



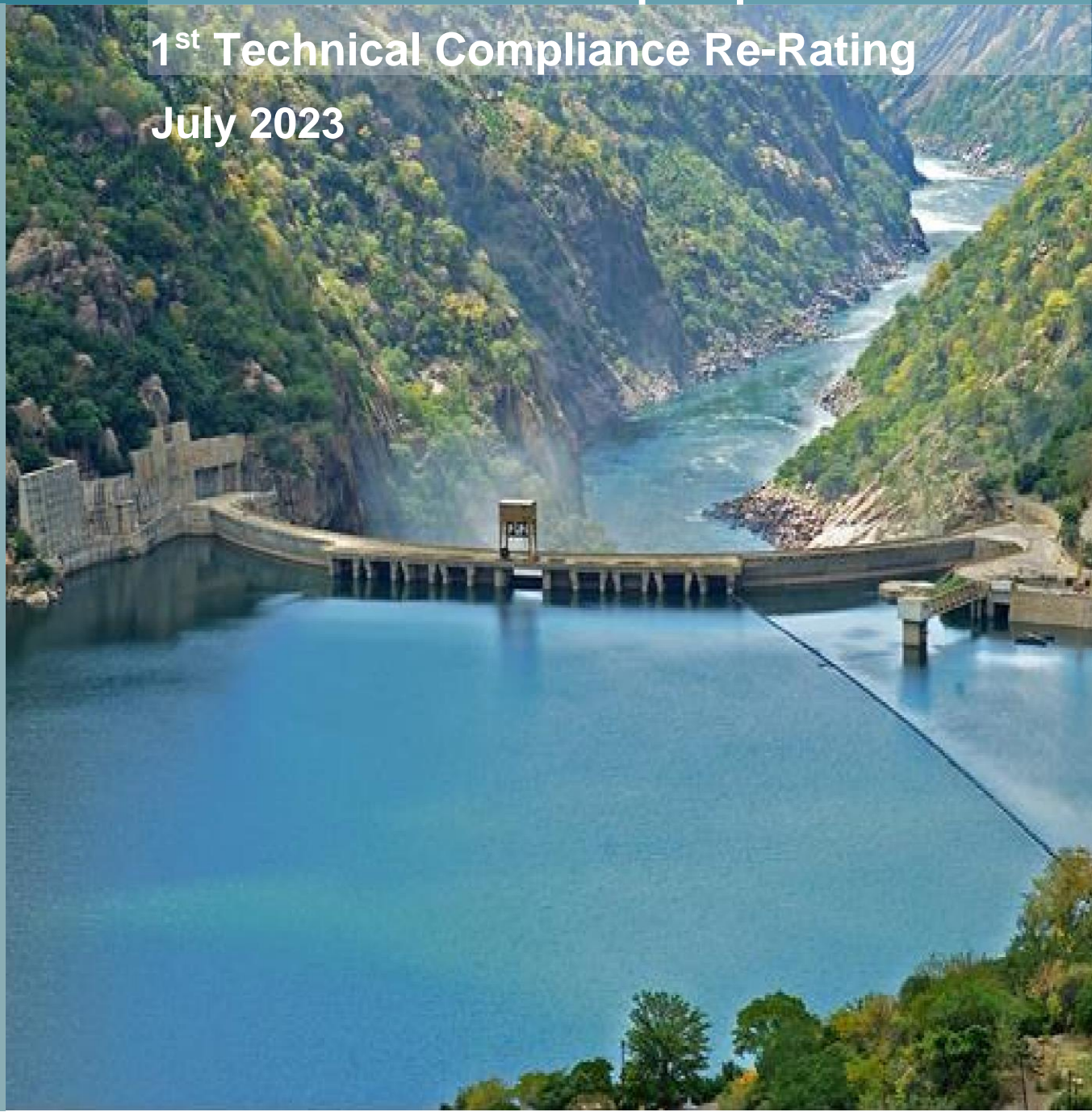
# Anti-money laundering and counter-terrorist financing measures

# Mozambique

2<sup>nd</sup> Enhanced Follow-up Report &  
1<sup>st</sup> Technical Compliance Re-Rating

July 2023

Follow-Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 20 countries and also includes a number of regional and international observers such as COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

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**This report was approved through a written process by the ESAAMLG Task Force of Senior Officials in July 2023.**

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## Mozambique 2<sup>nd</sup> Enhanced Follow-Up Report with Request for Re-rating

### Mozambique 2<sup>nd</sup> Enhanced Follow- Up Report & 1<sup>st</sup> Request for Re-rating

#### I. INTRODUCTION

1. The ESAAMLG evaluated the Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) regime of the Republic of Mozambique under its 2<sup>nd</sup> Round of Mutual Evaluations (MEs) from 25 November to 6 December 2019. The Mutual Evaluation Report (MER) was adopted by the ESAAMLG Council of Ministers in June 2021<sup>1</sup>. This draft Follow-up Report (FUR) analyses Mozambique's progress in addressing the technical compliance deficiencies identified in its MER relating to 10 Recommendations. Re-ratings have been made where sufficient progress has been made.
2. Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not consider progress that Mozambique has made to improve its effectiveness.

#### II. FINDINGS OF THE MER

3. According to the MER, 30 out of the 40 Recommendations of the FATF were rated Partially Compliant (PC) and Non-Compliant (NC) representing 75% for Technical Compliance. Details of the ratings are provided in the Table below:

**TABLE 2.1: Technical Compliance ratings, June, 2021**

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	PC	PC	PC	PC	NC	NC	NC	C	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	LC	LC	NC	NC	PC	C	LC	NC	PC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	NC	NC	NC	PC	PC	LC	PC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
PC	PC	PC	PC	PC	PC	PC	PC	LC	LC

4. In view of the above ratings, Mozambique was placed under enhanced follow up in terms of Paragraph 105 of Procedures for the ESAAMLG 2<sup>nd</sup> Round of AML/CFT Mutual Evaluations and Follow Up Process. Following the adoption of the MER in June 2021, Mozambique has made some progress to address deficiencies outlined in the Report. The following experts conducted the analysis of the progress and TC re-rating request:

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<sup>1</sup> <https://www.esaamlg.org/reports/MER%20of%20Mozambique-June%202021.pdf>

- Zenobia Barry (Namibia)
  - Susan Mangori (Botswana)
  - Refilwe Nasha (Botswana)
  - Kapaletswe Chikhwa Somolekae (Botswana)
  - Motsitsi Mongati (Botswana)
  - Patrick Okettayot (Uganda)
  - Ricardo João (Angola)
5. Section III of this report summarises Mozambique’s progress made in improving technical compliance. Section IV sets out conclusions and a table showing Recommendations that have been re-rated.

### III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

6. This section summarises Mozambique’s progress made in improving its technical compliance by addressing some of the TC deficiencies identified in the MER.

#### 3.1. Progress to address technical compliance deficiencies identified in the MER

7. Mozambique has made progress to address the technical compliance deficiencies identified in the MER in relation to Recommendations 1, 4, 6, 7, 14, 15, 19, 20 and 26. As a result of this progress, Mozambique has been re-rated in all these Recommendations. as detailed below. There was no sufficient progress on Recommendation 8. Hence, Reviewers determined that the rating be retained as NC.

##### 3.1.1. Recommendation 1 (originally rated PC- upgraded to LC)

8. In its second round MER, Mozambique was rated PC on R.1. The main findings were that: Mozambique had not yet identified and assessed its ML/TF risks; absence of mechanisms to provide information on the results of the risk assessment and that allocation of resources were not being prioritised according to the level of ML/TF risks. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.
9. **The 2021 MER rated c1.1 as not Met.** The MER found that Mozambique had not assessed its ML/TF risks. With a view to address this shortcoming, the country identified and assessed its ML/TF risks through a national risk assessment (NRA) which was carried out from July 2020 to March 2021. The assessment identified threats and vulnerabilities and the sectors at risk. The casino sector, real estate, dealers in precious metals and stones as the most vulnerable sectors for ML/TF. The ML threat was determined to be high, and the ML vulnerability as medium-high. The highest proceeds generating crimes were identified as corruption, drug trafficking, tax fraud, environmental crimes (forestry and wildlife), kidnapping, illegal restraint. On the other hand, the TF threat and vulnerability were both rated high. The findings of the NRA were based on the analysis of statistic data, questionnaires, studies, close and open-source information. Both the relevant public and private sector representatives were involved in the NRA. **Hence, c.1.1 has been Met.**
10. **The 2021 MER rated c1.2 as Met.**
11. **The 2021 MER rated c1.3 as not Met.** The MER found that Mozambique did not have a process for updating the risk assessments and mechanisms to facilitate sharing the results of the assessment. For this purpose, the new Law 11/2022 provides legal basis for Mozambique to update the risk assessments every five years or earlier depending on evolution of ML/TF risks. **Therefore, c.1.3 has been Met.**

