



8th Public Private Sector Dialogue

August 29-30, 2025

United Nations Economic Commission for Africa (UN-ECA) Conference Centre

Addis Ababa, Ethiopia

SUMMARY REPORT

**“AML/CFT Opportunities and Challenges in Capital Markets within the
ESAAMLG Region”.**

REPORT ON THE 8TH ESAAMLG PUBLIC-PRIVATE SECTOR DIALOGUE (PPSD)

A. General Background

1. The 8th Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Public-Private Sector Dialogue (PPSD) convened on August 29-30, 2025, at the United Nations Economic Commission for Africa (UN-ECA) Conference Centre in Addis Ababa, Ethiopia, under the theme “*AML/CFT opportunities and challenges in Capital Markets within the ESAAMLG Region*”. This event brought together regulators, supervisors, financial institutions, and other stakeholders to discuss strategies for combating money laundering, terrorist financing, and proliferation financing (AML/CFT/CPF).
2. Participants were drawn from both the public and private sectors, as well as from Cooperating and Supporting Nations and Organizations (COSUNS). The dialogue, which garnered more than 600 attendants, centred on the simultaneous presence of opportunities and vulnerabilities as capital markets evolve across the Eastern and Southern Africa region. The participants shared their country experiences, and examined key issues including beneficial ownership transparency, sanctions implementation, and risk-based supervision and compliance. Through presentations and panel discussions, participants further exchanged practical solutions for enhancing compliance and supervisory practices, culminating in a closing session that outlined the way forward for strengthening AML/CFT frameworks in the sector.
3. The 2025 ESAAMLG Public-Private Sector Dialogue (PPSD) sessions explored critical AML/CFT challenges and opportunities in the capital markets sector. It began with an overview of the sector’s structure and performance, spotlighting Ethiopia’s emerging market and the need for robust transparency mechanisms. The second session addressed international and regional approaches to beneficial ownership and targeted financial sanctions, emphasizing practical implementation and cross-border coordination. Supervisors shared insights on applying risk-based supervision to enhance compliance, highlighting peer learning and private sector support. Finally, entities presented their strategies for assessing and mitigating ML/TF risks, focusing on the effective use of tools, compliance outcomes, and collaborative efforts to strengthen AML/CFT adherence.

B. Day 1- The Capital Markets in the ESAAMLG Region.

4. The first day commenced with welcoming and opening remarks from key officials, including the ESAAMLG Technical Advisor, Mr. Phineas Moloto, the Director General of Ethiopia's Financial Intelligence Service, Mr. Muluken Amare, and Ms. Hana Tehelku, Director General of the Ethiopian Capital Markets Authority (ECMA). H.E. Mamo Mihretu, Governor of the National Bank of Ethiopia, delivered a keynote address, emphasizing the strategic importance of capital markets for financial sector development, and highlighted the importance of transparency, investor confidence, and robust institutional arrangements.

Session 1- Overview of Capital Markets in the ESAAMLG Region (Presentation).

5. A presentation on the *Overview of Capital Markets in the ESAAMLG Region*, by Mr. Abdirahman Mohamud from the London Stock Exchange Group (LSEG), provided a comprehensive overview of the region's capital market landscape. LSEG highlighted that investor confidence is boosted by transparent markets, including the disclosure of Beneficial Ownership (BO) information and the use of risk-based tools for monitoring risks. The presentation detailed the chronology of capital market development since the 1980s, with a focus on liberalization, privatization, and deepening of markets.
6. Key elements of capital markets were analysed through their structure, conduct, and performance:
 - a) Under the structure component, it comprises the regulatory framework, market infrastructure, market segments, and supervisory coordination. Opportunities lie in regional integration, while challenges include liquidity levels and the balance between prudential and AML/CFT oversight. The African capital markets are still at a nascent stage with a lack of liquidity.
 - b) Under the conduct component, it aims to boost investor confidence, ensure market integrity, foster economic growth, and advance regional integration through cross-border investments and financial cooperation. Opportunities include public-private partnerships, the development of digital platforms, and mobile money ecosystems. Challenges include high transaction costs and AML/CFT risks, such as FATF grey listing.
 - c) The performance component highlights the resilience and adaptability of African capital markets. Southern Africa records the highest level of financial integration at 362% of its GDP, while African companies constitute approximately 6% of all listings on the London Stock Exchange (LSE). Opportunities exist in diversifying funding resources and strengthening customer confidence, though low liquidity remains a persistent challenge.

