

Seychelles

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Seychelles

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Offshore Finance Centre</p> <p>Compliance of OECD Global Forum's information exchange standard</p>
Medium Risk Areas:	<p>US Dept of State Money Laundering assessment</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>coconuts, cinnamon, vanilla, sweet potatoes, cassava (tapioca), copra, bananas; poultry; tuna</p> <p>Industries:</p> <p>fishing, tourism, processing of coconuts and vanilla, coir (coconut fiber) rope, boat building, printing, furniture; beverages</p> <p>Exports - commodities:</p> <p>canned tuna, frozen fish, cinnamon bark, copra, petroleum products (reexports)</p> <p>Exports - partners:</p> <p>France 27.8%, UK 17.7%, Japan 15.3%, Italy 10.7% (2012)</p> <p>Imports - commodities:</p> <p>machinery and equipment, foodstuffs, petroleum products, chemicals, other manufactured goods</p>	

Imports - partners:

Saudi Arabia 23.2%, Spain 11.9%, France 5.8% (2012)

Investment Restrictions:

There are no limitations on the participation of foreign capital in the services sectors except for the participation in the sectors referred to as "Reserved" and "Strategic" areas of investment. "Reserved" areas, according to Seychelles' current investment legislation, refer to activities which are reserved for domestic investors only, while "Strategic" areas relate to sectors in which domestic and foreign investors may be allowed to operate subject to conditions designed to protect the public interest.

The following is a list of areas which are reserved for domestic investors only:

1. Accommodation of up to 10 rooms (excluding luxury villas)
2. Live aboard up to 2 boats
3. Travel Agent
4. Tourist Guide
5. Car Hire Operator
6. Tour Operators
7. Boat Charter
8. Taxi Operator
9. Diving Centres (excluding dive operators)
10. Water Sports
11. Cottage Industry projects
12. Video Shops
13. Internet Reseller
14. Public Exhibition of films
15. Employment Agency
16. Building Contractor other than Class 1 contractor
17. Artisanal Fishing
18. Small Enterprises (except where the project introduces or ventures into an area never before invested in or it introduces new technology that has never before been applied in Seychelles then it will fall under the restricted area).

Investment Opportunities

The Government of Seychelles is seeking to attract foreign investment in the following areas:

1. High value added, capital intensive, and knowledge based activities;
2. High value added export oriented or high quality import substitution manufacturing activities including fish processing;
3. Large scale basic agro and food processing industries;

4. Large tourism based activities of four to five star standards including eco-tourism and health tourism projects.

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Section 1 - Background

A lengthy struggle between France and Great Britain for the islands ended in 1814, when they were ceded to the latter. Independence came in 1976. Socialist rule was brought to a close with a new constitution and free elections in 1993. President France-Albert RENE, who had served since 1977, was re-elected in 2001, but stepped down in 2004. Vice President James MICHEL took over the presidency and in July 2006 was elected to a new five-year term; he was reelected in May 2011.



Section 2 - Anti - Money Laundering / Terrorist Financing

FATF status

Seychelles is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Seychelles was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Seychelles was deemed Compliant for 1 and Largely Compliant for 2 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

4 February 2013 - Extract from IMF Report: Seychelles: Sixth Review Under the Extended Arrangement and Request for an Extension of the Arrangement and Augmentation of Access:

"Seychelles has taken major steps in its endeavor to fight money laundering, financing of terrorism and to improve international tax co- operation. In 2012 we made comprehensive amendments to the Anti- Money Laundering (AML) Act to enhance the independence of our Financial Intelligence Unit (FIU), to establish a time-frame for its administrative freezing of suspected assets and to oblige related parties to supply documents, information and other material for investigative purposes. FIU is in the process of recruiting more staff to increase efficiency, improve its compliance function and to speed up the resolution of cases. We have also made important strides in strengthening our legislative framework that governs offshore activities. Following on recommendations of the last peer review report of the OECD Global Forum on transparency and exchange of information for tax purposes, amendments were made to several laws governing offshore financial sector activities such as trusts, foundations and funds as well as the taxation of these entities. OECD has since classified Seychelles as fully compliant with its international standards of exchange of information. These amendments should also facilitate international co- operation once Seychelles is admitted as a member of the Egmont Group."

US Department of State Money Laundering assessment (INCSR)

Seychelles was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Seychelles is not a major financial center, although it aspires to be. The Seychellois authorities consider drug trafficking, parallel market operations, theft, and fraud to be the major sources of illegal proceeds. Corruption is also a problem. In the past, Seychelles was negatively affected by piracy off the coast of Somalia. Seychelles is a consumer country for narcotics.

