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S.I. 74 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

**Virtual Asset Service Providers (Registration of Initial Coin Offering
and Non-Fungible Tokens) Regulations, 2024**

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SCHEDULE

S.I. 74 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Providers (Registration of Initial Coin Offering and Non-Fungible Tokens) Regulations, 2024**

In exercise of the powers conferred by section 38(2)(a) and (b) of the Virtual Asset Service Providers Act, 2024, the Minister responsible for Finance, in consultation with the Authority makes the following Regulations —

Citation

1. These Regulations may be cited as the Virtual Asset Service Provider (Registration of Initial Coin Offering and Non-Fungible Tokens) Regulations, 2024.

Interpretation

2. In these Regulations —

“Act” means the Virtual Asset Service Providers Act, 2024;

Application

3. These Regulations shall apply to persons to whom the requirements under section 27 of the Act apply, concerning the issue or promotion or sale of or investment or in the development of an initial coin offering or non-fungible tokens in or from the Seychelles.

Application for registration

4.(1) An application under section 27(4) of the Act shall be accompanied by —

(a) a white paper as per requirements in the Schedule;

- (b) policies and procedures for the monitoring the cycle of the issuing and offering of an initial coin offering or non-fungible token;
- (c) information where proceeds raised will be transferred or deposited;
- (d) location where the records as required by regulation 11 will be retained and will be accessible in the Seychelles;
- (e) the details and confirmation of the promoter; and
- (f) the registration application fee.

(2) The Authority may require an applicant to furnish such other information, document or report in connection with the application, as it may deem necessary, for the purpose of assessing the application.

(3) The Authority shall not consider an application as having been submitted in compliance with section 27(5) of the Act unless the application meets all the requirements under regulation 8.

(4) The Authority shall provide written acknowledgement of its receipt of an application which complies with sub regulation (1).

(5) An applicant may withdraw an application by giving written notice, including the reasons thereof to the Authority, at any time before the determination of the application.

(6) Withdrawal of an application under sub regulation (4) shall result in the forfeiture of the application fee.

Determination of application for registration

- 5.(1) The Authority may object to an application it is satisfied that —
- (a) the application does not comply with the Act, Regulations, codes or guidelines;

- (b) the criteria set out in section 27(7) of the Act are not met;
- (c) a white paper does not meet the requirements in the Schedule;
- (d) the policies and procedures for monitoring the cycle of the issuing and offering of an initial coin or non-fungible token are insufficient for mitigating possible market abuse, mis-selling or fraud risks;
- (e) the promoter is not an eligible person under section 27(2) of the Act;
- (f) the applicant fails to pay the application fee;
- (g) prejudice would be caused or would ensue to the financial services industry or any part thereof; and
- (h) the promotion or issuance is against public policy.

(2) The registration of an initial coin offering and or non-fungible token where the Authority —

- (a) it has no objection to the proposed issuance and promotion within a period of 30 working days following receipt of an application under regulation 4; or
- (b) the 30-working day period specified under subsection 27(6)(b) of the Act, has elapsed.

(3) The Authority shall publish the registrant's details subject to sub regulation (3), as required by regulation 6.

(4) An applicant's registration shall be valid for a period for not more than 12 months.

Register

6. The Authority shall maintain a register on its website with the following information —

- (a) the name and address of the issuer or promoter of initial coin offerings or non-fungible tokens;
- (b) the date on which the requirements for regulation 5(3) are met;
- (c) the date upon which the promotion or issuance is to start and to end;
- (d) the name of the project supported by the initial coin offering;
- (e) the name and design of the non-fungible token, if any;
- (f) the link to the white paper referred to under regulation 4(2)(a);
- (g) any measures imposed by the Authority under section 27(7); and
- (h) any other relevant information that the Authority deems necessary.

Publication of white paper

7.(1) A registrant may publish its white paper where it has either —

- (a) received notice from the Authority that it has no objection to the proposed issuance and promotion; or
- (b) the 30-working day period specified under subsection 27(6)(b) of the Act, has elapsed.

(2) A person who fails to comply with this regulation is liable to an administrative penalty of SCR500,000.

Duration of advertising

8.(1) The registrant may only commence advertising of the issuance or promotion following the date on which it —

- (a) receives notice from the Authority that it has no objection to the proposed issuance and promotion; or
- (b) the 30-working day period specified under subsection 27(6)(b) of the Act, has elapsed.

(2) The registrant may only advertise the issuance or promotion for the duration specified in the registration application.

(3) A person who fails to comply with this regulation is liable to an administrative penalty of SCR500,000.

Extension of issuance or promotion

9.(1) Where a registrant wishes to extend the promotion or issuance of an initial coin offering or non-fungible token beyond the end date stated in its application, the registration shall submit a written notice and provide the reasons for the extension.

(2) A notice of an extension under sub regulation (1) shall be submitted not later than three months before the expiry date of the end date stated in its application.

(3) The Authority may object to the extension where —

- (a) prejudice would be caused or would ensue to the financial services industry or any part thereof;
- (b) the continued promotion or issuance is against public policy; or
- (c) the continued promotion or issuance is unlikely to meet the financial objectives stated in the original registration application.

- (4) An extension shall take effect where the Authority —
- (a) has no objection to the proposed change within a period of 30 working days following receipt of notice under sub regulation (1); or
 - (b) the 30-working day period following receipt of notice, has elapsed.

(5) An extension may only occur for a period of no more than six calendar months after either sub regulation (4)(a) or (b) are met.

(6) The Authority shall amend the registrant's details on the register to reflect the extension.

Change of promoter

10.(1) Where a registrant wishes to change the promoter named in its registration application, it shall submit a written notice to the Authority and provide reasons for the change.

(2) A notice provided under sub regulation (1) shall be submitted to the Authority not less than 20 working days before the registrant proposes to effect the change.

- (3) The Authority may object to the change where —
- (a) the promoter is not an eligible person under section 27(2) of the Act; or
 - (b) prejudice would be caused or would ensue to the financial services industry or any part thereof.
- (4) A change of a promoter shall be effected where the Authority —
- (a) has no objection to the proposed change within a period of 20 working days following receipt of notice under sub regulation (1); or

- (b) the 20-working day period following receipt of notice, has elapsed.

(5) The Authority shall amend the registrant's details on the register to reflect the change of promoter.

(6) A person who fails to comply with this regulation is liable to an administrative penalty of SCR500,000.

Records to be maintained

11.(1) A registrant shall maintain the following records —

- (a) identity of subscribers or investors;
- (b) amounts received from or transferred by subscribers or investors;
- (c) use of the proceeds received and parties paid from those proceeds; and
- (d) location, websites and other channels used for promotion or advertisement purposes.

(2) Records identified in sub regulation (1) shall be retained for a period of not less than seven years in Seychelles, by the registrant.

