

# Seychelles

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RISK & COMPLIANCE REPORT

DATE: November 2018

## Executive Summary - Seychelles

<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	<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>
<b>Medium Risk Areas:</b>	<p>US Dept of State Money Laundering assessment</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Corruption Index (Transparency International &amp; W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b></p> <p>coconuts, cinnamon, vanilla, sweet potatoes, cassava (tapioca), copra, bananas; poultry; tuna</p> <p><b>Industries:</b></p> <p>fishing, tourism, processing of coconuts and vanilla, coir (coconut fiber) rope, boat building, printing, furniture; beverages</p> <p><b>Exports - commodities:</b></p> <p>canned tuna, frozen fish, cinnamon bark, copra, petroleum products (reexports)</p> <p><b>Exports - partners:</b></p> <p>France 27.8%, UK 17.7%, Japan 15.3%, Italy 10.7% (2012)</p> <p><b>Imports - commodities:</b></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 2018. According to that Evaluation, Seychelles was deemed Compliant for 10 and Largely Compliant for 10 of the FATF 40 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 0 of the Effectiveness & Technical Compliance ratings.

#### Key Findings from Mutual Evaluation Report

Seychelles has just completed its Money Laundering/Terrorist Financing (ML/TF) National Risk Assessment (NRA) to determine the nature and extent of risks facing the country and the findings were released during the on-site mission. As a result, the current AML/CFT Strategy is not informed by the findings of the results of the NRA.

The competent authorities have demonstrated a fairly good understanding of the ML/TF risks in Seychelles in general and their specific mandate in particular.

Financial Institutions (FIs) demonstrated a fairly good understanding of the ML/TF risks facing the products and services they provide as well as the AML/CFT obligations that apply to them, albeit at varying degrees.

Within the Designated Non-Financial Businesses Professions sector (DNFBPs), the International Corporate Services Providers (ICSPs) are the only reporting sector which demonstrated a good understanding of the ML/TF risks facing the sector as well as the AML/CFT obligations that apply to them.

A high number of suspicious transactions reports (STRs) have been filed by commercial banks, distantly followed by ICSPs. Notwithstanding, the number of the STRs filed appear low taking into account the materiality and risk exposure of the commercial banks and the ICSPs. The rest of the reporting entities either had negligible reports or had no reports filed at all.

While Seychelles has completed its ML/TF risk assessment, there is limited assessment of the Non-Profit Organisations (NPOs) sector to determine those NPOs which are considered as having higher TF risk exposure. Furthermore, the Registrar of Associations has no capacity to identify and supervise the NPOs which could be identified as posing higher TF risks.

Law enforcement agencies have inadequate capacity (technical, material and human) to identify potential ML/TF cases for investigation and prosecution. Whilst the authorities have investigated a few ML cases arising from drug related offences including one conviction, the focus has been on predicate offences.

The FIU, which is the only AML/CFT supervisor in Seychelles, has inadequate resources to effectively supervise or monitor compliance with AML/CFT requirements by reporting entities. As a result, the focus of the inspections has not been wide enough to cover the identified high risk reporting entities. It was, however, noted that the quality of the inspections conducted on commercial banks and ICSPs were generally of a reasonable quality, though the lack of sanctions even where it appeared warranted has affected effectiveness.

Reporting entities in Seychelles are required to establish the true identity of ultimate beneficial owners when establishing a business relationship or carrying out an occasional transaction. In addition, Seychelles requires ICSPs to maintain within the country a register of UBO information of IBCs. In practice however, effective implementation of the UBO measures is more observed in the commercial banking industry, distantly followed by ICSPs, than other sectors.

Seychelles' implementation of targeted financial sanctions against terrorist financing in terms of the United Nations Security Council Resolutions (UNSCRs) 1267 and 1373 (and its successor resolutions) is ineffective because of lack of proper coordination between the competent authorities.

Seychelles does not have both a legal and institutional framework nor mechanisms in place to implement targeted financial sanctions relating to proliferation financing.

Generally, MLA and extradition measures have been applied on predicate offences only and not on ML and TF cases. Effectiveness of the system on international cooperation could not be determined due to the absence of current case management system at the time of onsite visit.

