



# **Anti-money laundering and Counter-terrorist financing measures**

## **SEYCHELLES**

**10<sup>th</sup> Enhanced Follow Up Report and  
4<sup>th</sup> Technical Compliance Re-rating**

**April 2024**

Follow - Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises 21 countries and also includes a number of regional and international observers such as COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

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

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**This report was approved by the ESAAMLG Task Force of Senior Officials at the April meeting in Lubango, Angola, 2024.**

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## SEYCHELLES: 10<sup>th</sup> ENHANCED FOLLOW-UP REPORT & 4<sup>th</sup> REQUEST FOR RE-RATING

### I. INTRODUCTION

1. The Mutual Evaluation Report (MER) of Seychelles was adopted by the Task Force and approved by the Council of Ministers in September 2018. The Mutual Evaluation Report (MER) was adopted by the ESAAMLG Council of Ministers in June 2021. According to the MER, Seychelles was Compliant (C) on 10 Recommendations, Largely Compliant (LC) on 10 Recommendations, Partially Compliant (PC) on 16 Recommendations and Non-Compliant (NC) on 4 Recommendations. Out of the 11 Immediate Outcomes (IOs), Seychelles was rated Moderate Level of Effectiveness on one (1) IO and Low Level of Effectiveness on 10 IOs. Details of the MER ratings are provided in the Table 2.1 below. This follow-up report assesses the progress made by Seychelles to resolve the technical compliance shortcomings identified in its MER. In general, countries are expected to have corrected most or all of their technical compliance shortcomings by the end of the third year of follow-up at the latest. This report does not cover the progress made by Seychelles in improving its effectiveness.
2. The assessment of Seychelles' request for technical compliance re-ratings and the preparation of this report were undertaken by the following experts (Supported by ESAAMLG Secretariat: Chris Likomwa and Vanevola Otieno):
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3. Section III of this report summarises the progress made by Seychelles on technical compliance. Section IV sets out conclusions and contains a table of Recommendations for which a new rating has been given.

## II. KEY FINDINGS OF THE MUTUAL EVALUATION REPORT

4. The MER<sup>1</sup> rated Seychelles technical compliance ratings as set out in Table 2.1 below. In the light of these results, Seychelles was placed in the enhanced follow-up process<sup>2</sup>;

**Table 2.1. Technical compliance ratings<sup>3</sup> September 2018**

<b>R 1</b>	<b>R 2</b>	<b>R 3</b>	<b>R 4</b>	<b>R 5</b>	<b>R 6</b>	<b>R 7</b>	<b>R 8</b>	<b>R 9</b>	<b>R 10</b>
PC	PC	LC	PC	PC	PC	NC	NC	C	LC
<b>R 11</b>	<b>R12</b>	<b>R 13</b>	<b>R 14</b>	<b>R 15</b>	<b>R 16</b>	<b>R 17</b>	<b>R 18</b>	<b>R 19</b>	<b>R 20</b>
C	LC	C	C	NC	PC	LC	C	PC	C
<b>R 21</b>	<b>R22</b>	<b>R 23</b>	<b>R 24</b>	<b>R 25</b>	<b>R 26</b>	<b>R 27</b>	<b>R 28</b>	<b>R 29</b>	<b>R 30</b>
C	LC	LC	LC	PC	PC	LC	PC	PC	C
<b>R 31</b>	<b>R32</b>	<b>R 33</b>	<b>R 34</b>	<b>R 35</b>	<b>R 36</b>	<b>R 37</b>	<b>R 38</b>	<b>R 39</b>	<b>R 40</b>
C	LC	PC	PC	PC	C	PC	NC	PC	LC

## III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

- 3.1 Progress in resolving the technical compliance deficiencies identified in the MER/FUR**
5. Since the adoption of its MER in September 2018, Seychelles has taken measures aimed at addressing the technical compliance deficiencies identified in its MER. As a result of this progress, 1 Recommendation was re-rated (upgraded) to C, 4 Recommendations were re-rated (upgraded) to LC while 1 Recommendation was not re-rated (PC) as highlighted in the Table 2.2 below:

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

<sup>2</sup> Enhanced follow-up is based on the traditional ESAAMLG policy for members with significant shortcomings (in technical compliance or effectiveness) in their AML/CFT systems and involves a more intense follow-up process.

<sup>3</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC).

**Table 3. 1. Technical compliance Re-ratings, September 2021**

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

**3.1.1 Recommendation 4 – Confiscation and Provisional Measures (Originally rated PC- Upgraded to C)**

6. Under its Second Round MER, Seychelles was assessed on the requirements of Recommendation 4 based on AML Act of 2006, the Proceeds of Crime (Civil Confiscations) Act, 2008, Criminal Procedure Code, 1995, and Prevention of Terrorism Act, 2004. The deficiencies were; there were no enabling mechanisms and/or provisions or case laws for confiscation of properties laundered from bank accounts, proceeds of the laundered properties from bank accounts and properties of correspondent value. The restraining orders for civil asset forfeiture under S. 5 of the POCA was applicable on properties whose values were not less than SCR 50,000 and there were no mechanisms for managing or disposing of properties subjected to confiscation order. It was rated PC. Seychelles repealed the AML law and promulgated a new AML/CFT Act in 2020, amended the Proceeds of Crime (Civil Confiscations) Act in 2020, amended the Civil Procedure Code (2021) and Prevention of Terrorism Act in 2021 to address the deficiencies.
7. **Criterion 4.1-(Met)-** Under the Second Round MER, Seychelles was rated Partly Met for c4.1(d). The main deficiency was that there were no enabling mechanisms and/or provisions or case laws for confiscation of proceeds of the laundered properties relating to bank accounts and properties of correspondent value. To address the deficiencies under

