

**FROM ARUSHA TO EZULWINI: LOOKING
BACK AND LOOKING AHEAD**

TWENTY YEAR REPORT



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ESAAMLG PRESIDENTS, 1999-2018

1999-2000	Hon. Daniel Yona (M.P.)	Tanzania
2000-2001	Hon. Basil Mramba (M.P.)	Tanzania
2001-2002	Hon. Nangolo Mbumba (M.P.)	Namibia
2002-2003	Hon. Majozi Sithole	Eswatini
2003-2004	Hon. Gerald M. Sendaula (M.P.)	Uganda
2004-2005	Hon. Sushil K.C. Khushiram (M.P.)	Mauritius
2005-2006	Hon. Ng'andu R. Magande	Zambia
2006-2007	Hon. Dr. Herbert Murerwa & Hon. Dr. Samuel Mumbengegwi	Zimbabwe
2007-2008	Hon. Baledzi Gaolathe	Botswana
2008-2009	Hon. Uhuru Kenyatta, E.G.H. (M.P.)	Kenya
2009-2010	Hon. Timothy Thahane	Lesotho
2010-2011	Hon. Ken Kandodo	Malawi
2011-2012	Hon. Charles Gaëtan Xavier Luc Duval G.C.S.K F.C.A (M.P.)	Mauritius
2012-2013	Hon. Manuel Chang (M.P.)	Mozambique
2013-2014	Hon. Saara Kuugongelwa Amadhila (M.P.)	Namibia
2014-2015	Hon. Armando Manuel	Angola
2015-2016	Hon. Nhlanhla Musa Nene (M.P.)	South Africa
2016-2017	Hon. Patrick A. Chinamasa	Zimbabwe
2017-2018	Hon. Dr. Philip Isidor Mpango (M.P.)	Tanzania
2018-2019	Hon. Ambassador Maurice J.L. Loustau Lalanne	Seychelles

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ESAAMLG MISSION, VISION AND GOALS

Vision	<i>A strong and dynamic FATF Style Regional Body committed to eradicate money laundering and terrorist and proliferation financing in the Eastern and Southern Africa region.</i>
Mission	<i>To consolidate and sustain the combined efforts to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction in the Eastern and Southern Africa region through effective implementation of AML/CFT standards in all ESAAMLG member countries.</i>
Strategic Objectives	<ol style="list-style-type: none"><i>1. Effective Post Evaluation Implementation of AML/CFT measures in member countries;</i><i>2. Sustaining the evaluation and monitoring of ESAAMLG members' compliance with the international standards against money laundering and terrorist and proliferation financing under a second round of mutual evaluations;</i><i>3. Increasing and sustaining the knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation;</i><i>4. Expansion of ESAAMLG membership;</i><i>5. Strengthening regional and international cooperation among member countries;</i><i>6. Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives;</i><i>7. Prioritizing and consolidating regional AML/CFT capacity building, training and awareness raising programmes;</i><i>8. Promoting the Implementation of AML/CFT measures and financial inclusion;</i><i>9. Consolidating the sustainability and efficiency of the Secretariat.</i>

ACRONYMS AND ABBREVIATIONS

AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation
CDD	Customer Due Diligence
COMESA	Common Market for Eastern and Southern Africa
COSUNs	Cooperating Organisations and Supporting Nations
EAC	East African Community
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FUR	Follow up Report
FSRB	FATF Styled Regional Body
FT	Financing of Terrorism
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German International Cooperation for Development)
ICRG	International Cooperation Review Group
IFF	Illicit Financial Flows
IMF	International Monetary Fund
ME	Mutual Evaluation
MER	Mutual Evaluation Report
ML	Money Laundering
MOU	Memorandum of Understanding
NRA	National Risk Assessment
PPSD	Public-Private Sector Dialogue
RBA	Risk Based Approach
SADC	Southern African Development Community
TA&T	Technical Assistance and Training
UNCTED	United Nations Counter-Terrorism Executive Directorate
UNODC	United Nations Office on Drugs and Crime
WB	World Bank

FOREWORD BY THE PRESIDENT

I am pleased to introduce this 20-years special report entitled: *“ESAAMLG From Arusha to Ezulwini: Looking Back and Looking Ahead”* which highlights the major achievements, work and challenges ahead of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) during the period 1999-2019.

The ESAAMLG has come a long way in 20 years which is revealed in the report. It is pleasing to note that the organization has achieved a lot as measured against our Strategic Plan and Work Program. These achievements have consolidated our position as an effective part of the global network against money laundering and terrorist and proliferation financing.



From our small beginnings, the ESAAMLG today has 18 members, a testament to the vision, energy, and efforts of the founding members. The Group has expanded to become a platform for different AML/CFT stakeholders and an integral part of the global system to combat the common threat of money laundering, financing of terrorism, proliferation and related activities. Our membership continues to grow. We are particularly pleased to welcome the State of Eritrea as an observer member at this special occasion and I hope that Eritrea will continue to make good progress towards full membership.

Since its inception, ESAAMLG’s work has been increasing and improving. The Council of Ministers, Task Force and its different Working Groups have had in-depth discussions on the challenges of developing effective AML/CFT regimes in member countries. I am encouraged by the spirit of engaging each other in the discussion of AML/CFT systems in member countries which was developing. I believe that this was a very healthy atmosphere which would help countries to critically analyze their systems and improve them. In this context I commend the work which had been undertaken by the Review Groups monitoring the implementation of FATF standards in evaluated member countries. The work of these Groups would continue to assist the Task Force to recommend appropriate actions that the evaluated countries needed to take to rapidly improve their systems. The analytical work of these Groups is also assisting the Task Force to recommend policy directions to the Council which the organization should take.

The ESAAMLG continued to build its relationship with the FATF, believing that ESAAMLG is able to bring valuable contribution to policy makers. The continued participation in mutual evaluation processes will also provide insights for members. The improved relationship with the FATF, the FSRBs, and Observer organisations will allow for greater synergies to develop between the ESAAMLG and its partners.

But criminals continue to find diverse methods and techniques to outwit the measures and efforts that have been put in place to combat money laundering and terrorist financing. Technological innovations introduce efficiencies, but also provide opportunities for criminals, and new challenges for countries that need to regulate the use of these technologies. Thus, the political will of all member states remains pivotal in advancing the work of ESAAMLG, especially as it embarks on the third decade of its activities. Indeed, the continued existence of ESAAMLG is testimony to the validity of its creation and the continuing desire of all member countries to effectively use it to rid our region of the scourge of money laundering and terrorist and proliferation financing.

Going forward, ESAAMLG will continue basing its work on the three-year Strategic Plans and Work Programmes aiming at capitalizing on the gains made so far for enhancing the robustness of the organisation as regional body to eradicate money laundering and terrorist and proliferation financing in the Eastern and Southern African Region. The Republic of Seychelles and indeed, the rest of our member countries, are satisfied with the achievements of ESAAMLG in its twenty years of existence. Challenges still remain, but we are convinced that the prevailing political commitment and dedication in our region will support the success of ESAAMLG in the period ahead.

Finally, I want to express my sincere gratitude to the Council of Ministers, Task Force of Senior Officials and the Secretariat for supporting me during the last 12 months. I look forward to another successful year ahead under the Presidency of Eswatini.

*Hon. Ambassador Maurice J. L. Loustau-Lalanne
Minister for Finance, Trade, Investment and Economic Planning and
Outgoing President of ESAAMLG Council of Ministers*

REMARKS BY THE INCOMING PRESIDENT

The Kingdom of Eswatini is most delighted to host the 38th ESAAMLG Task Force of Senior Officials and the 19th Council of Ministers meetings in Ezulwini, Eswatini, from 01 – 06 September 2019. This was a special occasion for ESAAMLG as it marked the 20th Anniversary of the organization since it was launched in Arusha, Tanzania, in August 1999. The participation of distinguished delegations from all the 18 member countries will reaffirm the commitment of the Group to fight money laundering and terrorist and proliferation financing in the Eastern and Southern African Region. This was a loud and clear political statement in support of the ESAAMLG and what it stands for. The Kingdom of Eswatini is honored to take over the Presidency of ESAAMLG at this point in time.



In twenty years, ESAAMLG has travelled an eventful journey. On behalf of the Kingdom of Eswatini, I am pleased to introduce this special report, which gives an insight into the work of the organization, its achievements and the challenges ahead. Since its formative years (2000-2005), ESAAMLG has evolved into a mature, viable and more inclusive organization in our region. It operates in the global context, cooperating and collaborating with similar regional groups as well as other related international bodies, including the Financial Action Task Force (FATF), the World Bank, UNODC, COMESA, GIZ and the International Monetary Fund. ESAAMLG, which started with a membership of 9, has now expanded to 18 member countries. It is our expectation that Eritrea will soon join ESAAMLG as a full-fledged member.

The role of the ESAAMLG remains crucial in our increasingly globalised world; promoting the development and effectiveness of the various AML/CFT stakeholders through effective coordination and cooperation, especially in the areas of information exchange, training, and sharing of experience, is fundamental in dealing with criminal organisations that happen to have plentiful resources and international connections. We must keep improving the abilities and skills of all our members, an aspect that our group has addressed since its inception. With all the experience gained by our members throughout the 20 years of existence, and in view of the challenges we currently face, we have to encourage and promote the exchange of our best practices so that these can be implemented by other agencies that need this expertise. It is very important that we deepen our relationship with the FATF. During my term as Chair, I will give priority to working closely with the FATF Global Network Coordination Group; looking for ways to integrate our work, especially in relation to mutual evaluations, typologies, and policy discussions.

The Kingdom of Eswatini and, indeed the rest of our member countries, are satisfied with the achievements of ESAAMLG in its twenty years of existence. We still have a long way to go and must

never allow ourselves to become complacent over the group's marked achievements in its celebrated two decades of work. We have to evolve and find new ways to improve our capabilities. I am convinced that, with our new operating structure and the tools that my predecessor has left, we are heading in the right direction.

Hon. Neal Rijkenberg (MP)

Minister for Finance and Incoming President of ESAAMLG Council of Ministers

PREFACE BY THE EXECUTIVE SECRETARY

The report: “ESAAMLG from Arusha to Ezulwini (1999-2019): *Looking Back and Looking Ahead*”, appropriately describes the long journey our Group, as well as the region covered by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), have travelled over past twenty years. With 18 member countries and growing, this is quite a leap from the initial nine signatories at the launch in Arusha, Tanzania, in August 1999.



Current member countries of ESAAMLG are: Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. Mention should also be made of the State of Eritrea, which will have an observer status in the Group at the September 2019 meeting and likely to join ESAAMLG as a full member after wards.

By signing the ESAAMLG Memorandum of Understanding, member countries endorsed the 40 Recommendations of the Financial Action Task Force (FATF) and affirmed the commitment to implement the international standards to combat money laundering and the financing of terrorism and proliferation at a national level. The Twenty-Year Report gives an insight into the work undertaken by ESAAMLG to combat money laundering and terrorist financing and proliferation in the Eastern and Southern African region since its launching. It focuses on the progress made, the challenges and the way forward.

This report has been compiled against the backdrop of the realities in our region as well as related global developments. The report reviews the work undertaken by the Group, highlighting the salient features of the growth of ESAAMLG in its twenty-year journey, including:

- Developed a work programme to enable ESAAMLG undertake the core functions of a FATF Style Regional Body (FSRB); resulting in globalization of the Group’s operations, as well as cooperation and collaboration with the FATF.
- Built on modalities and culture of consultations developed from its formative years (2000-05), enabling ESAAMLG implemented core activities of an FSRB, including training for key stakeholders in the fight against money laundering and the financing of terrorism and proliferation.
- Implementing the core functions of the Group to facilitate AML/CFT evaluation process of member countries; and conduct research on money laundering and terrorist financing typologies. A section of this Twenty-Year Report is devoted to money laundering and terrorist

financing typologies, which are studies that look at methods, techniques and trends that are either used by criminals to launder proceeds of crime or terrorists to fund terrorist activities. The Typologies process is one of the most important pillars of detecting and combating money laundering/terrorist financing.

- Developed a comprehensive work programme, based on three-year planning strategies and work programmes spelling out the objectives and implementation time-lines of the work of ESAAMLG focusing on core issues - AML/CFT systems development; facilitation of regional priorities based on working meetings of the Task Force of Senior Officials and Council of Ministers.

In the twenty years under review, ESAAMLG has made tangible progress towards meeting the goals of combating money laundering and financing of terrorism. The Secretariat, based in Dar es Salaam, Tanzania, has endeavored to meet most of the goals in accordance with benchmarks established at the working meetings of the Task Force of Senior Officials, followed by those of the Council of Ministers. The fourth Strategic Plan (2017-20) is already on stream and builds on the achievements made in the previous Strategic Plans. Under the current Strategic Plan, ESAAMLG envisages a result-oriented, strong and dynamic regional body. It involves consolidating and sustaining the collective efforts to combat money laundering and financing of terrorism and proliferation. All member countries are required to ensure effective implementation of AML/CFT standards.

The road ahead is filled with challenges that call for urgent collective action especially in effectuating the AML/CFT system of our member countries. The political will demonstrated by all the 18 member countries in support of our work, gives the Group and the Secretariat confidence that much more would be achieved during the third decade of ESAAMLG.

I would like to thank the Presidents of Council of Ministers for the leadership that they have brought to ESAAMLG during their respective presidency. I would also like to thank the Chairpersons of the Task Force of Senior officials, members of the Task Force of Senior Officials, members of the Working Groups, the cooperating partners of ESAAMLG and the staff of the Secretariat for their continued support.

Eliawony Joseph Kisanga
ESAAMLG Executive Secretary

OVERVIEW OF THE ESAAMLG

EVOLUTION OF ESAAMLG

The Eastern and Southern Africa Anti-Money Laundering Group was launched on 27th August 1999 at a meeting of eastern and southern African ministers held in Arusha, Tanzania. The meeting was attended by delegates from nine member countries in the region namely, Botswana, Kenya, Mauritius, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

The 1999 meeting deliberated on the threats of money laundering facing the region and the need to address this threat in a comprehensive manner. This was a culmination of consultations that had taken place since 1995 on the need to develop a regional mechanism to co-operate in the implementation of AML programmes. These initiatives were supported by the FATF, the Commonwealth Secretariat, the UK and US Governments and the United Nations Office on Drugs and Crimes (UNODC). Other prior consultations had also taken place in various meetings, including those of Commonwealth Heads of Government, and Law and Finance Ministers, to adopt and implement the 40 Recommendations of the FATF for combating money laundering.



The first ESAAMLG Meeting in Arusha, Tanzania, 1999

It was agreed at the meeting that given the threat of cross border crime and money laundering facing the region, there was a need to cooperate with other States in combating money laundering by implementing anti-money laundering international instruments. The meeting therefore adopted a Memorandum of Understanding (MOU) as an instrument that would enable them to forge the process

of cooperation for implementing the FATF recommendations. The launch meeting further agreed that each of the 14 initial member countries would have to sign the MOU establishing the Group and the Group would become operational when seven of the fourteen initial members sign the MOU. By April 2000, seven out of the fourteen countries had signed the MOU and the Group began its work by holding the first meeting of the Task Force of Senior Officials in Dar-es-Salaam, Tanzania. Tanzania as the host country for the Secretariat chaired the meeting.

It was also resolved at the 1999 and 2000 meetings that the Group would be guided by a Council of Ministers composed of Ministers of Finance, Law and Law Enforcement of each of the member countries. The detailed work of the Group would be conducted through a Task Force of Senior Officials from the three sectors: finance, law and law enforcement. This work would be supported by a secretariat. At national level, it was agreed that member countries would form National Multi-Disciplinary Committees drawn from the above mentioned three sectors.

Following the terrorist attacks on the US in September 2001, the FATF extended its work to cover the combating of financing of terrorism and urged countries across the world to develop programmes for combating the financing of terrorism. The FATF later on responded to the threat of illicit proliferation of weapons of mass destruction by updating its standards to include measures on the implementation of targeted financial sanctions related to proliferation financing in 2012. The ESAAMLG deliberated on these developments and at its Council of Ministers meetings in Eswatini in August 2002 and in Zimbabwe in August 2016, it was agreed that combating of financing of terrorism and proliferation respectively should also be included in the Work Programme for the Group. In view of these developments, the 1999 MoU was amended for six times at the Council of Ministers Meetings held in: Livingstone, Zambia in 2005, Harare, Zimbabwe in 2006, Mombasa, Kenya in 2008, Grand Bay, Mauritius in 2011, Victoria Falls, Zimbabwe in 2016 and Mahé, Seychelles in 2018. The Main objectives of the current MOU are to:

- adopt and implement the FATF 40 Recommendations;
- apply anti-money laundering measures to all serious crimes and countering financing terrorism and proliferation financing of weapons of mass destruction; and
- implement any other measures contained in multilateral agreements and initiatives to which they subscribe for the prevention and control of the laundering of the proceeds.