## **Risks and General Situation**

Seychelles is one of the most developed jurisdictions in Africa . Seychelles considerably opened up its economy in the 2000s after moving away from a dominant state intervention to a more market-oriented policy framework. The financial services, driven by a deliberate policy to grow the international financial centre operations, became one of the central pillars, along with tourism and fisheries, of Seychelles' economy.

Seychelles is an international financial centre with a significant share in this area in Africa. The country has been growing its global business appeal and financial connections (mainly to Western Europe and South Asia) and has experienced a considerable prominence in the early 2000s. Seychelles is regarded as having one of the most attractive legal and regulatory environment for company formation, which is the catalyst for the country's international financial centre operations. Therefore, Seychelles has a large number of companies providing company formation, management and administration to international clients.

The financial sector is predominantly foreign-owned and diversified, which promotes significant integration with the global financial system. The sector accounts for the biggest share of transactions and contributes about 5 percent to the Gross Domestic Product (GDP) of the country. As at 2015, the total assets value was estimated at United States Dollar (USD)

1.26 billion. The National Risk Assessment (NRA) recognises the significant money laundering (ML) threat posed by non-resident clients. Financial Institutions (FIs) are allowed to rely on third parties or introduced business for customer due diligence (CDD) measures when opening a business relationship. For the international business operations, reliance on third parties or introduced business is only allowed if it comes from foreign regulated entities from jurisdictions deemed to have AML/CFT regulation and supervision. By law, however, the ultimate responsibility still rests with the principal.

Seychelles recognises the inherent threat of ML and TF emanating from being an international financial centre, most notably in relation to drug offences. The following sectors were identified as being vulnerable to ML/TF risks: commercial banks with operations in the international financial centre space; luxury real estate ; dealers in motors vehicles, yachts and boats; TCSPs in the international financial centre activities; and bureaux de change.

### **Overall Level of Effectiveness and Technical Compliance**

The AML/CFT system in Seychelles is at an emerging stage. Seychelles has embarked on a number of legislative and institutional reforms informed by the findings of the 2008 mutual evaluation report (MER) and the ever-evolving AML/CFT landscape. Seychelles has just completed an ML/TF risk assessment at a national level. This has improved the level of understanding of ML/TF risks across the board (albeit at different levels), and is expected to inform future AML/CFT strategies and policies as well as implementation. The overall level of implementation, however, has been affected by inadequate capacity and enforcement in key competent authorities.

In respect of technical compliance, Seychelles amended a number of statutes in the international financial centre space to strengthen existing transparency requirements. Further, the Anti-Money Laundering Act (AML Act) and the Proceeds of Crime Act (POCA) have been amended several times since 2008 to strengthen the regime. The most notable positive changes include enhanced market entry requirements in the international financial sector operations; broadened the scope of ML/TF offences; improved the powers and functions of the law enforcement agencies (LEAs); expanded the scope of key preventative measures and introduced a risk-based approach; and completed ML/TF risk assessment at a national level. The changes have significantly improved the level of technical compliance with the Financial Action Task Force (FATF) Standards. The major weaknesses identified related to: targeted financial sanctions; CDD including beneficial ownership information; autonomy and operational independence of the FIU; risk-based supervision framework; the narrow scope of sanctions for noncompliance with AML/CFT requirements; and operational capacity in most of the competent authorities.

In July 2017, Seychelles brought into force fundamental changes in the form of amendments to the POCA and the AML Act. The changes drastically affected the powers of law enforcement agencies and brought in new specialised units. Firstly, the Police were expressly conferred powers to investigate ML/TF cases, in addition to the same powers already being exercised the FIU. Secondly, the asset forfeiture function at the FIU has been transferred to the Police. In this regard, the Police established a Commercial Crimes Unit which is still setting up operational capacity to undertake new core functions. Taking into account these changes, the assessment of effectiveness in Seychelles on ML/TF investigations and asset forfeiture is based on the laws which existed before the July 2017 amendments. Since the changes were made about 3 months before the on-site visit, the impact on effectiveness has been largely insignificant. Overall, there is inadequate investigative capacity within the

competent authorities which is largely caused by lack of resources. Seychelles has experienced a relatively good implementation of the preventative measures in the financial sector. Lastly, the Designated Non-Financial Businesses and Professions (DNFBP) sector, with the exception of the ICSPs, is generally lagging in relation to implementation of the AML/CFT requirements. Seychelles has therefore not shown significant effective implementation of the AML/CFT measures. Therefore, AML/CFT system in Seychelles requires fundamental improvement in both technical compliance and effectiveness components. Improvements to the technical component of the AML/CFT system is already underway, in consultation with technical assistance providers.

