
TOTAL	390	380

Table 4.0 Breakdown of the requests received for 2019

¹As at December 31st 2019, 10 application remained pending in view that it was incomplete

**LEGAL, POLICY
AND EXTERNAL
RELATIONS
DIVISION**



NORTH ISLAND

LEGAL, POLICY AND EXTERNAL RELATIONS DIVISION

OVERVIEW OF THE DIVISION

The principal purpose of the Legal, Policy and External Relations Division of the FIU spans across three critical areas of responsibility. It administers the AMLA, engages with international and regional policy-forming and standard-setting organisations, and provides policy advice on matters of strategic nature concerning ML/ TF and proceeds of crime.

This Division was established following the restructuring of the FIU which came into effect on 1st August, 2019 whereby the NRA/ Mutual Evaluation Unit was combined with the Legal Unit to form the Legal, Policy and External Relations Division of the FIU. As at December 31st, 2019, the Division was manned by 4 staff.

HIGHLIGHTS OF 2019

EGMONT REGIONAL REPRESENTATIVE

Given its status as a global network of FIUs, the Egmont Group's membership is divided into regional groups which are closely aligned with the FSRBs geographical distribution. The ESA region comprises of a diverse group of FIUs from very large economies to small developing island states. There are currently 10 FIUs that are members of the Egmont Group within the ESA region including Seychelles. At the 26th Plenary of the Egmont Group, held from 1st - 5th July, 2019 in The Hague, Netherlands, Seychelles FIU's nomination as regional representative for the ESA region for the period 2019 - 2021 was unanimously accepted and endorsed by the HoFIUs.

The role of the Egmont Group's Regional Representative is to liaise between the members in their region and the Egmont Committee and Egmont Group, to act as advocates for their region and also oversees the work of the Egmont Group Secretariat. As a direct result of being endorsed as the ESA Regional Representative in the Egmont Group, Seychelles FIU through the Manager of External Relation assumed the role of Chairperson of the ESAAMLG Heads of FIU Forum, a platform which offers the HoFIUs opportunities to discuss issues which may be affecting them and their respective institutions in a very secure environment.

MUTUAL EVALUATION REPORT

As a member of the ESAAMLG, Seychelles was first assessed against the FATF standards in 2006 and the ensuing report was adopted in August 2008. Seychelles underwent a second wave of peer review in 2017 against the 2013 FATF methodology which advocates for a two-pronged approach to assessing a jurisdiction's AML/CFT regime. Instead of focusing solely on TC, this revised methodology also promotes heightened scrutiny of the effectiveness of a country's systems and coordinating mechanisms.

As part of the effort in assessing its AML/CFT risks and meeting the FATF standard for the purpose of the ME, in 2016 Seychelles undertook an AML/ CFT NRA in a bid to identify, assess and understand its ML and TF Threat, vulnerabilities and the consequential risk with a view to mitigate illicit financial flows and transactions. These two assessments identified a number of deficiencies which are summarised below:

TECHNICAL

Inadequate legal and institutional framework to implement Targeted Financial Sanctions as required by the UN Security Council Resolutions

Inconsistent approach in maintaining beneficial ownership information across both domestic and international legal persons and legal arrangements

The applicable threshold for criminal conduct under the AMLA meant that not all the designated categories of offences as per the FATF are criminalised in Seychelles.

Limited scope of sanctions available for non-compliance with AML/ CFT requirements

Rudimentary RBS framework in place

EFFECTIVENESS

Inconsistent understanding of ML/ TF risks facing the country by competent authorities and reporting entities

Low levels of understanding of AML/ CFT obligations in the DNFBP sector

AML/ CFT Strategies, Policies and resource allocation were not informed by the identified ML/ TF risks

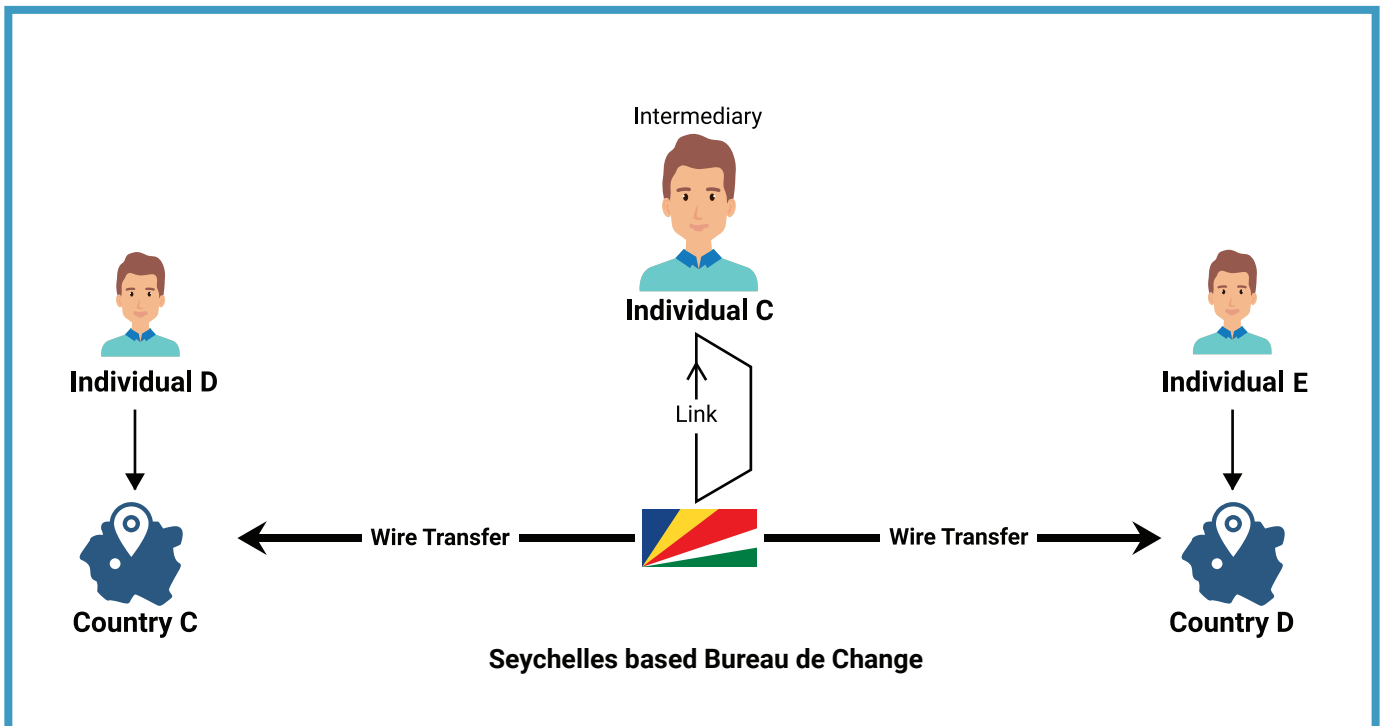
Lack of comprehensive statistics to depict the effectiveness of international cooperation

Supervisory activities of the FIU were constrained by lack of human capacity and the volume of reporting entities under its supervisory purview

As significant deficiencies were identified in the country's national AML/ CFT regime, Seychelles was placed in enhanced follow-up and as a result it has to report on progress made on a bi-annual basis to the ESAAMLG.

