



FINANCIAL INTELLIGENCE UNIT
P. O. Box 7021, Ile Perseverance, Seychelles
Telephone number: (+248) 4383 400
Fax number: (+248) 4225 002

CIRCULAR N° 3 OF 2021

**OBLIGATIONS TO APPLY ENHANCED DUE DILIGENCE AND ENHANCED
ON-GOING MONITORING TO HIGHER RISK JURISDICTIONS**

This Notice is hereby issued to reporting entities specified under Part C (except entities at serial numbers 7 and 8) of the First Schedule of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2020 (“AML/CFT Act”).

Section 41 (3) of AML/CFT Act and Regulation 16 of the Anti-Money Laundering and Countering the Financing of Terrorism Regulations, 2020 (“AML/CFT Regulations”) calls for all reporting entities to apply enhanced due diligence and enhanced ongoing monitoring required under section 35 of the AML/CFT Act on a risk-sensitive basis, in any situation which by its nature presents a higher risk of money laundering, terrorist financing activities or other criminal conduct, or in respect of a business relationship with persons from, and transactions in, countries which do not apply or fully apply the Financial Action Task Force (“FATF”) Recommendations. As part of the work done by the FATF and on the basis of the results of the review by the International Co-operation Review Group (ICRG), the FATF publishes public documents that are issued three times a year which identifies jurisdictions with strategic AML/CFT deficiencies.

High-Risk Jurisdictions Subject to Call for Action

High-risk jurisdictions have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing (ML/TF/PF). For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing ML/TF/PF risks emanating from the country. The following web link to the FATF website

provides the list of high-risk and monitored jurisdictions as identified by the FATF:
<http://www.fatf-gafi.org/countries/#high-risk>

Jurisdictions Under Increased Monitoring

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter ML/TF/PF. While the FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions, reporting entities are recommended to take into account this information in their risk analysis.

All reporting entities are required to ensure that they remain up to date with the information provided by the FATF in regards to high-risk and other monitored jurisdictions and are aware of any changes or updates made to these two lists published by FATF. Reporting entities are reminded of the importance of complying with their obligations under Section 41 (3) of the AML/CFT Act and Regulation 16 of the AML/CFT Regulations to apply enhanced due diligence and enhanced monitoring in relation to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.

Reporting entities are also being called upon to undertake the following additional actions (at a minimum) to demonstrate compliance with the above requirement:

(a) In Relation to High-Risk Jurisdiction Subject to a Call for Action

- consult the FATF public documents which are published on the website of the FATF (<https://www.fatf-gafi.org/>) on a continuous basis to identify any changes and apply the countermeasures recommended by the FATF in those documents;
- give special attention to business relationships and transactions with persons (both natural and legal persons) in those high-risk countries, including

companies, legal arrangements/trusts and financial institutions based in those countries;

- strengthen systems and controls in managing their exposure to the vulnerabilities identified by FATF; and
- ensure that correspondent relationships, in particular, are not being used to evade countermeasures and risk mitigation practices.

(b) In relation to Jurisdictions under increased monitoring

- to take into consideration the information published by the FATF relating to these jurisdictions in their risk assessments; and
- to review the FATF website on a continuous basis to identify whether any changes or updates have been published by the FATF, at least 3 times a year (namely in February, June and October)

In the event of any updates, the FIU will also be notifying reporting entities, in writing, of same.

Failure to comply with Section 41 (3) of the AML/CFT Act and Regulation 16 of the AML/CFT Regulations shall lead to the FIU taking relevant enforcement actions as provided for by relevant legislations.

The FIU reaffirms its commitment to safeguard the integrity of the Seychelles' financial system and trust on the full support and cooperation of reporting entities in maintaining effective systems of controls.

Should you have any queries, please do not hesitate to contact the Supervision & Compliance Division on Tel: (+248) 4383 431 or email to supervision@fiu.sc.

Financial Intelligence Unit

February 24, 2021