12. **The 2021 MER rated c1.4 as Not Met.** With respect to sharing the results of the risk assessment, the authorities disseminated the NRA report to relevant competent authorities, SRBs, FIs and DNFBPs. Furthermore, the report was published and made available at [www.gifim.gov.mz](http://www.gifim.gov.mz). **In view of this, c.1.4 has been Met.**
13. **The 2021 MER rated c1.5 as Not Met.** Based on the findings of the NRA, Mozambique has introduced and implemented some measures to strengthen the AML/CFT systems. For instance, it has established the Central Asset Recovery and Management Office with a view to enhance asset confiscation system, having noted low levels of asset confiscation under the conviction-based confiscation regime. It has also created a Unit within the Public Ministry to combat organized crime. In addition, Mozambique has promulgated various laws such as Law 11/2022 (Prevention and Combating Money Laundering and Terrorism Financing) which, among others, broadens the scope of predicate offences, scope of reporting entities to include VASPs, etc; Law 13/2022 (Prevention and Suppression of Terrorism) which, among others, strengthens criminalization of TF, implementation of cross-border currency requirements, targeted financial sanctions related to TF and PF. However, the authorities have not demonstrated any evidence that resources are allocated across all the AML/CFT authorities based on risks, or at an operational level, within individual competent authorities. For instance, supervisory authorities do not determine the frequency and intensity of their supervisory activities commensurate with risks. In addition, while the TF threat and vulnerability were rated high, Mozambique did not provide evidence of measures it has taken to mitigate TF risks apart from enacting Law 13/2022. **On this basis, c.1.5 has been Partly Met.**
14. **The 2021 MER rated c1.6 as Partly Met.** With respect to exemptions from some FATF Recommendations, assessors found that Article 6 of decree 66/2014 provided some exemptions on CDD and BO requirements to FIs and DNFBPs when dealing with a State or public legal entity, central or local administration subject to some conditions. The authorities have not shown that this provision was amended (or the Decree repealed) or that there is a proven low risk of ML/TF. Hence, **c.1.6 remains Partly Met.**
15. **The 2021 MER rated c1.7 as Met.**
16. In terms of Article 39 of Law 11/2022, FIs and DNFBPs are permitted to apply simplified measures provided that this is based on proven low risk and that these simplified measures are not allowed whenever there is suspicion of ML/TF (c1.12). However, there is no requirement that the identified lower risk must be consistent with the country's ML/TF risk assessment. **In view of this, c.1.8 remains Mostly Met.**
17. **The 2021 MER rated c1.9 as Partly Met.** The supervisory authorities are required to ensure compliance by FIs, non-financial institutions, and DNFBPs with obligations, including obligations set out under R.1 (Article 55 of the Law 11/2022). Furthermore, majority of the supervisors have started enforcing the implementation of the AML/CFT requirements by issuing guidance to assist FIs and DNFBPs. **Hence, c.1.9 has been Met.**
18. **The 2021 MER rated c1.10 as Met.**
19. **The 2021 MER rated c1.11 as Partly Met.** In terms of Article 14 (3) of Law 11/2022, FIs and DNFBPs are obliged to have policies, controls and procedures to enable them manage and mitigate the risks that have been identified (either by the country or by

the FI or DNFBP), monitor the implementation of these controls and to enhance them if necessary. However, there is no requirement for the policies, controls and procedures to be approved by senior management (which is required by c1.11a)). **In view of this, c.1.11 is re-rated Mostly Met.**

20. **The 2021 MER rated c1.12 as Partly Met.** Mozambique allows FIs and DNFBPs to take simplified measures to manage and mitigate risks only if low risk areas have been identified through an adequate risk assessment (Article 39(1& 2) of Law 11/2022). In addition, supervisors monitor compliance by FIs and DNFBPs with requirements of R.1 and all reporting entities are required to have in place policies to manage and mitigate ML/TF risks except that they are not subject to senior management approval (refer to criteria 9-11 detailed analysis and conclusions). FIs and DNFBPs are not allowed to apply simplified measures where there is suspicion of ML/TF (Article 39(2)(a) of Law 11/2022). **In view of this, c.1.12 is re-rated Mostly Met.**

#### ***Weighting and Conclusion***

21. Mozambique has largely addressed most of the deficiencies highlighted in its MER. It has identified and assessed the ML/TF risks in the country (criteria 1.1-1.2, 1.3, 1.4, 1.7, 1.9 and 1.10 are now Met; criteria 1.8, 1.11 and 1.12 are now rated Mostly Met); criteria 1.5, and 1.6 are now rated Partly Met). Mozambique has put in place some measures required to address areas of high risk. The assessment identified threats and vulnerabilities and the sectors at risk. The casino sector, real estate, dealers in precious metals and stones. The ML threat was determined to be high, and the ML vulnerability as medium-high. However, the country has not demonstrated that the risk-based approach extends to other areas to mitigate TF risks. Supervisors have not demonstrated implementation of risk-based supervision. FIs and DNFBPs are required to undertake risk assessments, put in place policies to mitigate the identified risks. However, there is no requirement for the policies to be approved by senior management of the FIs/ DNFBPs. Application of simplified measures is subject to proven low risk and such exemptions are not allowed where there is suspicion of ML/TF risks. However, it is not a condition that the low risk should be consistent with the results of the country's risk assessment.

**On the basis of the foregoing analysis, the outstanding deficiencies are considered to be minor. R.1 is therefore re-rated from PC to LC.**

#### ***3.1.2. Recommendation 4 (originally rated PC- Upgraded to C)***

22. In its second round of the MER, Mozambique was rated PC on R.4, as a result of deficiencies in the scope of predicate offences (i.e. migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation were not criminalized). The MER also noted the lack of framework or mechanism to identify, trace, and evaluate property that is subject to confiscation; there were no provisions to enable competent authorities to take steps that would prevent or void actions that prejudice Mozambique's ability to freeze, seize, or recover property; it also did not have mechanisms for managing and, when necessary, disposing of property that is frozen, seized or confiscated. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.
23. Article 7 (lines e, j, and q) of Law 11/2022, of July 7, criminalized migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation. This addresses the deficiency noted in c4.1 b-c in relation to the limited scope of

proceeds and instrumentalities of these offenses, as authorities can now confiscate the proceeds of the instrumentalities of these offenses. The ability to confiscate assets relating to migrant smuggling and fraud is particularly notable as they both constitute significant ML risks in light of Mozambique's risk profile.

24. **In its MER Mozambique was rated Met on sub-criteria 4.1 (a and d), and Partly Met on 4.1 (b and c).** In relation to proceeds or instrumentalities used or intended for use in ML or predicate offence, Article 67 (1) of Law 11/2022 provides the legal basis for the confiscation of property, which is the proceeds, benefits, or instrumentalities used or intended to be used in ML or predicate offences. Moreover, Article 1 (1) of Law 13/2020, provides a legal basis for the confiscation of assets related to corruption and related crimes; b) terrorism and the financing of terrorism; c) trafficking in persons; d) trafficking in narcotics, psychotropic substances, precursors; e) illegal arms trafficking; f) loan-sharking; g) tax fraud and tax offences; h) piracy; i) against the environment; j) money laundering; k) criminal association; l) kidnapping; m) child pornography; n) cybercrime; P) pimping; Q) smuggling; R) and forgery of documents. Hence, **sub-criteria c4.1b is re-rated Met.**
25. Furthermore, under Article 66 (1) of Law 11/2022, Mozambique has in place measures, including legislative measures, that enable the confiscation of the objects, whether held by criminal defendants or by third parties. In addition, Article 8 (1) of Law 13/2020 provides the legal basis for the confiscation of instruments used or intended to be used in the perpetration of a typical unlawful act and declares them forfeited in favor of the state when, by their nature or the circumstances of the case, they endanger the safety of people, morals, or public order or offer a serious risk of being used for the commission other illegal acts. The terms 'unlawful acts and illegal acts include 'terrorism, terrorist acts and ownership of property by a terrorist organisation. **Sub-criteria c4.1c is therefore Met. Hence, criteria 4.1 is re-rated Met.**
26. **The 2021 MER rated c4.2 as Partly Met.** According to Article 22 (a) of Law 13/2020, Mozambique has measures in place to allow competent authorities to identify, trace, and evaluate property that is subject to confiscation. The Central Office and the provincial asset recovery offices are responsible for identifying, tracking, and seizing all assets, properties, and products related to crime, both nationally and internationally. Hence, **sub-criteria c4.2a is re-rated Met.** Furthermore, Article 9 of Law 11/2022 provides provisional measures, such as freezing or seizing, to prevent any dealing, transfer or disposal of property subject to confiscation. Hence, **sub-criteria c4.2b is re-rated Met.** In addition, Article 17 (Preventive confiscation) of the establishment of Assets Management and Administration Office provides the legal basis that enables prevent or void actions that prejudice the country's ability to freeze or seize or recover property that is subject to confiscation. Furthermore, at any time, as soon as the tainted assets are found, the Public Prosecutions may request the seizure of the defendant's assets in the amount corresponding to that determined as constituting proceeds of crime. The seizure of the defendant's assets may also be requested before the liquidation itself, when there is cumulatively a well-founded fear of a dissipation of assets and strong evidence of committing the crime. The seizure is ordered by the judge, regardless of the verification of the defendant's economic solvency, if there are strong evidences of committing the crime. Hence, **sub-criteria c4.2c is also re-rated Met.** Furthermore, competent authorities have powers, highlighted on Article 23 of the establishment of Assets Management and