The 2000 meeting was followed by the second meeting of the Task Force of Senior Officials and the first meeting of the Council of Ministers held in Windhoek, Namibia in August 2001. The Presidency of the Group was passed on from Tanzania to Namibia for the year 2001-02. Since then the Presidency has been held as follows: Swaziland (2002-03), Uganda (2003-04), Mauritius (2004-05), Zambia (2005- 06), Zimbabwe (2006-07), Botswana (2007-08), Kenya (2008-09), Lesotho (2009-10), Malawi (2010-11), Mauritius (2011-12), Mozambique (2012-13), Namibia (2013-14), Angola (2014-15), South Africa (2015-16), Zimbabwe (2016-17), Tanzania (2017-18) and Seychelles (2018-19). The Presidency will be passed on to the Kingdom of Eswatini for the period 2019-20.

The period from 2000 to August 2005 can be described as formative years for the organisation. Apart from developing modalities for undertaking work in this area and building the culture of

consultations, the organisation undertook a number of core activities of an FSRB. Awareness raising on issues of money laundering and terrorist financing was one of the key activities undertaken by the Group and within member countries themselves. A number of training events for key stakeholders such as prosecutors, investigators and financial sector experts were held. The organisation was also popularised in member countries whenever Task Force meetings were held.

ESAAMLG had to quickly embark on developing capacity to implement the core functions of the Group that is, undertaking evaluations of member countries AML / CFT systems and researching on money laundering typologies. A number of regional experts were trained to undertake mutual evaluation exercises using the 2002 and 2013 FATF Methodologies. Mutual evaluation reports of Namibia, Malawi and Lesotho were adopted at the Eswatini extra-ordinary Council of Ministers meeting in October 2005. The first ESAAMLG Mutual Evaluation Procedures were also agreed at that meeting. Following the adoption of the 2012 FATF Standards, the ESAAMLG Second Round Mutual Evaluation Procedures and Follow Up Process were adopted at the Council of Ministers meeting in Luanda, Angola in August 2014. Later on, the Second Round ME Procedures was revised at the Council's meeting in Zanzibar, Tanzania in September 2017 and in Mahé, Seychelles in September 2018 following the amendments to the FATF Universal Procedures.

In 2004, it was realized that ESAAMLG needed to develop a coherent strategy with clearly set objectives on what it intended to achieve in order to function as an effective FSRB. The Council of Ministers, therefore, mandated the Secretariat to develop a three-year Strategic Plan which sets out the strategic objectives of the organisation and how they would be realised.

The First Strategic Plan was approved by the Council of Ministers at its meeting in Livingstone, Zambia in August 2005 and the second (2009-2012) in Maseru, Lesotho in August 2009, the third (2013-2015) in Swakopmund, Namibia in September 2013 and the fourth (2017-2010)¹ in Victoria Falls, Zimbabwe. The strategic plans were produced to enable ESAAMLG to focus on developing itself as a fully-fledged FSRB. The Strategic Plans of the ESAAMLG are result-oriented and were developed by taking into account regional and international developments described above. They envisage developing *“A strong and dynamic FATF Style Regional Body committed to eradicate money laundering and terrorist financing in the Eastern and Southern African region.”* This vision will be realised through consolidating and sustaining *the combined efforts to combat money laundering and terrorist and proliferation financing in the Eastern and Southern African region through effective implementation of AML/CFT standards in all ESAAMLG member countries.* The current Strategic Plan (2017-2020) has nine key strategic objectives:

- Effective post evaluation implementation of AML/CFT measures in member countries;

¹ The undertaking of the Efficiency Scrutiny exercise necessitated the extension of the period for the 2012/15 Strategic Plan for a further year to enable the results and the recommendations of the exercise to be incorporated in the fourth three years strategic plan developed by the Secretariat in consultation with the Efficiency Scrutiny Working Group (ESWG) following the adoption and approval of the recommendations of the ESWG by the Council of Ministers in August 2015.

- Sustaining the evaluation and monitoring of ESAAMLG members' compliance with the international standards against money laundering and terrorist financing under a second round of mutual evaluations;
- Increase and sustain the knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation;
- Expansion of ESAAMLG membership;
- Strengthening regional and international cooperation among member countries;
- Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives;
- Prioritising and consolidating regional AML/CFT capacity building, training and awareness raising programmes;
- Promoting the Implementation of AML/CFT measures and financial inclusion; and
- Consolidating the sustainability and efficiency of the Secretariat.

One of the major expected outcomes of the implementation of the previous Strategic Plans was to have focused discussion on substantive AML / CFT issues in the meetings of the Task Force of Senior Officials. This was in order to help shape ESAAMLG meetings enabling the Council of Ministers to concentrate on strategic issues and decisions that will push forward the process of AML / CFT at national level. These expected outcomes have been successfully achieved to a large extent and going forward, the future Strategic Plans aim at consolidating this approach.

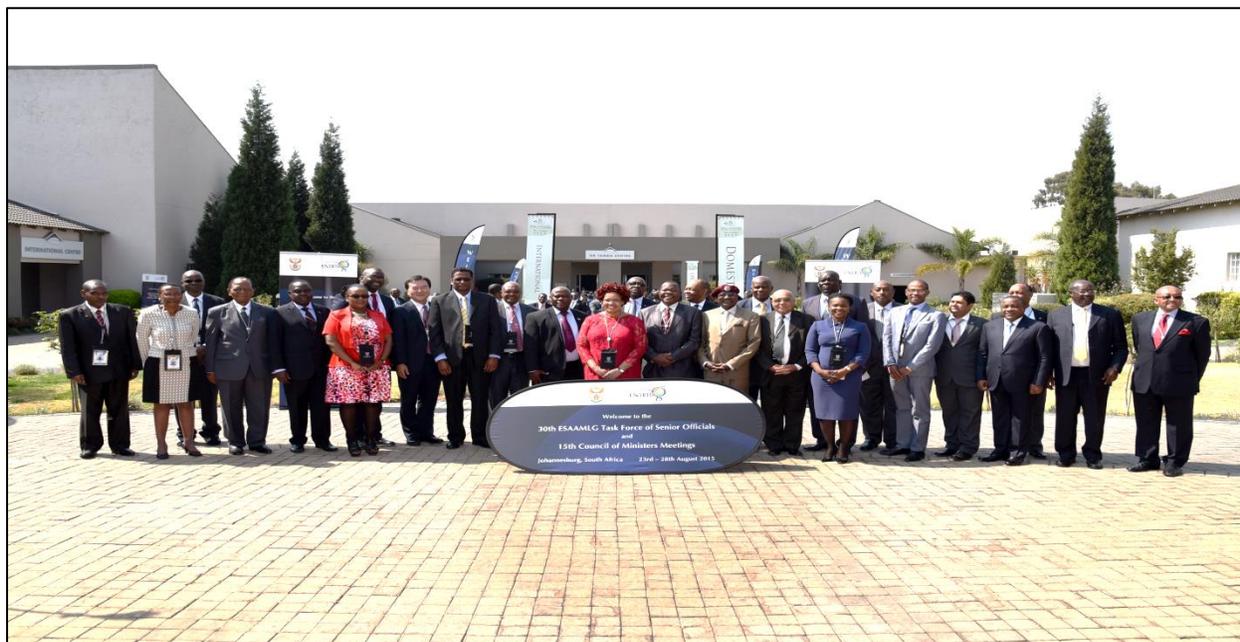
Since the launch of ESAAMLG, a lot of progress has been made by the organisation in developing a work programme that has enabled it to undertake the core functions of a FATF Style Regional Body (FSRB). The ESAAMLG operates in a global context in which other regional groups like itself collaborate with the FATF. ESAAMLG therefore, like the FATF, monitors the implementation of the FATF 40 Recommendations in the region and undertakes research on money laundering and terrorist financing threats.

OBJECTIVES AND STRUCTURE OF ESAAMLG

The main objectives of ESAAMLG are to: (a) adopt and implement the FATF and other international Standards; (b) apply anti-money laundering measures to all serious crimes; (c) implement measures to combat the financing of terrorism and proliferation and (d) implement any other measures contained in the multilateral agreements and initiatives relevant to prevention and control of laundering of proceeds of all serious crimes and the financing of terrorism and proliferation.

The **Council of Ministers** is the key decision-making body of the ESAAMLG and consists of at least one ministerial representative from each member country. The Council is ultimately responsible for setting the strategic direction of the Group, including approving work programmes. It is headed by a President who holds office for a period of one year. The Presidency of the Council rotates among the member countries, currently on the basis of alphabetical order. In terms of the ESAAMLG Memorandum of Understanding, the Council of Ministers meeting shall be held at least once every year. The main purpose of the Council meeting is to discuss the strategic direction of the Group and

its work programme. The ESAAMLG had held 18 Council meetings between 1999 and September 2018.



ESAAMLG Council of Ministers Meeting, Johannesburg, August 2015

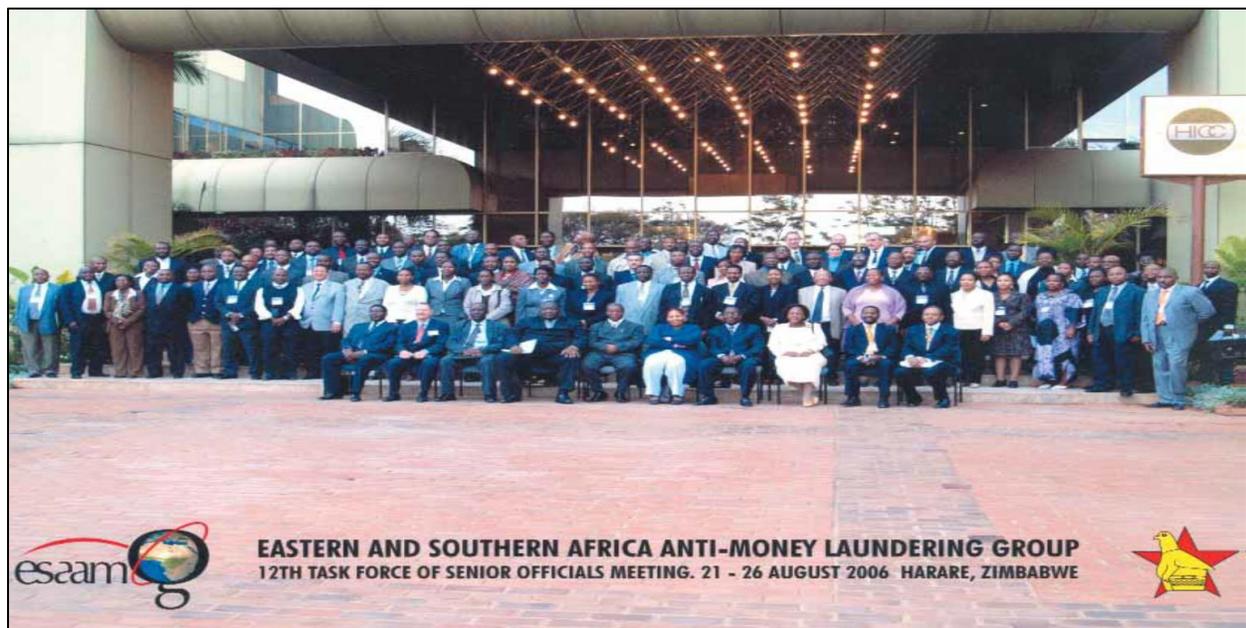


Tanzania Finance Minister, Hon. Philip Mpango handing over the presidency to Hon. Ambassador Maurice J. L. Loustau -Lalanne (2018-2019) at the September 2018 meeting.



Mahe, Seychelles, the ESAAMLG Council of Ministers Plenary under the presidency of Hon. Ambassador Maurice J. L Loustau -Lalanne (2018-2019)

The **ESAAMLG Task Force** consists of senior government officials from legal, financial and law enforcement agencies in the ESAAMLG region responsible for AML/CFT matters. It is headed by a Chairman, who is drawn from the country holding the presidency. The Task Force of Senior Officials meets twice a year (March/April and August/September). The meetings provide an opportunity for delegates to discuss a number of issues relevant to the FATF Standards, mutual evaluation reports, typology studies reports, technical assistance and training, financial inclusion, progress reports as well as attending special technical workshops/seminars on emerging money laundering and terrorist financing trends. During the period 1999- April 2019, ESAAMLG has held 37 Task Force meetings.





Participants at a meeting of the Task Force of Senior Officials, Arusha, Tanzania, April 2019

The Task Force is responsible for all technical matters and makes recommendations to the Council for approval. Currently, the Task Force has permanent working groups, the Evaluation and Compliance Group (ECG); Risk, Trends and Methods Group (RTMG); Working Group on Risk, Compliance and Financial Inclusion (WG-RCFI); Technical Assistance and Training Coordination Forum (TA&T); FIU Forum; and the Budget, Finance and Audit Sub-Committee, which handle various assignments on behalf of the Task Force.



Arusha International Conference Centre



Delegates attending the Task Force of Senior Officials Meeting at Arusha International Conference Centre (From left to right: April 2013 and April 2017)



Task Force Meeting in Arusha in April 2013 during Mozambique's presidency (from left to right: Dr. Eliawony J. Kisanga, ESAAMLG Executive Secretary, Mr. Armindo Ubisse, FIU Mozambique and Hon. Sadaa Mkuya Salum, Deputy Minister of Finance, Tanzania)



Deputy Governor Hon. Natu E. Mwamba, Economic and Financial Policies, Bank of Tanzania opening the Task Force Meeting in Arusha, March 2015



Mr. Amollo, Passing a vote of thanks to the Tanzanian Government at the Arusha Meeting in 2016

The Secretariat is the hub of ESAAMLG and provides support to the Council of Ministers and the Task Force of Senior Officials. Among other things, it prepares policy and technical papers, organises Task Force and Council meetings, mutual evaluations, coordinates technical assistance and training, prepares annual budgets, annual work plans, financial statements and reports on all ESAAMLG activities.



