



Circular No. 3 of 2023

Date: 17th March 2023

Financial Action Task Force (“FATF”) statements concerning -

1) High-risk jurisdictions on which enhanced due diligence and, where appropriate, counter-measures are imposed

2) Jurisdictions under increased monitoring of the FATF

3) Jurisdictions no longer under increased monitoring

The Financial Services Authority (“FSA”) would like to draw the attention of all reporting entities to the following decisions taken by the FATF during its plenary meeting of February 22 to 24, 2023 concerning the countries placed under increased monitoring.

1) HIGH-RISK JURISDICTIONS ON WHICH ENHANCED DUE DILIGENCE AND, WHERE APPROPRIATE, COUNTER-MEASURES ARE IMPOSED

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 money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country. This list is often externally referred to as the “black list”.

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of High-Risk Jurisdictions subject to a Call for Action, given that they are already subject to the FATF’s call for countermeasures. Therefore, please refer to the statement on these jurisdictions adopted in February 2020. While the statement may not necessarily reflect the most recent status of Iran and the Democratic People’s Republic of Korea’s AML/CFT regimes, the FATF’s call for action on these high-risk jurisdictions remains in effect.

Given the continued lack of progress and the majority of action items still not addressed by Myanmar, the FATF calls on its members and other jurisdictions to apply enhanced due diligence measures

proportionate to the risk arising from Myanmar. When applying enhanced due diligence measures, countries should ensure that flows of funds for humanitarian assistance, legitimate NPO activity and remittances are not disrupted.

The following web link to the FATF website provides for the list of high risk jurisdictions subject to a call for action as identified by the FATF:

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-February-2023.html>

2) JURISDICTIONS 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. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to extra checks. In line with the flexible procedures adopted in February 2021 to allow FATF to continue its monitoring programme in light of the COVID-19 pandemic, the FATF has updated its statements for countries under review.

New jurisdictions subject to increased monitoring: South Africa and Nigeria

The following web link to the FATF website provides for the list of jurisdictions under increased monitoring as identified by the FATF:

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2023.html>

3) JURISDICTION NO LONGER UNDER INCREASED MONITORING – CAMBODIA AND MOROCCO

Cambodia has strengthened the effectiveness of its AML/CFT regime to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in February 2019 related to improvements in the legal framework for international cooperation and preventive measures, risk-based supervision of FIs and DNFBPs, improving the quality and quantity of FIU disseminations, increasing and improving investigation and prosecution of ML and asset confiscation and establishing and implementing a legal framework for PF TFS. Cambodia is therefore no longer subject to the FATF's increased monitoring process.

Morocco strengthened the effectiveness of its AML/CFT regime to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in February 2021 related to improving its international cooperation mechanisms, strengthening AML/CFT supervision, strengthening transparency of legal persons by ensuring timely access to accurate beneficial ownership information, strengthening the capacities of the FIU, enhancing capacities to conduct ML investigation and confiscate the proceeds of crime and improving effectiveness of the targeted financial sanctions regime. Morocco is therefore no longer subject to the FATF's increased monitoring process.

All reporting entities are hereby guided to refer the following link to the FATF website concerning the outcomes of the February 22 - 24, 2023 Plenary.

<https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-fatf-plenary-february-2023.html>

4) OBLIGATION TO APPLY ENHANCED DUE DILIGENCE AND ENHANCED ON-GOING MONITORING TO HIGHER 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 FATF Recommendations.

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 continued 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 for any clarification or further information regarding the content of this Circular.

FINANCIAL SERVICES AUTHORITY