Following these findings 2019 has been an eventful year, with the development of various initiatives to address the weaknesses identified in both the NRA and ME reports.

CASE STUDY: THE USE OF INTERMEDIARIES



On June 10th 2019, the Seychelles FIU received an STR from a local BDC on individual C from Country C currently working in Seychelles on a Gainful Occupation Permit. The Compliance and Reporting Officer of the BDC considered the transaction to be suspicious, in view that the purpose of the transaction provided by the individual was unjustifiable.

The STR stated that a money transfer was received from Country C in benefit of individual C from Individual D. Individual C immediately transferred a substantial part of the sum to Country D, in favor of individual E of Country C, Individual E. Individual C stated that there were some issues in his country, which prevented the money from being transferred directly to Country D, thus why he was used as intermediary to this transaction.

The FIU had in the recent months, received dissemination from the FIU of Country D, alerting that intermediaries, as in this case, were being used to funnel money to FTFs (Foreign Terrorist Fighters) in an attempt to conceal the original source of the funds. As such, the Seychelles FIU made a dissemination to both FIUs of Country C and D on August 27th, 2019, to alert both jurisdictions of this activity and to pursue with necessary actions against the parties involved.

The FIU additionally made a dissemination to local Authority/Agency responsible for anti-terrorism financing and activities.

RD

The Registrar General plays a key role in providing civil and administrative services on behalf of the government and is a key stakeholder in contributing to an effective AML/CFT regime through the registration of companies and associations that can be used to launder criminal proceeds.

FSA

The CEO of the FSA is an additional AML/CFT supervisor that regulates some financial institutions, casinos and other important reporting entities. The FSA's inputs are critical to establishing a comprehensive AML/CFT regime.

CBS

The Governor of the Central Bank plays a key role in the fiscal stability of the country and also acts as the AML/CFT supervisor for most of the financial institutions operating in Seychelles.

SRC

Commissioner General of the Seychelles Revenue Commission manages the Customs and Tax authorities who play a critical role in combating ML/TF while working the cross-border movement of goods and people. In addition, the tax authorities have access to important tax information that can support analysis and investigations into ML and even TF offenses.



NATIONAL AML/CFT COMMITTEE

The NAC is responsible for coordinating and fostering co-operation between domestic agencies as well as international partners. The Committee meets regularly to consider AML/CFT developments affecting the country, and make recommendations to the Government.

MOFTIEP:

The Committee is Chaired by the Secretary of State in the Ministry of Finance, Trade, Investment and Economic Planning.



FIU

The Director of the FIU plays a key role as the national centre for receipt and analysis of suspicious transaction reports and other information relevant to money laundering, associated predicate offences and terrorist financing and for the dissemination of the results of that analysis. The FIU is critical to the AML/CFT regime as where it also acts as the Secretariat of the Committee.

AG

The AG is the highest-ranking law enforcement official in Seychelles and as such is the driving force in pursuing prosecutions of criminal offences to include ML/TF and related offences. In addition, the AG provides the necessary leadership concerning drafting AML/CFT legislation and regulations spearheading Seychelles commitment to meet its international obligations.

Police

The Commissioner of the Seychelles Police force is the Commander of all police units in Seychelles and leads the specialized units such as the FCIU and the ANB that investigate proceeds generating crime to include money laundering.

ACCS

The CEO of ACCS is an additional law enforcement body in Seychelles with a complex and important mandate. The ACCS focuses on significant corruption investigations that may include some elements of money laundering.

Fig. 6.0: Composition of NAC

NAC SECRETARIAT

To support the NAC in the delivery of its functions, the FIU been nominated and endorsed as the Secretariat to the Committee. The NAC meets fortnightly and as part of its role and functions, the NAC Secretariat:

- provides the committee with relevant information and papers to enable full and proper consideration to be given to matters arising;
- schedules and conveys notice of meetings to all members;
- records the proceedings and decisions of all meetings of the Committee; and
- advise the Committee in relation to matters pertaining to the activities of the ESAAMLG and other associated obligations.

RECRUITMENT OF AN ADVISOR

During its first meetings after its establishment, the NAC resolved to appoint a Resident Advisor, an expert with certified international experience in AML/CFT and related matters, to support the NAC in the delivery of its functions. This resolution was a consequence of the mammoth task before the Committee to strengthen the domestic AML/ CFT institutional and legislative framework to align it with international standards and best practices within a reasonable timeframe. To this end, in September 2019 the Resident Advisor was recruited, tasked with responsibility to advise, support, mentor and assist all domestic partners involved in AML/CFT matters.

REVIEW OF THE ANTI-MONEY LAUNDERING ACT

Over the past year, with the support and commitment of the NAC, the FIU has played an active role in the comprehensive review of the AMLA, to address a number of technical deficiencies which emerged from the NRA and MER. This resulted in the approval of the draft AML/CFT Bill, 2020 by the Cabinet of Ministers on December 26th, 2019.



WHY ARE POLITICALLY EXPOSED PERSON (PEP) POTENTIALLY HIGH RISK?

A PEP is defined by the FATF as an individual who is or has been entrusted with a prominent public function for example, heads of state, heads of governments, ministers and senior politicians. Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing ML offences and related predicate offences, including corruption and bribery, as well as conducting activity related to TF.

OECD PEER REVIEW

In November 2018 the Organisation 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. In July 2019 the assessors from the Global Forum of the OECD met with domestic stakeholders including the FIU.

The FIU was required to demonstrate effectiveness in discharging its function in line with the legislative requirements, with the overall objective aiming to see how the AML/CFT framework in Seychelles supports the work of the Global Forum in relation to transparency and exchange of information for tax purposes.

BENEFICIAL OWNERSHIP

In 2019 the NAC unanimously endorsed the adoption of a whole country approach in respect of maintenance of Beneficial Ownership information in the jurisdiction. As such the TAC was tasked with the responsibility to assist with the drafting of a Beneficial Ownership Bill to cater for all legal person and arrangements created in Seychelles.

This Bill proposes for all Seychelles' legal persons and legal arrangements to identify BO and keep the information relating to each of their Beneficial Owner in a "Register of BO". Most critical, the Bill also proposes to establish the FIU as the nodal agency responsible for maintaining a private Central Database of BO information.

BENEFICIAL OWNERSHIP

Corporate vehicles such as companies, trusts, foundations, partnerships, and other types of legal persons and arrangements conduct a wide variety of commercial and entrepreneurial activities. However, despite the essential and legitimate role that corporate vehicles play in the global economy, under certain conditions, they have been misused for illicit purposes, including ML, bribery and corruption, insider dealings, tax fraud, TF, and other illegal activities. This is because, for criminals trying to circumvent AML and CFT measures, corporate vehicles are an attractive way to disguise and convert the proceeds of crime before introducing them into the financial system.

