



**Circular No. 10 of 2021**

**Date: 16<sup>th</sup> September 2021**

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

**HIGH RISK JURISDICTIONS**

Section 41(3) of the Anti-Money Laundering and Countering the Financing of Terrorism Act (“AML/CFT Act”) and Regulation 16 of the Anti-Money and Countering the Financing of Terrorism Regulations, 2020 (“AML/CFT Regulations”) calls for all reporting entities to apply enhanced due diligence measures 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 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 identifies jurisdictions with strategic AML/CFT deficiencies in the public documents that are issued three times a year.

**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 financing of proliferation. 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 money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country.

**JURISDICTION UNDER INCREASED MONITORING**

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. 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.

The following web link to the FATF website provides for the list of high risk jurisdiction as identified by the FATF:

<http://www.fatf-gafi.org/countries/#high-risk>

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:

- **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.
- **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.

In the event of any updates, the FSA 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 FSA taking relevant enforcement actions as provided for by relevant legislations.

The FSA counts on the usual cooperation of reporting entities in maintaining effective systems of controls in safeguarding the integrity of Seychelles.

Reporting entities may contact the FSA through email at [amlcft@fsaseychelles.sc](mailto:amlcft@fsaseychelles.sc) for any clarification or further information regarding the content of this Circular.