7. Common financial crime typologies noted were trade-based money laundering, the use of shell companies, and informal value transfer systems. Additionally, sector-specific schemes were observed in areas such as casinos, real estate, and procurement fraud.

Session 1- Country Experiences in Capital Markets (Panel Discussion).

8. The panel of experts, featuring representatives from Seychelles, Kenya, Ethiopia, and Rwanda, and moderated by Ms. Zenobia Barry, Head of Legal, Policy and Enforcement, Financial Intelligence Centre, Namibia, provided country specific experiences and insights. The panel included institutions with both well-developed and developing capital markets, all adapting to new technologies and mitigating emerging risks.
 - Key takeaways from the panel emphasized the need for an appropriate structure with adequate regulatory frameworks and infrastructure.
 - Capital markets must be transparent to boost investor confidence, maintain market integrity, support economic growth, and advance regional integration.
 - Challenges include the nascent stage of African capital markets, lack of liquidity, and high transaction costs.
 - Opportunities lie in regional integration, public-private partnerships for digital platforms and mobile money and fostering diversification for investment to boost customer confidence with appropriate frameworks.
 - Seychelles focuses on virtual assets but has not issued licenses due to evolving frameworks, handling cases on an individual basis.
 - Kenya emphasizes digital transformation, financial inclusion, and investor protection, advising a shift from traditional to modern regulatory mindsets and inter-regulator collaboration.
 - Ethiopia acknowledges initial challenges like low public awareness but sees its "late-comer advantage" as an opportunity to adopt modern systems rapidly.
 - Rwanda underscored the importance of infrastructure, harmonized policies, and collaborative platforms for market resilience.

C. Day 2- Understanding and Mitigating AML/CFT Risks in Capital Markets - internationally and in the region.

9. The second day, focused on specific themes through presentations and panel discussions.

Session 2- Money Laundering and Terrorist Financing (ML/TF) risks and AML/CFT obligations in the Capital Markets sector, with a special focus on Beneficial Ownership (BO) and Targeted Financial Sanctions (TFS)(Presentation).

10. Two distinguished experts from Monere Global presented on *AML/CFT risks in Capital Markets, taking from FATF reports and other typologies about abuse in the Capital Markets sector*. The experts explored the unique implementation challenges that arise when applying established FATF standards to capital markets environments. The session highlighted the fundamental tension between capital markets' operational realities and AML/CFT compliance requirements designed primarily for traditional banking.
11. Key themes included the difficulty of meeting "without delay" targeted financial sanctions obligations in fast-moving markets, the challenge of identifying beneficial ownership in environments characterised by dispersed shareholding, omnibus accounts, and constantly changing positions, and the operational complexities of determining which market participants qualify as financial institutions subject to enhanced obligations. The presentation emphasized that sanctions screening and beneficial ownership identification are interdependent challenges, firms cannot effectively freeze assets they cannot identify, and concluded by outlining practical approaches for jurisdictions to strengthen capital markets compliance through tailored supervisory frameworks, enhanced information-sharing mechanisms, and effective public-private partnerships.

Session 2- Money Laundering and Terrorist Financing (ML/TF) risks and AML/CFT obligations in the Capital Markets sector, with a special focus on BO and TFS (Panel Discussion).