To diversify its economy beyond tourism and fisheries, and to increase foreign exchange earnings, the Government of Seychelles developed an offshore financial sector. It actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. The government is aware these activities increase the risk of money laundering. In its 2007-2017 strategic plan, the government proposed to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. The Financial Services Authority (FSA), which regulates and promotes the offshore non-banking financial sector, focuses solely on the licensing and regulation of the sector, while the Seychelles Investment Board engages in promotional activities. More than 100,000 IBCs are estimated to be registered with FSA. FSA must report suspicious transactions to the financial intelligence unit (FIU), which reports directly to the President.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 136: January 1 - November 12, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - November 12, 2015
Convictions: 0: January 1 - November 12, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Seychelles is preparing a money laundering/terrorist financing National Risk Assessment with assistance from an international donor. In August, 2015, Seychelles enacted a new Prevention of Terrorism law that establishes a formal process for formulating and implementing a plan to counter the financing of terrorism.

The AML law provides for a cross-border currency declaration system. Additionally, the Central Bank must record all outgoing (foreign) transfers greater than Rs 50,000 (approximately \$3,400). All money and value transfer service providers in Seychelles must notify the FIU on a weekly basis of all outbound international transfers valued between Rs 10,000 (approximately \$700) and Rs 50,000 (approximately \$3,400). From January 1 - November 12, 2015, 17,626 such transfers were reported. Most of these transactions were remittances sent by expatriate workers in the construction and tourist sector to their relatives overseas.

In June 2015, the FIU issued updated AML/CFT guidelines. On October 20, 2015, the Central Bank of Seychelles, the FSA, and the FIU signed a Memorandum of Understanding to improve cooperation within the three entities. It appears there is an over-reliance on the FIU as the exclusive authority for AML/CFT, as opposed to a system of shared responsibility with other agencies. Furthermore, AML/CFT authorities seem to focus on asset forfeiture rather than the development of money laundering cases. This is demonstrated by the lack of any convictions for money laundering. There is also a lack of oversight of certain obligated reporting sectors.

The Government of Seychelles should continue to improve the implementation of its AML/CFT framework, including its analysis of suspicious transaction reports (STRs) and financial crimes, investigations, and prosecutions. The sharing of information and interagency cooperation should be developed. Additionally, it should mandate enhanced due diligence procedures when appropriate, and in this regard consider extending its definition of politically exposed persons (PEPs) to persons holding prominent public positions in Seychelles itself. The government also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore activity, and should actively enforce its financial services regulations.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Seychelles does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

Know Your Customer Provisions - By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/ Customer Due Diligence programs for their customers or clientele.

EU White list of Equivalent Jurisdictions

Seychelles is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Seychelles is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012:

Production of narcotics in Seychelles is limited to the growing of cannabis. Plants are grown outdoors and seizures are regularly made at locations throughout the larger islands. Over the last twelve months, significant progress has been made in suppressing drug activity on the street level and the importation/trafficking level. Between 15 to 20 persons are arrested each week for minor drug offences such as possession, obstruction, etc.

In 2011, more than 1,000 mature marijuana plants were seized. This figure is substantially higher than the figure in 2009/2010 when some 191 plants were seized. All of the compressed cannabis and herbal material is imported into the Seychelles. Seychelles is not a major producer or exporter of illegal drugs, or a transit route for drug trafficking. Other illicit drugs, primarily heroin and to a lesser extent cannabis products, are brought into Seychelles for consumption with some small share going for transshipment to other markets.

Seychelles National Drug Enforcement Agency (NDEA) of the Seychelles Police Force works closely with other law enforcement and health agencies on drug control and education/treatment programs throughout the country, and cooperates with U.S. government agencies. The NDEA continues to look for ways to improve its resources and to build its capacity. Seychelles is a party to the 1988 UN Drug Convention. Seychelles is a party to the UN Convention Against Corruption and the UN Convention against Transnational Organized Crime.

The NDEA appears on track, based on data as of October 2011, to record an increase in seizures and cases filed involving illegal drugs. Seychelles customs has recorded record levels of seizures over the last three years. The NDEA and Customs credit the increase in illicit drug seizures and arrests in recent years to their ongoing operations with other units of the police force and cooperation with immigration and profiling. The Government of Seychelles (GOS) collaborates with the Drug Enforcement Administration, United Nations Office on Drugs and Crime, and the International Narcotics Control Board.