**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](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 2016 (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 children subjected to sex trafficking and a destination country for foreign men and women subjected to labor and sex trafficking, respectively. Seychellois girls and, according to some sources, boys are subjected to child sex trafficking—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. Eastern European women have been subjected to forced prostitution in hotels. Migrant workers—including those from China, Kenya, Madagascar, and various countries in South Asia—make up 20 percent of the working population in Seychelles and are primarily employed in fishing and construction. Some migrant workers are subjected to forced labor in the construction sector. NGOs report 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 non-payment of wages and physical abuse.

The Government of Seychelles does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Seychelles is placed on Tier 2 Watch List. During the reporting period, the government finalized a victim assistance tool, which includes standard operating procedures for victim protection outlining the roles of government actors in the identification and protection of trafficking victims, including a formal referral mechanism and trained law enforcement officers and immigration and customs officials on these mechanisms. The government did not report any prosecutions or convictions of traffickers and did not formally identify any trafficking victims. The national anti-trafficking committee met four times during the reporting period; however, despite its strong leadership, implementation of the 2014-2015 national anti-trafficking plan was slow and many activities remained in early planning stages for the second consecutive year. The government does not acknowledge the existence of internal trafficking, which impeded the investigation of such crimes and assistance available for Seychellois victims. Lack of oversight and inspection of potential labor trafficking victims within the Seychelles International Trade Zone (SITZ) created vulnerability amongst the large migrant labor population in Seychelles. The government deports migrant workers working for state-owned or private companies for

participating in strikes to protest poor employment conditions without conducting comprehensive investigations and screenings to identify if the individuals are victims of forced labor. Despite complaints by migrant workers, primarily in the construction sector, about poor working conditions, non-payment of salaries, and retention of passports, the government has never formally identified a case of forced labor in the country.

## International Sanctions

None Applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	60
World Governance Indicator – Control of Corruption	77

## 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 labour 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 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 sale 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. Seychelles grew at 4.3% in 2015 because of a strong tourist sector and expanding private sector credits; its fiscal surplus reached 4% of GDP.

#### **Agriculture - products:**

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

#### **Industries:**

fishing, tourism, beverages

#### **Exports - commodities:**

canned tuna, frozen fish, petroleum products (reexports)

#### **Exports - partners:**

France 18.2%, UK 17.9%, Mauritius 10%, Japan 9.2%, Italy 7.8%, Spain 4.5% (2015)

#### **Imports - commodities:**

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

#### **Imports - partners:**

Saudi Arabia 22.5%, Spain 11.1%, Singapore 7.4%, China 4.5%, South Africa 4.1%, France 4% (2015)

## **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

With a population of just over 91,000, Seychelles is an island nation located off the eastern coast of Africa in the Indian Ocean. Seychelles gained its independence from the United Kingdom in 1976, at which time the population lived at near subsistence level. Today, Seychelles' main economic activities are tourism and fishing, and the country aspires to be a financial center. Although the World Bank recently designated Seychelles as a "high income" country, its wealth is not evenly distributed. Indeed, the United Nations Development Programme's Human Development Report for 2015 found that Seychelles has the highest income inequality in the world, with a Gini coefficient of 65.8. [http://hdr.undp.org/sites/default/files/2015\\_human\\_development\\_report.pdf](http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf).

In 2014 and 2015 Seychelles saw GDP growth of 3.3 and 3.5 percent. The International Monetary Fund (IMF) has predicted GDP annual growth between 3.5 and 3.7 % through 2018. The IMF assesses the principal domestic economic risk in Seychelles as potential losses in state owned enterprises, which could endanger the public debt reduction achieved by the central government. The IMF sees external risks stemming from weakness in the tourism market.

