

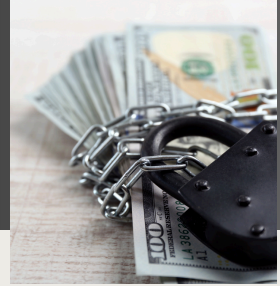
# MARKETING

## FINANCIAL PRODUCTS IN SEYCHELLES:

REGULATORY FRAMEWORK AND BEST PRACTICES FOR SECURITIES DEALERS



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NICE TO MEET YOU!

# Hi! Welcome to Seychelles: A Global Financial Hub

Seychelles' financial services sector continues to grow, with the country establishing itself as a reputable international hub for Securities Dealers and other financial service providers.

However, as the industry evolves, robust regulations have been introduced to govern the marketing of financial products, ensuring transparency, investor protection, and market integrity.

This article focuses on the **Securities (Advertisement) (Amendment) Regulations, 2024**, and other related regulations, offering practical insights for Securities Dealers on how to market their products in compliance with Seychelles' regulatory framework.

*- Albright*



# Overview of Seychelles' Regulatory Framework

## Understanding the Legal Landscape

Seychelles' financial market is governed by a comprehensive set of regulations designed to ensure transparency, protect investors, and maintain market integrity. Key among these are the **Securities Act, 2007**, and the **Securities (Advertisement) Regulations, 2024**.



# Key Regulatory Requirements for Marketing Financial Products

The **Securities Act, 2007**, and its amendments, along with the **Securities (Advertisement) (Amendment) Regulations, 2024**, outline the obligations for marketing financial products in Seychelles. These regulations emphasize transparency, fair representation, and the protection of investors from misleading or harmful advertising practices. Below are the key requirements:

**1. Risk Warnings in Advertisements:** Under the **Securities (Advertisement) (Amendment) Regulations, 2024**, all securities advertisements by a Securities Dealer must include risk warnings that highlight the potential risks of investing in complex financial instruments. These warnings must address:

- **Price Fluctuations:** The possibility that securities may lose all value.
- **Losses vs. Profits:** The likelihood of incurring losses that exceed potential profits.
- **Unlimited Losses:** The potential for losses exceeding the amount deposited with a broker or licensee.
- **Complex Nature of Products:** Acknowledgment that securities, futures, options, and contracts for differences (CFDs) are complex instruments requiring knowledge and understanding.

These risk warnings must:

- Be displayed conspicuously and prominently.
- Be enclosed within defined borders and written in bold, plain font.
- Always remain visible on websites and mobile apps, fixed at the top of the screen regardless of scrolling direction.
- Appear on every linked webpage of a website.

- 1. Prohibition on Targeting Retail Clients:** As per the **Securities (Conduct of Business) (Amendment) Regulations, 2024**, licensees are prohibited from intentionally targeting retail clients in their marketing campaigns. Advertisements must be designed to appeal to a professional audience with adequate knowledge and expertise to understand the risks involved in complex financial products.
- 2. Fair and Clear Communication:** Marketing materials must be fair, balanced, and not misleading. This requirement is rooted in **Regulation 7 of the Securities (Conduct of Business) Regulations, 2008**, which mandates that all communications must be clear and present risks alongside potential benefits to ensure informed decision-making by clients.
- 3. Client Classification and Appropriateness Assessments:** Under **Part 5 of the Securities (Conduct of Business) (Amendment) Regulations, 2024**, clients must be classified as either retail clients or professional clients before offering services. Marketing to retail clients involving restricted speculative investments (e.g., leveraged CFDs or rolling spot forex contracts) requires an appropriateness assessment to confirm the client possesses the knowledge, expertise, and financial capacity to understand the risks.
- 4. Record-Keeping Obligations:** The **Securities (Conduct of Business) (Amendment) Regulations, 2024** mandate that Securities Dealers maintain records of all advertisements, client communications, and compliance measures for at least **seven years**. These records must be available for inspection by the Securities Authority.

# Practical Examples of Compliant Marketing Practices

Below are practical examples of how Securities Dealers can implement these regulatory requirements while promoting their services:

## 1. Risk Warnings in Advertisements

**Scenario:** A Securities Dealer plans to launch an online campaign promoting CFDs on Virtual Assets.

**Compliant Practice:**

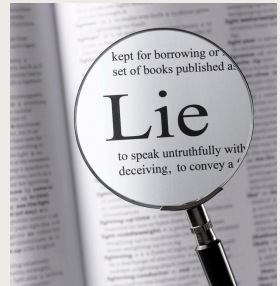
- Include the following risk warning prominently at the top of every advertisement:

*"Trading CFDs involves significant risk of loss. The value of investments may fluctuate, and you may lose more than your initial deposit. CFDs are complex financial instruments and may not be suitable for all investors."*

- Ensure the warning is written in bold font, enclosed in a border, and remains fixed at the top of all webpages and mobile app screens.

**Non-Compliant Practice:**

- Using promotional language such as "Earn guaranteed profits!" without including a risk warning.
- Placing the warning in small print at the bottom of the advertisement, making it difficult to notice.



# Practical Examples of Compliant Marketing Practices

Below are practical examples of how Securities Dealers can implement these regulatory requirements while promoting their services:

## 2. Avoiding Targeting Retail Clients

**Scenario:** A Securities Dealer is running a social media campaign to promote its securities trading platform.

### Compliant Practice:

- Use language that appeals to professional investors, such as:

*"Trusted by professional investors for trading complex financial instruments."*

- Avoid promoting ease of access or simplicity, which may attract retail clients without adequate knowledge.
- Use targeting filters to restrict the campaign's reach to regions or demographics likely to include professional investors.