Based on narcotic seizures, arrests, and rehabilitation program participation, marijuana has become the most commonly consumed drug in Seychelles closely followed by heroin. Non-governmental organizations (NGOs) believe that there are approximately 3000 abusers of which 1000 to 1500 are injecting. The NDEA states that there are 5000 substance abusers including alcohol abuse. The Ministry of Health provides treatment for drug addicts at a number of outlets in Seychelles. A disturbing increase in Hepatitis C cases has prompted the government to consider the use of a methadone substitute to maintain addicts during treatment and to introduce a needle exchange program. NGOs provide counseling and prevention advice to supplement government efforts.

Seychelles' legislation controlling the illegal use of drugs dates from 1991. The GOS has clearly indicated that it will deal harshly with drug traffickers and has now adopted a 'zero tolerance' approach to any drug related activity. This has resulted in significant reduction in the availability of drugs and in the ability of the traffickers to conduct business. Retired Irish police officers, contracted to advise the Seychelles Police, have made a positive impact on

the capacity of Seychelles Police to enforce the law. The government of the Seychelles does not encourage or facilitate drug trafficking as a matter of government policy, and senior officials of the government are not believed to be involved in such activity.

The U.S. government provides training assistance to Seychelles law enforcement agencies, including the NDEA, through the International Law Enforcement Academies in Gaborone, Botswana and Roswell, New Mexico, and through Africa Command, the FBI, and NCIS.

US State Dept Trafficking in Persons Report 2014 (introduction):

Seychelles is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Seychelles is a source country for Seychellois children subjected to sex trafficking, a destination country for foreign women subjected to sex trafficking, and a destination country for foreign men subjected to labor trafficking. Seychellois girls and, according to some sources, boys are induced into prostitution—particularly on the main island of Mahe—by peers, family members, and pimps for exploitation in nightclubs, bars, guest houses, hotels, brothels, private homes, and on the street. Young drug addicts are also vulnerable to being forced into prostitution. Foreign tourists, sailors, and migrant workers contribute to the demand for commercial sex in Seychelles. Eastern European women have been subjected to forced prostitution in private homes. Migrant workers—including those from Bangladesh, China, India, Kenya, Madagascar, Nepal, and Sri Lanka—make up 20 percent of the population in Seychelles and are primarily employed in the fishing and construction sectors. During the reporting period, migrant workers were subjected to forced labor in the construction sector. NGO reports also indicated migrant workers face exploitative conditions in fish processing plants and fishermen aboard foreign-flagged fishing vessels in Seychelles' territorial waters and ports are subjected to abuses indicative of forced labor, including but not limited to nonpayment of wages and physical abuse. In 2013, nine Pakistani fishermen, who had been denied payment of wages for approximately one year's work, were found stranded in a Seychelles port.

The Government of Seychelles does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, national committee on human trafficking developed drafts of anti-trafficking legislation and a national action plan to combat human trafficking; the legislation was adopted by the National Assembly in April 2014. However, the government did not report any prosecutions or convictions of trafficking offenders. It also did not identify any victims of trafficking, despite several reports of forced labor of migrant workers and at least one report of child prostitution. The government deported migrant workers for participating in strikes to protest their poor employment conditions without conducting comprehensive investigations and screenings to identify if the individuals were victims of forced labor.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	55
World Governance Indicator – Control of Corruption	78

Corruption and Government Transparency - Report by US State Department

Seychelles signed the UN Convention against Corruption in February 2004. In the 2013 Transparency International Corruption Perceptions Index, Seychelles ranked 47 out of 177 countries and territories, among the least corrupt in Africa. However, according to public polls, there is the increasing perception that those close to government, especially wealthy foreigners, receive special treatment and can circumvent certain laws if necessary.

Section 3 - Economy

Since independence in 1976, per capita output in this Indian Ocean archipelago has expanded to roughly seven times the pre-independence, near-subsistence level, moving the island into the upper-middle-income group of countries. Growth has been led by the tourist sector, which employs about 30% of the labor force and provides more than 70% of hard currency earnings, and by tuna fishing. In recent years, the government has encouraged foreign investment to upgrade hotels and other services. At the same time, the government has moved to reduce the dependence on tourism by promoting the development of farming, fishing, and small-scale manufacturing. In 2008, having depleted its foreign exchange reserves, Seychelles defaulted on interest payments due on a \$230 million Eurobond, requested assistance from the International Monetary Fund (IMF), and immediately enacted a number of significant structural reforms, including liberalization of the exchange rate, reform of the public sector to include layoffs, and the selling of some state assets. In December 2013, the IMF declared that Seychelles had successfully transitioned to a market-based economy with full employment and a fiscal surplus.