Seychelles experienced a socialist coup in 1977 which resulted in a centrally planned economy and, in the short term, rapid economic development. However, serious imbalances such as large deficits and mounting debts contributed to persistent foreign exchange shortages and slow growth that plagued Seychelles through the first decade of the 21st century. After defaulting on interest payments due on a USD 230 million bond in 2008, the government of Seychelles (GOS) turned to the IMF for support. To meet the IMF's conditions for a stand-by loan, the GOS implemented a program of reforms, including a liberalization of the exchange rate regime, devaluing and floating the Seychellois Rupee (SCR) and eliminating all foreign exchange controls. Seychelles completed its five-year reform program in late 2013.

Despite GOS attempts to diversify the economy, it remains focused on fishing and tourism. Seychelles' vast Exclusive Economic Zone (EEZ), which encompasses 1.3 million square kilometers of the western Indian Ocean, is a potential source of untapped 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.

Seychelles welcomes foreign investment. The country's investment policies encourage the development of Seychelles' natural resources, improvements in infrastructure, and an increase in productivity levels, but stress that this must be done in an environmentally sound and sustainable manner.

Since multi-party elections began in Seychelles in 1993, the ruling Parti Lepep has traditionally won elections by large margins. However, the December 2015 presidential elections led to a run off and a very narrow victory for the incumbent President James Michel. The opposition has filed legal challenges to the election, asserting that it was fraught with corruption. At the time of drafting this document, the legal challenges are ongoing.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	40 of 168	<a href="https://www.transparency.org/country/#SYC">https://www.transparency.org/country/#SYC</a>
World Bank's Doing Business Report "Ease of Doing Business"	2015	95 of 189	<a href="http://www.doingbusiness.org/data/exploreeconomies/seychelles/">http://www.doingbusiness.org/data/exploreeconomies/seychelles/</a>
Global Innovation Index	2015	65 of 141	<a href="https://www.globalinnovationindex.org/">https://www.globalinnovationindex.org/</a>
U.S. FDI in partner country (\$M USD, stock positions)			Not available
World Bank GNI per capita	2014	14,100	<a href="data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 1. Openness To, and Restrictions Upon, Foreign Investment

### Attitude Toward Foreign Direct Investment

Seychelles has a favorable attitude toward foreign direct investment. The government's objective is to promote economic and commercial relationships to sustain its tourism and fishing industries, which are currently the main drivers of economic growth, as well as to diversify the economy. However, the GOS reserves certain types of business activities for domestic investors only. The Seychelles Investment (Economic Activities) Regulations provide a detailed list of such activities as well as those businesses foreigners can invest in. The list is available at:

[http://www.sib.gov.sc/downloads/legislations/009a%20Seychelles%20Investment%20Act%20\(ECONOMIC%20ACTIVITIES\)%20REGULATIONS%202014.pdf](http://www.sib.gov.sc/downloads/legislations/009a%20Seychelles%20Investment%20Act%20(ECONOMIC%20ACTIVITIES)%20REGULATIONS%202014.pdf).

### Other Investment Policy Reviews

To date, Seychelles has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), or the United Nations Conference on Trade and Development (UNCTAD). Seychelles became the 161st World Trade Organization (WTO) member in March 2015 when the National Assembly ratified accession.

### Laws/Regulation of Foreign Direct Investment

The Seychelles Investment Act of 2010 governs foreign direct investment (FDI) in Seychelles (<http://www.sib.gov.sc/downloads/legislations/009%20Seychelles%20Investment%20Act,%202010.pdf>). Since the financial crisis of 2008 and the implementation of IMF reforms, Seychelles has successfully attracted FDI. In 2014, Seychelles saw USD 229 million in FDI inflows. Although the Seychelles Investment Board (SIB) serves as the investment promotion agency for

Seychelles, it also advises foreign investors on the laws, regulations, and procedures for their activities in Seychelles. SIB's website is found at [www.sib.gov.sc](http://www.sib.gov.sc).

### *Business Registration*

According to the World Bank, it takes 14 days on average to obtain a business license in Seychelles. Details on starting a business in Seychelles are available at <http://www.doingbusiness.org/data/exploreeconomies/seychelles#starting-a-business>. Details on registering a business are at the Department of Legal Affairs' Registrar Division's web site: <http://www.registrar.ezratec.com/companybusiness>. Companies, including foreign ones, can register online at <http://www.sib.gov.sc/index.php/info-centre/others/online-business-registration>. Seychelles law does not require companies to notarize the Memorandum or Articles of Association, but many companies do so in practice before submitting their documents to the Registrar of Companies as part of the application for incorporation.