The misuse of corporate vehicles could be significantly reduced if information regarding both the legal and beneficial owner, the source of the corporate vehicle's assets, and its activities were readily available to the authorities.

Legal and beneficial ownership information can assist law enforcement and other competent authorities by identifying those natural persons who may be responsible for the underlying activity of concern, or who may have relevant information to further an investigation. This allows the authorities to "follow the money" in financial investigations involving suspect accounts/assets held by corporate vehicles.



PUBLIC CONSULTATION AML/CFT BILL AND BO BILL

Given the extent of legislative reform, the NAC advocated for public consultation sessions with the private sector as well as civil society and parliamentarian to apprise them of the proposed AML/CFT Bill and BO Bill.

As such over a period of 3 weeks from November 20th to December 12th 2019, the FIU along with NAC supported by the Resident Advisor, met with relevant sectors to solicit their views on the two Bills. Fig 5.0 below illustrates the public consultation calendar.

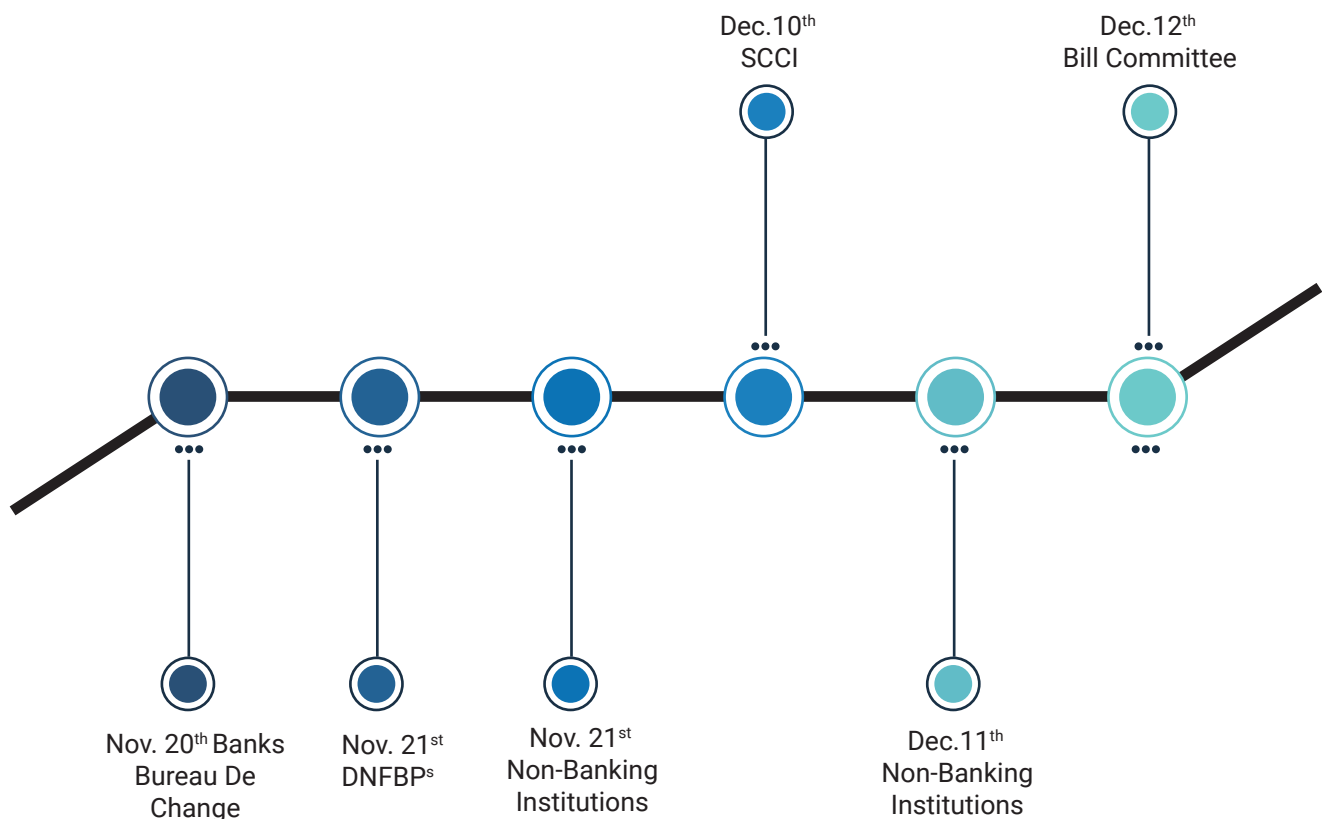


Fig 5.0 Public consultation calendar

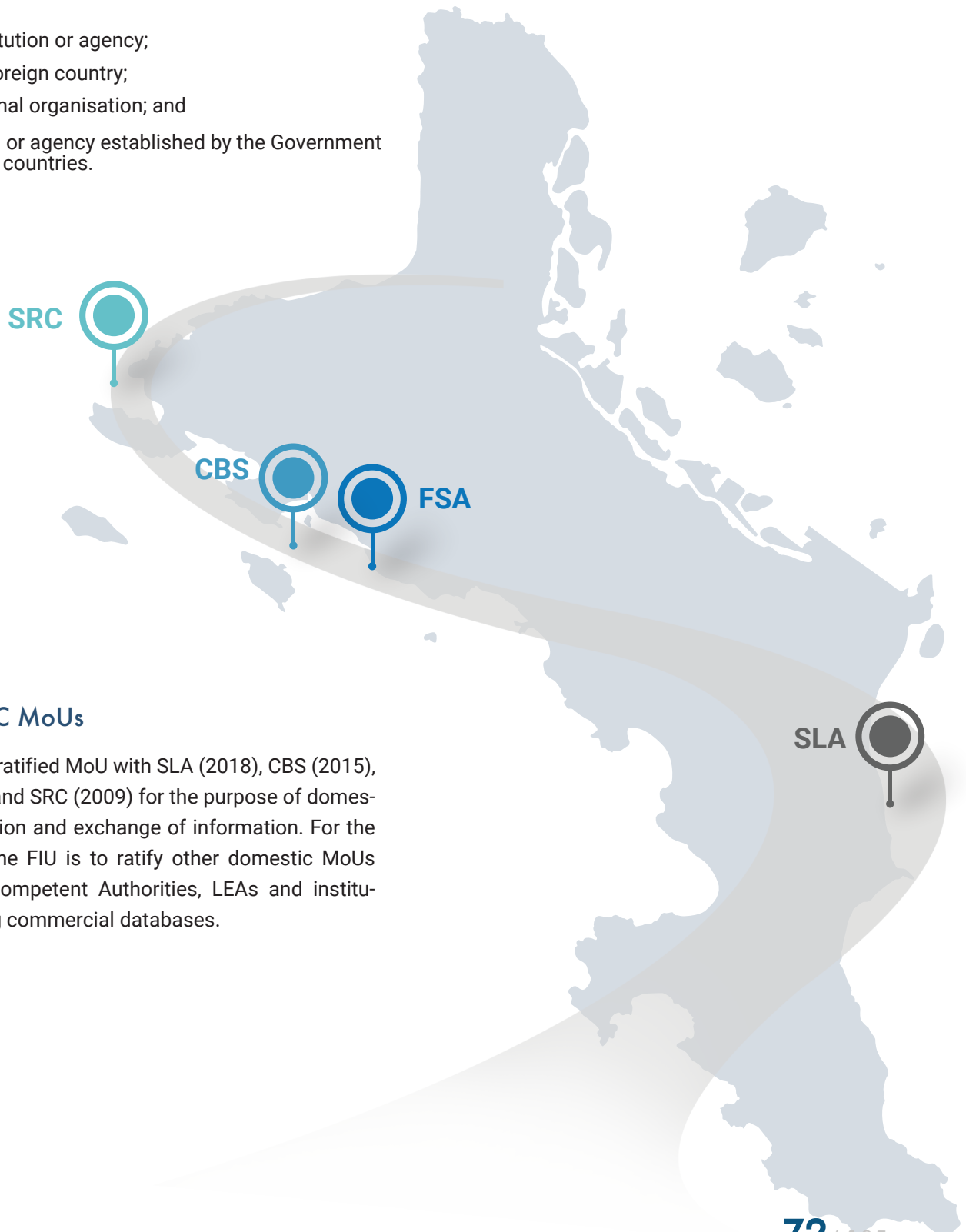
The outcomes of the Public Consultation were positive and constructive, as it served to better improve the proposal in the Bill and it allowed members to better understand on how the legislations may impact the various sectors.