Agriculture - products:

coconuts, cinnamon, vanilla, sweet potatoes, cassava (tapioca), copra, bananas; poultry; tuna

Industries:

fishing, tourism, processing of coconuts and vanilla, coir (coconut fiber) rope, boat building, printing, furniture; beverages

Exports - commodities:

canned tuna, frozen fish, cinnamon bark, copra, petroleum products (reexports)

Exports - partners:

France 27.8%, UK 17.7%, Japan 15.3%, Italy 10.7% (2012)

Imports - commodities:

machinery and equipment, foodstuffs, petroleum products, chemicals, other manufactured goods

Imports - partners:

Saudi Arabia 23.2%, Spain 11.9%, France 5.8% (2012)

Banking

The Central Bank of the Seychelles is responsible for the supervision of the commercial banks, the bureaux de change and the micro finance institution. Banks and bureaux de change are licensed and supervised under the Financial Institutions Act 1994. The Development Bank of Seychelles has no designated supervisor.

Stock Exchange

The Seychelles Stock Exchange is expected to be operational in late 2011.

Executive Summary

Seychelles is an upper middle-income country with an estimated population of 90,825. Years of centrally-planned economic policies led to rapid economic development immediately after the socialist coup of 1977, but also created serious economic imbalances. These problems included large fiscal and external deficits and mounting debt arrears, which contributed to persistent foreign exchange shortages and slow growth that plagued Seychelles in the first decade of the 21st century. In October 2008, facing the near depletion of official foreign exchange reserves, Seychelles defaulted on interest payments due on its Eurobond valued at \$230 million, issued two years prior, severely damaging its credibility as a borrower. The government subsequently turned to the IMF for support and in an attempt to meet the conditions for a stand-by arrangement, implemented a program of radical reforms. These included a fundamental liberalization of the exchange rate regime, involving the devaluation and floatation of the Seychellois Rupee (SCR) and the elimination of all foreign exchange controls.

Seychelles' implementation and completion of its five-year reform program in late 2013 received praise from the IMF, and was helped by broad-based public support for the process and other ongoing market-based reforms. Seychelles welcomes foreign investment. However, while the country's investment policies encourage the exploitation of Seychelles' natural resources, the improvement of national infrastructure, and an increase in productivity levels, the Government of Seychelles also stresses the paramount importance of achieving this in an environmentally sound and sustainable manner.

While the Government of Seychelles has attempted to diversify the economy, it remains primarily focused on fishing and tourism. Seychelles' vast Exclusive Economic Zone (EEZ), which encompasses 1.3 million square kilometers of the western Indian Ocean, is viewed as a potential source of unexploited oil reserves and represents potential business opportunities for U.S. entities. Seychelles also has a small, but growing, offshore financial sector. There is also scope for U.S. investment in renewable energy as Seychelles seeks to reduce its heavy dependence on imported fossil fuels while preserving its naturally beautiful environment.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Seychelles welcomes foreign investment. The government's objective is to promote economic and commercial relationships to sustain its tourism and fishing industries, which are the main drivers of economic growth, as well as to diversify the economy.

Law/Regulations of FDI

There are no limitations on the participation of foreign capital in the economy except for the participation in the sectors referred to as "Reserved" and "Strategic" areas of investment. "Reserved" areas, according to Seychelles' current investment legislation, are activities reserved for domestic investors only, while "Strategic" areas relate to sectors in which

domestic and foreign investors may be allowed to operate subject to conditions designed to protect the public interest.

The following is a list of areas that are reserved for domestic investors only:

1. Accommodation of up to 10 rooms (excluding luxury villas)
2. "Liveaboard" (overnight scuba services up to 2 boats)
3. Travel Agent
4. Tourist Guide
5. Car Hire Operator (foreign franchises must be maintained by Seychellois)
6. Tour Operators
7. Boat Charter
8. Taxi Operator
9. Diving Centers (excluding dive operators)
10. Water Sports
11. Cottage Industry Projects
12. Video Shops
13. Internet Reseller
14. Public Exhibition of Films
15. Employment Agency
16. Building Contractor (with limited exceptions)
17. Artisanal Fishing
18. Small Enterprises (except where the project introduces or ventures into an area never before invested in, or introduces new technology that has never before been applied in Seychelles).