Executive Secretary giving a speech during the Task Force Meeting in Arusha, March 2015



Part of the technical and administrative Secretariat team in Luanda, Angola, 2014 and Arusha, Tanzania April 2016

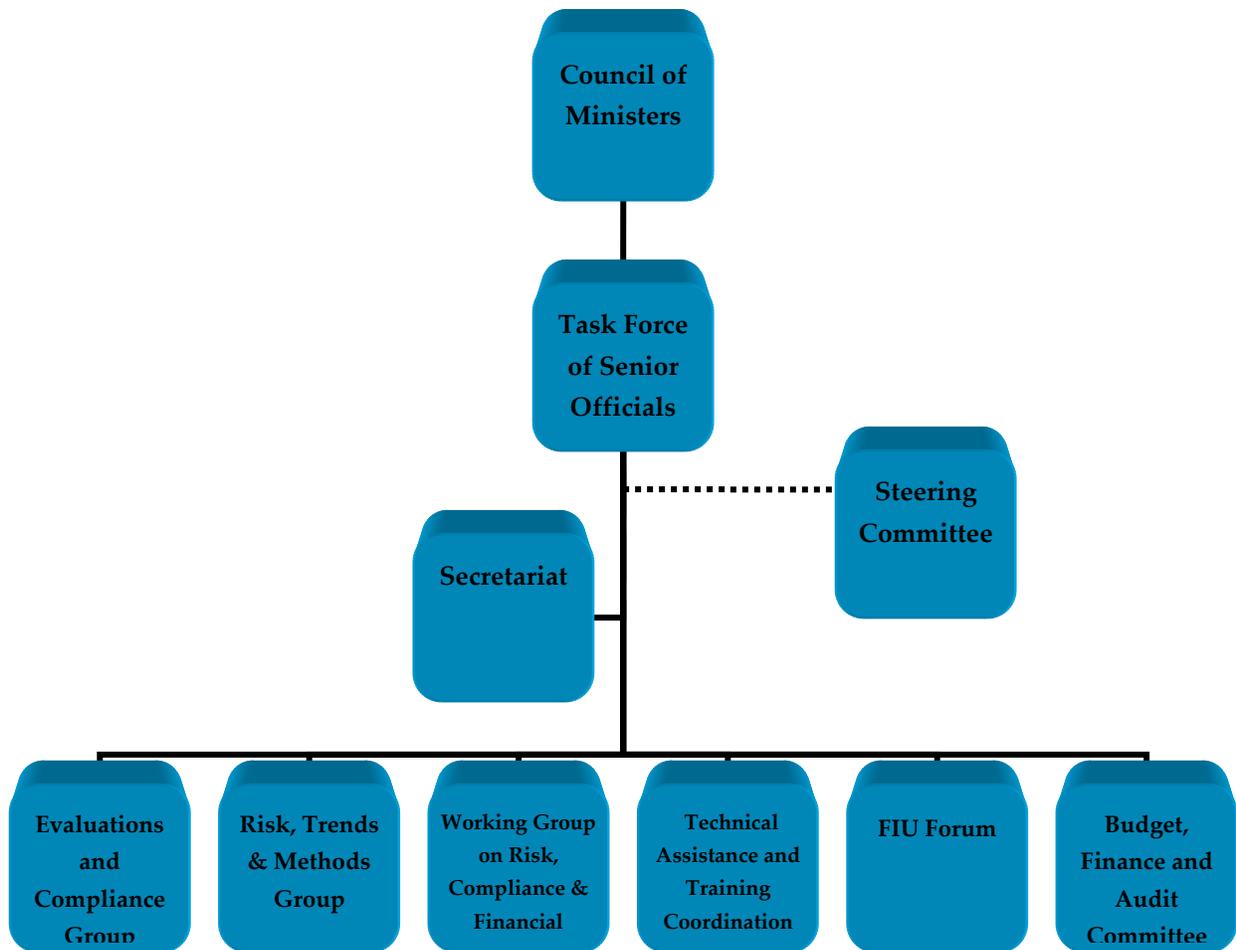
The Steering Committee is an advisory committee on a variety of policy matters. It is chaired by the Chairperson of the Task Force. Its current members were constituted from countries, namely, Seychelles (Chair), Tanzania, Eswatini, South Africa, Botswana, Mauritius, Ethiopia and the ESAAMLG Secretariat.



Steering Committee Meeting in Seychelles, September 2018

The following diagram provides the basic governance structure of the ESAAMLG which has been put in place to ensure smooth operations:

Figure 1: ESAAMLG Structure & Current Working Groups



MEMBERS AND OBSERVER MEMBERS

Membership of ESAAMLG is based on Article II of the Memorandum of Understanding (MoU) which stipulates that members are:

- a) Countries which subscribed to the MoU by signing it on 27 August 1999 or within six months thereafter, or
- b) Any country within the region whose application for membership has been approved by the Council.

Among other things, countries seeking membership must recognize the need to take action to combat money laundering and terrorist financing; commit themselves to establish and implement

ESAAMLG RELATIONSHIP WITH REGIONAL AND INTERNATIONAL ORGANIZATIONS

ESAAMLG recognizes that money laundering and terrorist financing crimes are both national and transnational problems and therefore international collaboration and cooperation of member countries and agencies is of critical importance. It is for this purpose that from its inception, ESAAMLG has been working very closely with the FATF and other FATF-Style Regional Bodies (FSRBs) in various areas such as development of the FATF Standards and coordination of training workshops, typology studies etc. Fig. 3 below shows the current list of Cooperating Organisations and Supporting Nations (COSUNs) to the ESAAMLG.

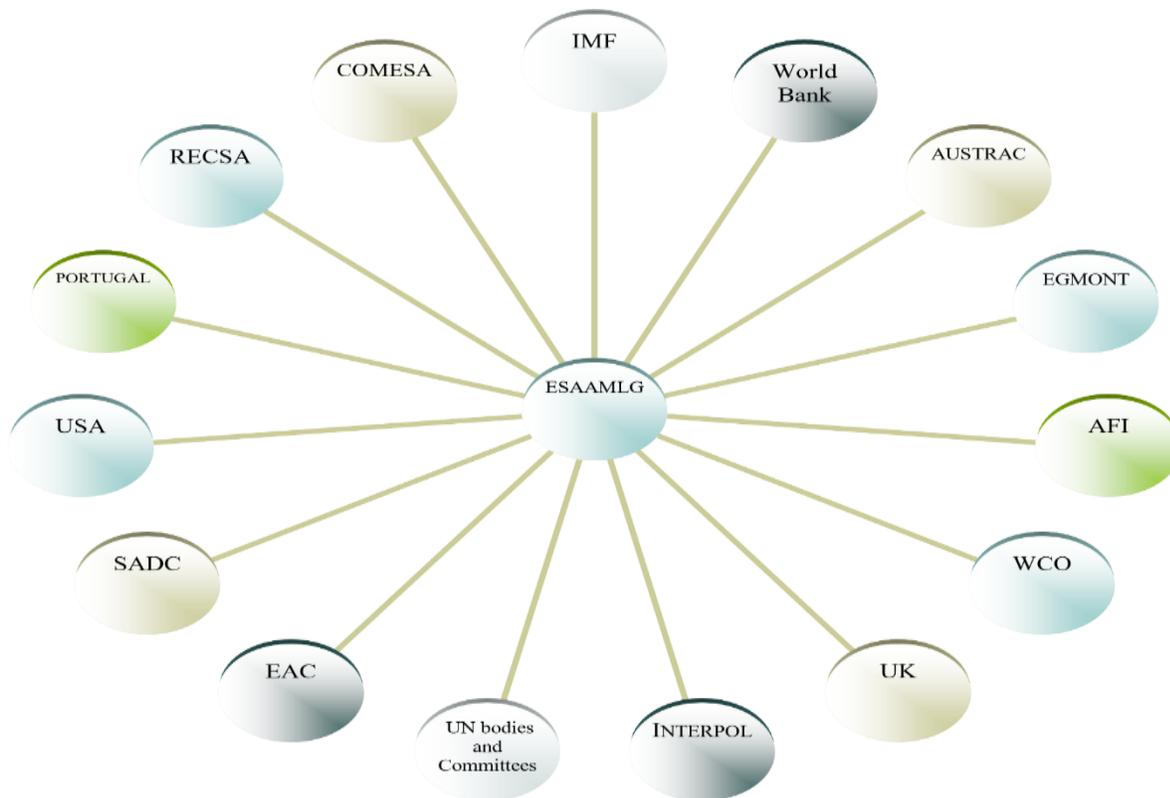


Figure 3: Cooperating Organisations and Supporting Nations to ESAAMLG

After the August 2006 Council of Ministers meeting in Harare, Zimbabwe, the Council agreed that ESAAMLG would apply for FATF Associate Membership. ESAAMLG’s associate membership status was approved at the FATF June 2010 Plenary. Since only one ESAAMLG member country (South Africa) is an FATF member, Associate membership status provides better opportunities for ESAAMLG and ESAAMLG member jurisdictions to participate in FATF activities including active participation in developing new AML / CFT standards and having access to plenary meetings, conference, training and participation in consultation processes with the FATF and take an active role in the process of AML/CFT global policy making.

In order to continue as an Associate Member of the FATF, ESAAMLG would, *inter alia*, have in place mechanisms to ensure actual and effective implementation of the FATF standards within the body's membership. This is mostly achieved through the mutual evaluation exercise and close monitoring of the follow up actions. At Group level, 16 out of the 19 member countries (including the former member Union of Comoros) were assessed under the 2004 FATF Methodology; while 8 out of the 18 member countries have been assessed based on the 2012 FATF Methodology. ESAAMLG and FATF are involved in the joint evaluations of their common members.

In addition, to continue as an Associate Member, one of the core functions of the ESAAMLG must include conducting regional level research and analysis of ML / TF methods and trends, in particular typologies exercises. To meet this requirement, the Risk, Trends and Methods Group (formerly known as 'Typologies Working Group') was established and the Group has continued undertaking a number of typologies studies. So far, 11 typologies work were completed. Further typologies work will be undertaken by the ESAAMLG during the period of implementing the 2017-2020 Strategic Plan. To achieve this and other purposes, the ESAAMLG, in collaboration with the supporting nations and organisations, had also organised training for investigators, prosecutors and law enforcement agents in the region.

Apart from the FSRBs, ESAAMLG also works closely with other jurisdictions and organisations which have keen interest in money laundering and terrorist financing matters.



Representatives from some Cooperating Organizations and Supporting Nations following the proceedings in Windhoek, Namibia, September 2013 and in Arusha, April 2017

ESAAMLG, as a specialized organisation in AML/CFT matters, is also keen to cooperate with regional bodies which have an interest in AML/CFT matters. In this regard, ESAAMLG signed Memoranda of Understanding (MoUs) with the East Africa Community (EAC) Secretariat, COMESA Secretariat, German Development Cooperation Illicit Financial Flows Programme (GIZ-IFF) and the Southern African Development Community (SADC) Secretariat in February 2012, 2017 and August

2013, respectively. The MoUs provide an excellent opportunity to promote ESAAMLG's work and also form a platform for collaboration, cooperation, exchange of information and technical assistance. The ultimate outcome of this working relationship will be an improved implementation of international standards on anti-money laundering and combating terrorist financing by member countries which are also members to either COMESA, SADC or EAC.

The Secretariat has continued working with the GIZ IFF, COMESA and SADC. In collaboration with the organizations, the ESAAMLG has facilitated different AML/CFT training workshops. In addition, consultations had been held with the Peace and Security Department of the EAC Secretariat to develop joint programmes to address terrorism and in particular the financing of terrorism. Consultations had also taken place with the Deputy Secretary General responsible for the Monetary Union Project to explore areas where cooperation can be developed in the implementation of AML/CFT programmes.



Eliwony J. Kisanga, the ESAAMLG Executive Secretary and Sindiso Ngwenya, the former Secretary General of COMESA Secretariat³ signing a MoU to deepen collaboration in combating money laundering & terrorist financing

³ 10 out of 18 countries in ESAAMLG are COMESA members with six of them (Ethiopia, Kenya, Madagascar, Mauritius, Seychelles and Tanzania) covered by the Regional Maritime Security Programme (MASE)

ACHIEVEMENTS OF ESAAMLG

AN EFFICIENT AND SUSTAINABLE SECRETARIAT

Since the adoption of its First Strategic Plan in 2005, ESAAMLG has made significant progress towards achieving its mission to combat money laundering and terrorist financing in the Eastern and Southern African region. In March 2008, the Group conducted a review of the implementation of its Strategic plan which indicated that a number of initiatives have been undertaken by the Group at a regional level and by individual member countries at national level to build up a framework for mutual support in the fight against money laundering and terrorist financing. The Secretariat has also made steady progress to secure its sustainability.

One of the major outcomes of implementation of the Strategic Plans of ESAAMLG was to have the ESAAMLG focused as fast as possible in engaging in substantive discussion of development AML/CFT in the meetings of the Task Force of Senior Officials and development of regional priorities in the implementation of the A ML/CFT systems. It was also the intention of the strategies that the Council of Ministers meetings should concentrate on strategic issues and decisions that will drive forward the process of A ML / CFT at national level.

To achieve the foregoing as a first step it was necessary to develop an efficient and sustainable Secretariat as early as possible. The main responsibilities of the Secretariat are as follows:

- Organise and conduct the Task Force of Senior Officials and Council of Ministers' meetings;
- Provide technical and administrative support to the Council of Ministers, Task Force of Senior Officials and Working Groups;
- Prepare and implement annual budgets, strategic plans and work programmes;
- Coordinate and participate in mutual evaluations;
- Identify training and technical assistance needs of member countries, and facilitate provision thereof;
- Establish and maintain working relationships with relevant regional and international organisations;
- Act as a liaison between ESAAMLG and third party countries and organisations involved in countering money laundering and terrorist and proliferation financing;
- Provide expertise to member countries to build capacity to combat money laundering and terrorist and proliferation financing;
- Arrange and conduct outreach missions to potential members.

The ESAAMLG Secretariat is based in Dar es Salaam, United Republic of Tanzania and is hosted by the Tanzanian Government through the Ministry of Finance. The Secretariat is headed by the

Executive Secretary. The Secretariat currently has six full time experts, one onsite secondee and one offsite secondee who serve in the capacities of Principal Expert, Law Enforcement Expert, Financial Sector Experts, Legal Experts and Technical Advisor. In addition, the Secretariat has got an Administrator, Accountant, two support staff and one seconded IT Expert.



The Secretariat Team

One of the key activities that was immediately undertaken in order to address objective 7 of the Strategy plans i.e. developing “a sustainable and efficient ESAAMLG Secretariat” was to undertake an “*Efficiency Scrutiny*” of the Secretariat and to determine the minimum resources and staff complement that would enable the Secretariat to undertake the critical tasks that an FSRB is meant to carry out. The recommendations of the recent report of the scrutiny are currently being implemented and most of them have been addressed.

MUTUAL EVALUATIONS

Introduction

Mutual evaluations form part of the core activities undertaken by the ESAAMLG. Under this process, the ESAAMLG monitors the implementation of the FATF 40+9 recommendations under the first round and the 40 FATF recommendations under the second round in its member jurisdictions and assesses the overall effectiveness of AML / CFT systems.

The FATF and the International AML/CFT standards

The Financial Action Task Force (the FATF) is an inter-governmental policy-making body which currently comprises 37 member jurisdictions and 2 regional organisations (the European Commission and the Gulf Co-operation Council). It was established in 1989 by the Group of Seven (G-7) Summit in Paris and has currently a mandate to set international standards on combatting money laundering and countering the financing of terrorism and proliferation financing.

The FATF builds standards upon a number of United Nations (UN) conventions and resolutions that promote international cooperation in preventing and containing drug trafficking, domestic and cross border organised crime, corruption, money laundering and the financing of terrorism and proliferation. It also takes account of all the financial supervisory standards namely, the Basel Core Principles on Banking Supervision; the Objectives and Principles for Securities Regulation of the International Organisation of Securities Commissions (IOSCO) and the Insurance Supervisory Principles issued by the International Association of Insurance Supervisors (IAIS). These contain fundamental principles pertaining to know your customer (KYC) rules; record keeping procedures, risk management procedures and other due diligence requirements that sustain an effective AML / CFT framework.

In brief, to put in place an effective AML / CFT system, the current FATF 40 Recommendations require an adequate legal and institutional framework which should include:

- risk assessment and mitigation as well as enhance domestic coordination and cooperation,
- establish legal framework that create money laundering and terrorist financing offences and provide for the targeted financial sanctions, freezing, seizing and confiscation of proceeds;
- Requirements for the financial sector of the economy to undertake customer identification, due diligence measures and to keep and maintain records;
- The requirement to monitor transactions and report suspicious activities;
- Risk Based Supervision and regulation of financial institutions (banking and non-banking) and designated non-financial businesses and professions (casinos, dealers in precious metals and stones, real estate agents lawyers and accountants and trust and company service providers) to ensure compliance with AML/CFT requirements;
- Establish independent and autonomous FIUs; and
- Gateways for international cooperation.

The FATF standards have been widely recognised and endorsed by the UN⁴, the International Monetary Fund and the World Bank as well as by over 180 jurisdictions around the world. International and regional organisations that are involved in combating money laundering and terrorist financing collaborate with the FATF in the fight against money laundering and terrorist and proliferation financing. The major partners of the FATF are the FATF-style regional bodies (FSRBs), including the ESAAMLG, which play a central role in their respective region by bringing together jurisdictions that are committed to implement the FATF standards and participate in the mutual evaluation process.



ESAAMLG members formally adopted the FATF 40 recommendations through the MOU. They also agreed to participate in mutual evaluations (Art. XIV, ESAAMLG MOU) and are being currently assessed under the second round in turn in accordance with the ESAAMLG Mutual Evaluation Schedule which was approved by the Council of Ministers in 2014.

Mutual Evaluation Process

The scope and purpose of mutual evaluations are to assess the AML / CFT legal framework to determine whether the necessary laws, regulations or other measures required under the FATF standards have been adopted and implemented and at the same time ensure that the overall system and mechanism in place to combat money laundering and terrorist and proliferation financing are effective. While the first round of mutual evaluations were conducted as per the 2008 ESAAMLG ME Procedures (as amended in Maseru, Lesotho in 2009) and the 2004 FATF Methodology, the Second Round of Mutual evaluations are conducted in accordance with the 2014 Mutual Evaluation Procedures (as amended in 2016 and 2017) and are based on the FATF 40 recommendations (as amended from time to time).