MEMORANDUM OF UNDERSTANDING (MoU)

In line with the AMLA, exchanging information and intelligence with FIUs around the world remains a critical function in supporting the global combat against ML/TF.

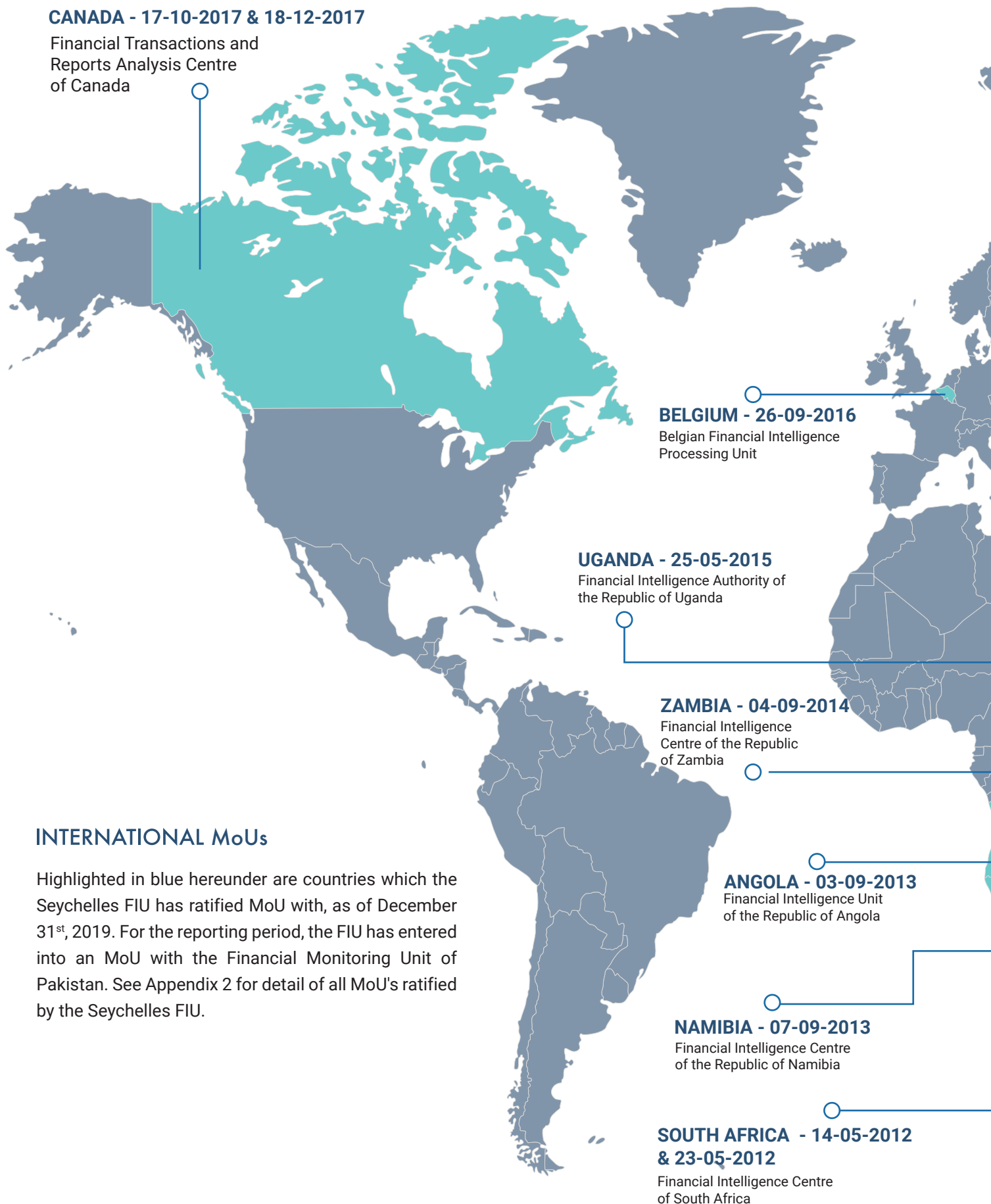
In line with the Table under section 16 of the AMLA, the FIU may, for the purpose of exchange of information, enter into agreement or arrangements with any:

- local institution or agency;
- FIU of a foreign country;
- international organisation; and
- institution or agency established by the Government of foreign countries.



DOMESTIC MoUs

The FIU has ratified MoU with SLA (2018), CBS (2015), FSA (2015) and SRC (2009) for the purpose of domestic coordination and exchange of information. For the year 2020, the FIU is to ratify other domestic MoUs with other competent Authorities, LEAs and institutions hosting commercial databases.