Industrial Strategy

Seychelles' economy is heavily dependent on fisheries and tourism. In an effort to diversify its economic base, the government of Seychelles seeks investment in the following areas:

1. Agribusiness
2. Food processing and packaging
3. Eco-tourism and health/medical tourism
4. Renewable energy

5. Marine technology, including oil exploration
6. Ocean industry support services
7. Environmental technologies, including, solid waste management and recycling

Seychelles' Exclusive Economic Zone (EEZ) is increasingly viewed as a potential source of unexploited oil reserves. Initial exploration has already begun to the immediate north of the main "inner" island group (Mahé, Praslin, and La Digue), and there is potential for further exploration in other areas. Petro Seychelles, which was established in 2012, is responsible for the upstream sector of the oil industry, including the promotion and supervision of oil exploration activities in Seychelles' waters.

There is also scope for investment in the renewable energy sector as Seychelles seeks to reduce its heavy dependence on imported fossil fuels while preserving its near-pristine environment. The government is working closely with several donors, including the International Finance Corporation (IFC), the Abu Dhabi Fund for Development, and the United Nations Development Program (UNDP) to encourage cleaner energy production and energy efficiency investments.

Privatization Program

The State remains a major player in the economy although the private sector is expanding, especially in the tourism and services sectors. A key aspect of the government's reform program relates to increasing the economy's market orientation and supporting private sector development. In this context, the government is working closely with the IMF and the World Bank to accelerate its privatization program and improve the business climate through a comprehensive review of the legal and regulatory framework.

Screening of FDI

The Seychelles Investment Board (SIB) is a "one-stop shop" for all matters relating to business and investment in Seychelles. SIB's main function is to promote investment and facilitate the investment process in line with the administrative, policy and legal framework. SIB also assists in screening potential investment projects in cooperation with other government agencies. The government of Seychelles is particularly keen to ensure that no business activity is undertaken at the expense of Seychelles' natural environment. In order for a business to be operational, all prospective investors need to apply for a license from the Seychelles Licensing Authority (SLA).

TABLE 1

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(47 of 177)	http://cpi.transparency.org/cpi2013/results/

Heritage Foundation's Economic Freedom index	2014	(117 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	(80 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	N/A	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 12,180	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Prior to November 2008, the Seychelles Rupee was pegged to the US dollar at a rate of USD 1 to SCR 5.5. The peg was removed as part of the IMF reform package begun in 2008. A freely floating exchange rate system is now in place and in 2013 the exchange rate remained between SCR 11 to SCR 12 to USD 1.

Remittance Policies

All foreign exchange controls were also removed in 2008 and foreign investors are free to repatriate their profits and other incomes.

3. Expropriation and Compensation

The law states that in the event of compulsory acquisition or taking of possession of any property by the government, the latter should pay "prompt and full compensation" for the property.

4. Dispute Settlement

Legal System

The Seychelles legal system is based on English Common Law, the Napoleonic Code and the amended 1993 Constitution. Civil Law is based on the French Napoleonic Code adapted to Seychelles and is known as the Civil Code of the Seychelles. Company Law is based on English Common Law. The highest court is the Court of Appeal.

Investment Disputes

Parties involved in investment disputes are encouraged to resolve their disputes through negotiations. The Seychelles Investment Act of 2010 provides for an Investment Appeal Panel to which aggrieved investors may appeal for a review of a decision made by a public sector agency with regard to their investments or proposed investments in Seychelles. In addition, investors may appeal to the Supreme Court (and potentially the Court of Appeal) in the event they are not satisfied with the decision of the Investment Appeal Panel.

ICSID Convention and New York Convention

In 1978 Seychelles signed the International Convention on the Settlement of Investment Disputes (ICSID). Seychelles is not a party to the New York Convention.

5. Performance Requirements/Incentives

Investment Incentives

Seychelles provides incentives for investment in several sectors, including: the fisheries sector under the Fisheries Incentives Act; the tourism sector under the Tourism Incentives Act; investments in the International Trade Zone under the Seychelles International Trade Zone Act; and fiscal incentives under the Investment Code.

Performance Requirements

Investors operating in Seychelles are expected to abide by the following obligations:

- To comply with the provisions of the governing laws on investment procedures and to carry out investment activities correctly in accordance with the relevant approvals granted. This includes the responsibility of the investor for the accuracy and truthfulness of the contents of investment proposals and registration; and of the lawfulness of document on certification;
- To discharge fully their financial obligations, including taxation, in accordance with the law;
- To carry out the provisions of the laws on accounting and auditing;
- To carry out the provisions of the laws on registration of companies and other legal entity;
- To carry out the provisions of the employment laws and regulations.