Administration Office, to carry out the financial or asset investigation of crimes and property related to the crimes, by determination and under the guidance of the Public Prosecutions. On this basis, **sub-criteria c4.2d Met and overall c.4.2 is Met.**

27. **Mozambique was rated ‘Met’ on c4.3 in its MER.**
  28. **The 2021 MER rated c.4-4 as Not Met.** Assessors found that Mozambique did not have mechanisms for managing and, when necessary, disposing of property that is frozen, seized, or confiscated. This has been sufficiently addressed by Articles 24 and 25 of Law No 13/2020, which provides that the Asset Management Office has powers to manage seized or recovered assets and properties. Furthermore, the Asset Management Office carries out the examination, description and registration of the assets assessment for the purpose of establishing the value of any compensation. **Hence, c4.4 is Met.**
- Weighting and Conclusion*
29. Mozambique has fully addressed the outstanding shortcomings. **Therefore, the rating of PC for Recommendation 4 is upgraded to C.**

### *3.1.3. Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing (Originally rated NC- Upgraded to PC)*

30. In its second round of the MER, Mozambique was rated NC on R.6. The main findings were that: Mozambique had not put in place adequate mechanisms to implement TFS; there was no requirement for financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions; The law did not provide for mechanisms requiring the delisting of a person or an entity that no longer meets the criteria under the 1267/1989 or 1988 Committees; and Mozambique did not have specific and publicly known procedures to delist and unfreeze the funds or other assets of persons and entities which do not, or no longer, meet the criteria for designation for the purposes of UNSCRs 1267/1989 or 1988 and 1373. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.
31. **The 2021 MER rated c6.1 as not Met.** It noted that Mozambique had not put in place adequate mechanisms to implement TFS relating to TF. For this purpose, the country introduced Law 13/2022- Preventing, Suppressing, and Combating Terrorism and the Proliferation of Weapons of Mass Destruction to address the deficiency. Under Article 33 (1), the Attorney General is the competent authority with the mandate to propose persons and entities to the 1267/1989 Committee (Al-Qaeda). Furthermore, Article 33 (3) provides power for the Attorney General, in coordination with the ministry that oversees the area of foreign affairs and cooperation, to propose persons or entities to the 1988 Committee for designation. **Hence, sub-criterion c6.1a is re-rated Met.**
32. Mozambique has mechanisms for identifying targets for designation based on the UNSCR's criteria. Under Article 27 (f), of Law 13/2022, the Attorney General has the power to decide on requests ex parte and without prior notice to the natural person, group or entity concerned on the proposal for the designation, verification, modification or revocation of the National List and to collect or request any information necessary to take such a decision or to identify natural persons, groups or entities that fulfill the criteria for designation on the National or International List. **Hence, sub-criterion c6.1b is now re-rated Met.** In addition, Mozambique applies



an evidentiary standard of proof or “reasonable grounds” or “reasonable basis” when deciding whether or not to make a proposal for designation. **Sub-criterion c6.1c is therefore re-rated Met.**

33. The requirement to follow applicable procedures and use standard forms for listing is established in Art. 33 (4) (a) of Law 13/2022. **Sub-criterion c6.1d is therefore Met.** Furthermore, under Articles 33 (2) (b) and (d), competent authorities are required to provide as much relevant information as possible about the proposed person or entity as provided in Article 27 of this Law and specify whether the status of the Republic of Mozambique as a designating state can be known. **Sub-criterion c6.1e is therefore re-rated Met. In view of the above, c.6.1 is re-rated Met.**
34. **The 2021 MER rated c.6.2 as not Met.** In relation to designations pursuant to UNSCR 1373, under Articles 26 of Law 13/2022, the Attorney General of the Republic or the Public Prosecutor are responsible for designating persons or entities in general. Article 27 sets out the criteria for designation under UNSCR 1373 while Article 28 provides the legal basis for Mozambique to give effect to a request of another country. **Sub-criterion c.6.2a is therefore re-rated Met.** Moreover, Article 27 of Law 13/2022 sets out mechanism(s) for identifying targets for designation based on the criteria set out in UNSCR 1373. **Sub-criterion c.6.2b re-rated Met.** Furthermore, Article 26 of Law 13/2022 sets out the competence of the national authority for the designation, which, among others, gives power to the Attorney General of the Republic or the Public Prosecutor to receive, examine, and decide on requests for designation and to receive, examine and decide on requests for modification of the identification on the list, and to receive, request, analyze, and disseminate information that may facilitate the enforcement of this Law. Article 27 of Law 13/2022 sets out mechanism(s) for identifying targets for designation based on the criteria set out in UNSCR 1373. Under Article 27(2) of the Law 13/2022, the Attorney General is the authority responsible for receiving designation requests from competent authorities of other jurisdictions to add natural persons, groups, or entities to the National List. Determinations have to be made within 30 days after receipt of the request. **Sub-criterion c.6.2c is therefore re-rated Met.**
35. In term of Article 27(2) of Law 13/2022, Mozambique applies an evidentiary standard of proof of "reasonable grounds" when deciding whether or not to make a designation. Moreover, designations on the National List are made in the absence of a criminal investigation, indictment or conviction. **Sub-criterion c.6.2d is therefore re-rated Met.** The Attorney General, in coordination with the ministry that oversees the area of foreign affairs and cooperation, has powers to request that foreign jurisdictions comply with the designations made by Mozambique (Article 27(4) of the Law 13/2022). These requests must be accompanied by as much relevant information as possible about the proposed natural person, group, or entity, as set out in Article 28 of this Law, and provide a statement of the case containing as much detail as possible about the basis for the listing. **Sub-criterion c.6.2e is re-rated Met. Based on this, c.6.2 is re-rated Met.**
36. **The 2021 MER rated c.6.3 as not Met.** Mozambique makes decisions on requests ex parte and without prior notice to the natural person, group, or entity concerned on the proposal for the designation, verification, modification, or revocation of the National List and collects or requests any information necessary to take such a decision or to identify natural persons, groups, or entities that fulfill the criteria for

designation on the National or International List. **Sub-criterion c6.3a and b are now Met. Hence, overall c.6.3 is now re-rated Met.**