SCHEDULE

MATTERS TO BE SPECIFIED IN THE WHITE PAPER

An applicant when applying for registration, and a registrant thereafter, shall ensure that its white paper provides full and accurate disclosure of information such information to enable an investor to make an informed assessment before subscribing or investing. Such information shall include —

- (a) brief description of the directors, senior management, key personnel and advisers of the issuer including their name, designation, nationality, address, professional qualifications, related experience and any involvement or participation in a previous similar offering;
- (b) the objective or purpose of the initial coin offering and or non-fungible token offering, including detailed information on the project to be managed and operated by the issuer;
- (c) the key characteristics of the initial coin offering or non-fungible token offering;
- (d) identify whether an initial coin offering will have different classes of holders in relation to any benefits, rights or liabilities linked to the offering;
- (e) detailed description of the sustainability and scalability of the project;
- (f) the business plan of the issuer;
- (g) the targeted amount to be raised through the project and subsequent use and application of the proceeds thereafter illustrated in a scheduled timeline for drawdown and utilization of proceeds;
- (h) any rights, conditions or functions attached to the initial coin offering or non-fungible token offering, including any specific rights;
- (i) details on the determination of the accounting and the valuation treatments for the initial coin offering or non-fungible token offering, including all valuation methodology and reasonable presumptions adopted in such calculation;
- (j) associated challenges and risks, as well as mitigating measures thereof;

- (k) information in respect to the distribution of the initial coin offering or non-fungible token offering and where applicable, the distribution policy of the issuer of initial coin offering;
- (l) policies on monitoring the cycle of the initial coin offering or non-fungible token offering;
- (m) a technical description of the protocol, platform or application of the initial coin offering or non-fungible token offering, as the case may be, and the associated benefits of the technology;
- (n) information about the person, if any, underwriting or guaranteeing the project;
- (o) any restrictions on the transferability of the investment made;
- (p) methods of payment to invest or subscribe;
- (q) details of refund mechanism or withdrawal rights;
- (r) details of smart contract, if any, deployed;
- (s) details of the authorized status of the promoter or issuer in the Seychelles; and
- (t) intellectual property rights associated with the offerings and protection thereof.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 73 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

**Virtual Asset Service Providers (Licensing and Ongoing Requirements)
Regulations, 2024**

Arrangement of Regulations

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5. Alteration of facts disclosed in application
6. Grounds for refusal of an application
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SCHEDULE

S.I. 73 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Providers (Licensing and Ongoing Requirements) Regulations, 2024**

In exercise of the powers conferred by section 38(2)(f)(iv) of the Virtual Asset Service Providers Act, 2024, the Minister responsible for Finance, in consultation with the Authority makes the following Regulations —

Citation

1. These Regulations may be cited as the Virtual Asset Service Providers (Licensing and Ongoing Requirements) Regulations, 2024.

Interpretation

2. In these Regulations —

“significant owners” shall have the meaning given under the Act.

Application

3. These Regulations shall apply to all licence applicants and licensed virtual asset service providers licensed to undertake activities described in the First Schedule to the Act.

Licence Application

4.(1) An application made pursuant to section 7(1) of the Act shall be made in such form and manner as the Authority may specify, containing the information set out in the Schedule.

(2) Further to the information as set out in the Schedule, the licensee shall also include appropriate systems and processes with or from third-party suppliers, agents and intermediaries.

(3) An applicant shall, upon the request of the Authority, participate in an interview, to obtain further information concerning its application or supporting information and records.

Alteration of facts disclosed in application

5.(1) An applicant for a licence under regulation 4 shall forthwith give written notice to the Authority —

- (a) any proposed alteration to the information in the original application; or
- (b) the occurrence of any material event which it knows affects or may affect information provided with the application to the Authority,

(2) The Authority may pursuant to section 7(2) of the Act, refuse the application based upon the notice given in sub regulation 1.

Grounds for refusal of an application

6. The Authority may refuse an application where —

- (a) the application is not submitted in the form and manner prescribed by the Authority;
- (b) the application is not accompanied by all required information and records specified in the Schedule; or
- (c) the Authority becomes aware of a change to the applicant's information which, in its view, materially impacts upon its ability to make a decision under section 7(4) of the Act.

Grounds for rejection

7. The Authority may reject an application where —

- (a) the applicant repeatedly fails to respond to requests for clarification or further information from the Authority

- concerning its application or any of the supporting information or records;
- (b) the applicant refuses or fails to comply with a request to participate in an interview made pursuant to regulation 4(3);
 - (c) the applicant fails to meet regulatory requirements set out in the Act;
 - (d) the applicant, in the opinion of the Authority, does not have the requisite capability to comply with the Anti-Money Laundering and Countering the Financing of Terrorism legislation;
 - (e) the applicant's directors, compliance officer or such other relevant persons fail to meet the fit and proper criteria;
 - (f) the organization structure of the applicant is such that it would render effective supervision difficult;
 - (g) the granting of the licence is against public policy;
 - (h) the granting of the licence will, in the opinion of the Authority, bring the Seychelles as an international financial centre, into disrepute;
 - (i) the applicant poses significant risk to consumers, financial stability or the integrity of the financial system;
 - (j) the applicant has a history of regulatory breaches or non-compliance with either prudential or the Anti-Money Laundering and Countering the Financing of Terrorism legislation or any other regulatory requirements, either in the Seychelles or any other jurisdiction in which the applicant is or has been licensed as a virtual asset service provider; and

- (k) the applicant has been identified by a regulatory body in another jurisdiction as operating without the requisite licence or authorisation, whether as a virtual asset service provider or a financial institution.

Notifications

8.(1) Once licensed, a licensee shall ensure that notifications and reports required to be submitted under section 18 of the Act are submitted in the form and manner as may be prescribed by the Authority.

(2) A notification or report under section 18 of the Act shall be provided by a director of the licensee.

(3) Compliance with sub regulation (2) shall not be met, if the notification or report is provided by an individual appointed as a proxy or acting pursuant to a power of attorney or equivalent designation, on behalf of the licensee's directors.

Standard of conduct

9. (1) A licensee shall, at all times, act according to the principles of best practice, and in particular, shall —

- (a) observe a high standard of integrity and fair dealing;
- (b) act with due skill, care and diligence;
- (c) observe high standards of market conduct;
- (d) seek from client information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling the licensee to fulfil the licensee's responsibilities to the client;
- (e) take reasonable steps to give every client the licensee advises, in a comprehensible way, any information needed to enable the client to make a balanced and informed investment decision;
- (f) avoid any conflict of interest with clients and, where such a conflict arises which cannot be avoided, ensure fair

treatment to the client by the complete disclosure or by declining to act;

- (g) ensure that the interests of the licensee are not unfairly placed above those of the client;
- (h) protect by way of segregation and identification, of client assets for which the licensee is responsible;
- (i) maintain adequate financial resources to meet the virtual asset service's business commitments and withstand the risks to which the business is subject to;
- (j) organize and control internal affairs in a responsible manner;
- (k) keep and maintain proper up to date records;
- (l) have adequate arrangements to ensure that all staff employed are suitable, adequately trained and properly supervised and establish and maintain well defined compliance policies; and
- (m) deal with the Authority in an open and cooperative manner.

Risk assessment

10.(1) Further to the risk assessment submitted as part of the application under item(t) in the Schedule, as required under regulation 4, a licensee shall submit an updated risk assessment on its business operation to the Authority every three years from the start of its operations.

- (2) The update under subregulation (1) shall correspond to —
 - (a) business expansion;
 - (b) new market integration;
 - (c) new clientele; and
 - (d) new infrastructure and systems.