### Non-Compliant Practice:

- Running advertisements that highlight ease of use, such as: *"Anyone can trade CFDs - Start Now!"*
- Advertising in forums or platforms predominantly frequented by retail clients.



# Practical Examples of Compliant Marketing Practices

Below are practical examples of how Securities Dealers can implement these regulatory requirements while promoting their services:

## 3. Balanced Messaging in Advertisements

**Scenario:** A Securities Dealer wants to promote the potential returns of trading securities.

### Compliant Practice:

- Include a balanced message that outlines both potential returns and risks. For example:

*"Investing in securities offers opportunities for returns but carries significant risks, including the possibility of losing your entire investment."*

- Use real data to support claims about potential returns and include a disclaimer, such as:

*"Past performance is not indicative of future results."*

### Non-Compliant Practice:

- Using exaggerated claims like: "Double your money in no time!"
- Focusing solely on potential returns while omitting any mention of risks.





# Practical Examples of Compliant Marketing Practices

Below are practical examples of how Securities Dealers can implement these regulatory requirements while promoting their services:

## 4. Maintaining Records of Compliance

**Scenario:** The Securities Authority conducts a review of the dealer's marketing practices.

### Compliant Practice:

- Maintain detailed records of all advertisements, including screenshots, campaign targeting settings, and client communications.
- Keep documentation of risk warnings included in advertisements and evidence of compliance with client classification requirements.

### Non-Compliant Practice:

- Failing to document or retain proof of compliance measures for marketing campaigns.



# Best Practices for Securities Dealers

To ensure compliance with Seychelles' regulations, Securities Dealers should adopt the following best practices:

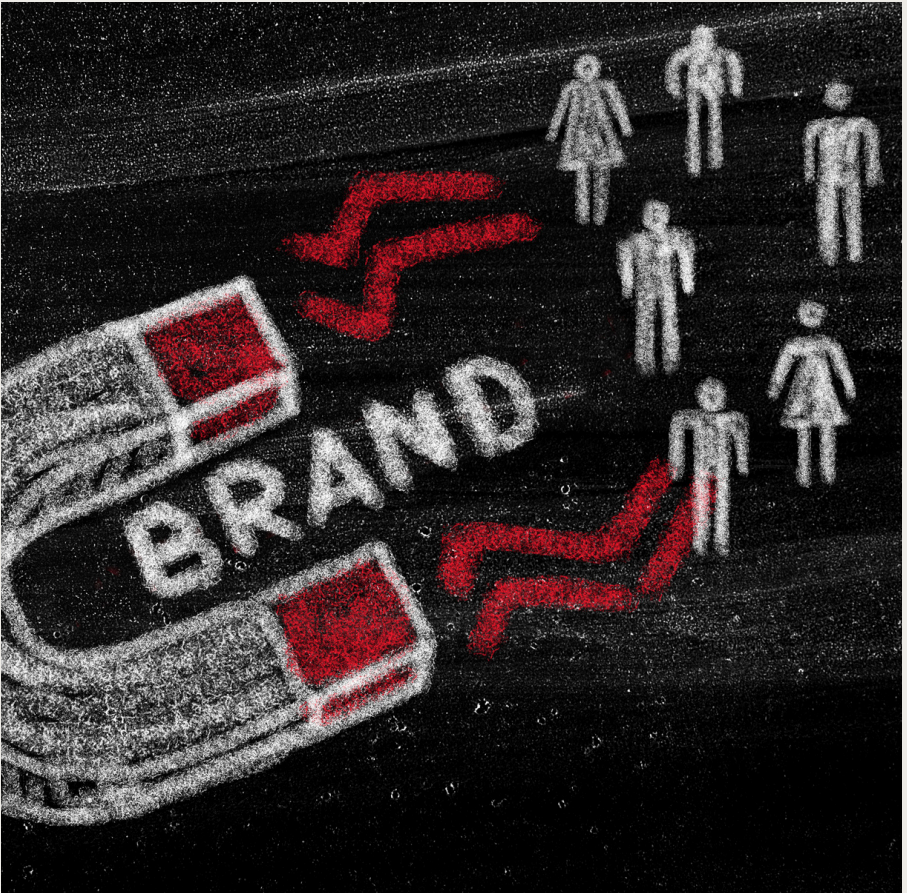
1. **Design for Transparency:** Ensure all marketing materials are transparent, balanced, and prominently display risk warnings.
2. **Target Appropriately:** Avoid targeting retail clients unless the necessary appropriateness assessments have been conducted.
3. **Train Marketing Teams:** Provide regular training to marketing and compliance teams to ensure they understand the regulatory requirements.
4. **Internal Review Process:** Establish a compliance review process for all advertisements before publication.
5. **Document Everything:** Maintain thorough records of all marketing materials and compliance measures for inspection by the Securities Authority.



# Conclusion

The **Securities (Advertisement) (Amendment) Regulations, 2024**, and related regulations place investor protection and transparency at the forefront of marketing practices in Seychelles. By adhering to these requirements, Securities Dealers can build trust with their clients, ensure regulatory compliance, and contribute to the reputation of Seychelles as a globally respected financial hub.

For further assistance with compliance strategies or marketing reviews, feel free to contact us.



## Our Services:

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- Outsourced Compliance Services
  - Corporate Governance Consultancy
  - Corporate Secretarial and Administration Services
  - Financial Services' Licences Applications Services
  - Accounting and Auditing Services
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