The Small Enterprise Promotion Agency (SEnPA) is responsible for promoting small enterprises in Seychelles. Services provided by SEnPA include business planning, training, mentoring, marketing expertise and identification of business opportunities for SMEs. The Embassy is not aware of any standard definition of micro, small and medium-sized enterprises in Seychelles.

### *Industrial Strategy*

The SIB is the main government agency responsible for promoting investment in the Seychellois economy. In an effort to diversify its economic base away from fisheries and traditional tourism, the SIB promotes 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

### *Limits on Foreign Control and Right to Private Ownership and Establishment*

Seychelles does not place limits on foreign ownership or control of resident companies. While SIB and the government of Seychelles encourage foreign investors to collaborate with a local partner, there is no formal requirement. There are some restrictions on the types of activities foreign entities can engage in, mainly in the tourism sector.

The Embassy is not aware of any sector-specific restrictions that U.S. investors claim create challenges for market access for foreign investors.

## Privatization Program

The GOS remains a major participant in the local economy although the private sector is expanding, especially into 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 worked 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. At present, the Embassy is not aware of any plans for privatization of major government enterprises. The Embassy is also not aware of any formal legal barriers to foreign investors participating in privatization. In the past the GOS carried out privatization programs through the partial sale of shares in state owned enterprises to the public.

## Screening of FDI

The GOS established the SIB as a one-stop shop for all matters relating to business and investment in Seychelles. The SIB's main functions are to promote investment and to facilitate the investment process within the administrative and legal framework. The SIB also assists in screening potential investment projects in cooperation with other government agencies. The GOS is keen to ensure that business activities are not conducted at the expense of Seychelles' natural environment. For a business to operate, investors need to apply for a license from the Seychelles Licensing Authority. The Embassy has received no formal comments from U.S. businesses in Seychelles with regard to the foreign direct investment screening mechanism. The GOS established an Investment Appeal Panel in 2012 to provide an appeal mechanism for investors to challenge GOS decisions regarding investments or proposed investments in Seychelles. More information is available at <http://www.sib.gov.sc/index.php/investment-guide/investment-appeals>.

## Competition Law

The SIB reviews all transactions for competition-related concerns (whether domestic or international in nature).

## **2. Conversion and Transfer Policies**

### Foreign Exchange

Since the IMF reform package of 2008-2013, the GOS places no restrictions or limitations on foreign investors converting, transferring, or repatriating funds associated with investment. Funds are freely converted. Seychelles maintains a floating exchange rate for the Seychelles Rupee, which has mostly fluctuated between SCR 12 and SCR 15 to USD 1 over the past five years.

### *Remittance Policies*

Foreign exchange controls were removed in 2008 and foreign investors are free to repatriate their profits and other incomes. The Embassy is unaware of any planned changes to remittance policies, time limits on remittances, or use of any legal parallel market. According to the Department of State's Bureau for International Narcotics and Law Enforcement Affairs

International Narcotics Control Strategy Report for 2016, Seychelles is currently listed as a country/jurisdiction “of concern.”

<http://www.state.gov/documents/organization/253983.pdf>

### **3. Expropriation and Compensation**

The Lands Acquisition Act 1978, last amended in 1990, 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. The GOS may expropriate property in cases of public interest or for public safety. Following the 1977 coup, the new GOS engaged in expropriation of land for redistribution or for use by the state. With the return of a multi-party political system in 1992, the GOS compensated some of those who had lost land to expropriation/redistribution in the late 1970s. There have been no expropriations since the 1990s aside from public works and infrastructure projects, and in these cases there is a process for obtaining compensation. We see no indications of possible major expropriation in the future and no pattern of discrimination against U.S. persons.

### **4. Dispute Settlement**

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Seychelles' legal system is a blend of English common law, the Napoleonic Code, and customary law. Civil matters, such as contracts and torts, are governed by the Civil Code of Seychelles, which is derived from the French Napoleonic Code. However, the Company Law, as well as the country's criminal law, are based on British law. In both civil and criminal matters, the procedural rules derive from British law. Although the judicial branch is independent of the executive branch, many Seychellois believe that well-connected individuals receive special treatment in the courts. Seychelles does not maintain a specialized commercial court. Judgments of foreign courts are governed by the Foreign Judgments (Reciprocal Enforcement) Act of 1961, Section 3. The World Bank ranked Seychelles 138 out of 189 in enforcing contracts in its 2016 Ease of Doing Business Report.