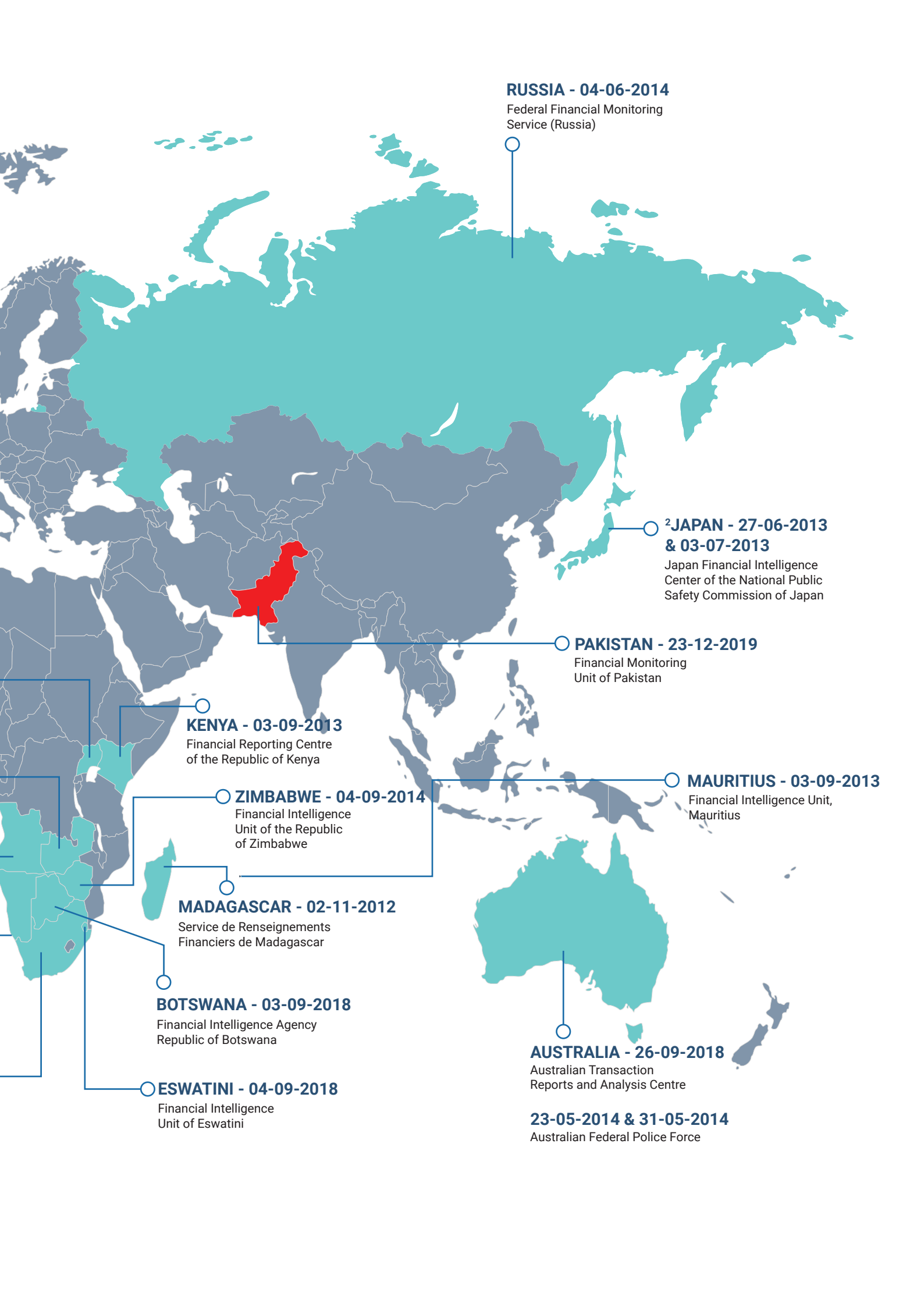


INTERNATIONAL MoUs

Highlighted in blue hereunder are countries which the Seychelles FIU has ratified MoU with, as of December 31st, 2019. For the reporting period, the FIU has entered into an MoU with the Financial Monitoring Unit of Pakistan. See Appendix 2 for detail of all MoU's ratified by the Seychelles FIU.

Map: Countries which have signed MoUs with Seychelles

²Japan: Letter of undertaking



RUSSIA - 04-06-2014

Federal Financial Monitoring Service (Russia)

²JAPAN - 27-06-2013 & 03-07-2013

Japan Financial Intelligence Center of the National Public Safety Commission of Japan

PAKISTAN - 23-12-2019

Financial Monitoring Unit of Pakistan

KENYA - 03-09-2013

Financial Reporting Centre of the Republic of Kenya

ZIMBABWE - 04-09-2014

Financial Intelligence Unit of the Republic of Zimbabwe

MADAGASCAR - 02-11-2012

Service de Renseignements Financiers de Madagascar

BOTSWANA - 03-09-2018

Financial Intelligence Agency Republic of Botswana

ESWATINI - 04-09-2018

Financial Intelligence Unit of Eswatini

MAURITIUS - 03-09-2013

Financial Intelligence Unit, Mauritius

AUSTRALIA - 26-09-2018

Australian Transaction Reports and Analysis Centre

23-05-2014 & 31-05-2014

Australian Federal Police Force



THE STATE OF CRYPTOCURRENCY IN SEYCHELLES

Seychelles is considered as one of the most competitive offshore jurisdiction. In recent years, the country has attracted financial companies in the business line of virtual asset. According to the website coinlore listing, there are currently four Seychelles registered IBCs in the top 10 list in the crypto exchange by 24-hours volume, with BITFOREX topping number one in terms of volume.

With more companies worldwide accepting crypto currency as a legal means of trading, consequently, more companies are offering such services. The Seychelles offshore sector has also experienced a rise in the registration of Crypto IBCs. The following are the most popular registered companies: Bitcoin Offshore Wallet; Offshore Exchange; Offshore mining operation and Offshore ICO.

The 2020-Crypto crime report by Chainalysis indicates that in 2019, 24.7% of illicit bitcoin exchange transaction was done through Seychelles registered IBC. In 2019, the Seychelles FIU received crypto related STRs on a regular basis and analysis are being conducted.

The primary areas of criminal activities in cryptocurrency of concern to Seychelles are tax evasion, money laundering, ICO scam, contraband transactions Terrorism, theft and extortion.

In view of the inherent risk associated with crypto currency, the Seychelles FIU is working towards building its capacity to better regulate and strengthen its internal system to detect and deter financial crimes through the use of new technologies.

CHALLENGES



ALDABRA ATOLL



HUMAN RESOURCES

Despite the significant progress made in 2019, considerable challenges have been experienced in relation to the availability of skilled human resources in the labor market, particularly with expertise on emerging technologies. With the increase in reporting from reporting entities, additional pressure had been exerted on the limited resources and called for the exertion of significant effort by staff. Consequently, due to the nature of the work, topped with budgetary constraints, such factors to a certain extent impacted the FIU's retention capability.



SUPERVISORY FUNCTION

Effective supervision and monitoring of all reporting entities remain challenging, especially with the application of a rules-based approach to supervision. With the proposal to designate the CBS and the FSA as AML/CFT Supervisors to supervise entities under their regulatory ambit and together with the implementation of the RBS framework, will allow for more effective allocation of resources to focus supervisory and monitoring activities to areas of higher risk.