37. **The 2021 MER rated c6.4 as not Met.** Mozambique has subsequently made changes and now it implements targeted financial sanctions without delay. In terms of Article 32 (1-3) of Law 13/2022, upon receipt of the sanctions listed persons or entities from the Mozambique diplomatic mission in New York the Ministry of Foreign Affairs, transmits the list immediately by electronic mail to the Attorney General and the FIU. The FIU also transmits the list immediately by electronic mail to supervisory authorities and at the same time posts a link on its website and informs reporting entities of their obligation to freeze without delay any funds or other assets belonging to or controlled by the designated individuals, groups or entities. In relation to the UN list, the designations take effect immediately and there is no requirement for the list to be published in the gazette. Article 38 of Law 13/ 2022, provides that the procedure for immediate freezing after receiving the UN Sanctions and the national designation of persons, groups and entities shall not exceed 24 hours from the dissemination of the lists. **Based on this, c.6.4 is now re-rated Met.**
38. **The 2021 MER rated c.6.5 as not Met.** Under the new law, Mozambique requires all FIs and DNFBPs to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities (Articles 36 and 37 of Law 13/2022). However, this requirement still does not extend to the rest of the natural and legal persons in the country. **Hence, sub-criterion c.6.5(a) is re-rated Partly Met.**
39. The obligation to freeze extends to: (a) all funds or other assets that are owned or controlled by the designated person, group or entity, and not only those that may be linked to a specific terrorist act, conspiracy or threat (Article 37(2(a) of Law 13/2022); (b) funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons, groups or entities (Article 37(2(b) of Law 13/2022); (c) funds or other assets that originate in or are derived from funds or other assets owned or controlled directly or indirectly by designated natural persons, groups or entities (Article 37(2(c) of Law 13/2022); funds or other assets of persons and entities acting on behalf of or at the direction of designated natural persons, groups or entities (Article 37(2(d) of Law 13/2022). **Hence, sub-criterion 6.5(b) is re-rated Met.**
40. Article 41 of Law 13/2022 provides that no funds or other assets, economic resources or financial and other related services shall be made available, directly or indirectly, in whole or in part, by any natural or legal person, group or entity, whether national or located in Mozambican territory, to persons, groups or entities on the National or International List, or to persons, groups or entities owned or controlled directly or indirectly by such designated persons, groups or entities acting on behalf of or under the instruction of such designated persons, groups or entities, entities owned or controlled, directly or indirectly, by such designated persons, groups or entities, acting on behalf of or at the direction of such designated persons, groups or entities, unless previously authorized or notified under the relevant United Nations Security Council Resolutions, in accordance with Article 40. **Therefore, sub-criterion 6.5 (c) is re-rated Met.**
41. Mechanisms for communicating designations to FIs and DNFBPs and providing guidance are available in Mozambique (Article 32 (3) of Law 13/2022). Designations are disseminated through email and the FIU website. Articles 37(3)-(6) of Law 13/2022 set out action to be taken by FIs and DNFBPs upon receipt of designations

and action to be taken by FIs and DNFBBs that may be holding targeted funds or other assets under the freezing mechanisms. Furthermore, Article 32 (4) requires the Regulatory and Supervisory Authorities and the FIU to establish guidelines for FIs and DNFBBs holding funds belonging to designated listed individuals, groups or entities on their obligations to act under the freezing mechanism. The mechanisms apply to both the national list and UN list (Article 37(1) of Law 13/2022). **Hence, sub-criterion 6.5(d) is re-rated Met.**

42. Pursuant to Article 31 of Law 13/2022, FIs and DNFBBs are required, after freezing or unfreezing funds or other assets, to report to the FIU, within 24 hours, the amount and type of funds or other assets that have been frozen or unfrozen, mentioning the date and time. **Hence, sub-criterion 6.5(e) is Met.** Criterion 6.5(f) was rated Met in the MER. **In view of the deficiency in c.6.5(a), c.6.5 is re-rated Partly Met.**
43. **The 2021 MER rated c6.6 as not Met.** Under Article 34 of Law 13/2022, Mozambique provides procedures to submit de-listing requests to the relevant UN Sanctions Committee in the case of persons and entities designated pursuant to the UN Sanctions Regimes that, in the country's view, do not or no longer meet the criteria for designation. The procedures and criteria are in accordance with procedures adopted by the 1267/1989 Committee or the 1988 Committee. On this basis, **sub-criterion 6.6a is re-rated Met.** Furthermore, procedures for submitting de-listing requests in relation to the domestic list are set out under Articles 29-31 of Law 13/2022. The laws are available on the FIU website. **Hence, sub-criterion 6.6 (b) is re-rated Met.**
44. Under UNSCR 1373, decisions to designate can be reviewed by the Attorney General or a magistrate appointed by the Attorney General (Article 29 (1) of Law 13/2022). Sub-Article 6 provides room for an appeal to be made to the court, if the Attorney General or magistrate rejects the request. Therefore, **sub-criterion c6.6c is now re-rated Met.** In addition, Mozambique has procedures to facilitate review by the 1988 Committee in accordance with any applicable guidelines or procedures adopted by the 1988 Committee, including the Focal Point mechanism established under UNSCR 1730 (Article 34 (a) and (c) of Law 13/2022). Hence, **sub-criterion 6.6d is now re-rated Met.**
45. With respect to designations on the Al-Qaida Sanctions List, Article 34 (a) of Law 13/2022, provides for the submission of de-listing requests, which must be submitted either directly to the Office of the United Nations Ombudsperson, for petitioners whose names appear on the ISIL (Da'esh) and Al-Qaeda Sanctions List, at ombudsperson@un.org, or to the Focal Point. Mozambique has not provided procedures for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions. However, the existence of the procedures in the law is considered adequate for purposes of this criterion. Hence, **sub-criterion 6.6e is now re-rated Met.**
46. Mozambique has measures in place to protect the rights of bona fide third parties acting in good faith when implementing obligations under Recommendation 6. Article 39 of the Law 13/2022 establishes procedures which protect individuals or entities who believe that designated lists have been erroneously submitted under the provisions of Articles 27 to 32 because they bear the same or similar names to those of the designated individuals, groups, or entities and may submit requests for review

to the competent authority. On this basis, **sub-criterion 6.6f is re-rated Met**. Moreover, Mozambique has established mechanisms for communicating de-listings and unfreezings to the financial sector and the DNFBPs immediately upon taking such action, and providing guidance to financial institutions and other persons or entities, including DNFBPs, that may be holding targeted funds or other assets, on their obligations to respect a de-listing or unfreezing action (sub-components c6.6g Met). **Based on the foregoing analysis, c.6.6 is now re-rated Met.**

47. **The 2021 MER rated c6.7 as Partly Met.** Designated persons or entities are allowed access to frozen funds or other assets for payment of basic expenses in accordance with the procedures set out in UNSCR 1452. The funds are not accessed until competent authorities have received approval from the competent body of the United Nations (Article 40(4) and 5(b)(ii) of Law 13/2022). In relation to domestic designations, Article 26(h), provides for access to frozen property necessary for the payment of basic or extraordinary expenses applicable to designated individuals, groups or entities. **Therefore, c.6.7 is now re-rated Met.**

#### *Weighting and Conclusion*

48. Mozambique has introduced Law 13/2022 which addresses some of the requirements of TFS in relation to TF. For instance, the Attorney General is the competent authority with a mandate to propose persons or entities to the 1267/1989 Committee for designation and there are supporting provisions to facilitate implementation of the requirements. While all natural persons and legal entities are required by the FATF Standards to implement TFS, this obligation applies to FIs and DNFBPs only, and does not extend to all natural and legal persons in the country, which has an impact in several criteria of this Recommendation.

**Based on the foregoing analysis, the rating of NC for Recommendation 6 is upgraded to PC.**

#### *3.1.4. Recommendation 7 - Targeted financial sanctions related to terrorism and proliferation financing (Originally rated NC- Upgraded to PC)*

49. In its second round of MER, Mozambique was rated NC on R. 7. The main findings were that Mozambique had no legal framework to implement UNSCRs on TFS relating to proliferation financing or regulating the implementation thereof. In order to address the deficiency, the country has carried out a number of activities, including legislative changes which are analysed below.
50. **The 2021 MER rated c7.1 as not Met.** For this purpose, the country passed Law 13/2022 to address the deficiencies. Mozambique implements targeted financial sanctions without delay to comply with United Nations Security Council Resolutions, adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression, and disruption of the proliferation of weapons of mass destruction and their financing. The UN list does not have to be published in the national gazette (Articles 36 and 37 of Law 13/2022). Furthermore, Article 38 of the same law outlines the procedure for immediate freezing after receiving the International List of natural persons, groups and entities designated by a competent body of the United Nations by the Ministry overseeing the area of foreign affairs and cooperation. The period from designation, dissemination of the lists and the consequent freezing by FIs and DNFBPs shall not exceed 24 hours. **Hence, c.7.1 is re-rated Met.**