Bankruptcy

Bankruptcy in Seychelles is governed under the Insolvency Act of 2013. According to the Act, an individual may be discharged from bankruptcy 3 years from the date of its declaration. Bankruptcy is not criminalized in Seychelles. According to the 2016 World Bank's Doing Business Report, Seychelles ranks 63d out of 189 countries on the Resolving Insolvency index and it takes on average two years to complete a bankruptcy.

Investment Disputes

Parties involved in investment disputes are encouraged to resolve their disputes through arbitration and negotiation. The Seychelles Investment Act of 2010 created 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 (Court of Appeal) in the event they are not satisfied with the decision of the Investment Appeal Panel. In the World

Bank's 2016 Ease of Doing Business Report, Seychelles ranked 105 out of 189 for protecting minority investors.

#### International Arbitration

Due to Seychelles' small size and relatively short recent history with foreign direct investment, there is no precedent for international arbitration in Seychelles, although the legal framework exists through the Seychelles Investment Act of 2010.

#### *ICSID Convention and New York Convention*

In 1978 Seychelles became a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). Seychelles has not signed the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

#### Duration of Dispute Resolution

The court system in Seychelles in general is slow. Business disputes litigated in court can last three to five years before finally reaching a judgment. Insufficient resources, as well as the possibility of multiple appeals, all contribute to a significant backlog of cases. If and when resolved, however, court decisions are generally enforced. The government of Seychelles and the Seychelles Investment Board encourage arbitration through the Investment Appeal Panel as detailed in the Seychelles Investment Act of 2010.

### **5. Performance Requirements and Investment Incentives**

#### WTO/TRIMS

The Seychelles National Assembly ratified WTO accession in March 2015, making Seychelles the 161st member. The Embassy is not aware of the GOS notifying the WTO of any measures inconsistent with its Trade Related Investment Measures (TRIMs) requirements.

#### Investment Incentives

The GOS has enacted legislation providing for incentives for investment in several sectors: the Fisheries Incentives Act; the Tourism Incentives Act; the Seychelles International Trade Zone Act; as well as fiscal incentives under the Investment Code. Incentives under these Acts most often take the form of tax credits, tax holidays, duty-free access for the import of materials required for the initial investment, and expedited work permits for foreign employees that move to Seychelles.

#### *Research and Development*

We do not know of any barriers to U.S. or other foreign firm participation in government/authority-financed research and development programs. Seychelles welcomes collaboration from foreign partners in research, technology transfer, and development of new sectors.

#### Performance Requirements

The government of Seychelles does not mandate local employment, nor are there local employment mandates for senior management or directors. Visa, residence, and work

permit requirements are not excessively onerous. However, 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.

#### Data Storage

The Embassy has no information regarding the requirements, if any, for foreign IT providers to turn over source code or to provide access to surveillance. Similarly, the Embassy has no information on the mechanisms which are used to enforce any rules on maintaining a certain amount of data storage in Seychelles.

## **6. Protection of Property Rights**

#### Real Property

The courts enforce interests in real property. Mortgages and liens are enforced and the land registrar is relied upon to resolve land disputes. All lands in Seychelles are either publicly or privately held. According to the World Bank's 2016 Doing Business Report, Seychelles ranked 67th out of 189 countries in the Registering Property index. In 2014 the GOS discontinued selling state land to non-Seychellois.

#### Intellectual 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. The GOS considers efficient and effective protection of Intellectual Property Rights to be vital for promoting foreign investment, the transfer and dissemination of technology, and protecting local business and artists as well as facilitating the integration of Seychelles' 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, the GOS established an Intellectual Property Office 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. Foreign nationals and Seychellois citizens are treated equally in regard to IP laws. Seychelles legislation does not discriminate between nationals and foreigners, following WTO principles. Enforcement of IPR protection laws is limited due to the fact that very few international brands and trademarks have local or even regional representatives.

While no statistics are publicly available, the Seychelles Revenue Commission's customs officials monitor incoming shipments for counterfeit goods. However, its focus is on counterfeit products that pose a public health risk, such as medications and electrical appliances. Counterfeit (or unlicensed sale of) apparel, CDs, and DVDs are generally available.