this criterion in the MER, the Proceeds of Crime (Civil Confiscation) Act (POCA) was amended in 2020 to align it with a number of definitions in the in the AML & CFT Act, 2020. S.2 of the AML & CFT Act, 2020 defines property to include money and all property, real or personal, heritable or moveable, including tangible or intangible or incorporeal property or a virtual asset and any reference to the property shall be construed as including reference to any interest in property, and includes property outside the Republic where by virtue of its domestic jurisdiction generally, in rem or in personam or by virtue of an arrangement with any other country or territory, the Court might be in a position to enforce or secure compliance with any order it might make or where it might otherwise exercise jurisdiction in relation to that property to comply with an arrangement or a request from another country or territory. The AML & CFT Act 2020 has also defined proceeds of crime to mean any property or economic advantage or income, capital or other economic gain or benefit or part thereof derived or realized directly or indirectly from, or as a result of, (a) the commission of an offence in Seychelles, and (b) any act committed outside Seychelles, which, if it had been committed in Seychelles, would constitute an offence; and includes property that has been converted or transformed, in full or in part, into other property. Further the AML & CFT Act 2020 defines “benefit from criminal conduct” to mean money or property derived, obtained or realized, directly or indirectly, by any person from criminal conduct. The POCA has incorporated these definitions to have the same meanings as in the AML/CFT Act. The Criminal Procedure Code (Amendment) 2021 has defined proceeds of an offence to mean any property or property of corresponding value derived from the commission of an offence. Therefore, the definitions above and other legislation highlighted in the MER (Prevention of Terrorism Act) covers; (a) laundered property, (2) proceeds of (including income or other benefits derived from such proceeds), or instrumentalities used or intended for use in, ML or predicate offences, (3) property that is the proceeds of, or used in, or intended or allocated for use in the financing of terrorism, terrorist acts or terrorist organisations, and, (4) property of corresponding value.. **Therefore c.4.1 is met.**

8. **Criterion 4.2-(Met)-** In relation to c.4.2(a), In the 2018 MER, the assessment found that Seychelles framework did not expressly provide powers for the tracing or identification of property that may become subject to confiscation or is suspected of being proceeds of crime. Seychelles amended its law to provide for measures that enable her competent authorities to identify, trace, and evaluate property that is subject of confiscation through S.64 (1) & (2) of the AML & CFT Act, 2020 which empowers LEAs, during investigation of an offence, to request for all relevant information held by the FIU, other agencies or supervisory authorities as necessary to gather evidence, track, identify, recover, seize or confiscate the proceeds of the crime. S.2 of the same Act defines “proceeds of crime” to mean any property or economic advantage or income, capital or other economic gain or benefit or part thereof derived or realized directly or indirectly from, or as a result of the commission of an offence in Seychelles or any act committed outside Seychelles, which, if it had been committed in Seychelles, would have constituted an offence and it includes property that has been converted or transformed, in full or in part, into other property.

The definition of proceeds is wide enough to cover any property which is subject to confiscation. **Therefore c.4.2(a) is met.**

9. In relation to c.4.2(b), provisional measures, such as freezing or seizing, to prevent any dealing, transfer or disposal of property subject to confiscation, S.27 (1) (e) of the AML & CFT Act 2020 allows the FIU to take an administrative action of informing a reporting entity to freeze the banking or similar account of the entity or person in respect of whom any report has been submitted. The freeze operates for 10 days and can be extended by the Courts. S. 3 of POCA also allows courts to grant interim orders ex-parte prohibiting any person affected by the order from disposing of, or otherwise dealing with the whole or any part of the property or diminishing its value for a period of 30 days. Further, under S.69 of the AML & CFT Act, 2020, the Court may issue a restraint order prohibiting any person from dealing with any realizable property with conditions. S.69A, the restraint order may be granted ex-parte. **Therefore c.4.2(b) is met.**
10. Regarding c.4.2(c), in respect of taking steps that would prevent or void actions that prejudice Seychelles ability to freeze or seize or recover property that is subject to confiscation, S. 27 (1) (d), of the AML & CFT Act allows FIU to direct any reporting entity or person to refrain from completing any transaction, where there are reasonable grounds to believe that a transaction or activity reported to it involves a criminal conduct, money laundering or terrorist financing activity. Under S. 4 of the POCA, the interim order that was granted ex-parte under Section 3 may be continued until the conclusion of the matter. Similar provisions are also under S.69 of the AML & CFT Act, 2020. **Therefore c.4.2(c) is met.**
11. In relation to c.4.2(d), S. 64 of the AML & CFT Act authorises LEAs when investigating offences under the Act to request all relevant information held by FIU, other agencies or supervisory authorities as may be necessary to gather evidence, trace, recover, seize or confiscate the proceeds of crime. S.64 (2) extends these powers to property which is outside Seychelles and it empowers LEAs to collaborate with counterparts. **Therefore c.4.2(d) is met.**
12. **Criterion 4.3-(Met)**- Seychelles was rated met on this criterion based on S. 69 of the AML & CFT Act, 2020, the POCA and the Prevention of Terrorism Act (PTA) protect the interests that any third party may have in a property that is subject to a forfeiture order. See also ss 4 and 28 of POCA, and ss 29 and 37(6), 37(7), 37 (8) of the PTA. The relevant provisions have not changed and **therefore c.4.3 remains met.**
13. **Criterion 4.4-(Met)**- In 2021 Seychelles promulgated the Custody, Management and Disposal of Seized, Forfeited or Confiscated Properties Act. The Act became operational on 6<sup>th</sup> October 2023. S.3 of the same Act establishes an Asset Management Unit which has the responsibility to have custody, manage, and dispose seized, forfeited or confiscated property (s.5). The procedures to manage, maintain or dispose of properties which were subjected to seizure, forfeiture or confiscation have been prescribed in Regulations in

accordance with s.10 (1). The Regulations were promulgated on 6<sup>th</sup> October 2023. **Therefore c.4.4 is met.**