12. The session, moderated by Mr. James Manyonge, Director, Legal Compliance & External Relations, Financial Reporting Centre of Kenya, continued to focus on the unique challenges that arise in capital markets when applying established AML/CFT requirements for identifying beneficial ownership and implementing targeted financial sanctions. It further emphasised the importance of robust and well-regulated capital markets as a foundation for sustainable investment and economic growth. Areas of discussion included:
 - FATF Recommendations 6 (Terrorism Related Sanctions) and 7 (Proliferation Related Sanctions) require countries to establish legal frameworks that implement UN Security Council targeted financial sanctions. These frameworks must provide for two layers of obligations: immediate asset freezing and ongoing prohibitions against providing financial or other related services for the benefit of designated persons, applicable to all asset types including securities, bonds, and derivatives.
 - Once countries establish these frameworks, sanctions create a two-tier obligation structure: universal obligations (asset freezing and ongoing prohibition) that apply to all natural and legal persons' subject to jurisdiction, and enhanced obligations (including CDD, record-keeping, and various

reporting obligations) that apply specifically to Financial Institutions (FIs) and DNFBPs.

- Implementation challenges in capital markets include grey areas around what qualifies as “funds or other assets” subject to freezing (e.g., voting rights attached to frozen shares, complex derivative structures, margin call obligations, and corporate action entitlements) and the scope of “for the benefit of” in the ongoing prohibition (e.g., whether processing transactions where designated persons hold minority stakes, or providing market infrastructure services that indirectly facilitate trading, constitutes prohibited service provision). Additionally, determining which capital markets entities qualify as FIs (particularly market infrastructure like exchanges, central securities depositories, and clearing houses) can create compliance uncertainty.
 - Beneficial Ownership Complexity; finding the real owner is particularly complex in capital markets compared to traditional banking due to multiple layers of intermediation (omnibus accounts, nominee arrangements, investment chains), dynamic ownership changes, and cross-border structures. The FATF BO Framework creates interdependent obligations: R.10 and 22 require FIs and DNFBPs to identify beneficial owners during CDD, while R.24 and R.25 require countries to ensure BO information on all legal persons and arrangements is adequate, accurate, up-to-date, and accessible to competent authorities through a multi-pronged approach. This connection to Immediate Outcome 5 is critical for capital markets because effective sanctions implementation depends on knowing who owns what, yet the traditional “25% rule” is often insufficient in capital markets environments characterised by fragmented, dynamic ownership and limited visibility across intermediary chains.
 - The discussion emphasized that sanctions compliance and beneficial ownership transparency are interdependent challenges. The panellists reflected on mechanisms for AML safety, the role of Financial Intelligence Centres (FICs) in coordinating public and private sectors, and the importance of harmonized BO data and information, differentiating between basic and beneficial ownership information.
13. During the question-and-answer session, key issues raised included best practices for the effective implementation of sanctions and how regulators address grey areas identified by presenters. Panellists further reflected on good practices for identifying sanctions and emphasized the importance of distinguishing between shareholders and beneficial owners to enhance transparency and compliance in financial systems.

Session 3- Financial Services Commission (FSC) (Mauritius)'s Approach to AML/CFT Risk Based Supervision of Capital Market Financial Institutions, and Financial Sector Conduct Authority (FSCA) (South Africa)'s AML/CFT Supervision of Authorised Users (AUs) of an exchange (Presentations).