Seychelles is not listed on USTR's 2015 Special 301 report or the Review of Notorious Markets Report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

#### *Resources for IP Rights Holders*

The Embassy's Economic Officer is the POC for IP issues. Contact information is provided below:

Paul Gormley Economic Officer  
U.S. Embassy to Mauritius and Seychelles  
Port Louis, Mauritius  
+230 202 4465  
[GormleyPJ@state.gov](mailto:GormleyPJ@state.gov)

A list of available attorneys practicing in Seychelles can be found at [http://seychelles.usvpp.gov/list\\_of\\_attorneys2.html](http://seychelles.usvpp.gov/list_of_attorneys2.html).

## **7. 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 and businesses. While the legal and regulatory framework is in place for transparent governance, many Seychellois believe that those well-connected to the government of Seychelles, whether foreign or local, receive preferential treatment.

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.

Proposed laws and regulations, as well as final laws, are published in the Official Gazette on a monthly basis. Often, however, the legislation is voted into law by the National Assembly before the Official Gazette has been made publicly available.

## **8. Efficient Capital Markets and Portfolio Investment**

Seychelles has a number of laws that govern the financial services sector: 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 nine commercial banks: Bank of Baroda, Barclays Bank, Habib Bank, Mauritius Commercial Bank, Nouvobanq, Seychelles Commercial Bank, BMI Offshore Bank, Bank of Ceylon, and Bank Al Habib Ltd. On March 1, 2016, Barclays announced plans to reduce its investment in Africa, but stated that operations in Seychelles would not be affected. 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. The government established a securities exchange in November 2012 as part of its efforts to diversify the financial services sector.

Seychelles welcomes foreign portfolio investment. However, portfolio investment in Seychelles is limited by the small size of the economy and banking sector; the entry and exit of sizeable positions may have an outsized impact on the Seychelles Rupee and the economy in general. Existing policies do facilitate the free flow of financial resources in and out of the economy. The government of Seychelles respects IMF Article VIII by refraining from restrictions on payments and transfers for current international transaction. Foreign investors are able to obtain credit on the local market and through the Seychelles banking system; a variety of credit instruments are available to both local and foreign investors.

### **Money and Banking System, Hostile Takeovers**

The Seychelles banking sector is generally healthy, although it is limited by its small size and is reliant on correspondent bank relationships. According to the Central Bank of Seychelles in January 2016 nonperforming loans to total gross loans in the Seychelles banking sector stood at 7.6 percent, and foreign currency deposits at SCR 4,974 million (USD 382 million).

Seychelles has a two-tier banking system that separates 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.

Foreigners and foreign/offshore firms must establish residency or proof of business registration in order to obtain a bank account.

## **9. Competition from State-Owned Enterprises**

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. Seychelles' SOEs are active in housing, civil aviation, tourism, banking, import/export, retail, and public utilities. Seychelles SOEs and parastatal entities are audited on a rotating basis by the Office of the Auditor General. SOE structure varies by sector and mandate. The Seychelles economy is so small and focused on fishing, tourism, and offshore finance that there is often little space for more than one major operator, whether private or public. SOEs are free to purchase and/or supply goods and services from private sector and foreign firms, depending on the sector and situation.

There is a growing concern in the business community that SOEs such as Seychelles Trading Company have been allowed to exceed their explicit mandate and compete unfairly.

Seychelles is not a party to the Government Procurement Agreement (GPA) within the framework of the WTO.

#### OECD Guidelines on Corporate Governance of SOEs

The governance of SOEs varies depending on their purpose and structure but Seychellois SOEs do not adhere to the OECD Guidelines on Corporate Governance. Most SOEs and parastatal bodies both maintain a board of directors and make regular reports to the corresponding Minister/Ministry. Seats on the boards of many Seychelles' SOEs are appointed by the President.

#### Sovereign Wealth Funds

Seychelles does not maintain any sovereign wealth funds.