⁴ See the United Nations Security Council Resolutions 1617 (2005), 2083 (2013), 2129(2013), 2195(2014), 2199(2015), 2253(2015), 2255(2015), 2322(2016), 2462(2019) on threats to international peace and security caused by terrorist acts, and the unanimously adopted United Nations General Assembly resolution 60/288 (2006).



From left to right: ESAAMLG Assessors during the onsite visits in the United Republic of Tanzania . January-06 February 2009 under the first round ME and 01-11 July 2019 under the Second Round

The mutual evaluation process, which consists of two major parts- an onsite visit and the discussion and adoption of the mutual evaluation report takes at least nine months to complete. The onsite visit is usually conducted by a team of five to seven experts in the legal, financial and law enforcement sectors from other member governments or from ESAAMLG supporting nations as well as observer organisations and two to three members of the ESAAMLG Secretariat. In the process, the team undertakes an onsite visit to the country and prepares a draft report which provides an assessment of the extent to which the evaluated country has implemented an effective AML / CFT system, identifies deficiencies and makes recommendations on how to improve the system. Mutual evaluation reports are discussed at the ESAAMLG Task Force of Senior Officials and adopted by the Council of Ministers.

The First Round of Mutual Evaluation Under the FATF 2004 Methodology

ESAAMLG started its first round of mutual evaluations under the FATF 2004 Methodology with the assessment of Uganda in February 2005 and completed this round of assessment with Rwanda in August 2014. The Table below shows the ESAAMLG’s assessment calendar under the first round ME. Under this round of evaluations, ESAAMLG member countries have been assessed by ESAAMLG and in some cases by the World Bank or the IMF under the Financial Sector Assessment Programme (FSAP). A joint evaluation with the FATF was also undertaken. All MERs under the first round were published on the ESAAMLG’s website following their adoption.

Table 1: ESAAMLG’s Assessment Calendar under the First Round

No.	Member country	Undertaken by	Date of onsite visit	Adoption of MER	Type of Progress Report (Regular/Biannual)
1	Angola	World Bank	November 2007	August 2012	Regular
2	Botswana	World Bank	February 2007	August 2007	Biannual
3	Comoros	IMF	May 2009	August 2010	Biannual
4	Eswatini	ESAAMLG	November / December 2009	August 2010	Biannual
5	Kenya	ESAAMLG	April 2010	August 2011	Regular
6	Lesotho	ESAAMLG	November 2010	August 2011	Biannual
7	Malawi	World Bank	February/March 2008	August 2008	Biannual
8	Mauritius	IMF	September 2007	August 2008	Regular
9	Mozambique	ESAAMLG	September 2009	August 2010	Biannual
10	Namibia	World Bank	July 2005	August 2007	Regular
11	Rwanda	IMF	June 2012	August 2014	Biannual
12	Seychelles	ESAAMLG	November 2006	August 2008	Regular
13	South Africa	Joint ESAAMLG / FATF	August 2008	August 2009	Biannual
14	Tanzania	ESAAMLG	January / February 2009	August 2009	Regular
15	Uganda	World Bank	February 2005	August 2007	Biannual
16	Zambia	ESAAMLG	November 2007	August 2008	Biannual
17	Zimbabwe	ESAAMLG	May 2006	August 2007	Biannual

In terms of the First Round ME Procedures, ESAAMLG members were supposed to submit an annual/biannual report to the ESAAMLG in the year following the adoption of their report (see the Table above). The annual/ Biannual report must indicate the progress made since the evaluation and in particular must underscore developments which have taken place in areas where the evaluation recommended that the AML / CFT system need to be improved. Under the first round follow up process, Angola (in April 2018), Namibia (in September 2017), Seychelles (in April 2017) and South Africa (in September 2018) exited the follow up process as it was determined that they had made sufficient progress on the deficiencies highlighted under their respective MER. In addition, Botswana, Malawi, Mauritius, Tanzania, Uganda, Zambia and Zimbabwe exited the process once the onsite visit to the countries was started under the ESAAMLG Second Round ME. The Union of Comoros is not under the ESAAMLG’s follow up process as the country withdrew its membership since 2017. Thus, the remaining countries under the first round follow up process are Eswatini, Kenya, Lesotho, Mozambique and Rwanda.

Under the first round follow up process, ESAAMLG undertook seven (7) High Level Missions to Botswana (in 2013), Eswatini (2016), Lesotho (in 2017), Malawi (in 2017), Mozambique (in 2017), Uganda (in 2014) and Zambia (in 2016). Lesotho and Mozambique are still under the follow up process on their respective High-Level Mission Reports. A High Level Mission to Rwanda is

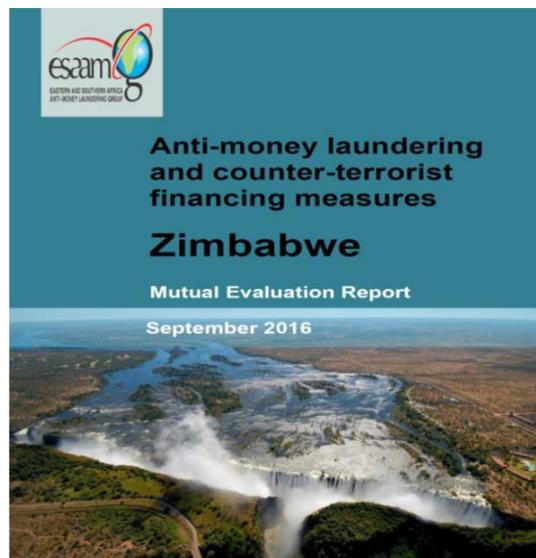
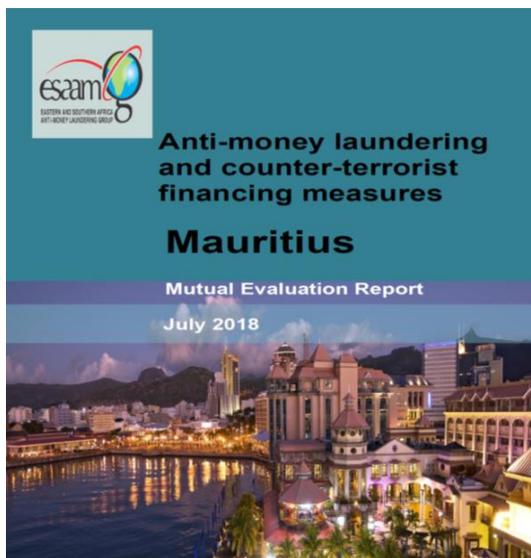
expected to be undertaken after which a report will be produced for consideration at the September 2019 meeting.

The Second round of mutual evaluation under the FATF 2013 Methodology

The FATF has adopted complementary approaches for assessing technical compliance with the FATF Recommendations, and for assessing whether and how the AML/CFT system is effective. Therefore, the Methodology comprises two components:

- *“The **technical compliance assessment** addresses the specific requirements of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. These represent the fundamental building blocks of an AML/CFT system.*
- *The **effectiveness assessment** differs fundamentally from the assessment of technical compliance. It seeks to assess the adequacy of the implementation of the FATF Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results.”*

Together, the assessments of both technical compliance and effectiveness will present an integrated analysis of the extent to which the country is compliant with the FATF Standards and how successful it is in maintaining a strong AML/CFT system, as required by the FATF Recommendations.⁵



⁵ See FATF Methodology, page 5.

ESAAMLG started its second round of mutual evaluations under the FATF 2013 Methodology with the assessment of Ethiopia by the World Bank in October 2014. Since then 9 (Ethiopia, Uganda, Zimbabwe, Botswana, Madagascar, Mauritius, Seychelles, Zambia and Malawi) out of the 18 member countries have been evaluated while 8 reports have been discussed and adopted and published on the ESAAMLG’s website and the Malawi MER is expected to be discussed and adopted at the September 2019 meeting. ESAAMLG is expected to complete this round of mutual evaluations by 2023. Under this round of evaluations, ESAAMLG member countries have been assessed by ESAAMLG and in some cases by the World Bank under the Financial Sector Assessment Programme (FSAP). A joint evaluation on South Africa with the ESAAMLG and FATF is also being undertaken by the IMF.



Assessors during the Discussion of the MER of Zimbabwe at the Task Force plenary in Victoria Falls in August 2016.

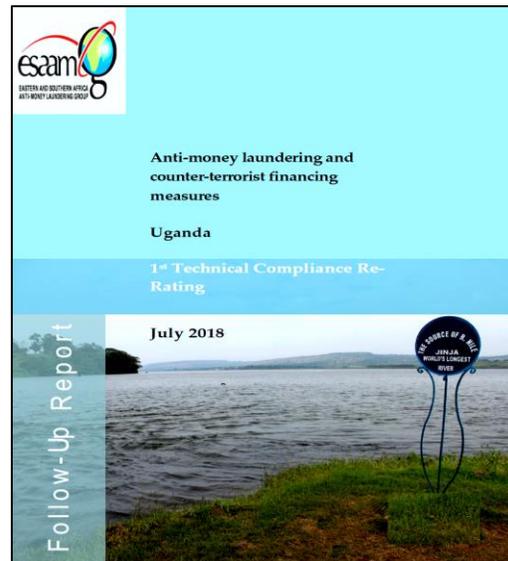
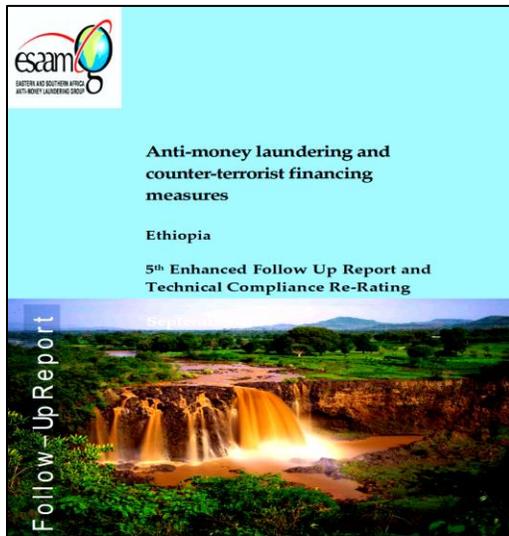
The Table below shows the ESAAMLG’s assessment calendar under the Second Round ME.

Table 4: ESAAMLG Schedule of mutual evaluations under the second round

No.	Member Country	Undertaken by	Dates of onsite	Dates of MER adoption
1	Angola	ESAAMLG	November/December 2021	August/September 2022
2	Botswana	ESAAMLG	June 2016	May 2017
3	Eswatini	ESAAMLG	June 2020	May 2021
4	Ethiopia	ESAAMLG	November 2017	May 2015
5	Kenya	ESAAMLG	November 2020	August/September 2021
6	Lesotho	ESAAMLG	June 2022	May 2023
7	Madagascar	World Bank	February 2017	September 2018
8	Malawi	ESAAMLG	November 2018	September 2019
9	Mauritius	ESAAMLG	June 2017	July 2018
10	Mozambique	ESAAMLG	December 2019	August/September 2020
11	Namibia	ESAAMLG	June 2020	August/September 2021
12	Rwanda	ESAAMLG	July 2023	August 2014
13	Seychelles	ESAAMLG	November 2017	September 2018
14	South Africa	IMF/FATF/ESAAMLG	October/November 2019	June 2019
15	Tanzania	ESAAMLG	June 2019	March 2020
16	Uganda	ESAAMLG	June 2015	April 2016
17	Zambia	ESAAMLG	June 2018	March/April 2019
18	Zimbabwe	ESAAMLG	July 2015	August 2016

Under the Second Round ESAAMLG procedures, ESAAMLG members under regular follow up must submit an annual report and countries under enhanced follow up twice a year to the ESAAMLG in the year or six months respectively following the adoption of their report. The annual report must indicate the progress made since the evaluation and in particular must underscore developments which have taken place in areas where the evaluation recommended that the AML / CFT system

need to be improved. All countries assessed under the second round ME are under enhanced follow up and Ethiopia, Uganda, Botswana, Mauritius and Zimbabwe asked for TC rerating and their Follow Up Reports accordingly were adopted and published on ESAAMLG’s website.



Lessons Learned Under the First and Second Round MEs

The mutual evaluations conducted under the first⁶ and second round provided valuable insight into the difficulties faced by ESAAMLG members in implementing the AML / CFT standards. Obtaining and sustaining political will among ESAAMLG members was the major underlying factor that impedes the implementation of the AML / CFT legal and institutional framework. Some of the ESAAMLG members still had to enact or amend their respective AML / CFT legislation. The assessments had further shown that insufficient material and human resources have negatively affected the effective implementation of the AML / CFT standards. Other challenges included inadequate technological support and scarce resources for establishing key institutions. In addition, rolling out regular onsite inspection programmes of reporting entities for ensuring compliance with

⁶ In recognition of the problems faced by developing nations under the first round ME, the FATF issued in February 2008 “Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards within Low Capacity Countries”. The Guidance identifies a number of principles and specific mechanisms and procedures that may be used to ensure effective prioritisation and implementation of the FATF AML standards taking into account a country’s specific structural peculiarities and vulnerabilities. The FATF identified core and key recommendations that represent priority areas for building up national AML / CFT frameworks in a phased manner. The “core” FATF recommendations include criminalisation of money laundering and terrorist financing (R.1 and SR11), customer due diligence and record keeping (R.5 and R.10); and suspicious transaction reporting (R.13 and SR14) while the “key” recommendations are provisional measures and confiscation (R.3), financial institution secrecy laws (R.4), the FIU (R. 26), supervision and regulation of financial institutions (R.23), international cooperation (R.35, SRV), mutual legal assistance (R36), other forms of cooperation (R.40), and ratification and implementation of UN Instruments (SRI).

AML / CFT requirements by applying a risk-based approach was posing a significant challenge to most members as this is a resource intensive exercise and new area for implementation.

ESAAMLG focused on promoting post evaluation implementation of the FATF standards. To this end, the ESAAMLG has its own Mutual Evaluation Procedures and follow up process under the First and Second Round to adopt a more comprehensive and result-oriented approach that endeavours to support member countries in enhancing compliance with the FATF standards. Despite what has been achieved so far, a substantial amount of work is still required in the region to ensure that the FATF recommendations are effectively implemented by all member countries.

ESAAMLG TYPOLOGIES

Introduction

Money laundering and terrorist financing typologies keep on changing as new counter-measures are put in place by government authorities and private sector stakeholders. A typologies study looks at methods, techniques and trends used by either criminals to launder proceeds of crime or terrorists to fund terrorist activities or terrorists. Typologies can be carried out in a particular economic sector, region or worldwide. Typologies exercise is therefore one of the most important pillars of detecting and combating money laundering and terrorist financing.

The FATF has produced a number of typologies studies since its formation. The findings of the reports are used by the FATF policy-makers to improve effectiveness of the AML / CFT standards, shared amongst members and globally with other jurisdictions and FSRBs, including other international organisations with interest in AML / CFT work. The advent of FSRBs in various regions of the world necessitated a similar approach of studying ML / TF typologies at regional level, for use by member countries and other interested parties to develop and implement effective AML / CFT programmes.

This section of the Twenty-Year Report highlights typologies achievements of ESAAMLG since establishment in 1999. The section covers the rationale for conducting typologies studies, ESAAMLG Typologies Working Group, completed and current typologies studies, and concludes with a way forward on future typologies.

Importance of Typologies

Typologies studies in the ESAAMLG region are progressing stage. In the last twenty years, one of the key features of the work of ESAAMLG has been the growing capacity to conduct typologies exercises. The FATF requires all its FSRBs to have capacity to undertake regional existing and emerging ML / TF vulnerabilities and share such typologies reports amongst its membership and globally. The ESAAMLG Strategic Plans put typologies as one of the core components of the work of the Group in combating money laundering and terrorist financing.

The Plans commit the organisation to ***“Undertake research and analysis exercises to better understand money laundering and terrorist financing risks and vulnerabilities in the region***

and effectively contribute to regional and international AML/CFT policy formulation". The purpose of ESAAMLG typologies work can be listed as follows:

- To share ML / TF knowledge amongst ESAAMLG member countries' law enforcement agencies, regulatory and supervisory bodies and other relevant bodies.
- To provide knowledge base to ESAAMLG member countries for informed decisions on AML / CFT policy matters.
- To equip ESAAAMLG Secretariat to make informed contributions to the FATF and other international AML / CFT standard-setting institutions to take into account peculiar implementation challenges facing the region.