ADMINISTRATIVE SANCTIONS

The lack of administrative sanctions in the current AMLA has throughout the years severely hindered the FIU's ability to enforce sanctions by non-compliant reporting entities. As such, the AML/CFT Act, which would come into force in 2020 introduces a range of effective, proportionate, and dissuasive sanctions.



ACCESS TO DATABASES

In view of the nature and volatility of transaction or activities of criminals, it is critical for FIU to have direct access to the widest possible range of financial, administrative and law enforcement information that it requires to properly undertake its functions.

The current practice where information is requested from counterparts has seen to be time-consuming and hinders the FIU's efficiency and ability to have a quick response time. With Big Data FIU would require supporting tools that would allow it to analyse and manipulate the data set.



LEVERAGING TECHNOLOGY

The Global trend and landscape have drastically changed the supporting technology that businesses are commonly using. Such changes have potential in spurring financial growth, innovation and efficiency, but also conveniently serves as new opportunities for illicit activities to be carried out by criminals.

Therefore congruently, tools and techniques of regulators in managing and mitigating risks of such advancement in technology within the financial services sector, has to be innovated to commensurate to the level of risk. In the domestic context, the labor market lacks these required expertise particularly in emerging technologies such as virtual assets.



WHAT IS CUSTOMER DUE DILIGENCE?

CDD is a process, where relevant information about a customer is collected and subsequently evaluated to determine the risk of money laundering.

WHEN TO APPLY CUSTOMER DUE DILIGENCE MEASURES

Reporting entities should be required to undertake CDD measures when:

- (i) establishing business relations;
- (ii) carrying out occasional transactions: (i) above the applicable designated threshold or (ii) that are wire transfers in the circumstances covered by the Interpretive Note to Recommendation 16;
- (iii) there is a suspicion of ML or TF; or
- (iv) the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.

WHAT DOES CDD COMPRISE OF?

CDD measures shall comprise of the following;

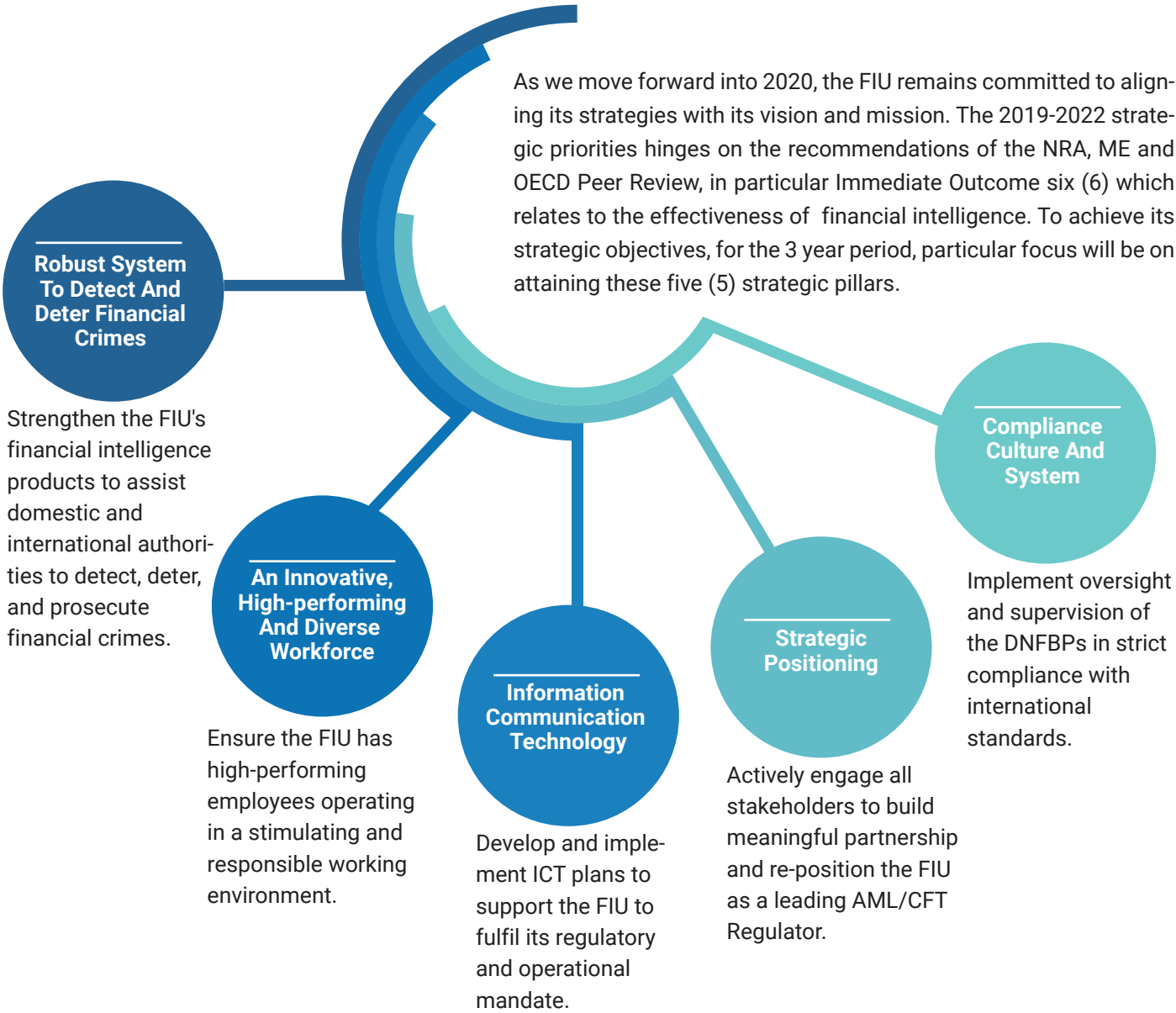
- (a) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information;
- (b) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the BO, such that the financial institution is satisfied that it knows who the BO is. For legal persons and arrangements this should include FIs understanding the ownership and control structure of the customer;
- (c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- (d) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

**STRATEGIC
PRIORITIES
FOR 2019-2022**



STRATEGIC PRIORITIES

As we move forward into 2020, the FIU remains committed to aligning its strategies with its vision and mission. The 2019-2022 strategic priorities hinges on the recommendations of the NRA, ME and OECD Peer Review, in particular Immediate Outcome six (6) which relates to the effectiveness of financial intelligence. To achieve its strategic objectives, for the 3 year period, particular focus will be on attaining these five (5) strategic pillars.