SCHEDULE

An application for a licence shall contain the following information and supporting records which evidence —

- (a) the applicant's status and good standing as an eligible person under section 6(3) of the Act;
- (b) the members of the applicant's board of directors satisfy the requirements under section 12(4), section 13(1) and section 14 of the Act and the requirements of the Code for fit and Proper for Virtual Asset Service Providers;
- (c) the applicant's principal officer(s) meets the criteria under section 12 of the Act;
- (d) the applicant's compliance officer meets the criteria under the AML/CFT Regulations and Code for Compliance Officers;
- (e) the applicant's board of directors is able to appropriately and effectively fulfil their governance role;
- (f) there is or will be adequate oversight by the applicant's senior management over its business, with clearly defined roles, responsibilities and accountability for staff implementing, managing, and overseeing the effectiveness of its business strategy and operations;
- (g) all of the applicant's significant owners can be identified and their identity verified;
- (h) the applicant has or will have in place systems and controls required under the Financial Consumer Protection Act, 2022, including the formation of a Complaints Handling Unit;
- (i) the applicant has identified and applies appropriate and effective measures to mitigate interoperability risks when dealing with

- software and systems provided by third parties and placing reliance on compliance and operational software and systems used by licensee;
- (j) the applicant is sufficiently financially resourced and is able to comply with the minimum capital requirements, as prescribed in the Virtual Asset Service Provider (Capital and Other Financial Requirements) Regulations, 2024;
 - (k) the applicant has sufficient financial resources;
 - (l) the application has sufficient underwritten insurance commensurate to the level of operational risk, including fraud;
 - (m) the applicant has or will have in place appropriate and effective AML/CFT controls in compliance with the AML/CFT Act and the AML/CFT Regulations;
 - (n) the applicant has or will have sufficient resources to have in place measures to comply with the Virtual Asset Service Provider (Cyber Security Requirements) Regulations, 2024;
 - (o) has specified premises or data solutions that the Authority has deemed suitable for accessing and retaining records and other documents;
 - (p) has appropriate and effective controls to comply with the requirements of the Virtual Asset Service Providers (Advertisements) Regulations, 2024;
 - (q) has appropriate and effective controls to comply with the requirements of the Virtual Asset Service Providers (Safekeeping and Management of Client Asset) Regulations;
 - (r) satisfies the Authority that an approval is in the public interest having regards to the size, scope and complexity of the applicant;

- (s) the non-refundable application fee as prescribed in the Second Schedule to the Act; and
- (t) risk assessment of the applicant's business operation.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 72 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

Virtual Asset Service Providers (Capital and other Financial Requirements) Regulations, 2024

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SCHEDULE

S.I. 72 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Providers (Capital and other Financial Requirements) Regulations, 2024**

In exercise of the powers conferred by section 16(1) as read with 38(2) of the Virtual Asset Service Providers Act, 2024, the Minister responsible for Finance, in consultation with the Authority, makes the following Regulations —

Citation

1. These Regulations may be cited as the Virtual Asset Service Providers (Capital and other Financial Requirements) Regulations, 2024.

Interpretation

2. In these Regulations —

“alternative financial services” means services provided outside traditional banking institutions;

“paid-up capital” means the money received from shareholders as guarantee for the licensee to meet its liabilities in the eventuality of bankruptcy or winding-down;

“reserve assets” means virtual assets that are held by a licensee as a store of value or to back the value of its virtual assets issued or being held strictly for discharging liabilities;

“monies” means monies strictly used for discharging liabilities.

Application

3.(1) These regulations shall apply to all licensed virtual asset service providers under the Act.

(2) These regulations shall be read in conjunction with the Act, codes and guidelines issued by the Authority.

General requirements

4.(1) A licensee shall, at all times, have capital and other financial requirements of such nature and amount that commensurate to the scale, risk and complexity of the licensee based on its authorized activities so as to be financially sound.

(2) The matters which are relevant in determining whether a licensee has adequate capital and other financial requirements include, but are not limited to a licensee's ability to —

- (a) have and maintain the prescribed paid-capital requirements at all times;
- (b) have a proper accounting record framework established, documented and maintained at all times;
- (c) have adequate financial reporting mechanism at all times; and
- (d) have and maintain the required insurance policies at all times.

Paid-up capital

5.(1) A licensee shall at all times, hold and maintain a minimum paid-up capital as specified in the Schedule.

(2) The paid-up capital under subsection (1) shall be in the form of cash, bond or other security approved by the Authority.

(3) The paid-up capital under subsection (1) shall be maintained in —

- (a) a bank licensed under the Financial Institutions Act; or

- (b) a financial institution, excluding alternative money solutions, licensed in a country which complies with, at a minimum, the Basel II Requirement as approved by the Authority.

(4) Where a licensee intends or has been authorized to carry out more than one virtual asset service, the licensee shall hold the amount of paid-up capital specified in the Schedule for each activity authorized for.

Reserve assets or monies

6.(1) A licensee shall, at all times, maintain reserve assets or monies equivalent to one hundred percent of the liabilities owed to clients with respect to clients asset being held by the licensee.

(2) The reserve assets shall be maintained by the licensee itself in separate accounts under its management.

(3) The monies shall be maintained by the licensee in —

- (a) a bank licensed under the Financial Institutions Act; or
- (b) a financial institution, excluding alternative financial services, licensed in a country which complies with, at a minimum, the Basel II Requirement as approved by the Authority.

Administrative expenses

7. A licensee shall have an administrative expenses account that shall be maintained by the licensee in either Seychelles Rupee or such other currency, in a bank licensed under the Financial Institutions Act or a financial institution, excluding alternative financial services, licensed in a country which complies with at least the Basel II Requirement as approved by the Authority.

Insurance

8.(1) A licensee shall hold and maintain the following types of insurance coverage —

- (a) professional indemnity insurance; and
- (b) such other insurance policy allowing for the necessary protection and coverage of client's assets,

that commensurate with the level of risks and scale of the proposed business.

(2) Where the licensee has demonstrated that it has exhausted all means in obtaining insurance coverage under sub regulation (1), the licensee shall submit, for approval to the Authority, a proposal in respect of an alternative means to insurance coverage that address the level of risks and scale of the proposed business.

(3) All insurance policies shall be held and maintained with an insurer licensed in Seychelles or an insurer licensed in a jurisdiction outside of Seychelles, which has been approved by the Authority.

(4) Insurance policies may be held in the name of another entity within the licensee's group, provided that the relevant insurance policy —

- (a) explicitly states the licensee is an insured party; and
- (b) states the nature and the level of cover applicable to the licensee.

Accounting records

9.(1) A licensee shall keep accurate accounting records which are able to show and explain its transactions, whether they are effected on its own behalf or on behalf of clients, and that —

- (a) disclose with reasonable accuracy, at any time, the financial position of the licensee at that time; and
- (b) enable the licensee to prepare a balance sheet and a profit and loss account as at any time and which comply with the requirements of these Regulations.

- (2) The accounting records shall, in particular, contain —
- (a) entries from day to day of all sums of monies and virtual assets, including initial coin offerings and non-fungible tokens, received, exchanged, sold, transferred and held in custody;
 - (b) details on administrative expenditures, receipts of commissions and charges imposed for transactions by the licensee;
 - (c) a record of all assets and liabilities of the licensee including any commitments or contingent liabilities;
 - (d) entries from day-to-day transactions of all virtual assets, including initial coin offerings and non-fungible tokens, distinguishing those which are made by the licensee on its own account and those which are made by and on behalf of others;
 - (e) entries from day-to-day of all clients' monies, virtual assets, initial coin offerings and non-fungible tokens which is paid into or out of a client's bank account or client's virtual asset, initial coin offerings and initial coin offerings account or any wallet;
 - (f) record of balances on client's account.

(3) The obligations under this section are continuous and should be complied to on a daily basis.

(4) The accounting records that a licensee are required to keep shall conform to the requirements of international accounting standards.

(5) A licensee shall preserve, in original digital form, the accounting records that is required to be kept under this regulation for at least seven years from the date of completion of the transactions or operations to which they each relate.

(6) Accounting records which are required to be kept under this regulation shall, at any time during the period in which they are required to be preserved, be produced for inspection to the Authority, or any person authorised by the Authority to receive the records, on demand at a reasonable time and place as may be specified by the Authority or the authorised person.