*Weighting and conclusion*

14. Seychelles has addressed all deficiencies that were noted under Rec 4. **Therefore R.4 should be re-rated from PC to C.**

**3.1.2 Recommendation 6 – Targeted Financial Sanctions related to Terrorism and Terrorist Financing (Originally rated PC – No Re-rating)**

15. Under its Second Round MER, Seychelles was assessed on the requirements of Recommendation 6 based on Prevention of Terrorism Act, 2004 and Prevention of Terrorism Regulations 2015. The deficiencies were that there was no evidentiary standard of proof of reasonable grounds provided for in the law. The law did not provide for procedures and standard forms for listing as adopted by the relevant committee. There was no legal basis for providing as much relevant information as possible on the proposed name for designation. There was no legal basis for the competent authority to collect or solicit information, to identify persons and entities that meet the criteria for designation. Further, there were no legal provisions requiring competent authorities to operate ex-parte against any person or entity who has been identified and whose designation is under consideration. The obligation to freeze without delay did not extend to all funds or other assets that are owned or controlled by the designated person and individual terrorist. Further, it did not extend to jointly owned property. The Recommendation was rated PC. Seychelles has amended the PTA and the Regulations in 2021 and 2023 respectively. Criteria c.6.4, was rated mostly met while c.6.6 and c.6.7 were rated met in the MER.
16. **Criterion 6.1-(Met)-** In relation to c.6.1(a), as was assessed in the MER, Reg 4 (1) of the Prevention of Terrorism (Implementation of United Nations Security Council Resolutions on suppression of Terrorism) Regulations 2015 (PTR,) the National Countering Terrorism Committee (NCTC) is the competent authority responsible for proposing persons or entities to the 1267/1989 and 1988 committee for designation. **Therefore c.6.1(a) is met.**
17. With respect to c.6.1(b), Reg 5(1) provide for functions of the NCTC and Reg 5(1) (e) of the PTR empowers the NCTC to identify the persons or entities for designation as a competent authority, based on the designation procedures and standard forms of listing as adopted in UNSCR 1267/1989 (Al Qaida) and 1988 United Nations Sanctions Regimes. **Therefore c.6.1(b) is met.**
18. Regarding to c.6.1(c), Regulation 6(4) of the PTR provides a legal basis for Seychelles to apply an evidentiary standard of proof of reasonable grounds when determining whether to propose a person or entity for designation to the relevant committee. Moreover, the designation is not conditional upon the existence of any criminal proceeding. **Therefore c.6.1(c) is met.**

19. In relation to c.6.1(d), Reg 5(1) (f) of the PTR provides the mandate to follow the procedures and (in the case of UN Sanctions Regimes) standard forms for listing, as adopted by the relevant committee (the 1267/1989 Committee or 1988 Committee). **Therefore c.6.1(d) is met.**
20. With regard to c.6.1(e), Reg 6 (5) of the PTR obliges any competent authority in Seychelles to provide all relevant information and, as much as possible on a proposed name for identification and all necessary information sought for by the NCTC. **Therefore c.6.1(e) is met.**
21. **Criterion 6.2 (Met)-** In relation to c.6.1(a) and (b), as assessed in the MER, the NCTC is the competent authority responsible for proposing persons or entities to UNSCR 1373 for designation based on Reg 4(1) of the PTR. Reg 5 (1) (e) mandates the NCTC to identify the persons and entities for designation that meet the criteria for designation as set forth in UNSCR 1373 as put forth by the Committee or after examining and giving effect to, if appropriate, the request of another country. Further, Reg 10 allows the NCTC either on its own motion or upon request by another country to advise the AG to promptly recommend to the Minister of Internal Affairs that a designation should be made. The Minister then proceeds to gazette an Order designating the person or entity. **Therefore c.6.2(a) and (b) are met.**
22. With regard to c.6.2(c), Reg 10 (1) of the PTR gives power to the NCTC either on its own motion or upon request by a country pursuant to Resolution 1373, to advise the AG where there are reasonable grounds to support a recommendation to Minister to make an Order declaring any entity as a specified entity under section 3 of the Prevention of Terrorism Act (PTA). Further, Reg 10 (4) empowers the Ministry to immediately submit the request for designation to the NCTC for consideration as soon as practicable, and to consider if there are reasonable grounds to advise the AG to promptly recommend to the Minister that an Order be made declaring an entity as a specified entity under section 3 of the PTA. **Therefore c.6.2(c) is met.**
23. Regarding 6.2(d), Reg. 6(4) of the PTR allows Seychelles to apply an evidentiary standard of proof of reasonable grounds when deciding whether or not to make a designation. Moreover, the designation is not conditional on the existence of criminal proceedings. **Therefore c.6.2(d) is met.**
24. In relation to c.6.2(e), when requesting another country to take action under Security Council Resolution 1373, Regulation 10(5) of the PTR requires that such a request contain all necessary information relating to the identification and supporting information for the designation of the person or entity to be provided to the requesting country. **Therefore c.6.2(e) is met.**
25. **Criterion 6.3-(Met)-** With respect to c.6.3(a), Reg. 6(4) of the PTR provides the legal basis for the NCTC to solicit any information from the competent authorities that may be necessary to identify the persons and entities, based on a standard of proof of reasonable

grounds, to arrive at the conclusion that a person or entity shall be designated. **Therefore c.6.3(a) is met.**