ESAAMLG fully recognizes the particular significance of identifying specific ML / TF risks in order to provide the necessary guidance to member countries to consider when developing and implementing their own national AML / CFT programmes.

Risk, Trends and Methods Group (the former 'Typologies Working Group')

ESAAMLG typologies initiatives started as far back as in 2004 with a series of typologies seminar workshops such as those held in Kenya, Mauritius, and Tanzania. At the 2005 Meetings in Harare, Zimbabwe ESAAMLG Council of Ministers approved a decision of the Task Force of Senior Officials to set up Typologies Working Group (TWG) to organise and manage typologies work of the Group. The Working Group's name was changed to Risk, Trends and Methods Group (RTMG) after the adoption of the report of the Efficiency Scrutiny Working Group by the Council of Ministers at its meeting in Johannesburg, South Africa in August 2015.⁷

ESAAMLG RTMG comprises expert officials from member countries, led by a chairperson elected from among member countries for a period of two years. Officials from Observer Organisations and Supporting Nations can also be members of the RTMG. The RTMG organises ESAAMLG typologies activities, identifies and submits typologies study proposals for consideration and approval by ESAAMLG Plenary.

Once a typologies study is approved, the RTMG establishes a Project Team comprising not more than five expert officials chosen from member countries. The Project Team is led by a chairperson, who becomes a facilitator between the Project Team and ESAAMLG Secretariat. The Secretariat monitors progress made, provides expert advice and logistical support to the Project Team and the RTMG.

⁷ Before the formation of the RTMG, the meeting of Senior Officials of Task Force held in Arusha, Tanzania, ESAAMLG identified a broad range of ML / TF vulnerabilities and threats from lists submitted by member countries from which future ML / TF typologies can be conducted. In no particular order of risk level, the following were identified as possible future ML / TF typologies: Alternative remittance systems, Corruption, Cross-border cash couriers, Cross-border stock theft and cattle rustling, Exchange control violations and bureaux de change, Financial fraud schemes, Minerals and precious stones, Motor vehicles dealing and motor vehicle smuggling, Non Profit Organisations, Small arms smuggling, Stock markets, Trafficking in humans and drugs, Transfer pricing (over-and under-pricing).

The normal working arrangement is for the Project Team to interact electronically and meet in the margins of ESAAMLG meetings every year. When required, the Project Team can meet at any time convenient for completion of typologies study. The chairpersons of RTMG and Project Team together present work progress of Project Team to ESAAMLG Plenary on a regular basis. On average, a typologies study project takes about 18 months from the period of approval to completion. The Project Team is responsible for the actual analysis of information to identify existing and emerging regional ML / TF typologies and produce a final typologies report for approval by Council of Ministers.

Completed Typologies Studies

ESAAMLG has so far produced ten typologies studies and all the studies are available on ESAAMLG's website (See Table 6 below). They contain a description of key existing and emerging regional ML / TF risks, trends and methods; findings and conclusions for each of the completed typologies studies and make recommendations on actions to remedy identified weaknesses. The typologies reports contain sanitised case examples to protect true identities of individuals involved and so as not jeopardize cases where investigations and prosecutions have not been concluded. The case examples under each typologies report were submitted by member countries to Project Teams for analysis.

Table 6: Completed Typologies Projects

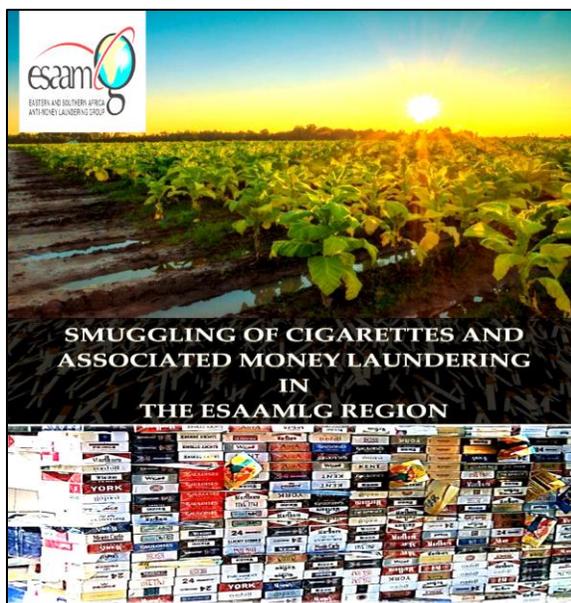
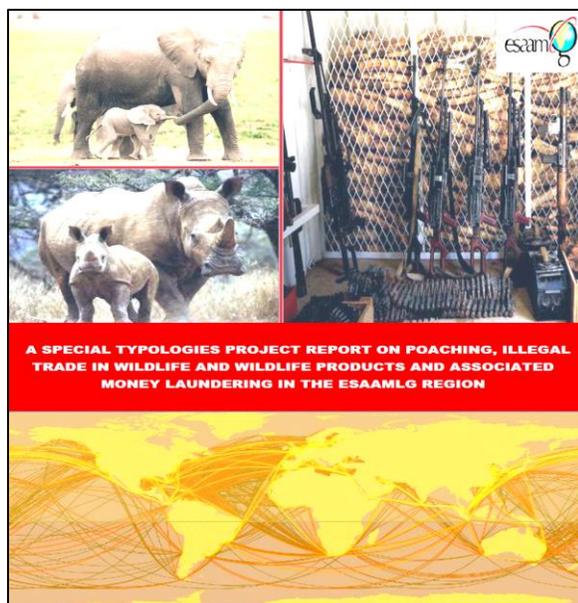
No.	Topic	Adoption date	Link to published version
1.	Report on Smuggling of Cigarettes and Associated Money Laundering in the ESAAMLG Region	September 2018	https://esaamlg.org/reports/Smuggling%20of%20Cigarettes%20and%20Associated%20Money%20Laundering%20in%20the%20ESAAMLG%20Region.pdf
2.	A Special Typologies Project Report on Poaching and Illegal Trade in Wildlife and Wildlife Products and Associated Money Laundering in the ESAAMLG Region	June 2016	http://esaamlg.org/reports/TYPOLOGIES-REPORT-ON-THE-WILDLIFE-CRIMES-AND-RELATED-ML..pdf
3.	Typology Report on the Study on Money Laundering through the Securities Market in the ESAAMLG Region	September 2015	http://esaamlg.org/reports/Report on ML&TF through the Securities Market Industry in the ESAAMLG Region..pdf
4.	Typologies Report on Money Laundering and Terrorist Financing through the Money Remittance and Currency Exchange Sector in the ESAAMLG Region	September 2014	http://esaamlg.org/reports/Typologies Report mvts..pdf
5.	Typologies Report on Money Laundering through The Real Estate Sector in the ESAAMLG Region	September 2013	http://esaamlg.org/reports/TYPOLOGIES-REPORT-ON-Money-Laundering-through-the-Real-Estate-Sector-in-the-ESAAMLG-Region..pdf

6.	Typologies Report on Money Laundering related to Illicit Dealings in and Smuggling of Motor Vehicles in the ESAAMLG Region	August 2012	http://esaamlg.org/reports/IllicitDealingsinandSmugglingofMotorVehiclesReport.pdf
7.	Typologies Project Report on Money Laundering related to Trafficking in Persons in the ESAAMLG Region	September 2011	http://esaamlg.org/reports/HUMAN-TRAFFICKING-Report-Mauritius-2011.pdf
8.	Laundering the Proceeds of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (ESAAMLG REGION)	September 2011	http://esaamlg.org/reports/DRUG-TRAFFICKING-REPORT..pdf
9.	An Assessment of the Links between Corruption and the Implementation of Anti-Money Laundering Strategies and Measures in the ESAAMLG Region	May 2009	http://esaamlg.org/reports/CorruptionandAMLSystems.pdf
10.	Report on Cash Courier-Based Money Laundering (ESAAMLG)	August 2008	http://esaamlg.org/reports/CashCourierReport.pdf

In addition to the above completed typologies projects, the Project Team on the typologies studies on “*Procurement corruption in the public sector and associated money laundering in the ESAAMLG Region*” has completed the project for consideration at the September 2019 meeting. The main objective of the project is to examine the magnitude of corrupt practices in public procurement in the ESAAMLG region and identify linkages with ML as well as actual activities that are being funded by proceeds of the predicate offence. ESAAMLG is currently undertaking a new typologies study on “*Illicit Financial Flows and ML Relating to Wildlife Trafficking in the ESAAMLG region*” expected to be completed in 2020.

ESAAMLG’s typologies exercises have attracted a large number of specialized officials in the area of organised crime, money laundering and terrorist financing from member countries, Observer Organisations and Supporting Nations.

During the reporting period, a review on the implementation of the recommendations of Typologies studies by member countries in developing AML/CFT policies and managing risks was undertaken. This exercise of reviewing the implementation of the recommendations will continue during subsequent meetings with the support of the Secretariat.



CONCLUSION

Typologies studies are invaluable in understanding existing and emerging ML / TF risks and putting in place effective A ML / CFT programmes. The challenge for member countries is to take into account the findings and recommendations of typologies studies when developing and implementing national AML / CFT measures. In consolidating its typologies programme, ESAAMLG intends to partner with the FATF and other FSRBs to carry out joint typologies studies for the benefit of the region.

TRAINING AND CAPACITY BUILDING

Training remains one of the key activities that would enable ESAAMLG member countries to incrementally develop capacities to implement viable and comprehensive AML/CFT systems. The continuous delivery of Technical Assistance and Training Programmes is of critical importance towards strengthening the national and regional capacity to address deficiencies in the AML/CFT regimes as identified in the Mutual Evaluation and Follow-Up Reports or to comply with new international AML/CFT Standards and UN Conventions or UN Special Council Resolutions. In order to facilitate this, ESAAMLG established a Technical Assistance and Training Coordination Forum, which among other things, brings together member countries that need technical assistance, and cooperating and supporting nations and organisations that provide technical assistance. This Forum provides a useful gateway for the two sides to engage each other with respect to the delivery of appropriate technical assistance and training- both country specific and regional training programmes.

The Secretariat in collaboration with member countries and donors continued to look at areas which require technical assistance and training to ESAAMLG member countries. The Secretariat also prepares summaries of Technical Assistance and Training needs submitted by member countries to facilitate bilateral discussions between TA providers and the countries which are submitting their training needs. At its meeting held in September 2013, the Council approved seven common areas of training, namely, implementation of revised FATF Standards, National Risk Assessment, Effective Implementation of UNSCRs, Supervisory Capacity, Financial Investigations including Asset Forfeiture, Judiciary and FIU Analytical Capacity. This was later updated at the subsequent meetings and currently, the areas identified include modalities of assisting member countries to carry out ML/TF National Risk Assessments and apply Risk Based Approach in developing AML/CFT Strategies.

The Secretariat has managed to organize workshops in three of the prioritized areas, namely; training on the Revised FATF Standards, UN Security Council Resolutions (UNSCRs (SRIII) and on ML/TF Risk Assessment and Risk Based Approach. The Secretariat is liaising with technical assistance providers in delivering training on the two remaining priority areas on Asset Forfeiture, focusing on institutional frameworks and on AML/CFT training for Magistrates and Judges. The workshop on Asset Forfeiture and Beneficial Ownership did not take place as scheduled due to unavailability of the resource person to facilitate the workshop. Furthermore, training for law enforcement agencies on TF investigations was not undertaken during the period under review due to the demands of the second Round of Mutual Evaluations.

The Secretariat continued to facilitate discussions on the challenges of undertaking National Risk Assessments (NRAs) in order to comply with the requirements of FATF Recommendations 1 and 2. It has used the TA & T Co-ordination Forum to facilitate countries to seek technical assistance in developing their capacities to undertake risk assessment. A number of jurisdictions including Botswana, Ethiopia, Lesotho, Malawi (for the second time), Mauritius, Namibia, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe completed their NRA projects while others namely, Angola, Eswatini, Kenya, Mozambique, Mauritius, Madagascar and Rwanda started their projects and are now at various stages. Countries which had completed their NRA are using the results to inform their AML/CFT policies and strategies.

In October 2018, ESAAMLG in collaboration with GIZ organized a training workshop on Financial Crimes Investigation for Combatting Illicit Wild Life Trafficking and other environmental crimes in Mombasa, Kenya. The training was designed to capacitate officers from law enforcement agencies and FIUs. The course was designed to introduce an investigator dealing with environmental crimes and other acquisitive crimes to the principles of how to financially investigate and profile persons and legal entities in order to identify assets and acquire financial evidence for the purpose of prosecuting for money laundering and other predicate offences leading to forfeiture and confiscation proceedings. It was attended by 25 participants from the ESAAMLG Region.

In November 2018, the Secretariat, in collaboration with the Financial Services Commission of Mauritius organized a training workshop which was facilitated by Centre for Financial Regulation and Financial Inclusion (CENFRI) and Compliance & Risk Resources. One of the objectives of the workshop was to assist member countries to build their capacity of supervisory/regulatory authorities to carry out targeted/ sectoral risk assessments and develop appropriate risk-based supervisory frameworks. The workshop which was targeting supervisors of Insurance/Pensions and Capital market sectors was attended by 60 participants from Angola, Botswana, DRC, Eswatini, Kenya, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.



RBS Regional Workshop, Mauritius, November 2018

In December 2018, the FATF TREIN in collaboration with the ESAAMLG Secretariat held a Standards Training Course for the ESAAMLG Region in Livingstone, Zambia. The 5-day course sought to provide practical insights into key areas of the FATF Recommendations. The target audience for the training was AML/CFT policy and operational practitioners that have a developed understanding of the technical aspects of the FATF Recommendations. The Course was attended by 36 participants from ESAAMLG member countries as well as participants from Somalia, Sudan and South Sudan sponsored by EU AML/CFT Project in the Horn of Africa.

In May 2019, the Secretariat in collaboration with the Central Bank of Seychelles organised a four-day training workshop on Risk-Based Supervision for Digital Financial Services, Money or Value Transfer Services, Money Remittances and Bureau de Change Sectors. 58 participants from

Botswana, DRC, Eswatini, Madagascar, Mauritius, Rwanda, South Africa, Tanzania and Uganda participated in the Workshop. The purpose of the Workshop was to assist the participating countries in understanding the emerging risks impacting the financial services sector, in this case the money remittances sector, as well as having a more comprehensive understanding of the importance of implementing risk-based assessments and supervision. It was also to allow for experience sharing particularly from countries already ahead in the implementation of the risk-based supervisory process, which would provide the basis for those who are still in the initial phase to further develop their implementation plans.

The Attorney General Alliance - Africa Alliance Partnership (AGA AAP) in collaboration with the Financial Intelligence Centre (FIC), South Africa and ESAAMLG Secretariat organised a capacity building workshop on Tackling Organised Crime through Investigations and Prosecutions for FIUs, Investigators and Prosecutors. The training was held at the FIC, South Africa from 24th – 26th July 2019. The training covered a wide range of areas relating to effective gathering of evidence, presentation and prosecution of organised crime focusing on racketeering and money laundering. The training proved to be of great benefit to the 51 participants from different ESAAMLG member countries who took part. Going forward AGA AAP intends to expand this programme through a series of training workshops.

Assessment and Pre-assessment Trainings

AML/CFT Evaluations and Assessments Training are designed to equip future assessors from the ESAAMLG membership with the tools and knowledge to conduct an A ML / CFT evaluation or assessment. The ESAAMLG secretariat has, in collaboration with the World Bank, organised, managed and delivered three mutual evaluations training under the FATF 2004 Methodology.

The Financial Action Task Force (FATF), based on lessons learnt from previously conducted AML/CFT mutual evaluations by the FATF Styled Regional Bodies (FSRBs) which includes ESAAMLG and International Financial Institutions (IFIs), decided to revise and improve the old standards. The FATF came up with a revised set of standards which combined the 40 Recommendations on ML and 9 Special Recommendations on TF into 40 Recommendations which were issued in February 2012. The changes to the Recommendations also necessitated revision of the 2004 FATF Methodology. In February 2013, the FATF issued the new Methodology for Assessing Technical Compliance with the FATF Recommendations and Effectiveness of AML/CFT Systems. Furthermore, following the revision of the Standards and the Methodology, the FATF came up with revised mutual evaluation procedures. The adoption of the revised FATF Standards, the new Methodology and revised mutual evaluation procedures have necessitated training of assessors and countries to take into account the new requirements.