14. Ms. Tanvi Toshita Keerodhur from the Financial Services Commission (FSC), Mauritius, presented on the *FSC's Approach to AML/CFT Risk Based Supervision of Capital Market Financial Institutions*, highlighting the jurisdiction's legal framework in place that govern the capital markets sector. She outlined key supervisory tools such as a risk-based framework, inspection manuals, an AML/CFT handbook, and risk-rating mechanisms. Her findings pointed to common deficiencies including inadequate risk assessments, over-reliance on third parties, weak testing procedures, and delayed audits. Emerging risks identified included digital customer due diligence tools, cybersecurity threats, and unregulated payment intermediaries. In response, the FSC has taken actions such as issuing stronger guidance, prioritizing high-risk operations, and enhancing ongoing dialogue and information sharing.
15. Ms. Mpho Cynthia Radebe from the Financial Sector Conduct Authority (FSCA), South Africa, presented on *AML/CFT Supervision of Authorised Users (AUs) of an exchange*, covering the FSCA's supervisory role under the Financial Intelligence Centre (FIC) Act, which includes oversight of exchanges and self-regulatory organizations (SROs). She explained that the FSCA's risk assessment approach is guided by FATF principles, focusing on threats, vulnerabilities, and consequences. Key vulnerabilities identified include reliance on third parties, extensive use of cash, and exposure to foreign jurisdictions. Challenges faced in supervision include inadequate record keeping, limited access to beneficial ownership data, and the absence of tailored AML/CFT programs across institutions.
16. Both presentations highlighted several common supervisory challenges in AML/CFT oversight. A key shared issue was reliance on third parties, which poses risks to the integrity of customer due diligence processes. Both jurisdictions also noted deficiencies in risk assessments, with Mauritius pointing to inadequate assessments and South Africa referencing vulnerabilities linked to foreign jurisdictions and cash usage. Additionally, record keeping and beneficial ownership data were identified as challenges, reflecting broader concerns about transparency and traceability. The need for tailored AML/CFT programs and stronger supervisory guidance emerged as mutual priorities, alongside the importance of risk-based approaches and ongoing information sharing to address emerging threats such as digital tools and cybersecurity.

Session 3- Applying risk-based supervision tools in the capital markets sector (Panel Discussion).

17. The session moderated by Mr. Diphat Tembo, Director, Compliance & Prevention, Zambia Financial Intelligence Centre, shared experiences and challenges in supervising AML/CFT obligations in capital markets, focusing on implementing a risk-based approach (RBA) to improve compliance and strengthen supervisor capacities. Key highlights include;
- The rationale for RBA includes proper resource utilization, understanding risks proactively, and a forward-looking approach to prevalent sector risks.
 - Supervisory tools for better results involve updating institutional and sectoral risk profiles, determining inspection scope, and deciding appropriate remedial measures. Factors for remedial actions include the nature and scope of contravention, the size of the regulated entity, and the impact of non-compliance.
 - Panelists from Zambia, Botswana, Eswatini, Mauritius, and Angola highlighted the importance of adopting risk-based supervision to address resource constraints and improve regulatory efficiency. They emphasized early risk detection, proportional burden-sharing, and cross-border cooperation. Country-specific approaches included Zambia's principle-based framework, Mauritius's periodic reviews and youth training, Angola's emphasis on off-site supervision and capital market development, Botswana's strict licensing and offsite oversight, and Eswatini's balanced mix of on-site and off-site supervision. The key recommendation was that risk-based supervision enhances efficiency, facilitates early risk identification, and minimizes undue regulatory pressure on smaller entities.

Session 4- Practical solutions for risk understanding and compliance challenges (Presentations).

18. Mr. Walubita Luwabelwa from Stanbic Bank Zambia presented on key supervisory challenges including limited product knowledge, stringent reporting timelines, emerging risks such as artificial intelligence (AI), environmental, social, and governance (ESG), and cybersecurity, as well as high compliance costs. To address these issues, he proposed harmonizing supervisory approaches across institutions, conducting stronger regulatory impact assessments, investing in robust data infrastructure, and aligning supervisory practices with national development strategies to enhance effectiveness and resilience.
19. Ms. Nancy Noreh from Sterling Capital Kenya presented a risk classification approach based on financial products and services, including equities, fixed income, derivatives, and Real Estate Investment Trusts (REITs). She outlined a compliance framework comprising Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), staff training, and internal controls. However, she highlighted key challenges such as the high cost of monitoring technologies, the

absence of integrated databases, and gaps in client on-boarding and monitoring processes.