26. In relation to c.6.3(b), Under Reg. 6(6) of the PTR the NCTC has the power to operate ex-parte against any person or entity who has been identified, and the proposal for the designation of such person or entity is under consideration by the NCTC. **Therefore c.6.3(b) is met.**

**Criterion 6.4- (Not Met)-** This criterion was rated MM in the MER.

27. Reviewers identified a material error in the 2018 MER on the implementation of TFS without delay. In the 2018 MER, the assessment observed that *Reg 14(2) of PTR requires any person or entity who identifies property in his possession belonging to a listed entity to, immediately and without notice, within 24 hours, to the listed entity to take necessary measures to freeze such property until further notice (See MER c.6.4).* The only deficiency noted then by the assessors was that this provision does not cover instances relating to the freezing of property of individual terrorists although this is not a requirement for c.6.4. In addition, the analysis in the 2018 MER did not consider how long it takes, and whether this is without delay, from the time a designation is made pursuant to relevant UNSCR 1267 and 1373 to the time it is circulated to reporting institutions and eventual freezing of funds or other assets in line with this Criterion. . **With respect to UNSCR 1267:** The implementation of TFS relating to TF is triggered by the FIU's dissemination of the relevant UNSC Consolidated List. Under Reg. 8(1) of the Prevention of Terrorism (Implementation of United Nations Security Council Resolutions on Suppression of Terrorism) (Amendment) Regulations, 2022, the Financial Intelligence Unit shall access the United Nations Security Council website **on every working day** to verify as to whether there have been any updates to the relevant United Nations Security Council Consolidated List. However, the gap in the Seychellois framework in instances where the UNSC updates the Consolidated List on a day (or immediately prior to a day) that is not a working day in Seychelles limits the implementation of TFS. In this scenario, the authorities will not be able to access and circulate to relevant stakeholders any updates to the UNSC list without delay. Further, the duration taken for the FIU dissemination to Supervisors, LEAs and other relevant authorities is unclear considering the text of Reg.8(2) of the PTR which employs the use of the word "**shall immediately disseminate**". Additionally, Reg.8(4) of the PTR requires all Supervisors, LEAs and other relevant authorities to, immediately upon receipt of the list disseminated to it by the FIU, circulate the List to all the entities under its purview for their information and to take necessary actions. Again, the term "immediately" used in this part of the framework impedes on the ability of the authorities to implement TFS without delay.

28. As to the domestic designation, Reg.11(5) of the PTR provides that when the Seychelles list is updated, the Secretary to the Committee shall immediately cause the updated

Seychelles list to be published on the website of the competent authorities. However, this is not done without delay. The framework is silent on how the updated Seychelles List shall be circulated by the competent authorities to all reporting entities responsible for the implementation of TFS to enable them to take action. While Reg.13. (1) provides that the distribution of a United Nations list or the Seychelles list shall be deemed to authorise any person or other entity who is in possession or control of property of a listed entity to freeze such property until further notice, such distribution of the Seychelles List to relevant authorities and persons responsible for the implementation of the TFS is not without delay. Further, Reg.13(1A) is also not clear on how long it will take for every person within the Republic to be seized of the Seychelles List so that they can be able to implement the freezing mechanism without delay.

29. The procedure for the implementation of TFS at the request of another country follows the same process as that of the domestic designation. Whenever a request for designation is made by another country pursuant to UNSCR 1373, the same shall be submitted to the Seychelles Mission in that country, or to the Ministry responsible for foreign affairs in Seychelles pursuant to Regulation 10(3) of the PTR 2015. Upon the receipt of the request, the Seychelles Mission or the Ministry of Foreign Affairs shall immediately submit the same to the Committee for consideration as to whether there are reasonable grounds to advise the Attorney General to recommend to the Minister that an Order be made declaring an entity as a specified entity {See Reg.10(4)}. Once the Order is made, the name of the person, entity, group or organisation shall be included in the Seychelles List and consequently, all actions relevant to the TFS are applied as part of the domestic designation. However, this process is not done without delay. **Therefore c.6.4 is Not Met.**
30. **Criterion 6.5- (Mostly Met)-** In relation to 6.5(a), S. 20D (2) of the PT (Amendment) Act, 2021 requires all natural and legal persons within Seychelles to freeze, within 24 hours and without prior notice, the property of a terrorist, a terrorist group, or a designated individual or entity. The word property has been defined under S.2 of the PTA to mean any assets, including, but not limited to financial assets, economic resources, which includes oil and other natural resources, property of every kind, whether tangible or intangible, movable or immovable, however, acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to bank credits, travelers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets, and any other assets which potentially may be used to obtain funds, goods or services. Although Seychelles has not defined the word funds in the Act, the definition of property is consistent with the definition of “funds and other assets” in the glossary of the FATF Standards. Therefore, the word funds in c.6.5(a) will be covered by the definition of property as it includes funds. However, the deficiency relating to c.6.4 impacts the rating of this Criterion. **Therefore c.6.5(a) is mostly met.**