The Secretariat started its training under the FATF 2012 Methodology in 2014 and so far, six assessors trainings were conducted among which four of them were provided in collaboration with the FATF Secretariat. As a result of these trainings, ESAAMLG was having a pool of over 115 (under the first round ME) and has now 245 (under the second round ME) trained evaluators from the region to enable it to successfully conduct and sustain its mutual evaluation programme.



From left to right: Prosecution Training Workshop – Bagamoyo, Tanzania -April 2007 and Assessors Training under the Second Round in Arusha, Tanzania, April 2019

Pre-evaluation seminars

The ESAAMLG Secretariat also organises pre-mutual evaluation trainings for the benefit of member countries that will undergo A ML / CFT assessments. The objectives of these trainings are to ensure that:

- member countries familiarise themselves with the mutual evaluation process, including key deadlines, practical/ logistical issues and the fundamental role of a coordinator in ensuring an efficient evaluation;
- member countries understand the need for a detailed and comprehensive mutual evaluation questionnaire that will pave the way to a fruitful and constructive evaluation process; and
- prepare a draft plan for the mutual evaluation exercise, including identifying relevant public agency stakeholders and agencies responsible for completing the mutual evaluation questionnaire.



Participants at the Pre-Evaluation Seminar for the Republic of Mozambique 10-12 June 2009, Maputo Mozambique

The AML/CFT Evaluations and Assessments Trainings and pre-evaluation trainings have consolidated ESAAMLG's efforts to propagate a better understanding of the international A ML / CFT standards in the ESA A ML G region. In addition to the preassessment workshops, ESAAMLG also organizes refreshment workshops for authorities of the countries in mutual evaluation process.

THE ESAAMLG REGIONAL COUNTER-TERRORIST FINANCING (CFT) OPERATIONAL PLAN

Combating terrorist financing is one of the top priorities of the FATF and the international community, and based on this, the FATF, in 2018 developed and circulated "*The New FATF Counter-Terrorist Financing Operational Plan*" and urged FATF Style Regional Bodies to use the Plan as a basis to develop their own CFT strategies. In view of this development and the need to implement the FATF CFT Plan, the Secretariat in collaboration with the South African FIC and the Office of Counter-Terrorism of the United Nations (UNOCT) under its CFT Project organized a regional consultation between ESAAMLG Member States held in Pretoria (South Africa) in July 2018 to assist ESAAMLG in developing its CFT Regional Operational Plan. Participants in the regional consultation discussed CT and CFT vulnerabilities and risks identified in the region, based on recent typologies work. Following the consultation, the Secretariat finalized "*ESAAMLG Regional CFT Operational Plan (2018/2020)*" which was considered and approved at the September 2018 Council of Ministers meeting in Seychelles.

The ESAAMLG CFT Operational Plan sets five key priority areas or policy objectives that the region would focus on and these include; (a) improving TF risk understanding at sectoral, national and regional levels; (b) strengthening TF legal frameworks and ensuring their effective implementation by member countries; (c) enhancing domestic and international cooperation and information

sharing; (d) strengthening controls around new and emerging technologies through effective risk assessments and monitoring; and (e) promoting effective risk-based regulation and supervision of NPOs and other sectors identified as vulnerable to TF abuse.

Since the approval of the Plan by the Council in September 2018, the following workshops were conducted:

- United Nations Counter-Terrorism Centre (UNCCT) conducted a national workshop on “*Mitigating the risk of terrorist abuse of the NPO sector in Mauritius*”. The workshop which targeted Mauritius NPO and other relevant sectors was held in Mauritius from 6-8 February 2019.
- One of the key activities of the Plan is to ensure effective application of tools including Targeted Financial Sanctions (TFS) to prevent and disrupt TF through targeted country workshops or regional capacity-building projects e.g. training on terrorist designations, asset freezing etc. Since September 2018, there has been commendable work in the region on TFS by the Supporting and other Organizations. These include:
 - Training workshop for Zimbabwe on the implementation of UNSCRs 1267/1540 facilitated by UN Experts in October 2018.
 - Training workshop for Madagascar on TFS conducted in February 2019 by the UNSC Analytical Support and Sanctions Monitoring Team.
 - Training workshop for Ethiopia on implementation of TFS conducted by Global Centre on Cooperative Security.

The workshops clearly demonstrated that most countries are still lagging behind in the application of risk-based supervision and that national ML/TF risk assessments undertaken to date do not provide comprehensive analysis of the TF risk. This may be attributed to the limited nature of the risk assessment tools currently being used and the availability of TF related data. In terms of legal frameworks, some countries are yet to put in place adequate legal measures for TF and TFS.

During the February 2019 FATF Plenary meeting in Paris, it was noted that significant vulnerabilities remain in countries CFT regimes. In particular, while most countries are still not taking effective action to investigate and prosecute TF, others are not effective in relation to TFS. In order to assist member countries address some of these deficiencies and under the US Presidency initiative, the FATF and MONEYVAL organised a *Joint Experts’ Meeting and TF Prosecution Workshop* hosted by Israel in Tel Aviv from 25-27 March 2019 to improve countries’ capacity to investigate and prosecute TF in addition to ensuring that the criminal offence of TF is being aggressively pursued by all jurisdictions. The workshop was also attended by participants from some ESAAMLG member countries, in particular, Botswana, Kenya, Rwanda, South Africa and Zimbabwe.

Further, taking note of the changing nature of the threats posed by terrorist organizations and their affiliates, the FATF has finalised a guidance on TF Risk Assessments published on its website in June 2019.⁸ The guidance will help jurisdictions better identify and understand the nature of the risks

⁸ <http://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-Risk-Assessment-Guidance.pdf>. See also the UNODC’s work on “Guidance manual for Member States on terrorist financing risk assessments”, 2018:

that are affecting them, and how they are developing over time. ESAAMLG will dedicate a discussion at the September 2019 Task Force Plenary on how countries can use the guidance to further strengthen their capacity to identify and understand the risks affecting them.

The fight against terrorism and its financing is indeed an ongoing fight, as terrorists and those who finance them, continue to seek out loopholes or new methods to raise, move and use funds, and it is clear that jurisdictions in a number of regions face severe challenge as described above.

In addition to the regional, sub-regional and national workshops done to date, it was agreed at the April 2019 Task Force meeting that the Secretariat and member countries should consider conducting a horizontal study on member countries that will determine the extent to which key elements of TF are addressed at country level taking into account the challenges outlined above and how countries can comprehensively address them. This will also assist countries on their TA & T needs relating to CTF.

It is also clear from the mutual evaluations undertaken so far that the region has not yet comprehensively assessed risks and weaknesses in the NPO sector in line with the FATF Standards, in particular, Rec 8 and IO.10. Undertaking comprehensive risk-based approach workshops in the NPO sectors would be a good start in the effective monitoring of the sector.

PROMOTING THE IMPLEMENTATION OF AML/CFT MEASURES AND FINANCIAL INCLUSION

Overview of the Working Group on Risk, Compliance and Financial Inclusion

ESAAMLG strongly believes that implementation of AML/CFT measures and promotion of financial inclusion is complementary. For this purpose, ESAAMLG resolved to play a pivotal role in assisting member countries on how best to implement AML/CFT measures without undermining policies on promotion of financial inclusion.

At its meeting in September 2011 in Mauritius, the Council of Ministers considered and approved the proposals for a three-year work programme to promote Financial Inclusion and Implementation of FATF Standards in the ESAAMLG Region. The Council also approved the setting up of an Ad-Hoc Working Group to address the challenges of balancing financial integrity and financial inclusion within the ESAAMLG Region.

In 2012, ESAAMLG in conjunction with Alliance for Financial Inclusion conducted public and private sector surveys to gauge the level of current policies, laws and practices relating to implementation of AML/CFT Standards and financial inclusion policies in the member countries. The report was presented and adopted by the Council of Ministers in September 2013 at its meeting in Swakopmund, Namibia.

The report sets out the key findings from the surveys and recommendations on how to address some of the challenges raised by the respondents. Some of the key findings are as follows:

- Countries reported that both financial inclusion and financial integrity were important policy objectives.
- Most countries surveyed had adopted AML/CFT laws and were developing policy and regulatory frameworks regarding financial inclusion. However, none¹ of them had adopted risk-based AML/CFT legal frameworks thereby not taking advantage of the flexibility permitted in the FATF Standards.
- It was further noted that all participating countries had financial inclusion initiatives and most countries had some policy elements in place but few countries had formal and comprehensive policy frameworks on financial inclusion. In addition, it was observed that countries were at different stages of developing their policies.

The Working Group on Financial Inclusion's mandate was expanded by the Task Force during its meeting in Johannesburg in August 2015 to also cover risk and compliance areas in order to promote a reasonable balance between implementation of the FATF Standards and promotion of access to financial services. In view of this, the Task Force agreed to make the Ad-hoc Group a permanent structure of the ESAAMLG under the name "Working Group on Risk, Compliance and Financial Inclusion". The Council approved the recommendation and authorized the Task Force to finalize the new terms of reference of the proposed Working Group and Work Programme at its

April 2016 meeting. During its April 2016 meeting in Arusha, the Task Force considered and approved the new Terms of Reference and the three-year Work Programme of the Working Group.

In line with the objectives of the Working Group on Capacity Building Programmes on Risk Based AML/CFT Supervision as per the approved three year work programme (2016/2018), the Task Force, during its meeting in April 2016, approved the Working

Group to facilitate three regional capacity building workshops on the implementation of the risk-based approach and proportionality for AML/CFT supervisors responsible for the financial sub-sectors namely: Insurance and Securities sectors; Money Value Transfer Service Providers and Bureau De Change; and Mobile Money Service Providers. Two workshops were held in November 2018 and May 2019 in Mauritius and Seychelles respectively. In order to ensure that the Working Group and its different workshops cover issues which are of benefit to all members, the Task Force approved the proposal to undertake a stock-taking exercise with a view to identify issues relating to AML/CFT supervision, risk and compliance which should be addressed by the Working Group.

ESAAMLG Public Private Sector Dialogue (PPSD)

ESAAMLG, in collaboration with the US and UK governments, launched its first Sub-Saharan Africa Public-Private Sector Dialogue (PPSD) in Swakopmund, Namibia in September 2013. In view of the positive feedback from participants, the second Dialogue was held in Luanda, Angola in September 2014, the third in Victoria Falls, Zimbabwe in September 2016, the fourth in Zanzibar, Tanzania in September 2017 and the fifth in Mahe, Seychelles in September 2018. The PPSDs offered a unique opportunity to engage with key policy officials and business stakeholders in emerging African markets. The PPSDs raised awareness about, and importance of, robust AML/CFT regimes as a necessary foundation for sustainable economic growth in Africa, and provided an opportunity for experts to exchange technical knowledge and assistance on implementation of effective AML/CFT regimes.



FATF President (Vladimir Nechaev) addressing to the Sub-Saharan Africa Public-Private Sector Dialogue on AML/CFT, Swakopmund, Namibia, 6 September 2013



ESAAMLG Member Nation Representatives posing for a group photo in Luanda, September 2014



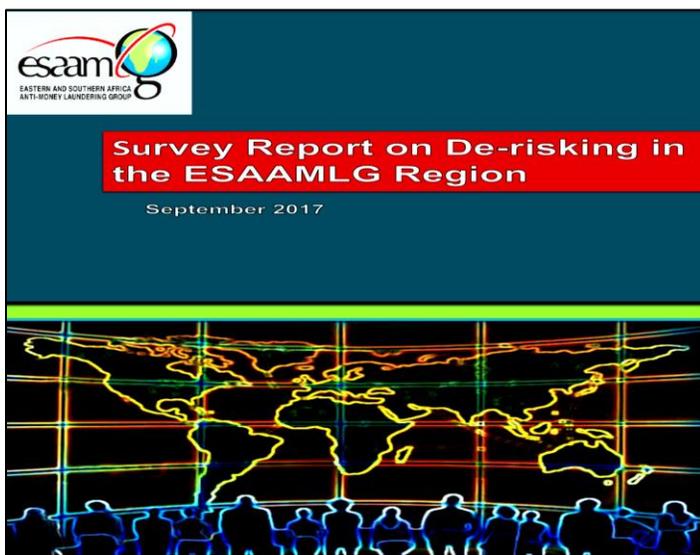
The 3rd PPSD in progress in Victoria Falls, Zimbabwe in September 2016, Mr. Robert Norfolk-Whittaker (HM Treasury) making a presentation on de-risking while Dr. K. Mlambo, Deputy Governor, Reserve Bank of Zimbabwe (3rd from right) is moderating



Public and Private sector representatives from ESAAMLG member countries searching for a solution to de-risking (Seychelles, Sept 2018)

ESAAMLG De-risking Project

De-risking has adversely affected the majority of countries in the ESAAMLG region resulting in closure of operations, reduced scale of operations or diminished financial performance. Only a small portion of the de-risked population has been incorporated back into the formal financial sector. De-risking has the unintended effect of excluding the majority of low income groups who are forced into the informal financial system at a time when a number of jurisdictions are preaching financial inclusion. Certainly, most people that were de-risked are now in the informal sector.



In view of its adverse consequences and pursuant to the August 2016 Public Private Dialogue outcomes, the Council approved that a survey on de-risking focusing on ESAAMLG member countries be conducted in line with the approved Work Programme. The survey, intended to target all financial sector authorities and players including banking, insurance, securities, co-operative societies, MVTs and forex bureaus, had as its main objective, to examine the existence, extent, drivers and effects of de-risking within ESAAMLG member countries and to

assess its impact on financial inclusion. The Survey was completed and adopted at the September 2017 meeting.

In addition to adoption of the report, it was resolved that there should be a regular monitoring of the de-risking situation in the region and in order to materialize this, the Secretariat in consultation with member countries has developed a monitoring template. The template captures key statistics and updates on implementation of the recommendations of both the Survey Report and the outcomes of the 4th ESAAMLG PPSD. Countries were required to submit the statistics bi-annually, preferably, in March and August to allow the Secretariat to compile the statistics into a single report to be discussed in the Working Group at each plenary starting from the September 2019 meeting.

FIU DEVELOPMENTS IN THE ESAAMLG REGION

The FIU is an important element in the AML/CFT regime for curtailing ML/TF and associated predicate offenses, particularly in the early, pre-investigative or intelligence gathering stage, where the FIU acts as an interface between the private sector and law enforcement agencies through facilitation of flow of relevant financial information. FIUs and other law enforcement agencies should be mandated to prevent, deter and disrupt ML, associated predicate offences, the financing of proliferation of weapons of mass destruction and TF activity. Also, they should be aiming to deprive criminals of their illicit proceeds, and terrorists of the resources needed to finance their activities.

Fighting ML/TF requires close and timely domestic and international cooperation. FIUs can bring added value to this process in their analytical function (operational and strategic analysis); exchange of information, domestically and internationally as well as contribute to the development and implementation of national AML/CFT policies.

ESAAMLG member countries were committed to establishing FIUs that serve as national centres for receiving, analysing, and disseminating financial intelligence to competent authorities and other functions including the coordination of NRA projects. In a bid to enhance cooperation amongst Financial Intelligence Units (FIUs) within ESAAMLG, members agreed to form an FIU Forum during the Task Force of Senior Officials meeting held in Zanzibar in April 2011. The primary aim of the Forum is to promote cooperation and provide a platform for information exchange amongst FIUs of ESAAMLG member countries.

Though ESAAMLG countries have made relative progress towards the implementation of the FIU related FATF Standards, they are still to achieve full effectiveness and efforts to achieve this, are at various levels and on-going. The recent findings of ESAAMLG Mutual Evaluation Reports include challenges being faced by the FIUs in conducting their analysis work. The ESAAMLG Secretariat had also looked at the bilateral needs of the member countries, summarized them and made proposals on possible options to build capacity in the requested areas. One of the cross-cutting needs requested by almost all the ESAAMLG countries was training in operational and strategic analysis for FIU analysts. Training for analysts is prioritised as one of the areas requiring technical assistance and training under the ESAAMLG capacity building needs.