CASE STUDY: SOMETHING DOESN'T ADD UP

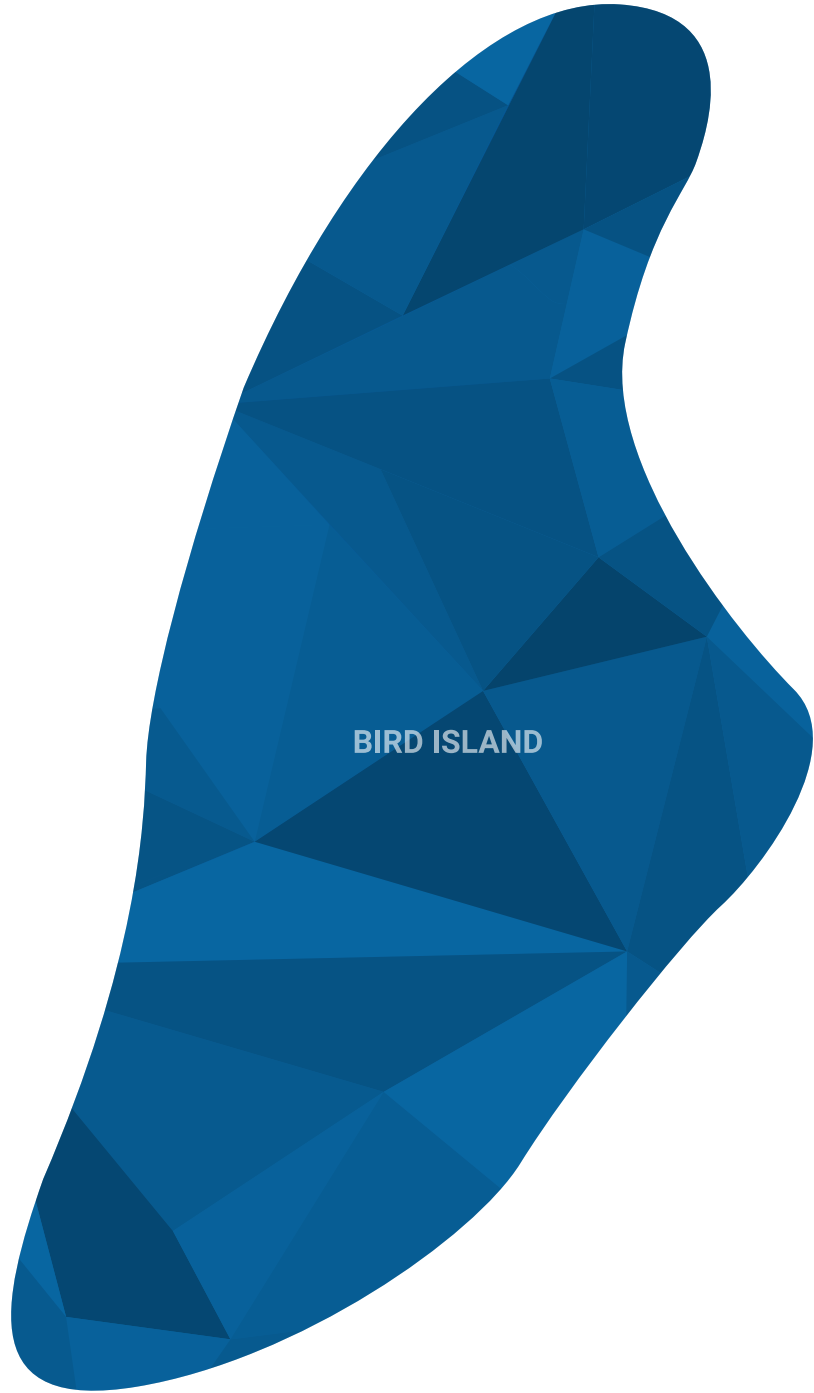
The Seychelles FIU received an STR in 2019 in relation to Individual D, a 22-year-old male. Individual D was making numerous transfers through a BDC to Country D, a country considered by to be a high-risk by the FIU. Transfers were being made to individuals that were already subjected to financial profiling by the FIU. Analysis conducted on Individual D revealed that;

- he transferred SCR 100,591 to Country D;
- he held a savings account with bank A only;
- at that point in time, he was in his first employment and was earning a monthly salary of SCR 8,060.33; and
- he was the public officer for a Company A, registered with the Tax Authority.

Analysis of his bank statement did not indicate that the funds transferred to Country D originated from his bank account. Additionally, verification with the Tax Authority, revealed that Company A had not filed any returns as at date.

The Source of Funds was unknown and the purpose of these transactions to a high-risk jurisdiction and persons were unclear. The FIU therefore made a dissemination report to the Department of Police. Subsequently through investigation by the LEAs, Individual D was arrested in connection with drug trafficking.

LOOKING
AHEAD



BIRD ISLAND

CASE STUDY: CROSS-BORDER DRUG SMUGGLING



FIU received a request from a LEA in February 2018 on a couple, being Individual H and Individual I. As per the request, the LEA wanted to understand the financial profile of both individuals.

An associate of individual H, Individual J, was apprehended at the Airport in Country F, in February 2018, after being found with drugs strapped to his body. Individual J left Seychelles on February 10th, 2018 and was scheduled to return on February 14th, 2018.

It was revealed that individual H and J traveled twice together to Country F in the past, once in December 2017 and the second time in February 2018, when Individual J was apprehended.

It was established that at that point in time, Individual J held a balance of SCR 55 on his bank account and that he was not receiving any source of income in view that he was unemployed. Therefore, it was unclear how Individual H paid for his airline ticket and accommodation for three days stay in Country F. The FIU received further information that the airfares were paid for in cash and it was suspected that Individual J was transporting drugs for Individual H. Financial analysis performed on Individual H's bank account revealed that the individual had two loan accounts with two local commercial banks. The FIU identified numerous cash deposits on Individual H's business accounts.

Subsequently the FIU received an STR from one of the commercial banks relating to multiple cash deposits on the bank account. However, as for Individual I there were no bank accounts in her name but was receiving cheque payments cumulatively amounting to SCR 900,000 for the past 3 years from Individual H's business accounts.

The FIU made a dissemination to the LEA where subsequently, Individual H and I were arrested and appeared before court in November 2018 to answer to charges of drug related offenses.

Enactment of the proposed AML & CFT Act 2020 and BO Act, 2020

The year 2019 witnessed the endorsement of the draft AML/CFT Bill, 2020 and BO Bill, 2020 by the Cabinet of Ministers. Looking ahead, for 2020 the FIU together with the NAC aims to see through the enactment of both draft Bills which would serve to bring about significant and positive changes to the Seychelles AML/CFT framework. This will include new governance structure for the FIU where the FIU would have certain reporting obligation to the MOFTIEP and the NAC, whilst maintaining its operational independence.



REBRANDING

As part of our strategy, this coming year will bring new transformation as we aim to rebrand the institution to coincide with the coming in operation of the AML/CFT Act, 2020.

LEVERAGING TECHNOLOGY

To address our shortcomings in relation to the keeping of comprehensive statistics on FIU's core statutory function, in 2020 the FIU will launch goAML, a digital reporting platform which would facilitate amongst other things record maintenance.

STRATEGIC ANALYSIS AND TYPOLOGY REPORT

In an effort to increase the FIU's capacity to develop and deliver reports on ML & TF Typologies on domestic and international trends and developments and the effectiveness of detection and deterrence strategies, approaches and processes, the creation of a Strategic Analysis Unit within the M&A Division is in the pipeline for 2020.