Auditor's report

10.(1) Where the auditor's report is qualified on the grounds of the auditor's uncertainty as to the completeness or accuracy of the accounting records under regulation 9, that report when submitted by the licensee to the Authority shall be accompanied by a written document signed by at least two directors stating whether all —

- (a) the accounting records of the licensee have been made available to the auditor for the purposes of the audit;
- (b) transactions undertaken by the licensee have been properly reflected and recorded in its accounting records; and
- (c) other records of the licensee and related information have been made available to the auditor.

(2) If the auditor is of the opinion that any of the requirements in regulation 9 have not been met, the auditor shall as soon as is practicable, and in any event within 7 days, report it in writing to the Authority and the licensee.

SCHEDULE**Part 1****Entities not operating as a virtual asset service provider
on the date of commencement of the Act**

	Initial paid-up capital	As at beginning of 3 rd year of operation
Virtual Asset Wallet Providers	\$75,000	2.5% of annual turnover
Virtual Asset Exchange	\$100,000	
Virtual Asset Broking	\$50,000	
Virtual Asset Investment Providers	\$25,000	
	<i>To show proof at licence application</i>	<i>To show proof at payment of 3rd annual licence fee</i>

Part 2**Entities operating as a virtual asset service provider
as of the date of commencement of the Act**

	Initial paid-up capital
Virtual Asset Wallet Providers	2.5% of annual turnover
Virtual Asset Exchange	
Virtual Asset Broking	
Virtual Asset Investment Providers	
	<i>To show proof at licence application</i>

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 71 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

**Virtual Asset Service Providers (Cyber Security Requirements)
Regulations, 2024**

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S.I. 71 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Providers (Cyber Security Requirements)
Regulations, 2024**

In exercise of the powers conferred by section 38(2)(f)(iv) of the Virtual Asset Service Providers Act, 2024, the Minister responsible for Finance, in consultation with the Authority makes the following Regulations —

Citation

1. These Regulations may be cited as the Virtual Asset Service Providers (Cyber Security Requirements) Regulations, 2024.

Interpretation

2. In these Regulations —

“business continuity plan” means the plan required to be established under regulation 11;

“cyber security” means an approach or series of steps to prevent or manage the risk of damage to, unauthorized use of, exploitation of and, as needed, to restore electronic information and communications systems, and the information they contain, in order to strengthen the confidentiality, integrity, and availability of these systems;

“cyber security event” means any act or attempt, successful or unsuccessful, to gain unauthorized access to disrupt, or misuse the electronic systems or information stored on such systems;

“cyber security risk” means the risk of financial loss, operational disruption or damage from the failure of the digital technologies

employed for informational and/or operational functions introduced to an information system via electronic means from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system;

“forks” means changes to the software on which a blockchain protocol operates.

Application

3. These Regulations shall apply to all licensees.

Cyber security strategy

4.(1) A licensee shall have in place a cyber security strategy for the establishment and maintenance of appropriate systems and controls for managing cyber security and operational risks that can arise from inadequacies or failures in its processes and systems.

(2) Further to subregulation (1), the licensee shall also include appropriate systems and processes with or from third-party suppliers, agents and intermediaries.

(3) The requirements under subregulations (1) and (2) shall include the necessary resources to —

- (a) manage cyber security risks;
- (b) identify, respond and prevent a cyber security event;
- (c) limit the damages that may arise from a cyber security risk.

(4) A licensee shall —

- (a) implement controls to prevent system and process failures or in the event of such a failure, to identify them and undertake the necessary steps for prompt rectification;

- (b) ensure that the design and use of its processes and systems allow it to comply with its contractual obligations with its clients, suppliers and its legal obligations;
- (c) ensure the appropriateness of its system's acquisition, development and maintenance activities, including the allocation of responsibilities between IT development and operational areas, as well as its processes for embedding security requirements into systems;
- (d) ensure that its arrangements for the continuity of operations in the event that a significant process or system becomes unavailable or is destroyed; and
- (e) ensure adequate monitoring mechanisms are in place to quickly detect cyber incidents and periodically evaluate the effectiveness of systems and controls.

(5) A licensee shall consider the impact of any outsourcing arrangements, as well as the interoperability risks when dealing with software and systems provided by third parties.

(6) A licensee shall ensure that there is adequate senior management oversight over its cyber security systems with clearly defined roles, responsibilities and accountability for staff implementing, managing and overseeing the effectiveness of the licensee's cyber security strategy and policy.

(7) A licensee shall ensure that the documentation of its internal processes and systems is maintained and distributed in managing operational and cyber security risk.

(8) A licensee shall ensure that all staff receive appropriate training in relation to cyber security on a periodic basis.

(9) A licensee shall review its cyber security strategy and policy regularly, and at least annually, in response to changes in cyber security

risks, as well as in response to a cyber security event or to any issues or weaknesses identified specific to the licensee operation.

(10) Further to subregulation (9), the licensee shall submit the results of its review of the cyber security strategy and policy, and any remedial actions needed, to its board of directors as soon as practicable and, in any event, no later than one month after the date on which the review was approved by its board of directors to the Authority.

(11) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the Act, and may impose an administrative penalty of SCR4,000,000 and an additional SCR50,000 for each day or part of each day, not exceeding twenty days, for which the contravention continues.

Systems and controls

5.(1) In maintaining appropriate systems and controls under regulations 4(1) and 4(2), a licensee shall have regards to —

- (a) confidentiality, including the safe storage of information and transmission of data in accordance with clear protocols, which may require firewalls within a system, as well as entry restrictions and compliance with relevant data protection laws;
- (b) accessibility of the system to authorized persons, employees of the licensee and as the case maybe, to authorized employees of the Authority;
- (c) integrity, including safeguarding the accuracy and completeness of information and data through its system and control;
- (d) maintenance of systems and infrastructure, including proper code version control, implementation of updates and resolution; and

- (e) procedures to address updates to technological infrastructure, including forks.

(2) A licensee shall ensure the adequacy of the systems and controls used to protect the processing and security of its information through established security standards.

(3) The systems and control of a licensee shall include, without limitation, the following audit functions —

- (a) penetration testing of its systems and vulnerability assessment of those systems conducted on a bi-annual basis during the first year of licensing and at least once a year for subsequent years;
- (b) audit trail systems that —
 - (i) track and maintain information and data that allows for the complete and accurate reconstruction of all financial transactions and accounting;
 - (ii) protect the integrity of data stored and maintained as a part of the audit trail from alteration or tampering;
 - (iii) protect the integrity of hardware from alteration or tampering, including by limiting electronic and physical access permissions to hardware and maintaining logs of physical access to hardware that allows for event reconstruction;
 - (iv) log system events, including but not limited to access and alterations made to the audit trail systems and cyber security events;
 - (v) maintain records produced as part of the audit trail; and

- (vi) the effectiveness of the safe keeping, storage and accessibility of the virtual assets being kept by the licensee.

(4) Subject to the approval of the Authority, a licensee shall appoint a qualified independent party to audit its systems and control, as and when may be required by the Authority, and provide a written opinion to the Authority that the licensee's program and controls are suitably designed and operating effectively to meet the licensee's obligations under these Regulations and any applicable regulations or code issued by the Authority under this Act.

(5) Further to subregulation (4), in making an appointment, a licensee shall consider and state in the resolution making the appointment whether the independent party conducting the audit, as the case may be, —

- (a) holds the required qualifications and competence, has proven experience and adequate resources to perform the appointee's functions; and
- (b) is independent of the licensee in that the appointee or, in the case of a firm, any of its partners has no relationship with, or interest in, the licensee, any of its group of companies, nor has any connection with any director or substantial shareholder of the licensee that could reasonably be perceived as materially affecting the exercise by the appointee of an independent mind and judgement in the performance of the appointee's duties.