Different efforts to address the challenges were being made. These include the Task Force of Senior Officials encouraging member countries to: join EGMONT Group, exchange expertise in the area of FIU analysis amongst themselves; consider entering into specific bilateral arrangements which would promote secondment of analysts to each other's FIUs; and directing the FIU Forum to explore and workout modalities on how experienced FIUs can assist other member countries in this area. Whilst the FIU Forum was instructed by the Task Force to explore ways in which FIUs with experienced analysts could assist other member countries' FIUs in the areas of operational and

strategic analysis, the same Task Force also directed the Secretariat to continue sourcing for funds to support capacity building in these areas in the ESAAMLG.

In terms of joining EGMONT Group, the FIUs of Angola, Ethiopia, Namibia, Malawi, Mauritius, Seychelles, South Africa, Tanzania, Uganda and Zambia are full members of the Group and it is anticipated that more FIUs will join the Egmont Group. The FIUs of Botswana, Lesotho and Madagascar had applied for Egmont Group membership and the rest are at various stages of their membership process. The Egmont FIUs are assisting others on how to expedite their membership process.

As one of ESAAMLG's efforts in fulfilling TA & T needs of ESAAMLG FIUs on strategical analysis, the Egmont ECOFEL and the Secretariat jointly organized a Strategic Analysis Course (SAC) in Windhoek, Namibia in July, 2018. The course was attended by 25 participants from FIUs in the region. While trainers from the Egmont ECOFEL covered the practical and/or operational part of the course, the Secretariat made three presentations on the role of domestic coordination and cooperation, international cooperation and the respective Immediate Outcomes (IO1, IO2 and IO6) under the FATF Standards.



A Workshop on Tactical Analysis in Kenya in July 2011

Guidelines on Protecting and Safeguarding FIU Information and Guidelines for the ESAAMLG FIU Analysts Placement Programme were also developed and approved at the April 2015 and 2018 Task Force Meetings respectively. According to experiences observed over the years, information derived from a Financial Intelligence Unit (FIU) in one jurisdiction to further develop a criminal investigation by law enforcement agencies and eventual prosecution by prosecutorial authorities in another jurisdiction, has been disclosed to unauthorized third parties. Leaks of FIU information may have a devastating effect on the reputation of those whose personal information has been divulged inappropriately, especially if they are not charged with a crime or if they are not found

guilty after prosecution. Leaks can also compromise law enforcement investigations, alert targets of an inquiry and erode the trust of reporting entities in the AML/CFT regime.

In addition to the placement programme, two ongoing projects on producing “*Guidelines on Producing Quality Typologies Report of FIUs*” and “*Guidance Notes on Best Mechanisms and Practices of Producing Quality Intelligence Reports*” are expected to be completed for discussion at the April 2020 meeting. These efforts will continue and new issues including the role of FIUs in countering proliferation financing and mitigating risks that may arise from virtual assets and virtual asset entities will be discussed at the FIU Forum level starting from the September 2019 meeting.

Under the 2012 FATF Standards, countries should designate authorities or have mechanisms to coordinate and cooperate both at domestic and international levels concerning the development and implementation of AML/CFT policies and activities as well as to combat the financing of proliferation of financing. At a domestic level, most of the ESAAMLG FIUs have either entered or are entering MoUs with different core AML/CFT institutions in their jurisdiction. Commonly, signing the MoUs with central banks and other non-bank regulating bodies, police, anti-corruption agencies, SRBs, and NPOs regulators can be mentioned.

At international level, most of the MOUs were signed between ESAAMLG FIUs and there are also some with other FIUs outside the region. There is also the Johannesburg Declaration on Commitment of Exchange of Information among ESAAMLG FIUs signed by all ESAAMLG FIUs.



Signing of MoUs between ESAAMLG FIUs from left to right: FIUs of Tanzania and Kenya; Zambia and Kenya; and Malawi and Zambia

Some challenges including keeping and protecting of confidential information, delays in accessing information, lack of the requisite technology for sharing information, low level of awareness, quality of feedback being obtained from the LEAs have been indicated by different jurisdictions. As

remedy, most of them were increasing the level of awareness of different stakeholders, formulating and adopting information security and protection policies, developing standard operating procedures, upgrading their technologies, and continuing the process of joining Egmont Group.

PRIORITIES DURING THE THIRD DECADE AHEAD

The future activities will be guided by the ESAAMLG Fourth Three Years Strategic Plan (April 2017 – March 2020) and other future Strategic Plans. The Work Programmes will build on and is intended to sustain the achievements that ESAAMLG has made in the implementation of the Group's Three Years Strategic Plans. Normally, the Work Programme will form the operating framework for next years which will include the following key tasks:

Governance/ Meetings

- The Council of Ministers and Task Force of Senior Officials as well as more PPSD meetings are expected to be held.

Outreach Missions

- The Group will also continue engaging other countries on the list of its outreach Programme including the State of Eritrea.

Technical Assistance and Training

- ESAAMLG will continue organizing and/or facilitating trainings and workshops on various AML/CFT issues taking into consideration the TA & T needs of the region including in accordance with the ESAAMLG CFT Operational Plan.

Mutual Evaluation

- ESAAMLG will continue its Second Round of Mutual Evaluations for the remaining member countries, namely, Angola, Eswatini, Kenya, Lesotho, Mozambique, Namibia, Rwanda, South Africa, Tanzania as per its assessment calendar.
- There will also be a Pre-Evaluation Workshop for these countries to prepare them for their mutual evaluation commencing in October 2017.

Post Evaluation Monitoring of Compliance with FATF Standards

- ESAAMLG will continue implementing the post evaluation monitoring of its members, including analysis of progress, in accordance with the Mutual Evaluation Procedures.
- It will start and continue the follow up assessments of countries in consultation with the FATF and global network.

Typologies Research and Surveys

- Consideration of new typologies projects and finalizing the Typologies project on “*Illicit Financial Flows and Money Laundering relating to Wild Life Trafficking in the ESAAMLG Region*”;
- Finalising the FIU Forum projects on “*Guidelines on Producing Quality Typologies Report of FIUs*” and “*Guidance Notes on Best Mechanisms and Practices of Producing Quality Intelligence Reports*”.

The FATF ICRG Process

- Providing assistance to all members who are currently undergoing FATF ICRG review. For this reason, ESAAMLG would like to undertake a number of TA&T initiatives to ensure that concerned member countries receive guidance on the ICRG process, assisting them to develop their action plans, responding to the ICRG requirements, and accessing assistance and needed training.

IMPLEMENTATION OF AML / CFT IN MEMBER COUNTRIES: COUNTRY REPORTS

REPUBLIC OF ANGOLA



General background about the country including its economy, political and judicial structure and legal system

As a result of the application for admission as a member, and in order to evaluate the state of the country in the fight against money laundering and terrorist financing, the onsite visit to Angola happened from 07 to 21 November 2011. The evaluation was conducted by the World Bank and ESAAMLG, as observer.



In April 2012, in Arusha-Tanzania at the 23rd Meeting of the Task Force Group, the Angola report was discussed and ended up with a submission to the Council of Ministers for the adoption, in August 2012 in Maputo-Mozambique at the 12th Meeting of the Council of Ministers of ESAAMLG. Subsequently, Angola was accepted as a full member of ESAAMLG.

In September 2014 Angola held the presidency of ESAAMLG after holding the Task force and council of ministers meeting.

In September 2018 Angola completed the all action plan designed from its first Mutual Evaluation. Right now preparing for the next evaluation scheduled to 2021.

Country Overview

Angola is a country with over 1.2 million Km². It is located on the South Atlantic coast of West Africa, between Namibia and Congo. It also borders the Democratic Republic of Congo and Zambia to the east and west by the Atlantic Ocean. The official language is Portuguese since it was colonized by Portugal. There are several national languages such as: Kimbundu, Umbundu, Kikongo, Fiote, Tchokwe, Kwanyama, Nhaneca, to mention some.

Economic Background

The country has a medium/low and open economy, mainly dependent on oil and gas exports. It is classified by the World Bank as a medium-low income country, with the Gross Domestic Product of 2017 standing at around USD 192 billion and an estimated population of 28,000,000.00 million,

48% of males and 52% of females. Income sources have helped to raise Angola's overall income over the last ten years. It is now struggling to diversify its economy.

According to the World Bank's report on the state of the economy in 2016, the Angolan economy showed signs of slowing down. Gross domestic product (GDP) growth fell to 3% in 2015. The 40% depreciation of the kwanza against the dollar since September 2014 caused unfavorable monetary conditions.

Sectoral trade, retail and semi-wholesale are the dominant activities.

Political Regime

The current political regime in Angola is presidentialism with a socialist and one-party system. The last parliamentary elections took place on August 23, 2017. There are 4 parties and a coalition with seat in the National Assembly: Popular Movement for the Liberation of Angola (MPLA), National Union for the Total Independence of Angola (UNITA), Partido de Social Renewal (PRS) and the National Liberation Front of Angola (FNLA), Angola's Broad Convergence of Salvation-Electoral Coalition (CASA-CE). The last elections were won by the MPLA.

The President of the Republic is the Head of State and Government, who also has legislative powers and appoints the supreme court, so that the principle of division between legislative, executive and judicial branches is elected by popular vote for a term of five years to all members of the Government. The executive branch of government consists of the president, vice president and the Council of Ministers.

Juridical system

The Constitution is the Supreme and Fundamental Law of the Republic of Angola, with guarantees of the fundamental values and principles of the independence, sovereignty and unity of the Democratic State of Law. The Superior Courts of the Republic of Angola are: the Constitutional Court, Supreme Court, Court of Accounts and the Supreme Military Court.

Crimes such as robberies, bribery, tax fraud, embezzlement, criminal association, environmental aggression, drug trafficking and teasing are characterized as major threats to money laundering in Angola.

Overview of financial and DNFBP Sectors and Supervision

Supervisor	Reporting Entity
BNA – Central Bank	<ul style="list-style-type: none"> • 29 Banks • 71 foreign Exchange houses • 16 money remittances • 28 microcredit entities • 4 Credit cooperatives • 1 leasing entity • 2 Mobil Bank services
Arseg – Insurance and Pension funds	<ul style="list-style-type: none"> • 25 Insurance companies • 51 brokers • 8 Pension fund companies
Capital Market Commission	<ul style="list-style-type: none"> • 39 intermediaries
ISJ- Gaming supervision	<ul style="list-style-type: none"> • 19 Casinos • 59 gaming houses
INH – Housing supervision	<ul style="list-style-type: none"> • 41 real estate companies
Commerce Ministry	<ul style="list-style-type: none"> • 52 dealers of precious stones and metals
OCPCA- Accountants Bar Association	<ul style="list-style-type: none"> • 4.699 members
OAA – Lawyers Bar Association	<ul style="list-style-type: none"> • 5.627 lawyers
DNRN – Notaries and Registries	<ul style="list-style-type: none"> • 138 Registries • 127 notaries
IPROCAC – NPO supervision	<ul style="list-style-type: none"> • 408 NPOs

Overview of ML/TF Risks

General Money laundering threats are at medium to high level (MH) and with unchanged trend. In terms of the assessment of origin threats, it has been shown that the highest level of threat is the very underlying offenses committed within national jurisdiction, which can generate resources to be used in subsequent ML activities.

General Vulnerability (composed by the deficiencies in the financial and nonfinancial sectors) of money Laundering are also at medium to high level (MH).

The risk of money laundering and terrorist financing in Angola is also considered to be medium-high.

AML/CFT Policies, Strategy and Coordination

The all AML/CFT policies are guaranteed by a technical group coordinated by the Angolan Financial Intelligence Unit. This Unit depends on the Executive power of Angola and has the support of a Ministerial Commission. This group is composed of minister of Interior (coordinator), Ministry of Finance, Ministry of Justice, Minister of Foreign affairs and Governor of Central Bank.

Meetings are held every three months to assure the all AML/CFT strategy is in place to respond the fight against money Laundering and terror finance.

Overview of LBC / CFT Legal and Institutional Frameworks and their Implementation

The republic of Angola responded to the need of making sure technical compliance on the fight against money laundering and terrorism financing from 2010. Before that legislation such us penal code were responding partially.

From 2010 to the present Legislation and regulation for supervisors, law enforcement and FIU were implemented. Today Angola is largely compliant in technical terms. Here some examples of new and updated legislation:

- Law 34/11, Law of Money Laundering and Terrorism Financing;
- Presidential decree 2/18 – FIU Law
- Law 1/12 and PD 214/13 – On ONU resolution 1267 and 1373
- Law 2/14 – Ceasing of Assets
- Law 3/14- updated Predicated Offences not found in the penal code

Challenges and Future Plan

- Angola is working on updating the legislation of Law No. 34/11 of 12 December - Money Laundering and Terrorist Financing due to the new GAFI methodology. Issues like PEPs and Proliferation Financing are being considered. In addition, other relevant legislation is being brought into place or updated.

- The national Risk Assessment (NRA) is at its final phase.

- Angola is starting preparations to its next Mutual Evaluation
- The country has been continuously developing training and training plans for ML/FT Seminars, Conferences, Meetings and Training for the FIU, Supervisors and Law Enforcement Agencies.

Conclusion

Angola has been making good progress over the past seven years to combat the crime of money laundering and terrorist financing in its financial and non-financial system. The country has sought tools for the application of laws in order to effectively prevent the practice of these crimes.

After being admitted as a full member of ESAAMLG in August 2012, Angola went through a FATF action plan and then an ESAAMLG's to make sure Technical Compliance standards are met. This was completed in September 2017. The Financial Intelligence Unit has been the coordinator of this tasks.

Financial Intelligence Unit is also Coordinating the National Risk Assessment (NRA) Exercise. The Technical group is comprised of Supervisors, Law Enforcement and private Sector besides the Financial Information Unit (FIU). This is to make sure Angola knows its Risks associated with Money Laundering at Terrorism Financing, in order to better apply its scarce resources in training, acquiring resources, etc, so the prevention and repression of ML and FT is effective.

REPUBLIC OF BOTSWANA



General information on Botswana

Botswana is a landlocked country located in the center of the Southern Africa and which gained its independence on the 30th September 1966. Since independence, Botswana adopted a Constitution that provides for a republican form of government with three main organs of government, namely; Legislature, the Executive, and the Judiciary. The Legislature comprises of the National Assembly which is responsible for making laws for peace, order and good governance of Botswana. The Executive is headed by the President who presides over Cabinet made up of Ministers who are selected by the President from Members of the National Assembly. The current President of the Republic of Botswana is Dr. Mokgweetsi Eric Keabetswe Masisi. The Permanent Secretary to the President heads the Civil Service. On the other hand, the Judiciary is an independent of the Executive and the Legislature and is headed by the Chief Justice. Subsidiary to the Chief Justice are Judges, Registrars and Magistrates.



Botswana is a semi-arid country with seasonal rainfall from November to March. Drought is a recurring phenomenon and rivers are seasonal, mainly situated in the northern part of the country, save for Okavango and Chobe/Linyanti rivers in the North West region. The country is endowed with natural resources such as diamonds and abundant wildlife kept in the conservation areas. As at 2011, the population was about 2.02 million in the country, with land size of 582000 square kilometers. The majority of the population are concentrated in the eastern region where there is favourable weather climatic and soil conditions, for - undertaking arable agriculture. The Tswana is the largest tribal group and most people follow the Christian religion. The Capital city is Gaborone and the national currency is the Pula, each of which is made up of one hundred Thebes.

Economic System

Botswana experienced an impressive economic growth from independence to 2007/2008, underpinned by diamonds mining and implementation of the prudent macroeconomic policies. The Botswana economy grew on average by 10 percent from 1966 to 2008, becoming one of the few economies to sustain long rapid economic growth rates resulting in its being classified as an upper middle income country in the African continent. Botswana's impressive economic record has been built on a foundation of diamond mining, prudent fiscal policies, international financial and technical assistance, and a cautious foreign policy. However, after inception of the global economic

and financial crisis, the Botswana economy could only grow by 3.9 percent on average from 2009/2010 to 2015/2016 period, remarkably reducing government revenues which resulted in a cumulative budget deficit of P9.2 billion by end of 2015/2016. Thus Government resorted to drawing down on foreign reserves and borrowing, to supplement its budget needs.

Botswana is rated as the least corrupt country in Africa, by international corruption watchdog Transparency International. The Botswana economy also depends on Agriculture and Tourism which provides a livelihood for most of the population of the country. Unemployment has remained one of the major challenges in the country mainly due to the dependence on the single commodity (diamonds) which is capital intensive in nature.

