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**CIRCULAR N° 1 of 2020**

**Assessment of AML/CFT Controls of 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**

This Notice is being 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”).

In line with the Financial Action Task Force (“FATF”) Recommendations<sup>1</sup> 26 and 28 and recommendations made following the second round of mutual evaluation conducted by the Eastern and Southern Africa Anti-Money Laundering Group (“ESAAMLG”) in relation to the Seychelles’ supervisory framework in the Mutual Evaluation Report 2018<sup>2</sup>, recommendations were made for Seychelles to implement a risk-based approach to supervision which would allow Supervisory Authorities to effectively allocate its resources to AML/CFT supervision according to its understanding of risks.

As a result, and as part of the Government’s commitment to strengthen Seychelles AML/CFT Framework, the AML/CFT Act, enacted on March 6<sup>th</sup>, 2020, makes provision for the following:

- The designation of the Central Bank of Seychelles, the Financial Services Authority and the Financial Intelligence Unit (“FIU”) as sectoral supervisors, with the FIU being responsible for supervising and enforcing compliance of the AML/CFT Act by reporting

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<sup>1</sup> FATF (2012-2019), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, FATF, Paris, France ([www.fatf-gafi.org/recommendations.html](http://www.fatf-gafi.org/recommendations.html))

<sup>2</sup> ESAAMLG (2018), *Anti-Money Laundering and Counter-Terrorist Financing Measures – Seychelles*, Second Round Mutual Evaluation Report, ESAAMG, Dar es Salaam (<http://www.esaamlg.org/reports/me.php>)

entities specified under Part C (except entities at serial numbers 7 and 8) of the First Schedule of the AML/CFT Act [Section 55]

- The requirement for Supervisory Authorities to monitor reporting entities under its control on a risk-sensitive basis, taking into consideration the money laundering and terrorist financing risk profiles prepared by reporting entities and the adequacy and implementation of policies, internal controls and procedures by the reporting entities [Section 58 (1) and (2)]
- The obligation for reporting entities to take measures to identify, assess, understand and monitor its risks of money laundering and terrorist financing activities taking into consideration the risk factors as specified under Section 32 (2) of the AML/CFT Act, and take the appropriate measures to mitigate the risks identified [Section 32 (1) and (2)]

In light of the above, the FIU is in the process of developing and implementing its Risk-Based Supervision Framework to ensure effective allocation of resources for the supervision of reporting entities under the FIU's purview.

As part of the implementation of its risk-based supervision framework, the FIU is required to understand the money laundering and terrorist financing risks across its reporting sectors, and the individual reporting entities within the sectors. This involves the collection of data and information from reporting entities, which will be facilitated through the completion of a Risk-Assessment Questionnaire (the "Questionnaire") developed by the FIU, in collaboration with the World Bank.

As such, the FIU would like to call upon all reporting entities specified under Part C (except entities at serial numbers 7 and 8) of the First Schedule of the AML/CFT Act to extend their full cooperation to the FIU Officers throughout the duration of this exercise.

Please be advised that the Supervision, Risk & Prevention Division of the FIU shall be disseminating the Questionnaire to the specified reporting entities during Quarter 3 of 2020 and

the FIU Officers shall be communicating with each reporting entity individually to provide assistance where necessary to ensure successful completion of the exercise.

It is important to note that the Questionnaire may also serve to assist the reporting entities in the conduct of their own institutional risk requirements in line with the requirements of Section 32 of the AML/CFT Act 2020 and the development of internal controls to mitigate the possible money laundering and terrorist financing risks identified. Further guidance on Institutional Risk Assessment will be provided to reporting entities by the FIU in due course.

The FIU looks forward to your usual cooperation and assistance during the conduct of this exercise.

**Supervision, Risk & Prevention Division**

**Financial Intelligence Unit**

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