(6) Where a person acts in contravention of subregulations (3) and (4), the Authority shall take such enforcement action as it deems necessary under the Act, and may impose an administrative penalty of SCR2,000,000 and an additional SCR50,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Unforeseen interruptions

6.(1) A licensee shall implement appropriate and effective arrangements to maintain the continuity of its operations in order to —

- (a) reduce both the likelihood of a cyber security event; and
- (b) mitigate the potential impact of a cyber security event on the licensee's operations.

(2) A licensee shall assess the likelihood and impact of a cyber security risk to the continuity of its operations arising from cyber security events and apply commensurate measures to minimize their occurrence.

Reporting of cyber security risk

7.(1) Where the licensee discovers a cyber security risk as a result of a cyber security event, it shall notify the Authority of any attempt within 24 hours.

(2) Further to subsection (1), for any successful attempt, the licensee shall provide a report within 5 working days on the whether the cyber security event —

- (a) affects or has affected the services or network and information systems that support critical or important functions of the licensee;
- (b) affects or has affected services for which the licensee has been authorized to provide; and
- (c) constitutes or has constituted a malicious and unauthorized access to the network and information systems of the licensee.

(3) The report under subsection (2) shall also include the remedial actions to mitigate cyber security risk and prevent future cyber security event.

Cyber security report

8.(1) For the purpose of section 22(2) of the Act, a cyber security report shall be duly prepared by the fit and proper person responsible for information security, containing —

- (a) the availability, functionality and integrity of the licensee's electronic systems;
- (b) any identified cyber risk arising from any virtual asset service carried on or to be carried on, by the licensee; and
- (c) the cyber security program implemented and proposals for steps for the redress of any inadequacies identified.

(2) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR 500,000.

Group and related entities

9. In cases where a licensee forms part of a group, the Authority may consider the cyber security strategy and policy of the parent company, provided that same extends and encapsulated the operationalities of the licensee.

Data Protection

10. Licensees shall demonstrate that data protection is part of the cyber security strategy and policy taking into consideration the provisions of the Data Protection Act.

Business continuity plan

11.(1) A licensee shall have in place a formalized business continuity plan, as approved by its board of directors, and address its strategy for maintaining continuity of its operations, its plans for communicating and regularly testing the adequacy and effectiveness of this plan.

(2) The business continuity plan shall outline arrangements to reduce the impact of short, medium or long-term disruption, including —

- (a) resource requirements such as people, systems and other assets, and arrangements for obtaining these resources;

- (b) the recovery priorities for the licensee' operations; and
- (c) communication arrangements for internal and external concerned parties

(3) A licensee shall review and test its business continuity plan at least every two years to ensure that it is up-to-date.

(4) A licensee shall make available its business continuity plan and/or its report depicting the results of its business continuity testing to the Authority, upon request, and within such time as may be indicated.

(5) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the Act, and may impose an administrative penalty of SCR 500,000 and an additional SCR50,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 70 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

Virtual Asset Service Providers (Advertisements) Regulations, 2024

Arrangement of Regulations

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S.I. 70 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Providers (Advertisements) Regulations, 2024**

In exercise of the powers conferred by section 38 of the Virtual Asset Service Providers Act, 2024 the Minister responsible for Finance, in consultation with the Authority, makes the following Regulations —

PART A - PRELIMINARY**Citation**

1. These Regulations may be cited as the Virtual Asset Service Providers (Advertisements) Regulations, 2024.

Interpretation

2. In these Regulations, unless the context otherwise requires —

“Act” means the Virtual Asset Service Providers Act;

“advertisement” and “advertising” means commercial and promotional materials communicated through any medium and in any form, including —

- (a) magazines and newspapers;
- (b) radio and television;
- (c) outdoor advertising, including billboards, window displays and signs at public venues;
- (d) the internet, including web pages, banner advertisements, online messaging services and social media and networking platforms;

- (e) product brochures and promotional fact sheets;
- (f) direct mail (e.g. by post, facsimile or email);
- (g) white papers or prospectus;
- (h) telemarketing activities; and
- (i) seminars and presentations to individuals or such other groups of individuals, whether held in person or online, conducted in live format or recorded and made available for public access thereafter, which are distributed through any medium currently known or hereafter developed;

“consumer” means any actual or potential client who is intended to receive an advertisement whether within or outside the Seychelles.

Application

3.(1) No person shall carry on, or purport to carry on, the advertisement of —

- (a) virtual asset services; or
- (b) the issue or the promotion of virtual assets, including initial coin offerings and non-fungible tokens, in or from the Seychelles,

unless that person complies with the requirements of these Regulations.

(2) These Regulations shall not apply to the following persons and activities —

- (a) advertisement by Ministry, Department, Authorities or Agencies of the Government of Seychelles;
- (b) persons engaged in the business of printing commercial and promotional materials for licensees or promoters; and

- (c) persons responsible for securing the placement of an advertisement, provided they are not responsible for the contents thereof.

(3) Any terms used in these Regulations and not otherwise defined under section 2 shall have the same meaning set out in the Act.

Permissible activities

4.(1) Any person acting on behalf of a licensee or promoter shall comply with these Regulations, and the licensee or promoter shall be liable and responsible for such persons as if the licensee or promoter had undertaken the relevant advertising itself.

(2) No persons shall use an online platform aside from a licensee or promoter to carry on, or purport to carry on the advertisement of virtual assets or virtual asset services in or from the Seychelles.

(3) A person who acts in contravention with this regulation commits an offence and is liable on conviction to a fine not exceeding SCR 3,000,000 or 1 year imprisonment, or both.

PART II - REQUIREMENTS FOR ADVERTISEMENT

General requirements

5.(1) Advertisements shall be fair, clear, complete, concise, unambiguous and unbiased, and shall not be false, misleading nor deceptive.

(2) Advertisements shall contain information that is timely and consistent with any relevant virtual assets, including initial coin offerings and non-fungible tokens, or virtual asset services.

(3) Advertisements shall convey an equitable message in respect of the returns, benefits and risks associated with the relevant virtual asset, including initial coin offerings and non-fungible tokens, or virtual asset services.

(4) Advertisements shall be clearly identifiable and the media chosen for an advertisement shall be suitable for that advertisement with due consideration as to the target market and or class of consumers.

(5) Advertisement shall not lure or induce clients into malicious virtual asset services and offerings.

(6) Advertisement shall not facilitate illicit actors or high-risk virtual asset service providers in the offering of virtual assets, including initial coin offerings and non-fungible tokens, or virtual asset services.

(7) Before selling any relevant virtual asset, including initial coin offerings and non-fungible tokens, or virtual asset services because of an advertisement, any licensee or promoter shall ensure that consumers have received sufficient information, regarding such products or services, inclusive of the benefit and potential failings, so as to allow a consumer to make an informed decision.

(8) Advertisements shall be in plain language as to be capable of being clearly understood by prospective clients or consumers that might reasonably be expected to see it.

(9) Advertisements should not purport to advertise illicit or fake virtual asset services or projects.

(10) Advertisement should not contain colorful images in appearance that would induce minor in partaking in virtual asset services.

(11) Advertisements shall not state or imply that relevant virtual assets, including initial coin offerings and non-fungible tokens, or virtual asset services are suitable for a particular class of clients or consumers unless designated as being a product advertisable to a particular class of individuals and or persons.

(12) Advertisements relating to the virtual asset services rendered by a licensee, shall include such relevant information as to the type of service offered, inclusive of terms and timeframes for client deposits and withdrawals, associated fees payable and such other relevant terms under which the service is provided to clients.