6. Right to Private Ownership and Establishment

Foreign and domestic investors are able to own and hold lands subject to the provisions of the Immovable Property (Transfer Restriction) Act of 1963.

In March 2014, the sale of freehold state land to non-Seychellois stopped. A policy on Alienation of Land and the Management and sale of state land as well as a Villa Policy was introduced. Non-citizens can still buy land freehold from private owners. Foreigners can obtain long term leases of state land. Before leasing land from the government, a foreign

investor must submit a project proposal to the Seychelles Investment Board for approval. Foreign nationals or companies engaging in foreign participation must obtain permission from the Ministry of Land Use and Housing before completing a purchase. The investor will need to use a notary or attorney to manage the transfer of ownership when buying land from a private individual or company, which will then need to be registered at the Registration Office.

In practice, the government engages in leases ranging from 60-99 years for commercial or industrial activities and has stopped selling state land.

7. Protection of Property Rights

The Republic of Seychelles respects intellectual property rights, and regards laws and other measures to protect them as crucial for long-term economic development. Efficient and effective protection of Intellectual Property Rights is considered vital by the government for promoting foreign investment, the transfer and dissemination of technology, and protecting local businesses and artists as well as facilitating the integration of Seychelles' economy into the regional and global economies. Seychelles joined the World Intellectual Property Organization (WIPO) in March 2000. In addition, the country became a contracting party to the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty (PCT) in November 2002. Seychelles is also a member of the African Regional Intellectual Property Organization (ARIPO). In 2013, an Intellectual Property Office was established to enable the registration of patents, trademarks and copyrights.

The Copyright Act, the Trade Marks Decree and the Patents Act contain provisions that lay down the procedures and measures dealing with infringement of intellectual property rights.

All foreign nationals and Seychelles citizens are treated equally in regard to IP laws. Seychelles legislation will not discriminate between nationals and foreigners, following WTO principles.

8. Transparency of the Regulatory System

Although the government has made considerable efforts to liberalize the economy, Seychelles continues to suffer from overregulation. Concerns over government corruption have focused on the lack of transparency in the privatization and allocation of government-owned land.

In an attempt to promote greater transparency in the public procurement system, Seychelles' National Tender Board publishes all its tenders on its web site and local newspapers. It also publicizes the contracts that have been awarded, including the name of the successful bidder as well as the bid amount in all local newspapers. The government has also set up a Procurement Oversight Unit, which serves as a public procurement policy and monitoring body.

9. Efficient Capital Markets and Portfolio Investment

Seychelles' financial services sector is regulated by the following laws: Financial Institutions Act 2004, Anti-Money Laundering Act 2006, Data Protection Act, Mutual and Hedge Fund Act 2007 and Central Bank Act 2004. In addition to the Central Bank of Seychelles, there are

eight commercial banks: Bank of Baroda, Barclays Bank, Habib Bank, Mauritius Commercial Bank, Nouvobanq, Seychelles Savings Bank (now known as Seychelles Commercial Bank), BMI Offshore Bank, and Bank of Ceylon. Seychelles also has two non-banking financial institutions, the Seychelles Credit Union and the Development Bank of Seychelles, which provide flexible financing for businesses and projects to promote economic growth and employment.

A wide range of financial services such as checking (current) accounts, savings accounts, loans, transactions in foreign currencies, and foreign currency accounts are available in the banking system.

Seychelles has a two-tier banking system separating the central and commercial bank functions and roles. The commercial banks, both domestic and foreign, are regulated and supervised by the Central Bank of Seychelles. According to the Central Bank of Seychelles Act 2004, the CBS is responsible for the formulation and implementation of the Seychelles' Monetary and Exchange Rate policies. The Central Bank of Seychelles is the only administrative body responsible for receiving applications for banking licenses, whether domestic or offshore, and issuing the corresponding licenses.

The government established a securities exchange at the end of November 2012 as part of its efforts to diversify the financial services sector.

10. Competition from State-Owned Enterprises (SOEs)

OECD Guidelines on Corporate Governance of SOEs

Seychelles is one of 14 countries participating in the State Owned Enterprises (SOE) Network for Southern Africa, which was launched in 2007 to support, in collaboration with the OECD, the southern African countries in their efforts to improve the performance of SOEs.

The government has shares in a number of enterprises, including Air Seychelles, the Indian Ocean Tuna Company, Seychelles Commercial Bank and Seychelles Broadcasting Corporation.