31. As for c.6.5(b)(i), the obligation to freeze extends to all property that is owned or controlled by a terrorist, a terrorist group, or a designated individual or entity, and not just that which can be tied to a particular terrorist act, plot, or threat. (Section 20D(3)(i) of the PTA). **Therefore c.6.5(b)(i) is met.** The obligation to freeze also extends to property that is wholly or jointly owned or controlled directly or indirectly by a terrorist, a terrorist group, or a designated individual or entity (Section 20D(3)(ii) of the PTA), property derived or generated from property owned or controlled directly or indirectly by a terrorist, a terrorist group, or a designated individual or entity (Section 20D(3)(iii) of the PTA) and property of a person or entity acting on behalf of or at the direction of a terrorist, a terrorist group, or a designated individual or entity (Section 20D(3)(iv) of the PTA). **Therefore c.6.5(b) (ii-iv) are met.**
32. Regarding to c.6.5(c), under Section 20D (3A) (3B) (3C) (3D) (3E) of the PT (Amendment) Act 2021, all-natural and legal persons within Seychelles are prohibited from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities, entities owned or controlled, directly or indirectly, by designated persons or entities and persons and entities acting on behalf of, or at the direction of, designated persons or entities. **Therefore c.6.5(c) is met.**
33. In relation to c.6.5(d), Section 20E (3) requires that any designation made under any regulation made under 20E (1) be communicated without delay to all FIs and DNFBPs within 24 hours, with the guidance to take action for freezing such funds or assets, to hold targeted funds or other assets. **Therefore c.6.5(d) is met.**
34. As for c.6.5(e), Section 20E (4) of the PTA requires any FI and DNFBP to report to its respective supervisory authority of the freezing of any assets or any action taken in compliance with the designation made under regulations issued under subsection (1) or other actions taken in compliance with the requirements of the relevant UNSCRs, including attempted transactions. **Therefore c.6.5(e) is met.**
35. With respect to c.6.5(f), Reg. 16 (1) of the PTR protects bonafide third parties. It provides that person or any entity who claims to have been inadvertently affected by a freeze effected under regulation 14(2) may make an application to the Minister to unfreeze specified property. S.20F and Reg. 21A also provides that no bona fide third party will be prosecuted for any action taken in good faith for discharging his obligations and duties under those laws. **Therefore c.6.5(f) is met.**
36. *Criteria c.6.6 and c.6.7* were rated met in the MER and the legal basis has not changed.

***Weighting and conclusion***

37. Seychelles has addressed most of the deficiencies that were noted under Rec 6. However, Seychelles is unable to implement the TFS without delay. The deficiency relating to c.6.4 is fundamental which affects the rating of this Recommendation. **Therefore, there is no re-rating for R.6 and the rating will remain PC.**

### 3.1.3 Recommendation 7 – Targeted Financial Sanctions related to proliferation (Originally rated PC – No Re-rating)

38. The deficiencies that were noted in respect of Recommendation 7 in the 2<sup>nd</sup> Round MER were that there were no measures for implementation of targeted financial sanctions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing. Seychelles amended the PTA in 2021 to provide for Proliferation Financing and has promulgated PF Regulations in the same year.
39. **Criterion 7.1-(Not Met)-** Seychelles does not implement targeted financial sanctions without delay to comply with UNSCRs adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing. Reg 3 of SI 21 of 2021 (Prevention of Proliferation Financing Regulations provides that for the purposes of designation and listing of persons or entities under these regulations, the procedures prescribed under the Prevention of Terrorism (Implementation of United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2015, shall be applied mutatis mutandis under these regulations. The deficiencies identified under c.6.4 above apply to this Criterion. **Therefore c.7.1 is Not Met.**
40. **Criterion 7.2-(Met)-** In relation to c.7.2(a), the NCTC is the competent authority with the necessary legal authority and is responsible for implementing and enforcing targeted financial sanctions. Section 20D (2) of the PT (Amendment) Act, 2021 requires all natural and legal persons within the Seychelles to freeze, within 24 hours and without prior notice, the property of a designated individual or entity. **Therefore c.7.2(a) is met.**
41. With regard to c.7.2(b), Section 20D (3)(i) of the PTA requires the freezing obligation to cover the following: (i) All property that is owned or controlled by a designated individual or entity, and not just that which can be tied to a particular plot, or threat of proliferation; (ii) Property that is wholly or jointly owned or controlled directly or indirectly by a designated individual or entity; (iii) Property derived or generated from property owned or controlled directly or indirectly by a designated individual or entity; and, Property of a person or entity acting on behalf of or at the direction of a designated individual or entity. **Therefore c.7.2(b) is met.**
42. Regarding c.7.2(c), Under Section 20D (3A) (3B) (3C) (3D) (3E) of the PTA, all-natural and legal persons within Seychelles are prohibited from making any funds or other assets available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities, entities owned or controlled, directly or indirectly, by designated persons or entities and persons and entities acting on behalf of, or at the direction of, designated persons or entities. **Therefore c.7.2(c) is met.**
43. As for c.7.2(d), S. 20E (3) requires that any designation made under any regulation made under 20E (1) of the PTA be communicated without delay to all FIs and DNFBPs within

24 hours, with the guidance to take action for freezing such funds or assets, to hold targeted funds or other assets. **Therefore c.7.2(d) is met.**