51. **The 2021 MER rated c7.2 as not Met.** The Attorney General or the Public Prosecutor appointed by him shall be the competent authority, within the framework of the process of designating natural and legal persons, groups or entities for inclusion in the National List. FIs and DNFBPs within the country are required to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities (Article 37 of Law 13/2022).
52. Mozambique requires FIs and DNFBPs to freeze without delay and without prior notice, the funds or other assets of designated persons. However, this requirement does not extend to the rest of natural and legal persons in the country (Article 37 of Law 13/2022). **Sub-criterion 7.2(a) is therefore re-rated Partly Met.**
53. In relation to its freezing obligation, Mozambique requires; (i) all funds or other assets that are owned or controlled by the designated person, group or entity, and not only those that may be linked to a specific terrorist act, conspiracy or threat (Article 37(2(a) of Law 13/2022); (ii) funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons, groups or entities (Article 37(2(b) of Law 13/2022); (iii) funds or other assets that originate in or are derived from funds or other assets owned or controlled directly or indirectly by designated natural persons, groups or entities (Article 37(2(c) of Law 13/2022); (iv) funds or other assets of persons and entities acting on behalf of or at the direction of designated natural persons, groups or entities (Article 37(2(d) of Law 13/2022). However, the definition of ‘funds’ in Article 37(2) is not fully consistent with requirements of c.7.2(b). The law does not provide that the definition should not be limited to those that can be tied to a particular act, plot or threat of proliferation. **On this basis, sub-criterion 7.2b is now re-rated Partly Met.**
54. Under Article 41 of Law 13/2022 , no funds or other assets, economic resources or financial and other related services shall be made available, directly or indirectly, in whole or in part, by any natural or legal person, group or entity, whether national or located in Mozambican territory, to persons, groups or entities on the National or International List, or to persons, groups or entities owned or controlled directly or indirectly by such designated persons, groups or entities acting on behalf of or under the instruction of such designated persons, groups or entities, unless authorized or notified in advance, entities owned or controlled, directly or indirectly, by such designated persons, groups or entities, acting on behalf of or at the direction of such designated persons, groups or entities, unless previously authorized or notified under the relevant United Nations Security Council Resolutions, in accordance with Article 40, under penalty and legal sanction set forth in this Law ). Hence, **sub-criterion 7.2c is re-rated Met.**
55. Mozambique has mechanisms for communicating designations to FIs and DNFBPs and providing guidance are available in Mozambique. Designations are disseminated through email and the FIU website. Articles 37(3)-(6) of Law 13/2022 set out action to be taken by the FIs and the DNFBPs upon receipt of designations and action to be taken by FIs and DNFBPs that may be holding targeted funds or other assets on their obligations in taking action under the freezing mechanisms. Furthermore, article 32 (4) requires the Regulatory and Supervisory Authorities and GIFiM to establish guidelines for FIs and DNFBPs holding funds belonging to designated listed individuals, groups or entities on their obligations to act under the freezing mechanism provided in the law. Hence, **sub-criterion 7.2d is re-rated Met.**

56. According to Article 37 (5) of Law 13/2022, FIs and DNFBPs, after freezing or unfreezing funds or other assets, are required to report to GIFIM, within 24 hours, the amount and type of funds or other assets that have been frozen or unfrozen, mentioning the date and time, pursuant to this Article or Article 31 of this Law (sub-components c7.2e is Met). Under article 47 of Law 13/2023, Mozambique has provisions enabling the adoption of measures that protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 7. On this basis, **sub-criteria c7.2f is now rated Met. Hence, overall c.7.2 is now re-rated Mostly Met.**
57. **The 2021 MER rated c7.3 as not Met.** Under Article 43 of Law 13/2022, Mozambique has provisions that allow the adoption of measures for monitoring and ensuring compliance by financial institutions and DNFBPs with the relevant laws or enforceable means governing the obligations under Recommendation 7, and therefore failure to comply with such laws or enforceable means should be subject to civil, administrative or criminal sanctions. **Hence, c.7.3 is rated re-rated Met.**
58. **The 2021 MER rated c7.4 as Not Met.** In relation to publicly known procedures for listed persons and entities, under Article 34 (a) of Law 13/2022, Mozambique has provisions enabling listed persons and entities to petition a request for de-listing at the focal point established pursuant to UNSCR 1730 or inform designated persons or entities to petition the focal point directly (sub-criterion.4a is Met). Furthermore, under Articles 39 (1), (3) to (5) of the Law 13/2022, Mozambique has publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (i.e., a false positive), upon verification that the person or entity involved is not a designated person or entity. Therefore, **sub-criteria c7.4b is re-rated Met.**
59. Article 40 (b) of Law 13/2022 sets out procedures for authorizing access to funds or other assets where countries have determined that the exemption conditions set out in UNSCRs 1718 and 2231 are met in accordance with the procedures set out in those resolutions. **On this basis, sub-criterion c7.4c is Met.** Article 39 (4) of Law 13/2022 further provides that the relevant competent authorities shall inform the applicant and all relevant entities holding funds or other frozen assets that they should unfreeze them within three days. Furthermore, Mozambique provides guidance to FI and other persons or entities on their obligation to respect a de-listing or unfreezing action. **Hence sub-criterion 7.4d is now rated Met and overall, c.7.4 is re-rated Met.**
60. **The 2021 MER rated c7.5 as Not Met.** Mozambique allows accounts frozen with respect to persons or entities designated pursuant to United Nations Security Council Resolutions 1718 (2006) or 2231 (2015) to receive payments due arising from contracts, agreements, or obligations prior to the date of inclusion of the person or entity on the United Nations Designated List, provided that it has submitted a relevant notification to the competent United Nations body at least 10 days prior to the authorization (sub-criterion7.5a is Met). In addition, Article 40 (3 ) (a)(b) and (c ) of Law 13/2022 provides that a person can make an application for payments due under contracts entered into prior to listing made pursuant to UNSCR 1737 and continued by UNSCR 2231 on condition that it has been determined that the contract is not related to any of the prohibited items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering or services referred to in the relevant Security Council resolution. Such payments must also not be directly

or indirectly received by a person or entity designated pursuant to UNSCR 1737. **Therefore, sub-criterion 7.5b is Met and overall c.7.5 is now re-rated Met.**

***Weighting and Conclusion***

61. Mozambique has introduced Law 13/2022, which addresses some of the requirements of TFS in relation to PF. However, there are some deficiencies outstanding. The definition of ‘funds’ in Article 37(2) is not fully consistent with the requirements of c.7.2(b). The law does not provide that the definition should not be limited to those that can be tied to a particular act, plot or threat of proliferation. In addition, while all natural and legal entities are required by the FATF Standards to implement TFS, the obligation to freeze without delay applies to FIs and DNFBPs only and does not extend to all natural and legal persons in the country, which has an impact in several criteria in this Recommendation.

**Based on the foregoing analysis, the rating of NC for Recommendation 7 is upgraded to PC.**

***3.1.5. Recommendation 8- Non-Profit Organisations (Originally rated NC- Not re-rated)***

62. In its second round MER, Mozambique was rated NC on R.8. The main findings were that: Mozambique had not identified which subset of its NPOs fall within the FATF definition and had not identified features and types of NPOs which by virtue of their activities or characteristics, are likely to be at the risk of terrorist financing abuse; the country had reviewed adequacy of measures, including laws and regulations targeting a subset of NPOs that may be abused for terrorist financing to guide application of appropriate risk-based measures; no measures were in place to implement sustained outreach and educational programmes concerning TF issues and there has not been any engagement of the NPO sector as well as the donor community with a view to understand and develop best practices to address TF risks and vulnerabilities; no assessment of risks and vulnerabilities facing the NPO sector with a view apply risk-based measures for supervision and monitoring the NPOs which may be at risk of being abused for TF purposes.
63. **The 2021 MER rated c8.1 as not Met.** Since adoption of its MER, Mozambique has not yet addressed its main c8.1 deficiencies. There has not been a comprehensive risk assessment and the country has not identified a sub-set of NPOs that fall within the FATF definition of NPOs. On this basis, **sub-criteria 8.1a and c8.1b are Not Met.** Mozambique has not reviewed the adequacy of measures, including laws and regulations targeting a subset of NPOs that may be abused for terrorist financing to guide application of appropriate risk-based measures. Hence, **sub-criterion 8.1c is not Met.** Moreover, there has not been any reassessment of the sector’s potential vulnerabilities taking into account new information. Hence, **sub-component c8.1d is not Met. In view of this, c.8.1 remains Not Met.**
64. **The 2021 MER rated c8.2 as Partly Met.** Mozambique has developed policies that promote accountability, integrity and public confidence in the administration and management of NPOs. Article 59 of Law No 11/2022, sets out requirements in relation to record keeping of the funds they receive, the object and purpose of their activities and the identity of persons who own, control or direct their activities, including senior officers, board members and management. In addition, NPOs are required to have sound and adequate internal controls to ensure that all funds are properly accounted for and used in accordance with the object and purpose of the organization’s stated

activities. They are also required to publish annual financial statements containing a detailed breakdown of their income and expenditure. On this basis, **sub-criterion 8.2(a) is re-rated Met.**