In March 2007, the government presented its National Development Plan - Seychelles Strategy 2017 - with the overarching objective of reducing the commercial activities of the State and stimulating private sector development

11. Corporate Social Responsibility (CSR)

OECD Guidelines for Multinational Enterprises

Seychelles is not an adherent to the OECD Guidelines for Multinational Enterprises. However, in the 2013 Budget, the Government of Seychelles proposed the introduction of a CSR contribution, which is applicable to all businesses that earn annual "turnover" of SCR 1 million (approximately USD 75,000) and payable at a rate of 0.5 percent of monthly turnover. The areas targeted under CSR include: the environment; waste and coastal management projects; health and wellness, including sports and leisure; training and capacity building; small enterprise development; community development; child and youth development; and arts and crafts.

12. Political Violence

The People's Party, commonly referred to as "Lepep," has governed Seychelles since the coup of 1977 and has won every election since the introduction of multi-party democracy in 1993. The constitution provides citizens the right to change their government peacefully, and citizens exercise this right in practice through periodic, free, and fair elections based on universal suffrage. Seychelles has not experienced large-scale political violence since the late 1970s.

13. Corruption

UN Anticorruption Convention

Seychelles signed the UN Convention against Corruption in February 2004. In the 2013 Transparency International Corruption Perceptions Index, Seychelles ranked 47 out of 177 countries and territories, among the least corrupt in Africa. However, according to public polls, there is the increasing perception that those close to government, especially wealthy foreigners, receive special treatment and can circumvent certain laws if necessary.

14. Bilateral Investment Agreements

Bilateral Taxation Treaties

Seychelles has signed Double Taxation Avoidance Agreements with China, South Africa, Oman, Botswana, Mauritius, Thailand, Malaysia, Vietnam, Cyprus, Belgium, Indonesia, the United Arab Emirates, Barbados, Kuwait, Qatar, and Zimbabwe, Bahrain, Kenya, Sri Lanka, and Guernsey.

15. OPIC and Other Investment Insurance Programs

In February 2012 Seychelles and the United States signed an OPIC agreement that will allow for U.S. firms to apply for assistance when investing in the Seychelles economy.

16. Labor

Seychelles' labor force is estimated at 52,000, out of which about 70 percent are employed by the private sector. Foreign migrant workers, who comprise about 24 percent of the labor force, are mainly employed in the construction and commercial fishing sectors. The unemployment rate is estimated at 3 percent, nearly full employment following the five-year IMF reform program.

Under Seychellois law it is legal for members of the labor force, with the exception of police, military, prison, and firefighting personnel, to form and organize unions, and these unions are legally allowed to participate in collective bargaining. Although collective bargaining is legal it rarely happens because the law gives the right to the government to review and approve all collective bargaining agreements in both the private and public sector. Strikes are illegal in Seychelles unless all other arbitration procedures have been exhausted.

Seychelles has a government-mandated minimum wage in the public sector, which currently amounts to SCR 4,050 (USD 340) per month based on a 35-hour work week. There is no official minimum wage in the private sector.

Seychelles has been a member of the International Labor Organization (ILO) since 1977. In November 2011, Seychelles and the ILO signed the 2011-2015 Decent Work Country Program, which seeks to address such issues as employment creation, consolidation and protection of workers' rights, enhancing social protection, and strengthening social dialogue.

17. Foreign Trade Zones/Free Ports

The Seychelles International Trade Zone (SITZ) Act of 1995 provides for the establishment of international trade zones, which aim to combine the benefits of a free port and an export processing zone. So far a number of locations have been declared International Trade Zones. A wide range of business activities is permissible provided they are export-oriented.

The concessions available to license holders in SITZ include the following:

- Exemption from customs duties on capital equipment to be used in SITZ;
- Exemption from Business Tax, Trades Tax and Withholding Tax;
- Exemption from social security contributions;
- Exemption from fees with respect to work permits;
- Entitlement to full foreign ownership.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

FDI Inflows

TABLE 2: The following table lists Foreign Direct Investment into Seychelles 2009-2012 (USD million)

	2009	2010	2011	2012
FDI Inflows	118	160	144	114

(Source: UNCTAD World Investment Report 2013)

FDI Outflows

TABLE 3: The following table outward Foreign Direct Investment from Seychelles 2009-2012 (USD million)

	2009	2010	2011	2012
FDI Outflows	5	6	8	4

(Source: UNCTAD World Investment Report 2013)

Key Macroeconomic data, U.S. FDI in Seychelles

Economic Data from World Bank (<http://www.worldbank.org/en/country/seychelles>)

Year: 2012

GDP (Millions U.S. Dollars): 1,129

Sources and Destination of FDI from IMF (<http://cds.imf.org>)

Seychelles, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	1,260	100%	N/A		
Mauritius	677	54%	N/A		
Cyprus	239	19%	N/A		
Russian Federation	91	7%	N/A		
United Kingdom	51	4%	N/A		
United States	39	3%	N/A		
"0" reflects amounts rounded to +/- USD 500,000.					