44. In relation to c.7.2(e), S. 20E (4) of the PTA requires any FI and DNFBP to report to its respective supervisory authority of the freezing of any assets or any action taken in compliance with the designation made under regulations issued under 20E (1) or other actions taken in compliance with the requirements of the relevant UNSCRs, including attempted transactions. **Therefore c.7.2(e) is met.**
45. With respect to c.7.2(f), further, Reg. 4 and 4A of the Prevention of proliferation financing Regulations, 2021 protects bonafide third parties. It allows persons or entities to apply for delisting on the basis of mistaken identity and S.20F of the PTA provides that no bona fide third party will be prosecuted for any action taken in good faith for discharging his obligations and duties under those laws. **Therefore c.7.2 (f) is met.**
46. **Criterion 7.3-(Met)-** Under the 2nd Schedule of the AML/CFT Act 2020, the Central Bank of Seychelles, the Financial Services Authority, and the Financial Intelligence Unit are designated as sector supervisors for monitoring and ensuring compliance by FIs and DNFBPs with the relevant laws or enforceable means governing the obligations under Recommendation 7. S. 20G (1) compels FIs and DNFBPs to comply with the requirements of the PTA and report such compliance to the supervisory authority as designated under the AML/CFT Act, 2020 (being CBS, FSA and the FIU). Further, under S.20G (2) any FI and DNFBP that fails to comply with any of the requirements of the law commits an offense and, if a natural person, is liable on conviction to imprisonment, or to a fine and if it's a legal person, to a fine. **Therefore c.7.3 is met.**
47. **Criterion 7.4-(Met)-** In relation to c.7.4(a), Reg. 4A of the Prevention of Proliferation Financing Regulations 2021 (PPFR) provides that a listed party may submit a request for delisting directly to the Focal Point established within the United Nations Secretariat under the United Nations Security Council Resolution 1730. **Therefore c.7.4 (a) is met.**
48. With respect to c.7.4(b), Reg. 4 (6) (a) and (c) of the PPFR provides for publicly known procedures to unfreeze the funds or other assets of persons or entities that have been designated by mistake for having the same or similar name as a designated person. The regulation requires the AG or the NCTC to establish that the party is not the actual designated party or listed party (Reg. 4(6B) of the PPFR). Under Reg. 6A the responsibility rests with the NCTC to obtain required approvals at all stages from the relevant UNSC before making any recommendation to the AG for the deletion of the name of the entity appearing on the sanctions list. **Therefore c.7.4(b) is met.**
49. Regarding c.7.4(c), Reg. 5(2–8) of the PPFR and PPFR (Amendment) 2023 which amended Sub Reg 5(3) provides for procedures for authorizing access to funds or other assets where countries have determined that the exemption conditions set out in UNSCR 1718 and 2231 are met as set out in those resolutions. Reg 2 authorizes an entity which require funds to cover its basic and necessary or extraordinary expenses to submit an application along with necessary documents and information to substantiate the grounds in the application

to the NCTC. The NCTC has the mandate to consider an application and notify the relevant UNSC at all stages of its verification and the NCTC shall also communicate to the United Nations Sanctions Committee about its opinion on the release or otherwise of the funds or other property. **Therefore c.7.4(c) is met.**

50. As for c.7.4(d), Reg. 4(8) and (9) of the PFR require the Director FIC to circulate notice of the deletion to FIs and DNFBPs that may be holding targeted funds or other assets to respect the de-listing and unfreezing instructions. The circulation must be done within 24 hours of the order. **Therefore c.7.4(d) is met.**
51. **Criterion 7.5-(Met)-** In relation to c.7.5(a), Seychelles permits the payments to the frozen accounts of the interests or other earnings accrued on those accounts or payments due under contracts, agreements, or obligations that arose prior to the date on which those accounts became subject to the provisions of United Nations Security Council Resolution 1718 and 2231. Such interest or other earnings and payments shall be included in the frozen accounts, and the accrued interest or earnings shall also continue to be frozen (Reg. 6 of the PFR). **Therefore c.7.5(a) is met.**
52. With respect to c.7.5(b), Reg 7 of the PFR provides that any freezing action taken in pursuance of UNSCR 1737 and continued by Resolution 2231, or taken pursuant to Resolution 2231 should not prevent a designated person or entity from making any payment due under a contract entered into prior to the listing of such person or entity. It requires that the contract should not be related to any of the prohibited items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering, or services referred to in UNSCR 2231 and any future successor resolutions, the payment is not directly or indirectly received by a person or entity subject to the measures in paragraph 6 of Annex B to UNSCR 2231 and it has submitted prior notification to the Security Council of the intention to make or receive such payments or to authorize, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorization. **Therefore c.7.5(b) is met.**

#### ***Weighting and conclusion***

53. Seychelles has addressed most of the deficiencies that were noted under Recommendation 7. However, Seychelles is unable to implement the TFS related to PF without delay. The deficiency relating to c.7.1 is fundamental and affects the overall rating of this Recommendation. ***Therefore, R7 rating will remain PC.***

#### ***3.1.4 Recommendation 8 – Non-Profit Organisations (NPOs) (Originally rated NC – Upgraded to PC)***

54. The deficiencies noted in relation to Recommendation 8 in the 2<sup>nd</sup> Round MER were; there were no outreach activities and review of legal and regulatory framework. Seychelles had not conducted risk assessment to identify high risk NPOs for monitoring purposes. There

were no measures to ensure effective cooperation, coordination and information sharing among authorities. Seychelles has reviewed the Associations Act in 2022 and has carried out a TF Risk Assessment in 2023.

