



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Enhanced
Scrutiny for
Transactions
Involving the
Seychelles**

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This advisory is provided to alert recipients to the following information:

Banks and other financial institutions are advised to give enhanced scrutiny to all financial transactions routed into or out of the Seychelles, or involving persons domiciled in the Seychelles. Publication of this Advisory follows the February 1, 1996 condemnation of the Seychelles Economic Development Act (EDA) by the Financial Action Task Force (FATF), an independent group of 26 countries set up by the G-7 nations in 1989 to combat money laundering.

The Seychelles is a small island nation in the Indian Ocean and is a member of the British Commonwealth. The Seychelles' government has recently enacted the EDA--a law that authorizes it to grant concessions or incentives to persons who invest at least \$10 million in approved Seychelles investments. Among the concessions specifically permitted under the law are immunity from criminal prosecution and from forfeiture of assets. An exception to the immunity created by the EDA exists only for acts of violence or drug trafficking *in the Seychelles*.

The EDA undermines international efforts of the United States and other nations to counter money laundering. For example, the law would apparently create a safe haven, in the Seychelles, for the proceeds of drug trafficking in other nations. After studying the EDA and the situation in the Seychelles, the FATF found that the EDA constituted "a serious threat to the integrity of the world's financial system." A copy of the FATF's statement is attached.

Enactment of the EDA necessarily raises questions about the purposes of any significant or unusual financial transactions that are routed into or out of the Seychelles or that involve persons domiciled there. Banks and other institutions subject to the United States Bank Secrecy Act should examine available facts relating to any such transaction. Unless such examination reveals that the transaction possesses an independent lawful business purpose and is the sort in which the customer involved would be expected to engage, institutions subject to the suspicious activity reporting rules contained in 31 CFR 103.21 (effective April 1, 1996) should report such a transaction as provided in that rule. Institutions subject to the Bank Secrecy Act, but not yet subject to specific suspicious activity reporting rules, should consider their obligations to report such a transaction either under other applicable law or on a voluntary basis.





The Treasury Department will consider any report relating to a transaction described above to constitute a report of a suspicious transaction that may not be disclosed by the reporting institution to third parties, and to which the statutory protections against liability reporting apply. The prohibition against disclosure and the protection against liability for reporting are contained, respectively, in 31 U.S.C. 5318(g)(2) and (g)(3).

Handwritten signature of Stanley E. Morris

Stanley E. Morris
Director

FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, PO Box 39, Vienna VA 22183, (703) 905-3773. Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN. Information may also be faxed to (703) 905-3885.

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FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING CONDEMNS NEW INVESTMENT LAW IN SEYCHELLES

PARIS - The Financial Action Task Force (FATF), an independent group of countries and regions established to combat money laundering, said on Thursday that new provisions in the Seychelles pose a serious threat to the integrity of the world's financial systems.

The FATF, created in 1989, condemned the enactment of the Economic Development Act (EDA) in the Seychelles, and called on its members and other governments alike to bring all available pressure to bear on the Government of the Seychelles to repeal the EDA.

Under the Act, investors who place USD 10 million or more in approved investment schemes, may obtain immunity from prosecution for all criminal proceedings and also have their assets protected from compulsory acquisition or sequestration, unless the investor has committed acts of violence or drug trafficking in the Seychelles itself.

The FATF has issued forty Recommendations to combat money laundering. At a plenary meeting, applying its Recommendation 21, the FATF urged financial institutions world-wide to scrutinise closely business relations and transactions with persons, companies and financial institutions domiciled in the Seychelles. When these transactions have no apparent economic or visible lawful purpose, the institutions should, to the greatest extent possible, provide all available assistance to authorities investigating such persons.

“The clear design of the Seychelles law is to attract capital by permitting international criminal enterprises to shelter both themselves and their illicitly-gained wealth from pursuit by legal authorities,” said the President of the FATF, Mr. Ronald K. Noble, US Treasury Under Secretary for Enforcement.

“Drug traffickers and other criminals can enjoy the spoils of their illegal activities secure in the knowledge that the Seychelles authorities will protect them. This poses a grave threat to efforts to combat money laundering and maintain the integrity of the world's financial systems.”

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