Sources of Portfolio Investment from IMF: N/A

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law, French civil law, and customary law

International organization participation:

ACP, AfDB, AOSIS, AU, C, CD, COMESA, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, InOC, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, MIGA, NAM, OIF, OPCW, SADC, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

There are no foreign exchange controls in Seychelles.

Treaty and non-treaty withholding tax rates

Seychelles has signed **37 agreements** (28 DTC and 9 TIEA agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Bahrain	DTC	24 Apr 2010	3 Feb 2012	Yes	Yes	
Barbados	DTC	19 Oct 2007	28 Feb 2008	Yes	No	
Belgium	DTC	27 Apr 2006	not yet in force	Yes	No	
Belgium	DTC Protocol	14 Jul 2009	not yet in force	Yes	Yes	
Bermuda	DTC	21 Jun 2012	19 Jul 2013	Yes	Yes	
Botswana	DTC	26 Aug 2004	22 Jun 2005	No	No	
Botswana	DTC Protocol	12 Mar 2013	not yet in force	Unreviewed	Yes	
China	DTC	26 Aug 1999	17 Jan 2000	Yes	No	
Cyprus	DTC	28 Jun 2006	27 Oct 2006	Yes	No	
Denmark	TIEA	30 Mar 2011	28 Jul 2012	Yes	Yes	
Ethiopia	DTC	14 Jul 2012	not yet in force	Unreviewed	Yes	
Faroe Islands	TIEA	30 Mar 2011	not yet in force	Unreviewed	Yes	
Finland	TIEA	30 Mar 2011	22 Nov 2012	Yes	Yes	
Greenland	TIEA	30 Mar 2011	not yet in force	Unreviewed	Yes	
Guernsey	TIEA	20 Dec 2011	22 Jul 2012	Yes	Yes	
Iceland	TIEA	30 Mar 2011	not yet in force	Yes	Yes	
Indonesia	DTC	27 Sep 1999	20 Apr 2000	Yes	No	
Isle of Man	DTC	28 Mar 2013	not yet in force	Yes	Yes	
Kuwait	DTC	7 Dec 2010	not yet in force	Unreviewed	No	
Lesotho	DTC	5 Sep 2011	not yet in force	No	Yes	
Luxembourg	DTC	4 Jun 2012	19 Aug 2013	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Malawi	DTC	6 Sep 2012	not yet in force	No	Yes	
Malaysia	DTC	3 Dec 2003	10 Jul 2006	No	No	
Malaysia	DTC Protocol	22 Dec 2009	not yet in force	Yes	Yes	
Mauritius	DTC	11 Mar 2005	22 Jun 2005	Yes	No	
Mauritius	DTC Protocol	3 Mar 2011	not yet in force	Yes	Yes	
Monaco	DTC	4 Jan 2010	not yet in force	Yes	Yes	
Netherlands	TIEA	4 Aug 2010	1 Sep 2012	Yes	Yes	
Norway	TIEA	30 Mar 2011	not yet in force	Yes	Yes	
Oman	DTC	13 Sep 2003	20 Jan 2004	Unreviewed	No	
Qatar	DTC	1 Jul 2006	9 Aug 2009	Yes	No	
San Marino	DTC	28 Sep 2012	30 May 2013	No	Yes	
South Africa	DTC	26 Aug 1998	7 Mar 2002	Yes	Yes	
Sri Lanka	DTC	7 Nov 2011	not yet in force	Unreviewed	Yes	
Swaziland	DTC	16 Oct 2012	not yet in force	Unreviewed	Yes	
Sweden	TIEA	30 Mar 2011	not yet in force	Yes	Yes	
Thailand	DTC	26 Apr 2001	14 Apr 2006	Unreviewed	No	
United Arab Emirates	DTC	18 Sep 2006	23 Apr 2007	Yes	No	
Viet nam	DTC	4 Oct 2005	7 Jul 2006	Unreviewed	No	
Zambia	DTC	5 Feb 2008	4 Jun 2012	Unreviewed	No	
Zimbabwe	DTC	6 Aug 2002	not yet in force	Unreviewed	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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