65. Mozambique has not encouraged and undertaken outreach and educational program to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist finance abuse and terrorist finance risk (sub-criterion 8.2b is not Met). Furthermore, the authorities have not worked with the NPO sector to develop and refine best practices to address TF risks and vulnerabilities, neither advice on measures to protect themselves against such abuse. Hence, **sub-criterion 8.2(c) is not Met.**
66. On the other hand, NPOs are required to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns. According to Art. 59 (6) of Law 13/2022, any donations, gifts or other financial contributions of any kind to the non-profit organizations shall be made by bank transfer, to an account opened in the name of the organization or by cheque. **On this basis, sub-criterion 8.2d Met and overall, c.8.2 remains Mostly Met.**
67. **The 2021 MER rated c8.3 as not Met.** The failure to identify NPOs that would be at risk of TF abuse, has also led to Mozambique's inability to promote effective supervision or monitoring to the extent that it is able to demonstrate that risk-based measures apply to NPOs that are at risk of TF abuse. **Hence, c.8.3 remains Not Met.**
68. **The 2021 MER rated c8.4 as not Met.** The NRA did not specifically identify the nature of threats posed by terrorist entities to the NPOs that are at risk as well as how terrorist actors abuse those NPOs. Therefore, Mozambique has not developed any risk-based measures for supervision and monitoring the NPOs that may be at risk of being abused for TF purposes. Although Law 13/2022 prescribes a range of sanctions, it is not possible to determine whether they are dissuasive and proportionate. **Hence, sub-criteria c8.4(a) is not Met.** Article 59 of Law 13/2022 indicates that the authorities can apply these sanctions: a) fine; b) dissolution; c) interdiction of the exercise of activities; d) confiscation of funds, assets and advantages. However, the fines are expressed as a daily amount of between 3000 and 10000 national minimum salaries of the Civil Service. The authorities have not indicated how much the salary of a civil servant is, in USD terms. In addition, the sanctions are general, without indicating the corresponding violation. In view of the forgoing observations, Mozambique does not have sanctions that are effective, dissuasive and proportionate. On this basis, **sub-criterion 8.4d is re-rated Partly Met. Overall, c.8,4 remains not Met.**
69. **The 2021 MER rated c8.5 as not Met.** The MER also found that Mozambique does not have in place measures to ensure effective cooperation, co-ordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs. **On this basis, sub-criterion 8.5(a) is not Met.** Mozambique can use normal LEA powers (as assessed under R.31) to conduct investigations in relation to NPOs which are suspected of either being exploited by, or actively supporting, terrorist activity or terrorist



organizations. However, it is not possible to determine whether or not the LEAs have the requisite investigative expertise and capability. Hence, **sub-criterion 8.5(b) is Mostly Met**. NPOs are required to keep, for a period of at least eight years, records of domestic and international transactions in sufficient detail to allow verification of funds have been used in accordance with the object and purpose of the organization and should make such records available to the ministry overseeing the area of finance, the authorities overseeing the respective sector, the judicial authorities, and the GIFIM (FIU Mozambique). The authorities have access to records of domestic and international transactions in sufficient detail to allow/verify that funds have been used in accordance with the object and purpose of the organization. In this case, when there is a suspicion that a particular NPO is involved in TF abuse or it is a front for fundraising by a terrorist organization or it is a conduit for TF, the authorities will be able to pick it. Hence, **sub-criterion 8.5c is Met**. Despite that, Mozambique has not established an appropriate mechanism to promptly share information with competent authorities related to a NPO used for TF purposes. On this basis, (sub-criterion 8.5d is not Met. **Therefore, overall c.8.5 is Mostly Met**.

70. **The 2021 MER rated c8.6 as not Met**. In relation to international cooperation, the MER found that Mozambique did not have points of contact or procedures to facilitate prompt sharing of information with competent authorities in order to take preventive or investigative action regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support. With a view to addressing this shortcoming, Mozambique uses the normal international cooperation mechanisms to respond to requests for information concerning NPOs suspected of financing terrorism. As part of its cooperation with foreign FIUs, GIFiM may respond to requests for information from its counterparts about any NPO suspected of TF. **Hence, c.8.6 is re-rated Met**.

#### *Weighting and Conclusion*

71. The new Law 11/2022 now requires NPOs to have policies that promote accountability, integrity and public confidence in the administration and management of NPOs and encourages the use of regulated financial institutions when carrying out financial transactions. There is also a mechanism to facilitate information sharing. However, the rest of the deficiencies remain outstanding, especially with regards to risk assessment of NPOs (c8,1). Indeed, Mozambique has not identified NPOs that fit the FATF definition, including a sub-set of NPOs which are likely to be at risk of TF abuse. It has not reviewed the adequacy of its measures and therefore there has not been any reassessment of risks and vulnerabilities. As a result, there is no targeted risk-based supervision or monitoring and the sanctions do not appear to be proportionate and dissuasive.
72. **In view of the TF risk profile of Mozambique, the deficiencies are considered as major and a rating of NC is maintained.**

#### *3.1.6. Recommendation 14 – Money or Value transfer service (MVTS) (Originally rated NC- Upgraded to PC)*

73. In its second round MER, Mozambique was rated NC on R.14. The main findings were that: There was no requirement for MVTS providers to be licensed/ registered; and Mozambique had not demonstrated that it takes action with a view to identify

natural or legal persons that carry out MVTS without a license or registration, and applies proportionate and dissuasive sanctions. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.

74. **The 2021 MER rated 14.1 as Partly Met**, as it found that there was no specific legal requirement for MVTS providers to be licensed. In addition, Mozambique had not demonstrated that it had taken action with a view to identify natural or legal persons that carry out MVTS without a license or registration, and had applied proportionate and dissuasive sanction. Based on this deficiency, Mozambique introduced Law 20/2020 that requires financial institutions and financial companies to be licensed by the central bank (Article 7 of the credit institutions and financial companies' law (Law 20/2020). MVTS providers fall within the definition of financial companies (Article 6 of Law 20/2020). **Hence, c.14.1 is now re-rated Met.**
75. **The 2021 MER rated c14.2 as not Met.** If an unlicensed entity carries out or has carried out any operations reserved for credit institutions or financial companies, the Banco de Mozambique undertakes on-site inspections where such activity is allegedly being undertaken or had been undertaken, or where it suspects that relevant information to the uncovering of such activity may be found. If the allegations are confirmed, the Banco de Mozambique may request the dissolution and winding-up of the company (Article 94 of Law 20/2020). In addition, natural persons who carry out MVTS without a permit commit a crime, punishable by imprisonment from 6 months to 2 years and a corresponding fine (Articles 203 and 211 of Law 20/2020). However, Mozambique does not have legal powers, and has not demonstrated that it has taken action with a view to identifying natural or legal persons that carry out MVTS without a license or registration. **In view of this, c.14.2 is now re-rated Mostly Met.**
76. **The 2021 MER rated 14.3 as not Met.** MVTS providers operating in Mozambique are subject to monitoring for AML/CFT compliance (Article 55(2) of Law 11/2022) and therefore **c.14.3 is now Met.** However, there is no requirement for agents for MVTS providers to be licensed or registered by a competent authority, nor are MVTS providers required to maintain a current list of their agents accessible by competent authorities. **Based on this, c.14.4 remains not Met.** Furthermore, Mozambique does not require MVTS providers that use agents to include them in their AML/CFT programmes and monitor them for compliance with these programs. **Hence, c.14.5 also remains not Met.**

#### *Weighting and Conclusion*

77. Mozambique has addressed some of the deficiencies that were identified in its 2021 MER. MVTS providers are now subject to licensing requirements and are subject to supervision for AML/CFT purposes. A legal person who carries out MVTS without authorization is subject to sanctions, including a fine, imprisonment, and dissolution of the company. However, Mozambique has not demonstrated that it has taken action with a view to identifying natural or legal persons that carry out MVTS without a license or registration. In addition, agents of MVTS providers are not required to be licensed or registered, nor is the MVTS provider required to maintain a current list of its agents. There is also no requirement to include agents in the MVTS provider's AML/CFT programs.

78. The outstanding deficiencies are considered to be moderate. **Therefore, the rating of R.14 is upgraded from NC to PC.**

**3.1.7. Recommendation 15 (Originally rated Non-Compliant- re-rated PC)**

79. In its second round MER, Mozambique was rated Non-Compliant with the revised R.15. The country and FIs (with the exception of large/international banks and MVTS providers) had not identified and assessed the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. In addition, the country had not provided legal and institutional frameworks for VAs and VASPs. The country has made strides in addressing some of the shortcomings as outlined below.