### **10. Responsible Business Conduct**

Seychelles has a great awareness of corporate social responsibility, especially in environmental protection and social programs, but Corporate Social Responsibility (CSR) is generally regarded as a function of government. Since 2013, the Seychelles Revenue Commission collects a CSR tax of 0.5 percent on monthly turnover for businesses with an annual turnover of SCR 1 million or more. Officially, there are no waivers available for foreign investors with regard to labor, employment rights, consumer protection, or environmental protections. The Citizens Engagement Platform Seychelles, an umbrella organization for Seychelles' NGOs, provides a summary list of NGOs active in the country on an annual basis to the Ministry of Finance, who then decides which organizations would benefit most from the CSR tax revenues. The areas recently 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.

Seychelles currently has no production in the extractive sector, but international companies have undertaken petroleum exploration activities off-shore. The Extractive Industries Transparency Initiative (EITI) accepted Seychelles as a candidate country in August 2014.

### **11. Political Violence**

The constitution provides citizens the right to change their government peacefully, and citizens exercise this right in practice through periodic elections based on universal suffrage. Seychelles has not experienced large-scale political violence since the late 1970s. The People's Party, commonly known as Parti Lepep, has governed Seychelles since the 1977 coup and has won every election since introducing multi-party democracy in 1992. However, as noted above, the recent election results of December 2015 are subject to an ongoing legal challenge.

## **12. Corruption**

While Seychelles' Penal Code provides a legal framework for combatting corruption, the GOS has taken little action in response to alleged corruption.

In 2003, the government of Seychelles published the Public Service Code of Ethics and Conduct, the stated purpose of which is to provide guidance to public sector employees on the standards of behavior required of them and "to provide a basis for more detailed codes that are required to meet the particular circumstances of individual public sector organizations." The Public Officer's Ethics Act of 2008 prohibits personal enrichment through public office, defines and outlaws bribery, provides guidelines for avoiding conflict of interest, and mandates declaration of financial assets for public officials.

The government does not require private companies to establish internal codes of conduct. There is no dedicated anti-corruption unit in Seychelles. The constitution provides for an Ombudsman, but in practice the Office of the Ombudsman has not been proactive in rooting out corruption and investigating allegations in collaboration with the police. We do not know of any NGOs investigating corruption in Seychelles.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Seychelles signed the UN Convention against Corruption in February 2004 and ratified in March 2006. Seychelles is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

### *Resources to Report Corruption*

Dora Zatte  
The Ombudsman  
Office of the Ombudsman  
Room 306, Aarti Chambers, Mont Fleuri, Mahe  
+248 225147  
ombuds@seychelles.net

## **13. Bilateral Investment Agreements**

Currently the U.S. and Seychelles do not have a bilateral investment agreement. However, the U.S. signed a Trade and Investment Framework Agreement (TIFA) with the Common Market for Eastern and Southern Africa (COMESA) in 2001, and Seychelles is a COMESA member.

Bilateral Taxation Treaties

There is no bilateral taxation treaty between the U.S. and Seychelles. 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, Guernsey, and Singapore. Seychelles has signed Bilateral Investment Treaties with Cyprus, Egypt, China, France, and India.

#### 14. Foreign Trade Zones/Free Ports/Trade Facilitation

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.

The activities of the SITZ are regulated by the Seychelles Financial Services Authority, formerly known as the Seychelles International Business Authority. Foreign-owned firms benefit from the same incentives as local firms operating in the SITZ.

#### 15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	\$1,030	2015	\$1,375	<a href="http://www.imf.org/external/ns/cs.aspx?id=28">http://www.imf.org/external/ns/cs.aspx?id=28</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M)	2014	N/A	2014	N/A	No data available

USD, stock positions)					
Host country's FDI in the United States (\$M USD, stock positions)	2014	N/A	2014	N/A	No data available
Total inbound stock of FDI as % host GDP	2014	N/A	2014	180.8%	<a href="http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_sc_en.pdf">http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_sc_en.pdf</a>

\*Seychelles National Bureau of Statistics

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data 2014					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	934	100%	Total Outward	N/A	100%
Mauritius	339	36	Country #1	N/A	X%
Cyprus	199	21	Country #2	N/A	X%
Russian Federation	120	13	Country #3	N/A	X%
U.K.	47	5	Country #4	N/A	X%
British Virgin Isles	41	4	Country #5	N/A	X%

"0" reflects amounts rounded to +/- USD 500,000.

Outward Direct Investment data for Seychelles are not available

Table 4: Sources of Portfolio Investment

Portfolio investment data for Seychelles are not available

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