55. **Criterion 8.1- (Partly Met)-** In relation to c.8.1(a), Seychelles conducted the Terrorist Financing Risk Assessment (TFRA) in 2023 (unpublished), which included a review of the NPO sector in Seychelles. The methodology was provided by Greenacre Associates and implemented by a Technical Group comprising representatives from Financial Intelligence Unit, Financial Services Authority, Registrar of Associations and Citizens Engagement Platform, Seychelles, the Immigration Division, and Ministry of Internal Affairs. The methodology adopted when conducting the TFRA into the sector, included mapping of its size, features and activities with a view to identify features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse. The TFRA identified the subset of organizations falling within the FATF definition of NPO. The following features were used to identify the NPOs inherently at risk such as proximity to communities sympathetic to extremist causes, Unregistered NPOs, Funding from foreign sources, Unverifiable funding sources, Unverifiable controllers of NPOs, Foreign infiltration of religious associations and Trusts (and foundations). The identified NPOs includes Animal Welfare Associations, Arts and Culture Associations, Charity Associations, Community Associations, Culture Associations, Education Associations, Environment Associations, Foundation Associations, Health Associations, Humanitarian Associations, Religious Associations, Social Associations, Sport Associations, Charitable Trusts, and Charitable Foundations. Sources of information includes the FIU, Registrar General's Office Registration Division Department of Legal Affairs President's Office, Ministry of Finance, Trade and Investment, the Financial Crime Investigation Unit (FCIU) of the Seychelles Police Force, Immigration Office of Ministry of Home Affairs Immigration and Civil Status Department, Financial Services Authority, Attorney General's Office, National Sports Council, Seychelles Pension Fund, Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), Financial Institutions and trust service providers. **Therefore c.8.1(a) is met.**
56. The TFRA, assessed the overall risk of TF to NPOs as low. This is consistent with the findings of the 2018 NRA. The relevant findings of the NRA were that there were no known terrorist groups or cells that are active in Seychelles; no entities domestically designated under the Prevention of Terrorism Act; no known cases of funds raised in and/or moved out of Seychelles for use in financing of terrorism within or outside of the country; no known cases of domestic based terrorists targeting home or foreign jurisdictions; no known cases of terrorists on a global scale targeting Seychelles; and no known cases of Seychellois participating as foreign terrorist fighters. Seychelles is also perceived as a low-risk jurisdiction in the terrorist financing context both domestically and internationally. The TFRA revealed that the nature of threats and how terrorist actors abuse those NPOs include: the abuse of NPOs through foreign funding and international transfers (particularly for trusts and foundations); the abuse of NPOs through fundraising

activities for domestic incidents, and the infiltration of religious entities by individuals from West Africa when transferring funds to high-risk areas. **Therefore c.8.1(b) is met.**

57. Seychelles enacted a new Associations Act, 2022 that incorporated measures for NPOs related to promoting accountability, integrity, and public confidence. However, it is not clear whether such measures provided under the act are adequate to be able to take proportionate and effective actions to address the risk in the sector. Further, the Regulations under the Act have not been reviewed. **Therefore c.8.1(c) is partly met.**
58. Although Seychelles conducted the TFRA in 2023, which included a review of the NPO sector, there is no legal requirement or action plan or strategy for the NPO regulator to periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures. **Therefore c.8.1(d) is not met.**
59. *Criterion 8.2-(Partly Met)*- In relation to c.8.2(a), the Associations Act, 2022 represents the current policy of the authorities on NPO sector. The law incorporates policies to promote accountability, integrity, and public confidence. To promote these principles, the Act contains provisions that are aimed at registering NPOs in Seychelles before they start operating, submit their annual returns, granting rights of inspection to third parties, providing powers of the Registrar over associations to call for documents, books of accounts, etc anytime there is a reason to do so, contains requirements to maintain accounts and sanctions that can be applied in case of non-compliance. **Therefore c.8.2(a) is met.**
60. With respect to c.8.2(b), Seychelles has undertaken some outreach programs to deepen awareness among NPOs about the potential vulnerabilities of TF abuse. However, the extent of those programs do not appear adequate and do not appear to cover all NPOs identified as being at risk of TF abuse. It also appears to cover only the sensitization as regards to the new law. Further the donor community was not part of the outreach and education programs and there is no evidence to suggest that measures to protect NPOs against TF abuse were part of the sessions. **Therefore c.8.2(b) is not met.**
61. Regarding c.8.2(c), the authorities have started taking steps to work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse. However, reviewers are unable to establish if there are any best practices that have been developed. **Therefore c.8.2 (c) is met.**
62. As for c.8.2(d), under Section 28(1) of the Association Act, NPOs are required to open and maintain a bank account into which all monies received by the association shall be deposited. However, the authorities have not shown or provided any evidence to show that they do encourage the NPOs to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in Seychelles and in different areas of urgent charitable and humanitarian concerns. **Therefore c.8.2(d) is partly met.**