(13) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR500,000 and an additional SCR25,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Content of advertisement

6.(1) A licensee or promoter shall avoid extensive use of technical, legal terminology or complex language in an advertisement which may not convey a clear message to the consumers or may be such as to cause confusion if the likely audience is unfamiliar with the concepts.

- (2) All advertisements shall —
- (a) include details of the licensee or promoter, including its full name and tradename (if applicable), licence number and registered office.
 - (b) include, if a known third party is issuing or cause the advertisement to be issued on behalf of the licensee or promoter of the virtual asset, the relevant details of the third party;
 - (c) be accurate and up-to-date;
 - (d) not omit any material relevant facts, and do not make definitive statements that cannot be sustained;
 - (e) use a design and presentation that shall be easily and clearly understood;
 - (f) include, if relevant, any approved trademark, tradename, slogan or associated marker to the licensee or promoter;
 - (g) not be given undue prominence of benefits compared to risks, and always give a fair, balanced and clear indication of any relevant risks when referencing potential benefits;

- (h) include the contact details where consumers can make enquiries;
- (i) ensure that changes to original information about the virtual asset or virtual asset service are promptly notified and described, with the advertisement indicating the date the information contained therein was updated.

(3) Where information is sourced externally, the licensee or promoter shall disclose it as being such, and shall ensure that the information is accurate, complete and up-to-date and include the original source origin.

(4) An advertisement shall only make a comparison, reference to past performance or future performance where this can be provided clearly, accurate, fair, balanced and not misleading, and does not take unfair advantage of the recipient of the communication.

(5) Any reference to the involvement of the Authority in the advertisement shall not be construed or imply that the Authority has approved the advertisement or taken the responsibility for the soundness of the virtual asset, including an initial coin offerings and a non-fungible token, or virtual asset service, and shall be limited to reference as to licensing and or registration.

(6) A virtual asset service provider shall not make reference to the name of any regulator, including the Authority or government in a way that is misleading and shall not use the name of any regulator, including the Authority, without seeking prior approval with the concerning regulator or the Authority.

(7) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR1,000,000 and an additional SCR50,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Performance Information

7.(1) An advertisement shall —

- (a) not contain any projection of performance returns based on borrowing plans where it cannot be evidenced and substantiated;
 - (b) when referring to a comparison, ensure that —
 - (i) the comparison is meaningful and presented in a fair and balanced way;
 - (ii) the sources of the information used for the comparison are specified; and
 - (iii) the key facts and assumptions used to make the comparison are included, with clear provision as to its being an assumption and not a guarantee.
 - (c) when referring to past performance —
 - (i) contain a clear and prominent statement that past performance is not an indicator of future performance;
 - (ii) clearly state the reference period and the source of the information provided; and
 - (iii) is based on objective, up-to-date and accurate information.
- (2) Advertisements that refer to future performance shall ensure that —
- (a) the information gives a balanced impression, covering both negative and positive scenarios;
 - (b) it is clear as to the basis on which future performance is predicted; and
 - (c) there is a clear and prominent statement that such forecasts are not a reliable indicator of future performance.

(3) An advertisement shall not contain information on future performance if it is not able to obtain objective data to substantiate the advertisement.

(4) Future performance shall not be based on nor refer to simulated past performance.

(5) An advertisement shall advise that a customer should undertake their own research and not rely solely on the information provided within the advertisement or other materials prepared.

(6) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR500,000 and an additional SCR25,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Fees, costs or commissions

8.(1) Where a fee or cost is referred to in an advertisement, it shall give a realistic impression of the overall level of fees and costs a consumer is likely to pay with clear indication as to the fee or cost being an estimate, if applicable.

(2) Where an entity is due a commission for the execution of an advertisement, the commission shall be referred to within the advertisement.

Risk and warning disclosures

9.(1) An advertisement shall adequately display and explain any risks associated with relevant virtual asset, including initial coin offerings and non-fungible tokens, or virtual asset service.

(2) Where the price of a relevant virtual asset, including initial coin offerings and non-fungible tokens, or virtual asset service, is denominated in a currency other than that of Seychelles Rupees, the consumer shall be warned that changes to the rates of exchange may have an effect on the value, price or income obtained from relevant advertisement.

(3) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR2,000,000 and an additional SCR75,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Cancellation rights

10. Where cancellation rights apply, the advertisement shall disclose, along with the liabilities attached to the exercise of such right, in the advertisement or in terms and conditions of the contract attached to the relevant virtual asset, including initial coin offering and non-fungible tokens, or virtual asset service.

PART III - ADVERTISING CONDUCT STANDARDS

Duties of licensees and promoters making advertisements

- 11.(1) Any person making an advertisement shall, at all times, —
- (a) act responsibly, with honesty, fairness, integrity and professionalism;
 - (b) avoid aggressive or offensive sale practices;
 - (c) avoid vulgar images or phrases;
 - (d) deal respectfully with the consumers and ensure sufficient disclosure is made for them to make informed decisions;
 - (e) be transparent regarding the nature of his, her or its relationship with the licensee or promoter; and
 - (f) preserve confidentiality of the consumer's information, and not take advantage of such information for personal or another person's gain in conformity with the data protection law in Seychelles.

(2) A person who acts in contravention with this regulation commits an offence and is liable on conviction to a fine not exceeding SCR 5,000,000 or 2 years imprisonment, or both.

Duties of third parties making advertisements

12.(1) Any person acting on behalf of a licensee or promoter, where appropriate, shall —

- (a) always disclose his full and accurate identity, at the time of introduction with consumers;
- (b) always disclose to consumers before entering into any contract for relevant virtual asset, including initial coin offering and non-fungible tokens, or virtual asset service, all benefits that will be paid to him or her, whether by way of fees, commissions, dividends (directly or indirectly) or otherwise under such contract, based on his relationship and interest that he or she may share with other parties which are associated with the relevant products or services; and
- (c) always disclose if they are being paid to promote or feature such a promotion on personal, business or other web pages controlled by the person itself.

(2) A person who acts in contravention with this regulation commits an offence and is liable on conviction to a fine not exceeding SCR 3,000,000 or 1 year imprisonment, or both.

PART IV - INTERNET ADVERTISEMENTS

Internet Advertisements

13. Advertisements on the internet shall adhere to the following principles and standards —

- (a) electronic advertisements shall be identical to the most up-to-date paper versions;

- (b) there shall be a prominent statement on the relevant web pages, which is capable of being seen and read with reasonable ease by the consumer accessing the electronic copies of such advertisements, to the effect that printed copies of the advertisements are also available, as well as where and how they can be obtained;
- (c) any advertisements on the relevant web pages shall remain available for as long as it is necessary for the consumers to have a reasonable opportunity to read or access them, or for such duration of validity period as may be relevant from time to time;
- (d) consumers shall also be given the opportunity to retain the information through printing and downloading; and
- (e) downloadable advertisements should contain the date by print or watermark or through a time stamp in the downloadable version of the triggered date that the download has occurred.