LOOKING AHEAD

For the upcoming reporting period, the FIU's focus will be as per above

ACCESS TO DATABASES

In order to be more effective in realizing FATF Recommendation 29.6, for 2020 the FIU aims to partner with domestic institutions to allow it to access the widest possible range of financial, administrative and law enforcement information including commercially held databases.

MEMORANDUM OF UNDERSTANDING

As a means of crystalizing our commitment for better co-operation which will allow for a more effective co-ordination for ML/TF investigations, sharing of intelligence and building expertise, in 2020, the FIU aims to ratify other MoUs with domestic and international partners. Work is in progress to finalise the MoU with the Financial Crimes Investigation Board (Turkey), Service for Information and Monitoring of Financial Networks (Monaco) and Anti-Money Laundering and Suspicious Cases Unit (United Arab Emirates) by the second quarter of 2020.

RISK-BASED COMPLIANCE CULTURE

In line with the FIU's commitment to foster a culture of compliance across reporting entities and improve the level of compliance and effectiveness in the implementation of the AML/CFT obligations, the focus of the FIU for reporting entities for the year ahead will be on the following core areas:

- Finalization and implementation of the RBS framework to enable effective allocation of resources for the supervision and monitoring of sectors and institutions with higher AML/CFT risks;
- Closer collaboration with the DNFBP sectors which are under the FIU's purview, to ensure effective implementation of AML/CFT obligations and thus increase the level of compliance across the sectors;
- Providing awareness and guidance to reporting entities on the implementation of their AML/CFT obligations; and

Establishing a cooperative relationship and developing a mechanism for the coordination and effective sharing of information with the Supervisory Authorities and LEAs.

WORKFORCE EXCELLENCE

FIU is committed to providing a workplace that is safe, inclusive and respectful. In addition, providing appropriate tools and learning opportunities, aiming at adequately equipping staff with the necessary skills to effectively discharge the statutory function of the FIU.



CASE STUDY: CONVICTED FOR DRUG TRAFFICKING

The FIU received a request from a LEA in February 2018 with regards to an Individual E. FIU established that Individual E:

- was registered with SRC and the legal owner of two registered businesses;
- had 3 personal bank accounts and 1 business account with the local commercial banks;
- had a loan with a Financial Institution: and
- until June 2nd, 2014, was receiving a salary of SCR 5,000 from her business account and since then, no other source of income was identified on any of her bank accounts.

Through analysis of CTR received, it was identified that the individual had transferred SCR 6,850 to Individual H of Country E, a country considered to be high risk in respect to drug importation. Open sources revealed that Individual H had been arrested at an Airport in another jurisdiction for being in possession of a significant amount of cocaine.

Exchanges with counterpart revealed that Individual H was involved in drug trade. From the activity and financial transaction of Individual E, it was ascertained that Individual H was living a lavish lifestyle (beyond her means) and her sources of income could not be justified. The FIU therefore disseminated its intelligence report to the LEA for further investigation. Individual E was arrested and convicted for importation of controlled drugs in February 2020.

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APPENDICES

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APPENDIX 1: STAFF TRAINING/WORKSHOP 2019

International Initiatives Meetings	Participants	Country	Details
FATF Plenary and Working Group Meetings	2	France	FATF Plenary Groups Meetings
25 th Egmont Group: Plenary Meetings	3	Indonesia	Egmont Plenary Groups Meetings
37 th ESAAMLG Task Force Meeting	4	Tanzania	ESAAMLG Plenary and Working Group Meetings
Parliamentary Intelligence Security Forum (facilitate - the role FIU combating Illicit Finance)	1	Kenya	Forum
3 rd Plenary and Working Group Meeting for FATF	2	Florida	Working Group Meeting
26 th Egmont Group Plenary Meeting	4	Netherlands	Egmont Plenary Groups
38 th ESAAMLG Task Force & 19 th Council of Ministers' Meeting	3	Kingdom of Eswatini	ESAAMLG Plenary Groups Meetings
FATF Plenary	3	Paris	FATF Plenary Groups Meetings
AML/ THB (Trafficking in Human Beings) in the Greater Horn of Africa Project Kick-Off Meeting	1	Kenya	Meeting

Seminars/Workshops	Participants	Country	Details
Interpol Financial Crime and Case Analysis	5	Seychelles	Workshop
Counter Proliferation Financing Course	10	Seychelles	Workshop
Fostering International Cooperation in Illicit Financial Flows and Asset Forfeiture Workshop	1	South Africa	Workshop
Identifying Counterfeit Banknotes and Coins (CBS)	1	Seychelles	Workshop
AML and Illicit Financial Flows Course Module 2	1	Botswana	Workshop
FIU-Strengthening the network	1	Doha	Workshop
CAPSTONE Project	1	Mauritius & Paris	Workshop
Cash Seizure	2	Seychelles	Workshop
Financial Economic Police Investigations and Intelligence	1	Rome	Workshop
Financial Crime Investigation	2	South Africa	Workshop
Cash Smuggling and Investigative Interviewing Course - PEACE Technic Workshop (ARINSA/UNODC)	2	Seychelles	Workshop
FINTECH Workshop	2	Seychelles	Workshop
RBS for Digital Financial Services, Money Value Transfer Services, Money Remittances and Bureau de Change Sector	2	Seychelles	Workshop
RBA to Supervision	12	Seychelles	Workshop

APPENDIX 2: INTERNATIONAL MoUS

Year 2019		
1	Financial Monitoring Unit of Pakistan	23/12/2019
Year 2018		
2	Financial Intelligence Agency Republic of Botswana	03/09/2018
3	Financial Intelligence Unit of Eswatini	04/09/2018
4	Australian Transaction Reports and Analysis Centre	26/09/2018
Year 2017		
5	Financial Transactions and Reports Analysis Centre of Canada	17/10/2017 & 18/12/2017
Year 2016		
6	Belgian Financial Intelligence Processing Unit	26/09/2016
Year 2015		
7	Financial Intelligence Authority of the Republic of Uganda	25/05/2015
Year 2014		
8	Financial Intelligence Centre of the Republic of Zambia	04/09/2014
9	Financial Intelligence Unit of the Republic of Zimbabwe	04/09/2014
10	Australian Federal Police Force	23/05/2014 & 31/05/2014
11	Federal Financial Monitoring Service (Russia)	04/06/2014
Year 2013		
12	Japan Financial Intelligence Center of the National Public Safety Commission of Japan	27/06/2013 & 03/07/2013
13	Financial Intelligence Unit of the Republic of Angola	03/09/2013
14	Financial Intelligence Unit, Mauritius	03/09/2013
15	Financial Intelligence Centre of the Republic of Namibia	07/09/2013
16	Financial Reporting Centre of the Republic of Kenya	03/09/2013
Year 2012		
17	Financial Intelligence Centre of South Africa	14/05/2012 & 23/05/2012
18	Service de Renseignements Financiers de Madagascar	02/11/2012



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