63. **Criterion 8.3-(Not Met)**- The Association Act, 2022 designated the Registrar of Associations as the entity responsible for monitoring and supervising NPOs. Although the sector TF risk was rated low, Seychelles has not shown that it has taken steps to promote effective supervision or monitoring such that they are able to demonstrate that risk-based measures apply to NPOs at risk of terrorist financing abuse. **Therefore c.8.3 is not met.**
64. **Criterion 8.4-(Not Met)**- With respect to c.8.4(a), the Registrar of Associations is the appropriate authority responsible for monitoring the compliance of NPOs' with the requirements of this Recommendation. This includes the risk-based measures. The Registrar has wide powers under the Act to register, de-register, conduct inspections, institute audits, institute criminal or civil proceedings or issue administrative sanctions. However, the Registrar has not started monitoring the compliance of NPOs with the requirements of recommendation 8, and in particular, the risk-based measures outlined under c8.3. **Therefore c.8.4(a) is not met.**
65. In relation to c.8.4(b), S. 39 of the Associations Act empowers the Registrar of Associations to apply sanctions for violations by NPOs or persons acting on their behalf. Violations can be punished by a level 2 fine or a maximum of six months sentence. This means that the offences under the Act are not considered serious offences (See c.3.2 of the Seychelles 2nd Round MER 2018). S. 40 of the Associations Act empowers the Registrar to impose administrative sanctions. However, since the offences are not serious offences in Seychelles, it therefore means that the Registrar of Associations is not able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs. **Therefore c.8.4(b) is not met.**
66. **Criterion 8.5-(Not Met)**- With respect to c.8.5(a), Seychelles does not have in place measures to ensure effective cooperation, coordination, and information sharing to the extent possible among all levels of appropriate authorities or organizations that hold relevant information on NPOs. It is not clear how the Registrar is able to share information with LEAs, FIU and other supervisory authorities. Although the National Anti-Money Laundering and Countering the Financing of Terrorism Committee ("NAC") is empowered to promote collaboration amongst institutions (S. 7 (1) (a) of the AML/CFT Act, it is not clear how the Registrar of Association benefits from such a provision. The Registrar of Associations has not signed any MOUs with any other appropriate authority. **Therefore c.8.5(a) is not met.**
67. In relation to c.8.5(b), the Registrar of Associations has the power under S.20 of the Associations Act to conduct inquiries into the affairs and conduct of associations. The power includes to summon and examine witnesses. S.21 empowers the Registrar to request registered association to furnish it with any information and produce any record or document within such time and at such place as it may determine. However, it is not clear if the Registrar has the investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist

organizations. It is also not clear if the Registrar, while in the course of implementing or enforcing the provisions of the Act, would refer criminal matters to Police. It therefore means that the Financial Crimes Investigation Unit of the Seychelles Police (the specialized unit of the police that deals with all investigations related to TF) will have to investigate any issues using the powers they have under Recommendation 31. **Therefore c.8.5(b) is partly met.**

68. Regarding c.8.5(c), although s. 16 of the Associations Act provides for any person to have a right to inspect the register and obtain a certified copy of any document of a registered association from the Registrar, it does not ensure full access to information on the administration and management of particular NPOs (including financial and programmatic information) that may be obtained during the course of an investigation. It does not show or empower the Registrar to have any working relationship with any LEA or competent authorities or supervisors. The law does not empower the Registrar to share information with law enforcement agencies and institutions involved in the prevention of ML/TF/PF. **Therefore c.8.5(c) is not met.**
69. As for c.8.5(d), Seychelles has not demonstrated that it has established appropriate mechanisms to ensure that when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action. **Therefore c.8.5(d) is not met.**
70. **Criterion 8.6-(Partly Met)-** Seychelles has identified points of contact being the FIU (S.27(1)(c) of the AML/CFT Act 2020, the Registrar of Associations (S. 37(1) of Associations Act) and Ministry of Foreign Affairs (MLA requests) to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support. However, there are no clear procedures that have been established by the Registrar of Associations. **Therefore c.8.6 is partly met.**

***Weighting and conclusion***

71. Seychelles has addressed some of the requirements under Recommendation 8. However, there are major shortcomings that should be addressed. The measures provided under the Act are not adequate to be able to take proportionate and effective actions to address the risks in the sector. Regulations under the Act have not been reviewed. There is no legal requirement for the NPO regulator to periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures. The extent of outreach and educational programs do not appear to be adequate and do not appear to cover all NPOs identified as being at risk of TF abuse. The donor community has not been reached as part of the outreach and

education programs and there is no evidence to suggest that measures to protect NPOs against TF abuse have been part of the awareness sessions. It is not possible to establish if there are any best practices that have been developed. Further the authorities have not shown or provided any evidence to show that they do encourage the NPOs to conduct transactions via regulated financial channels, wherever feasible. Although the sector TF risk was rated low, Seychelles has not shown that it has taken steps to promote effective supervision or monitoring such that they are able to demonstrate that risk-based measures apply to NPOs at risk of terrorist financing abuse. The Registrar has not started monitoring the compliance of NPOs with the requirements of recommendation 8, and in particular, the risk-based measures. The offences are not serious offences in Seychelles and as such the Registrar is not able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs. The Registrar has not established measures to share information with LEAs, FIU and other supervisory authorities. The Registrar of Associations has not signed any MOUs with any other appropriate authority. The Registrar has no investigative expertise and capability to examine NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organizations. It is not clear how the Registrar ensure full access to information on the administration and management of particular NPOs (including financial and programmatic information) that may be obtained during the course of an investigation. The Registrar's working relationship with LEAs, competent authorities or supervisors is not clear. There are no appropriate mechanisms to ensure that when there is suspicion or reasonable grounds to suspect that a particular NPO is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation this information is promptly shared with competent authorities, in order to take preventive or investigative action. Also, there are no clear procedures that have been established by the Registrar of Associations to respond to international requests for information regarding particular NPOs. *Hence, Reviewers recommend that the rating of R.8 be upgraded from NC to PC.*

#### IV. CONCLUSION

72. Seychelles has made progress in resolving some of the technical compliance deficiencies identified in its MER. Reviewers considered information provided in support of the request for re-rating of Recommendations 4, 6 and 7 initially rated PC and 8 initially rated NC and ratings for two (2) Recommendations have been revised.
73. Recommendation 4 is upgraded from PC to C while Recommendation 8 is upgraded from NC to PC. The ratings of Recommendations 6 and 7 remain PC.
74. Considering overall progress made by Seychelles since the adoption of its MER, its technical compliance with the FATF Recommendations has been revised as shown in Table 4.1 below.

**Table 4.1 Technical Compliance Re-rating, April 2024**

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

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