Bad internet advertising and marketing practices

14.(1) A licensee or promoter shall, inter alia, abstain from the following bad internet-based advertisement practices when making an advertisement over the internet —

- (a) hiding essential information by the close proximity of promotional images and/or additional text;
- (b) reducing risk warnings in importance due to their location outside of the main advertisement border;
- (c) diminishing some statements through the use of small font sizes, hard-to-read coloring, being placed at non-prominent positioning and unclear type styles so as to render difficult or illegible to read;

- (d) hiding important information within, or in some cases absent from, the respective internet landing page and only accessed through significant scrolling down and/or multiple page links;
- (e) due to positioning, making risk warnings easy to overlook, resulting in consumers being taken directly to an application form by clicking onto a banner advertisement or accepting a cookie;
- (f) publishing risk statements within a 'pop-up' box that only appears on the consumer's initial visit to the relevant website;
- (g) providing minimal information on the risks associated to specific products being promoted;
- (h) obscuring key information or warnings, such as fees or exclusions, within the internet website or placed under a separate section or heading, such as 'FAQs', 'Legal Information', "Terms and Conditions" or 'Disclaimers' or similar subheadings;
- (i) incentives such as bonuses and inducements published on the main web page, but which are subject to conditions within pages noted in paragraph (h), that are not explained at the outset of account opening, transfer of funds or virtual asset.
- (j) not taking into account the different-sized browsers of consumers when positioning risk information whereby it is necessary to scroll down to access the information; and
- (k) superimposing important information, statements or warnings across colored or patterned backgrounds which lessen their visual impact.

(2) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the

Act and may impose an administrative penalty of SCR2,000,000 and an additional SCR75,000 for each day or part of each day for which the contravention continues.

(3) Where a person, acting on behalf of a licensee or promoter, acts in contravention of this regulation, that person commits an offence and is liable on conviction to a fine not exceeding SCR 3,000,000 or 1 year imprisonment, or both.

Record keeping

15. A licensee or promoter shall maintain adequate records of its advertisements, including details of who signed off each advertisement and when it was signed off, for at least 7 years after the advertisement ceases to be available to consumers, or such other period which the Authority may request.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 69 of 2024

VIRTUAL ASSET SERVICE PROVIDERS ACT

(Act 12 of 2024)

Virtual Asset Service Provider (Safekeeping and Management of Client's Assets) Regulations, 2024

Arrangement of Regulations

Regulations

1. Citation
2. Interpretation
3. Application
4. General Principles
5. Client Agreement
6. Management and safekeeping of client assets
7. Systems and controls to safe-keep client assets
8. Protection from third party claims
9. Sub custodian arrangements within same group
10. Sub custodian arrangements within external party
11. Records and accounts

S.I. 69 of 2024**VIRTUAL ASSET SERVICE PROVIDERS ACT***(Act 12 of 2024)***Virtual Asset Service Provider (Safekeeping and Management of Client's Assets) Regulations, 2024**

In exercise of the powers conferred by section 38(2)(f)(ii) of the Virtual Asset Service Providers Act, 2024, the Minister responsible for Finance, in consultation with the Authority, makes the following Regulations —

Citation

1. These Regulations may be cited as the Virtual Asset Service Providers (Safekeeping and Management of Client's Asset) Regulations, 2024.

Interpretation

2. In these Regulations —

“client assets” means any virtual assets owned by a client, including non-fungible tokens, stablecoins, private keys or parts thereof;

“Capital Requirement Regulations” means Virtual Asset Services Providers (Capital and other Financial Requirement) Regulations, 2024;

“holding”, “held”, or to “hold”, means the ability to exercise control over client assets by the use of a private key or other equivalent mechanism;

“insolvency” shall have the same meaning as in the Insolvency Act, 2013;

“private key” means an alphanumeric code used to authorize transactions and prove ownership of a virtual asset;

“sub-custodian” means a party authorised to provide similar virtual asset custodial services as described under Schedule 2 to the Act, in another jurisdiction;

“wallet” means any storage device or mechanism for holding private keys.

Application

3. These Regulations shall apply to all virtual asset service providers authorized to offer custodial services under the First Schedule to the Act.

General principles

4.(1) A licensee shall —

- (a) establish policies, systems and controls for the safekeeping and management of client assets;
- (b) make adequate arrangements to safeguard clients' ownership rights, mitigate the risk of loss or diminution on the value of clients' assets; and
- (c) establish and maintain adequate organizational arrangements for transfer of client assets.

(2) A licensee shall, as part of its policies, procedures and controls for the safekeeping and management of client assets, including the reconciliation of client assets, specify how client assets are protected against loss or misuse and how client assets are segregated so that they are not subject to the claims of the licensee's creditors.

(3) A licensee shall make the policies referred to in subregulation (1)(a) available in summarized form to its clients in electronic format, upon request, no later than 2 working days from the date of receipt of the request.

(4) A licensee who contravenes this regulation shall be subjected to

enforcement action as it deems necessary under the Act, and the Authority may impose an administrative penalty of SCR4,000,000 and an additional SCR50,000 for each day or part of each day, not exceeding twenty days, for which the contravention continues.

Client Agreement

5.(1) A licensee shall ensure that each client for whom they provide custodial services is made aware of and agrees to the terms upon which the services will be provided, before providing any custodial services.

(2) In complying with sub regulation (1), a licensee shall, in the terms, make its clients aware of the following information —

- (a) the licensee's custody policy;
- (b) identity of the legal entity that will be safekeeping and managing client assets, including, if applicable, any authorized sub-custodian;
- (c) nature of the custodial services to be provided;
- (d) extent to which client assets are aggregated or pooled;
- (e) the client's rights with respect to aggregated or pooled assets, and the risks of loss arising from any pooling or aggregating activities;
- (f) how client assets are protected against loss or misuse;
- (g) fees, costs and charges applied for the custodial services; and
- (h) information on the obligations and responsibilities of the licensee with respect to the use of client assets, as well as private keys, including the terms for their restitution, recovery and on the risks involve.

Management and safe-keeping of client assets

6.(1) A licensee shall ensure that the total amount and type of client assets held for clients matches the amounts it has agreed to hold.

(2) Any transfer undertaken of client assets shall be authorised or expressly permitted by the client.

(3) A licensee shall, following the day on which clients' funds, other than client assets, are received, place those funds by the end of the business day, with a bank or financial institution specified in regulation 6(3) of the Capital Requirements Regulations, 2024.

(4) A licensee shall take all necessary measures to ensure that clients' funds, other than client assets, are held in accordance with sub regulation (3) above, are held in an account separate to that is used to hold funds belonging to the licensee.

(5) A licensee shall —

(a) on a segregated basis, in which case the licensee needs to clearly identify and segregate virtual assets belonging to different clients;

(b) on an omnibus basis, in which case the licensee needs to ensure at all times that the total amount and type of virtual assets held for clients matches the amounts it has agreed to hold, and that the licensee shall be able to, at all times know the amount and type of virtual assets being held for each clients.

(6) A licensee shall have adequate arrangements in place to safeguard the ownership rights of clients over their client assets and prevent the use of those assets for their own account.

(7) A licensee shall not use client assets for its own account or the account of any other person or client of the licensee, unless —

- (a) the client has given explicit prior consent to the use of the client assets on specified terms; and
- (b) the use of that client's assets is restricted to the specified terms to which the client consents.

(8) For the purposes of sub regulation (10), the consent provided by the client shall be recorded and retained, showing the date and time at which the consent was given.

(9) A licensee shall take appropriate measures to prevent the unauthorized use of client assets for its own account or the account of any other person.

(10) A licensee shall maintain records where it uses client assets for its own account, recording in real time —

- (a) details of the client from whom the client assets have been obtained, including the wallet address and transaction hashes; and
- (b) the amount and value of client assets obtained as at the time the assets were used by the licensee.

(11) A licensee shall have procedures in place to ensure that clients have a means by which to access their client assets.

(12) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR2,000,000 and an additional SCR25,000 for each day or part of each day **not exceeding thirty days**, for which the contravention continues.

Systems and controls to safe-keep client assets

7.(1) A licensee shall ensure that technology used for the purpose of holding client assets is reliable, resilient and compatible with the client assets being held.

(2) A licensee, in complying with sub regulation (1) shall have regard to —

- (a) the impact of the software architecture of the wallets used to hold client assets and the interoperability of systems used to hold them; and
- (b) the systems' ability to ensure that security measures for access and use of private and public keys, hot and cold wallets storage, password protection and encryption, are reliable and effective.