80. A review of the progress reported shows that Mozambique has not yet identified and assessed ML/TF risks that may arise in relation to the development of new products and new business practices and the use of new or developing technologies. The 2022 NRA exercise did not include an assessment of ML/TF risks associated with new products or new technologies. In particular, Mozambique has not identified and assessed the ML and TF risks emerging from VA activities and the activities and operations of VASPs. Although FIs are required to identify and assess risks that may arise from the use of new, or developing technologies, both for new products and services and for existing products and services, the country has not provided evidence that FIs have actually implemented this requirement. **Therefore, c.15.1 is not Met.**

81. **Criteria 15.2 was rated Met in the 2021 MER.**

82. With regards to VAs/VASPs, the 2021 MER rated c15.3 to 15.11 as Not Met. Since then, Mozambique introduced Law 11/2022 which states that VASPs are defined as FIs and therefore obligations of FIs also apply to VASPs, including the obligation to carry out a risk assessment and manage or mitigate the identified risks. VASPs are required to be licensed and supervised by Bank of Mozambique for compliance with AML/CFT obligations (Article 25(1) and 54 of Law 11/2022). Article 25 specifically requires VASPs to be legal entities. The entry controls are the same as those applicable to other FIs (See R.26). Mozambique has not addressed deficiencies identified under c.26.3 which also applies to VASPs. In view of the risks associated with VAs and VASPs, this deficiency has an impact on the overall rating of c.15.4. **Therefore, c.15.4 is now Partly Met.** In terms of Article 56 of Law 11/2022, supervisors are required to conduct their supervision taking into account ML/TF risks. However, lack of understanding of ML/TF risks associated with VASPs has consequently affected the effective implementation of risk-based supervision of the VASPs sector. **Therefore, c.15.3 is now re-rated Partly Met.**

83. Mozambique has not taken action to identify natural or legal persons that carry out VASP activities without the requisite license or registration, and apply appropriate sanctions to them. However, Article 90 (g) of Law 11/2022 states that the non-compliance with the rules regarding the authorization for the exercise of the activity by virtual assets service providers required under Article 25 of this Law, as well as the violation of other regulatory provisions constitute contraventions, is sanctioned: (i) with a fine of two to ten million Meticaís, if the offender is a legal person; (ii) with

a fine from six hundred thousand to six million Meticais, if the offender is a natural person. **Therefore, c.15.5 remains not Met.**

84. As indicated above, VASPs are subject to supervision of their AML/CFT compliance by the Bank of Mozambique according to a risk-based approach (Article 54 of Law 11/2022). In addition, Article 26 (c) places responsibility on the Bank to monitor and ensure compliance, by VASPs, as well as other entities that engage in virtual asset activities, with AML/CFT requirements. However, the Bank of Mozambique has not yet conducted a risk assessment of this sector and developed its approach and supervisory tools on the basis of those specific risks. Hence, VASPs are not subject to adequate regulation and risk-based supervision. **On this basis, c.15(6)(a) is Partly Met.** Furthermore, according to Article 26 (c) and (d) of Law 11/2022, Bank of Mozambique has adequate powers to supervise or monitor and ensure compliance by VASPs with requirements to combat ML and TF, including the authority to conduct inspections, compel the production of information and impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the VASP's license or registration, where applicable (Article 92 (1)( a) of Law 11/2022). **Hence, c.26.6(b) is Met. The lack of implementing RBS is a significant deficiency and therefore the overall rating of c.15.6 is Partly Met.**
85. Generally, supervisors are under obligation to issue guidelines that are intended to promote compliance of institutions under their purview with AML/CFT requirements and detection of suspicious transactions (Article 55 of Law 11/2022). In spite of this provision, the Bank of Mozambique or the FIU has not issued guidelines specific to VASPs to assist them in applying the measures to combat ML/TF and, and detecting and reporting suspicious transactions. In addition, there is no evidence that the FIU or Bank of Mozambique provides feedback to VASPs. **Therefore, c.15.7 is now re-rated Partly Met.**
86. Mozambique applies sanctions for non-compliance with AML/CFT obligations. According to Article 91 (1) of Law 11/2022 there are a range of proportionate sanctions, whether criminal, civil, or administrative, available to deal with VASPs that fail to comply with AML/CFT requirements. The fines range from two to ten million Meticais (USD 31 to USD 156) if the offender is a legal person and from six hundred thousand to six million Meticais (USD 9 to USD 93) if the offender is a natural person. In addition, natural persons face disqualification from holding positions as directors, managers, or supervisors of legal persons, or from acting in legal or voluntary representation, for a period of one to ten years (Article 92(1)(b). The monetary fines don't appear to be dissuasive. **Hence, 15.8 is now re-rated Partly Met.**
87. VASPs are generally required to comply with requirements set out in Recommendations 10-21. However, the MER identified significant deficiencies in relation to Recommendations 10 and 16 which have not been addressed. **For this purpose, c.15.9 remains not Met.** These deficiencies also apply to VASPs since they fall within the definition of a FI. With respect to compliance with R. 6, see the analysis above which indicates that there are moderate shortcomings. **So, c.15.10 is now rated Partly Met.** Bank of Mozambique is able to exchange information with its counterparts (Article 55€ of Law 11/2022). However, the availability of information is impacted by the aforementioned deficiencies. **Hence, c.15.11 is now re-rated Partly Met.**

### *Weighting and conclusion*

88. Some provisions in Law 11/2022 address deficiencies noted in the 2021 MER, namely: VASPs operations are subject to licensing; there is a general obligation of the Bank of Mozambique to supervise FIs and this also applies to VASPs; VASPs are subject to preventive measures (including obligations relating to CDD and risk assessment) and VASPs are subject to sanctions for non-compliance with AML/CFT requirements. However, Mozambique did not carry out risk assessment with respect to development of new products, new business practices and new technologies. The supervisory authorities have also not carried out risk assessment of VASPs and nor developed risk-based supervisory frameworks commensurate with the risk profile of the sector and institutions. In addition, supervisory authorities have not issued guidelines specific to VASPs in order to help them implement their AML/CFT obligations. These are moderate deficiencies.
89. **In view of the foregoing analysis, R. 15 has been upgraded from Non-Compliant to Partially Compliant.**

### *3.1.8. Recommendation 19 – High risk countries (Originally rated NC- Upgraded to PC)*

90. In its second round MER, Mozambique was rated NC on R.19. The main findings were that: There was no specific legal requirement to apply EDD proportionate to the risks in business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF; and Mozambique did not have measures in place to advise FIs on weaknesses in the AML/CFT systems of other countries. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.
91. **The 2021 MER rated c19.1 as Partly Met.** Mozambique did not have a specific requirement in its legal framework to apply EDD proportionate to the risks, to business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF. With a view to addressing this shortcoming, Mozambique requires FIs to apply EDD to business relationships and transactions with natural and legal persons from high-risk countries that do not apply the FATF Standards. According to Article 38(b) of Law 11/2022 FIs are required to apply enhanced special monitoring and control measures to business relationships and transactions with natural or legal persons or legal arrangements from or to high-risk third countries that do not apply, or insufficiently apply, relevant international standards to prevent and combat ML, TF and PF as determined by the FATF. **Hence, c.19.1 is now Met.** However, Mozambique does not have provisions that allow institutions to apply countermeasures proportionate to the risks when called upon to do so by the FATF and independently of any call by the FATF to do so. **Criterion 19.2 remains therefore not Met.**
92. **The 2021 MER rated c19.3 as not Met.** Mozambique did not have measures in place to advise FIs on weaknesses in the AML/CFT systems of other countries. In order to address this deficiency, Mozambique has put in place measures to ensure that FIs are informed of concerns about weaknesses in the AML/CFT systems of other countries. According to Article 45(1)(c) of Law 11/2022, the FIU and supervisory and regulatory authorities, within the scope of their respective powers, are required to adopt measures and procedures to issue alerts and disseminate updated information, on their own

initiative, based on disclosures made by the FATF on relevant concerns about the weaknesses in the mechanisms for preventing and combating ML, TF and PF in other jurisdictions. In addition, the FIU and supervisory authorities are required to publish the information on their website. **Hence, c.19.3 is now re-rated Met.**

#### *Weighting and Conclusion*

93. Mozambique has addressed some of its R.19 deficiencies. FIs are required to apply enhanced due diligence when dealing with high-risk jurisdictions as defined by FATF, which are countries that have significant strategic deficiencies in their regime to counter ML/TF/PF. It has also put in place legal provisions and measures in place to ensure that FIs are alerted about weaknesses in their AML/CFT systems. However, the country does not have a legal basis, or procedures to apply proportionate countermeasures to risks when required by the FATF or on its own.
94. The outstanding deficiency are considered to be moderate. **Therefore, the rating of NC for R.19 is upgraded to PC.**