20. Both presentations underscore the critical importance of adopting a risk-based approach (RBA) to Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) within capital markets, emphasizing alignment with FATF recommendations and local regulatory frameworks. Common challenges identified include fragmented data systems, high costs of surveillance technology, reliance on manual processes, and difficulties in verifying customer identities, particularly in screening politically exposed persons (PEPs) and managing client resistance to KYC updates. Both institutions highlight the need for robust compliance programs incorporating CDD, EDD, transaction monitoring, and risk registers, while also advocating for industry-wide collaboration and regulatory support to address systemic vulnerabilities. Despite differing contexts, Zambia's custody services versus Kenya's investment banking, the presentations converge on the need for integrated, technology-driven solutions to enhance AML/CFT effectiveness.

Session 4- Assessing and Mitigating Money Laundering (ML) and Terrorist Financing (TF) Risks (Panel Discussion).

21. The final session, moderated by Mr. Leonard Moeng, Deputy Director-AML/CFT, Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Botswana, provided a comprehensive overview of challenges and solutions, focusing on the adoption of a dynamic Risk-Based Approach (RBA) in capital markets, emphasizing collaboration, technological modernization, and strong governance. Private sector perspectives from Zambia and Kenya were also featured.

- Critical Need for Collaboration and Shared Solutions;
 - a) The Kenya Association of Stockbrokers and Investment Banks (KASIB) and the Fund Managers Association (FMA) developed a model for the industry by jointly designing a unified, technology-driven AML/ CFT monitoring solution accessible to smaller firms at a lower cost.
 - b) The upcoming launch of the goAML platform in Zambia was highlighted to improve financial intelligence sharing.
 - c) Regulators play a critical role in providing training, disseminating sanctions lists, and engaging government agencies to improve database integration.
 - d) The July 2025 Banking Industry Symposium held in Lusaka; Zambia was cited as a successful platform for knowledge sharing.

In conclusion, the discussions highlighted that senior management and Boards in entities must take full ownership of risk processes to ensure assessments genuinely inform business strategy and governance. The private sector should also be more

involved in informing public processes through legislative engagement to ensure compliance measures are practical and risk aligned.

D. Key Outcomes and Recommendations

22. The dialogue reached a consensus on several key priorities:

- The need for stronger collaboration between supervisory authorities and private sector stakeholders to address compliance gaps and inform legislative reforms.
- Harmonization of supervisory approaches across different sectors.
- Increase investment in technological tools for monitoring and data integration, particularly in digital platforms and mobile money ecosystems, while ensuring affordability for smaller firms.
- Targeted training and strategic resource allocation for high-risk sectors.
- Strengthened cross-border cooperation and information sharing mechanisms.
- Adoption of a dynamic and proportionate Risk-Based Approach (RBA) that reflects the specific risk profiles of institutions.
- Greater clarity and effective mitigation of challenges related to Beneficial Ownership transparency and Targeted Financial Sanctions implementation.
- Strengthened accountability, with senior management and Boards taking ownership of risk management processes to ensure alignment with overall business strategy and governance.

E. Conclusion

23. The 8th ESAAMLG PPSD emphasized the critical importance of adopting coordinated, risk-based, and technology-driven approaches to strengthen AML/CFT compliance within capital markets. Through constructive engagement between regulators and market participants, the dialogue identified practical strategies to enhance transparency, reinforce beneficial ownership frameworks, and address challenges in the implementation of targeted financial sanctions. The overarching consensus was that sustained collaboration, regulatory consistency, and institutional accountability are fundamental to building resilient, inclusive, and secure financial systems across the ESAAMLG region. The dialogue reaffirmed that addressing illicit financial flows and regulatory weaknesses require collective effort, transparency, and shared responsibility-translating policy insights into effective action toward transparent, resilient, and trustworthy financial ecosystems.