(3) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR2,000,000 and an additional SCR25,000 for each day or part of each day not exceeding thirty days, for which the contravention continues.

Protection from third party claims

8.(1) A licensee shall not grant any security interest, lien or right of set-off to another person over any client assets unless it applies directly to the clearing or settlement of such obligations as owed directly by the client to whom such security interest, lien or right of set-off claim is against.

(2) A licensee shall maintain records of any security interest, lien or right of set-off which it applies under sub regulation (1), including any court order, legal proceeding or similar records served upon the licensee, the amount and nature of the client assets and the date upon which the obligation was applied.

(3) Where a person acts in contravention with this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR2,000,000 and an additional SCR25,000 for each day or part of each day, not exceeding thirty days, for which the contravention continues.

Sub custodian arrangements within the same group

9.(1) Subject to requirements described in sub regulation (3) below, a licensee may deposit client assets with a sub-custodian for safe-keeping.

(2) A licensee may engage a sub-custodian to hold client assets provided that —

- (a) the sub-custodian is a member of the group of legal entities of which the licensee is a member;
- (b) the sub-custodial arrangements are governed by way of a formal documented agreement;
- (c) the sub-custodian has controls equivalent to those required under the Act and this regulation for the safekeeping and segregation of client assets; and
- (d) the sub-custodian indemnifies the licensee for any losses arising from the theft or loss of client assets it holds on behalf of the licensee.

(3) A licensee who intends on using a sub-custodian to fulfil its obligations under this regulation shall notify the Authority in accordance with section 9(2)(a) of the Act.

Sub-custodian arrangements within external party

10.(1) Subject to requirements described in sub regulation (2) below, a licensee may deposit client assets with a sub-custodian who is not part of the same group.

(2) A licensee may engage a sub-custodian who is not part of the same group to hold client assets, provided that —

- (a) the sub-custodial arrangement is governed by way of a formal documented agreement;
- (b) the sub-custodian has controls equivalent to those required under the Act and this Regulation for the safekeeping and segregation of client assets;
- (c) the sub-custodian is subject to equivalent legal requirements in the jurisdiction where it is licensed as a custodian;

- (d) the sub-custodian is subject to money laundering and terrorist financing prevention requirements equivalent to those of Seychelles;
- (e) the sub-custodian indemnifies the licensee for any losses arising from the theft or loss of client assets it holds on behalf of the licensee.

(3) A licensee who intends on using a sub-custodian who is not part of the same group, to fulfil its obligations under this regulation shall notify the Authority in accordance with section 9(2)(a) of the Act.

(4) Further to sub regulation (1), in deciding whether to enter into a sub-custodial arrangement with a custodian who is not part of the same group, the licensee shall take into account the following factors —

- (a) the expertise and market reputation of the sub-custodian;
- (b) the arrangements, systems, controls, and technology used by the sub-custodian for the holding and safekeeping of client assets;
- (c) the financial status and soundness of the sub-custodian; and
- (d) any legal requirements that could adversely affect clients' rights over their assets.

(5) A licensee shall take the necessary steps to ensure that any client assets deposited with the sub-custodian are identifiable separately from the assets belonging to the sub-custodian or any of its other clients.

(6) Further to sub regulation 10(2)(a), the licensee shall ensure that the agreement shall, at a minimum, set out —

- (a) the binding terms of the arrangement between the licensee and sub-custodian;

- (b) the respective obligations of both parties vis a vis the business relationship;
- (c) the level or nature of control to be had over the client assets in question;
- (d) the reporting obligations to be met and or any other statutory instruments or such other publication as may come into force from time to time;
- (e) the associated fees payable for the sub custodial services; and
- (f) the measures that the sub-custodian has in place to protect the client assets in the event of insolvency.

(7) Where a person acts in contravention of this regulation, the Authority shall take such enforcement action as it deems necessary under the Act and may impose an administrative penalty of SCR3,000,000 and an additional SCR50,000 for each day or part of each day, **not exceeding thirty days**, for which the contravention continues.

Records and accounts

11.(1) In fulfilling its obligations under regulations 4(1), 4(2), 5, 6, 9(2)(b), 10(2)(a) and 10(6), the licensee shall ensure that it maintains accurate and up to date records that are accessible from its office in the Seychelles.

(2) A licensee shall make accessible at its office in Seychelles a register to be known as the register of positions, and enter in it the following information as appropriate to the relevant client —

- (a) the name of the client;
- (b) the clients' rights to its assets;
- (c) any movement of client asset with reference to instructions received from the client.

(3) A licensee shall use the register of positions to track, record transactions and ownership of client's assets and reconcile the client assets on a client-by-client basis to resolve any discrepancies with consideration to be had to relevant off-chain and on-chain records.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER FOR FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 68 of 2024

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM ACT, 2020

(Act 5 of 2020)

Anti-Money Laundering and Countering the Financing of Terrorism (Reliance on Regulated Persons) (Amendment) Regulations, 2024

In exercise of the powers conferred by section 42 as read with section 97 of the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 (Act 5 of 2020), the Minister responsible for Finance makes the following Regulations —

Citation

1. These Regulations may be cited as the Anti-Money Laundering and Countering the Financing of Terrorism (Reliance on Regulated Persons) (Amendment) Regulations, 2024.

Amendments to S.I. 94 of 2023

2. The Anti-Money Laundering and Countering the Financing of Terrorism (Reliance on Regulated Persons) Regulations, 2023 are hereby amended in regulation 3 as follows —

- (a) in sub-regulation (2)(iv), by repealing the words “reliance arrangement with the customer” and replacing them with the words “business as per section 35 of the Act”;
- (b) by inserting after sub-regulation (3), the following new sub-regulation —

“(3A) A virtual asset service provider shall not rely on a regulated person unless the virtual asset service provider and the regulated person are part of the same group.”.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER OF FINANCE,
NATIONAL PLANNING AND TRADE**

S.I. 67 of 2024

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM ACT, 2020

(Act 5 of 2020)

Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Regulations, 2024

In exercise of the powers conferred by section 7 read with section 97 of the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 (Act 5 of 2020), the Minister responsible for Finance makes the following regulations —

Citation

1. These regulations may be cited as the Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Regulations, 2024.

Amendments to S.I. 108 of 2020

2. The Anti-Money Laundering and Countering the Financing of Terrorism Regulations, 2020 are hereby amended as follows —

- (a) in regulation 2(1), by inserting after the definition of “transaction”, the following new definition —

““transaction hashes” means unique identifiers, similar to a receipt, that serve as proof that a transaction was validated and added to the blockchain;”
- (b) in regulation 8(2), by inserting after the words “Reporting entities,” the words “, except virtual asset service providers,”;
- (c) in regulation 13(h), by repealing the words “and the reporting entities who have not more than five staff

members may request authorisation from their respective supervisory authority to submit a compliance report, as may be determined by the supervisory authority, for information”;

(d) in regulation 17, by inserting after paragraph (f), the following new paragraph —

“(fa) where the transaction, transfer or activity reported in the STR involves virtual assets —

- (i) the wallet type, address and nature of virtual assets held in the wallet;
- (ii) the internet protocol (IP) addresses of the parties involved;
- (iii) the transaction hashes; and
- (iv) if applicable, a statement as to whether the suspected transaction appears to be a peer-to-peer transaction or involve the use of mixers or tumblers;”.

MADE this 5th day of September, 2024.

**NAADIR HASSAN
MINISTER OF FINANCE,
NATIONAL PLANNING AND TRADE**