#### **3.1.9. Recommendation 20- Reporting of suspicious Transactions (Originally rated PC- Upgraded to C)**

95. In its second round MER, Mozambique was rated PC on R.20. The main deficiencies related to several offences (insider trading, migrant smuggling, illicit trafficking in stolen and other goods, and market manipulation under the FATF Glossary) not being criminalized, and hence not predicate offences for ML. There was no issue with regards to the promptly reporting requirement. In order to address these deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.
96. Under Article 7 (lines e, j, and q) of Law 11/2022, of July 7, Mozambique has criminalized migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation. This addresses the deficiency noted in c3.2 in relation to the limited scope of predicate offences. This also has a cascading effect on c.20.1, since this means that these offences become predicate offences for ML and reporting institutions now have an obligation to report STRs relating to these offences. **Hence, c.20.1 is now re-rated Met.**
97. Criterion 20.2 was already rated Met in the MER on the basis of the previous AML CFT law. New Law11/2022 still requires reporting entities to promptly report their suspicions to the FIU when they suspect or have reasonable grounds to believe that funds are the proceeds of criminal activity or are related to TF (Article 43(1) of Law 11/2022). The obligation to report suspicions transactions also includes attempted transactions regardless of the amount (Article 43(2) of Law 11/2022). **In view of this, c.20.2 is re-rated Met.**

#### *Weighting and Conclusion*

98. **All outstanding deficiencies are Met. The rating of PC for R. 20 is upgraded to C.**

#### **3.1.10. Recommendation 26–Regulation and supervision of financial institutions (Originally rated NC- Upgraded to PC)**

99. In its second round MER, Mozambique was rated NC on R.26. The main findings were that: it was not clear to what extent consideration is given to AML/CFT issues when carrying out consolidated prudential supervision; regulatory/supervisory

authorities had not started applying the risk-based approach to AML/CFT supervision and monitoring; Supervisors do not review the assessment of the ML/TF risk profiles of FIs or group (including the risk of non-compliance) at regular intervals and also when there are major events or developments in the management and operations of the FIs or group. In order to address the deficiencies, the country has carried out a number of activities, including legislative changes as outlined below.

100. **The 2021 MER rated c26.1 as Partly Met**, as the Law 14/2013 which designated supervisory authorities did not cover TF and this was considered a major deficiency. Mozambique enacted Law 11/2022 which includes provisions on TF. Articles 54(a) and (b) of Law 11/2022 designates the Bank of Mozambique as the AML/CFT/CPF supervisory bodies for banks, credit institutions, financial companies, other micro-finance operators, issuers, operators, and other securities market players; and any other persons or entities that carry out other activities or operations and are regulated as such by specific legislation; and the Insurance Supervision Institute of Mozambique, for insurers, reinsurers, complementary pension fund management companies, insurance intermediaries, and other related investment entities. **Hence, c.26.1 is re-rated Met.**
101. **The 2021 MER rated c.26.2 Mostly Met** because there was no requirement for independent MVTS providers and foreign exchange bureaus to be registered or authorised. MVTS providers and foreign exchange bureaus are defined as financial companies (Article 6 of Law 20/2020). In terms of Article 16, these institutions are required to be registered. **Hence, c.26.2 is re-rated Met.**
102. **In relation to c.26.3, the 2021 MER rated it Mostly Met** because there was no requirement for the insurance supervisory authorities to assess criminal background of management. Mozambique has not addressed this deficiency and therefore **c.26.3 remains Mostly Met.**
103. The MER could not establish to what extent consideration was given to AML/CFT issues when carrying out consolidated prudential supervision. Mozambique introduced Law 11/2022 which covers AML and CFT requirements. However, while all core principles institutions are subject to AML/CFT supervision, this does not include consolidated group supervision (Article 55 (1) of Law 11/2022). The new supervisory framework is yet to be assessed against the Core Principles. Bank of Mozambique and ISSM have not carried out consolidated AML/CFT supervision of financial groups. **Hence, c.26.4 remains Mostly Met.**
104. **The 2021 MER rated c26.5 as Not Met**, as Mozambique had not started implementing risk-based supervision. The frequency and intensity of supervision and monitoring of FIs for compliance with AML/CFT obligations was not informed by any ML/TF risks. To address this deficiency, Article 56(1)(a)(b)(c) of Law 11/2022 requires supervisors to apply risk-based supervision. The frequency and intensity of supervision and monitoring of FIs for compliance with AML/CFT obligations are based on the identified ML/TF/PF risks, the policies, internal controls, and procedures of the institution, entity, or group under its supervision, and the supervisory authority's assessment of the institution's or group's risk profile, according to Article 56(1)(a)(b)(c) and 2 of Law 11/2022. However, while there is a legal provision requiring supervisors to apply RBA to supervision, the authorities have not provided

the RBS framework for Reviewers to appreciate how it is implemented in practice—such as factors that are taken into account in determining the risk profile of institutions and whether the supervisory cycle is consistent with the risk profile of the FIs. **In view of this, c.26.5 is now re-rated Partly Met.**

105. **The 2021 MER rated c26.6 as Not Met**, as supervisors did not review the assessment of the ML/TF risk profiles of FIs or group (including the risk of non-compliance) at regular intervals and also when there are major events or developments in the management and operations of the FIs or group. With a view to addressing this shortcoming, under Article 56(2) of Law 11/2022, supervisory authorities have the legal basis to regularly assess the risk profile of financial institutions or groups, whenever there are important events or developments in their management and operations. However, the authorities have not provided evidence showing that they are implementing this requirement. **Hence, c.26.6 is re-rated Partly Met.**

***Weighting and Conclusion***

106. Mozambique has designated the Bank of Mozambique and the Insurance Supervision Institute of Mozambique for regulating and supervising compliance with the AML/CFT requirements by FIs. All Core Principles FIs are required to be licensed and all other FIs are required to be licensed/ registered. However, Core principles FIs are not subjected to consolidated supervision for AML/CFT purposes. While Law 11/2022 requires supervisors to adopt and apply risk-based supervision, the authorities have not provided evidence that they are implementing RBS. Furthermore, while there is a legal provision for supervisors to review assessment of risk profiles of FIs, the authorities have not demonstrated that they actually implement the requirements of Law 11/2022.
107. **The outstanding deficiencies are considered to be moderate. Therefore, the rating of NC for R. 26 is upgraded to PC.**

**IV. CONCLUSION.**

108. Mozambique has made progress in addressing some of the technical compliance deficiencies identified in its MER. Reviewers considered information provided in support of the request for re-rating of Recommendations 1, 4, 6, 7, 8, 14, 15, 19, 20, and 26 and made the following conclusions:
- a. Upgrade R.4 and R.20 from PC to C
  - b. Upgrade R.1 from PC to LC
  - c. Upgrade Recommendations 6, 7, 14, 15, 19 and 26 from NC to PC
  - d. Maintain R.8 as NC.
109. Considering the overall progress made by Mozambique since the adoption of its MER, its technical compliance with the FATF Recommendations has been revised as shown in Table 4.1 below.

**Table 4.1: Technical Compliance Re-rating, March 2023**

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC (LC)	PC	PC	PC (C)	PC	NC (PC)	NC (PC)	NC (NC)	C	PC



<b>R 11</b>	<b>R 12</b>	<b>R 13</b>	<b>R 14</b>	<b>R 15</b>	<b>R 16</b>	<b>R 17</b>	<b>R 18</b>	<b>R 19</b>	<b>R 20</b>
LC	LC	LC	NC (PC)	NC (PC)	PC	C	LC	NC (PC)	PC (C)
<b>R 21</b>	<b>R 22</b>	<b>R 23</b>	<b>R 24</b>	<b>R 25</b>	<b>R 26</b>	<b>R 27</b>	<b>R 28</b>	<b>R 29</b>	<b>R 30</b>
C	PC	PC	NC	NC	NC (PC)	PC	PC	LC	PC
<b>R 31</b>	<b>R 32</b>	<b>R 33</b>	<b>R 34</b>	<b>R 35</b>	<b>R 36</b>	<b>R 37</b>	<b>R 38</b>	<b>R 39</b>	<b>R 40</b>
PC	PC	PC	PC	PC	PC	PC	PC	LC	LC

110. Mozambique will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving and implementing its AML/CFT measures.