Political system

Botswana is a constitutional democracy, where multi-political parties contest for general election in every five years. The last general election was held in 2014 when 3 political parties contested for 57 constituencies, as members of parliament. The next general election is scheduled for 2019. The President of the party that wins majority of parliamentary seats automatically ascends to become the President of Botswana. The constitution also provides for council wards which are contested for by the councilor's candidates. Six (6) specially elected of Parliament are nominated by the President, while the Minister of Local Government and Rural Development nominates specially elected members at council wards. The Ntlo ya Dikgosi (House of Chiefs or Traditional Leaders) serves as an advisory body on matters of legislation pertaining to tribal law and custom.

Legal System

The 1965 constitution provides for a High Court, a Court of Appeal, and subordinate first, second, and third-class courts. The Chief Justice, appointed by the President, is chairman of the Judicial Services Commission, which advises the President on the appointment of other judges and magistrates. The Customary Courts handle marital and property disputes as well as minor offenses. The legal system is based on Roman-Dutch law and local customary law.

Overview of Financial and DNFBP Sectors

Since the 1980s, the financial sector has undergone considerable reforms aimed at improving efficiency, broadening the range of financial instruments, institutions and markets, and giving market forces a stronger role in the operation of the financial sector. The financial sector grew as more commercial banks established in Botswana which in the process, increased coverage throughout the country. Growth has been accompanied by considerable changes in the structure of both savings and lending activities.

There are two financial sector regulators namely, the Bank of Botswana and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), the latter commenced operations on April 1, 2008. NBFIRA was established to regulate and supervise the non-deposit taking financial services, including the regulatory oversight of asset management activities, micro lenders, and pawnshops among others, thereby enhancing the soundness and stability of the financial system. Access to finance is available to a large proportion of the population and the objective is to broaden access during the National Development Plan 11. The financial system faces potential risks from the rapid growth in the non-bank financial institutions, mortgages and unsecured household credit. This calls for strengthened regulatory and supervisory interventions, which are being addressed. The Botswana Stock Exchange demutualized and registered as a company on 2nd August 2018. The Demutualization of the BSE is expected to strengthen corporate governance practices and enhance competitiveness of the exchange in line with governance structures of several exchanges around the world that have undergone significant changes and transformation from being member-controlled to demutualized entities. The Botswana Building Society demutualised and registered as a company on 26 April 2018. The building society will apply for a banking licence with the Bank of Botswana in pursuit of the strategy to become the first indigenous bank, since the banking space is characterised by foreign owned banks.

The Designated Non-financial Business and Professionals Sector (DNFBP) is made up of various non-financial businesses and/or professions such as Precious or Semi-Precious Stones Dealers, Lawyers, Accountants, Casinos, and Used Car dealers.

Overview of ML/TF Risks

The National Risk Assessment carried out in 2015 mostly based its assessment of the ML/TF risks on the major crimes identified to be Anti-Money Laundering and Counter-Terrorist Financing measures which generate most of the proceeds which are likely to be laundered. The crimes identified included: obtaining by false pretences, stealing by persons in public service, corruption in the construction industry involving contractors of mega-projects (with the bulk of the offences committed by public officials), theft of motor vehicles, and dealing in imported second hand vehicles and real estate.

AML/CFT Policies, Strategy and Coordination

Botswana has adequate structures to enable efficient national coordination and cooperation on AML/CFT matters. The National Coordinating Committee on Financial Intelligence (NCCFI) is a multi-sectoral committee established in terms of section 6 of the Financial Intelligence Act with the responsibility of assessing the effectiveness of policies and measures to combat financial offences and formulating policies to protect the international reputation of Botswana with regard to financial offences, among others.

Overview of AML/CFT Compliance and Supervision

Regulators responsible for licensing or registration and supervision of financial institutions and DNFBPs subject to AML/CFT requirements, have frameworks in place to ensure lawful conduct of business activities in Botswana. The measures include statutes, manuals, processes and procedures that need to be complied with. However, the overall strategy is in the process of being compiled.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

The second Mutual Evaluation Review (MER) for Botswana, which was undertaken by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), was adopted by the ESAAMLG Council of Ministers in May 2017. The MER had identified some deficiencies and to correct them, work commenced in earnest to harmonise Botswana legislation with the Financial Action Task Force (FATF) recommendations. Twenty-five (25) pieces of legislation which were identified by the Post Evaluation Implementation Plan were passed into law in June and July 2018 and are now being implemented.

Challenges and Future Plan

Despite high level of commitment shown by Botswana, it was announced by FATF on the 19th October 2018 as part of its ongoing review of compliance with the AML/CFT standards that, Botswana was identified as being among jurisdictions that have strategic AML/CFT deficiencies. Botswana made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies.

Conclusion

It must be noted that the fight against money laundering and terrorist financing is a continuous one because criminals change their techniques quickly, taking advantage of new technological innovations. These techniques present new threats which countries must strive to overcome in order to protect our financial system. The threat is the same for cash-based economies like Botswana and developed countries whose financial systems are based on sophisticated technology. In this regard, Botswana will continue to play a meaningful role in the international fight against money laundering and terrorist financing.

KINGDOM OF ESWATINI



General Background

The Kingdom of Eswatini is a small (17,364m²), lower-middle income economy with close economic linkages to South Africa. According to the Eswatini Census (2016), there are 1,343,000 inhabitants with a population density of 73 per/ square metre. The findings of Finscope (2014) demonstrate that 67% of Swazis reside in rural areas, and 85% of the rural population live in poverty. In terms of access to finance, 73% of Swazis had access. Eswatini is a member of Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), the Common Monetary Area (CMA) and the Southern African Customs Union (SACU). The Eswatini Lilangeni is pegged to the South African Rand. GDP growth rate declined to as low as 1.7% for 2016 and projected to decline further. The decline is attributable to the declines in the country's main source of revenue derived from SACU Receipts (Eswatini Budget Speech, 2016/17). In the past five years, economic growth in Eswatini has hovered around 2.5%. This has been supported by growth in the construction, sugar and textile sectors along with strong revenues from SACU which comprises over half of all fiscal revenues for the Kingdom of Eswatini. However, growth in Eswatini has been half that of the neighbouring countries being, Botswana, Lesotho and Namibia. In addition, the country anticipates a 25-30% reduction of SACU revenues in the near term for Eswatini. The removal in January 2015 from the African Growth and Opportunity Act (AGOA) framework with the United States negatively impacted textile exports which represented 3% of GDP. Other factors responsible for this decline include lack of competitiveness and low levels of private investment.

Situation of Money Laundering and Financing of Terrorism

The geographical location of the Kingdom of Eswatini makes it an attractive transit route for illegal trade into South Africa and the rest of Southern Africa region. Large parts of the country's borders are shared with South Africa (est. 90%). To the east, the country shares a relatively small border with Mozambique. The small size and proximity of the country to the commercial cities of Maputo (Mozambique) and Johannesburg (South Africa) makes it attractive for cross border criminal activities. The Kingdom is in the process of finalising its first AML/CFT risk assessment using the World Bank Toolkit to determine the extent of vulnerability to both ML and TF. As a preliminary robbery, theft, fraud, drug trafficking, counterfeit currency/ goods, forgery, corruption, real estate, tax evasion and customs evasion are major sources of proceeds. In particular, fraudulent cross-border bank transfers, cheque, insurance claims and forged invoices as well as credit and debit card fraud are major crimes in the financial sector.

Money laundering is criminalized under the Money Laundering and Financing of Terrorism (Prevention) Act of 2011. The Act has not been tested due to lack of technical expertise, institutional and other resources to effectively investigate money laundering related cases. Although most of the offences have some elements of money laundering, law enforcement agencies tended to opt for investigation of the predicate offences.

Criminal operations in the country have manifestations of cross-border organized criminal groups. As a result, a large amount of proceeds involves cross-border transactions through banks, casinos, investment companies and savings and credit cooperatives. The proceeds are laundered through real estate, investment policies and schemes within and outside of the country. A major challenge for the Kingdom of Eswatini is the lack of effective legislative and institutional framework to deal with ML/TF risks facing the country. Lack of resources, including investigative capacity as well as adequate policy direction, characterize the prevailing general money laundering and terrorist financing situation in the Kingdom of Eswatini.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

The structure of the judiciary system in the Kingdom of Eswatini consists of the Supreme Court, the High Court and the Magistrate Courts. The High Court has got inherent powers over all criminal matters in the Kingdom of Eswatini. The High Court deals mainly with serious offences; such as murder, treason, money laundering and many more. The high court has a compliment of about 20 judges headed by a Chief Justice who also sits in the Supreme Court. Magistrate Courts are spread throughout the four regions of the Kingdom of Eswatini.

Legislation supporting the fight against Money Laundering

The following Acts are relevant to the criminalization of money laundering in the Kingdom of Eswatini:

- I. The Criminal Matters (Mutual Assistance) Act, 2001
- II. The Serious Offences (Confiscation of Proceeds) Act, 2001
- III. The Extradition Act, 1968;
- IV. The Suppression of Terrorism Act, 2008;
- V. The Money Laundering and Financing of Terrorism (Prevention) Act, 2011;
- VI. The Prevention of Corruption Act, 2006 ;
- VII. Electronic Evidence Act 2009
- VIII. Witness Protection Act 2018;
- IX. Prevention of Organised Crime Act 2018; and
- X. Sexual Offences and Domestic Violence Act 2018
- XI. People Trafficking and People Smuggling(Prohibition) Act 2009

Overview of financial and DNFBP Sectors

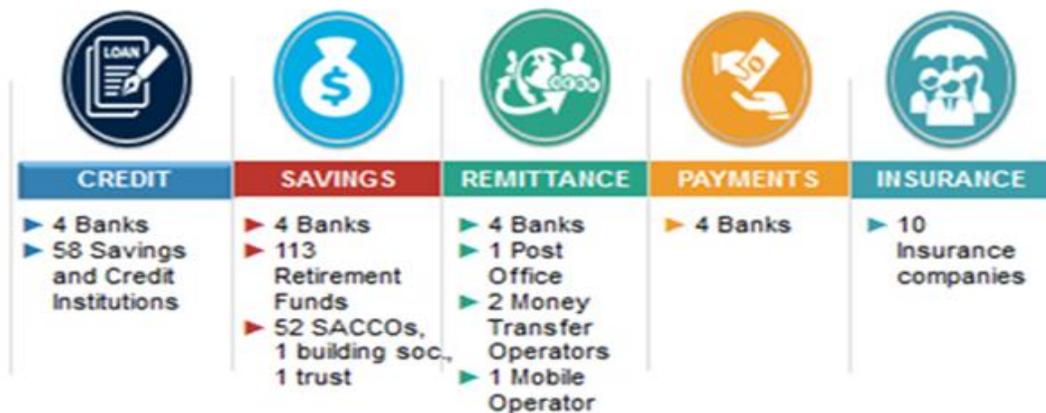
The financial sector in the Kingdom of Swaziland is small and concentrated. It is closely linked to that of South Africa. Unusually, in comparison to other countries of similar income, the non-bank financial sector in Eswatini (comprising insurance companies, retirement funds, collective investment schemes and savings and credit institutions) is considerably larger than the banking sector, accounting for about 75% of the sector in terms of assets. This distribution of assets has been fuelled by rapid growth of retirement funds (including provident funds), which now dominate the financial system and have taken on systemic importance. Figure 1 below provides a high-level

overview of the share of assets in the financial sector and the importance and growth of the financial sector relative to the economy.

The Central Bank Order of 1975 and Financial Institutions Act of 2005 provide the legislative and regulatory framework for the licensing and regulation of banking institutions in the country by the Central Bank of Eswatini (CBE). CBE is responsible for the regulation with a view to ensuring the stability and integrity of the local financial system through prudential and market conduct measures. Currently the CBS regulates the four banks in the country: Standard Bank, Nedbank, First National Bank (all subsidiaries of South African banks) and Swazi Bank (a government-owned bank).

The Financial Services Regulatory Authority (FSRA) is responsible for the registration and regulation of non-bank financial institutions through the Financial Services Regulatory Authority Act of 2010, and was given powers to regulate all aspects of credit through the promulgation of the Consumer Credit Act of 2016. The FSRA is responsible for savings and credit cooperatives, credit bureaus, capital markets, insurance brokers, fund administrators, foreign retirement funds, local retirement funds, corporate agents, medical aid schemes, medical aid administrators, and reinsurance companies (see Figure 3.5).

Figure 3.5: Financial sector players



Source: Eswatini Financial Sector Development Implementation Plan 2017-2019

Eswatini, unusually in comparison to other countries of similar income levels, has a larger non-bank financial base in terms of asset value which accounts for 75% of total financial assets. This distribution of assets has been fuelled by rapid growth of retirement funds (including provident funds), which now dominate the financial system and have taken on systemic importance. Table 3.2 below provides a high-level overview of the share of assets in the financial sector and the importance and growth of the financial sector relative to the economy.

Distribution of financial sector assets and share of GDP

Sector	% of Fin. Sector Assets	% of GDP	% of Fin. Sector Assets	% of GDP
	2013		2014	
Commercial Banks	30.72	34.75	22.32	34.02
Savings & Credit Institutions	7.47	8.45	8.96	13.65
Insurance	5.79	6.54	5.54	8.44
Retirement Funds & Asset Managers	56.03	63.38	63.19	96.33
TOTAL	100.00	113.13	100.00	152.45

Source: Central Bank of Eswatini and FSRA, 2015

Overview of ML/TF Risks

The 2016 results and findings by the Basel Institute of Governance medial release dated 27 July 2016 which is an annual ranking assessing 149 countries regarding money laundering has ranked Eswatini amongst the top 10 countries of highest risk countries alongside Iran, Afghanistan Mozambique to name a few. However, the Index does not assess the amount of illicit financial money or transactions but is designed to assess the risk of money laundering.

According to the Eswatini risk & compliance report dated: May 2017, the small size and proximity of the country to major cities in Mozambique and South Africa makes it a strategic transit country for illegal operations into these countries and Southern Africa at large. The report further reveals that the major generators of proceeds include trafficking in human beings and drugs, counterfeiting of goods and currency, fraudulent cross- border bank transfers, tax and customs evasion, forgery, and theft. The proceeds are generated through corrupt activities and are a major concern. Because of the geographical location and economic profile of the country, the major crimes generating proceeds have manifestations of organized cross-border operations with the illicit funds invested within the monetary union, also known as the Common Monetary Area (CMA).

Another report by the 2014 International Narcotic Control Strategy indicates that proceeds from sale of marijuana are laundered in Eswatini and moved via cross border transactions involving banks, casinos, investment companies and savings and credit cooperatives. The report further indicates that there is a significant black market for smuggled goods such as cigarettes, liquor, and pirated CDs and DVDs, transited across the porous borders of Mozambique, South Africa, and the

Kingdom of Eswatini. There is a general belief that trade-based money laundering and value transfer exists in Eswatini. Some traders transact in cash only and not through banks. Human trafficking is prevalent.

The country battles with corruption as reported cases. The Kingdom of Eswatini scored 39 points out of 100 on the 2017 Corruption Perceptions Index reported by Transparency International. Corruption Index in Eswatini averaged 34.36 Points from 2005 until 2017, reaching an all-time high of 43 Points in 2014 and a record low of 25 Points in 2006.

The general members of the public and majority of law enforcement personnel lack understanding of how money laundering is a criminal offence. This is despite the existence of the enabling law, Money Laundering and Terrorism Financing (Prevention) Act 2011 and its subsequent amendments (incorporating criminalization of financing of Terrorism).

The Kingdom of Eswatini has a small DNFBPs sector which is mainly regulated for compliance with licensing requirements. Accountants, casinos, dealers in precious stones and metals, lawyers and real estate agents operate in the country. Casino business operations are regulated by the Swaziland Gaming Board of Control in terms of Casino Act, 1963. Four casinos are licensed to operate in the country, with one of them authorized to carry on internet casino business as part of its normal licensed operations under Casino Act, 1963. Three casinos are privately owned and one is jointly owned by the state and a private entity. In terms of geographical distribution, three casinos are based in Hhohho region and one in Shiselweni region which is in the southern part of the country.

Swaziland Institute of Accountants regulates accountancy profession in the country under Accountants Act, 1985. No figures were provided on chartered accountants, auditors, registered accountants, student clerks, articulated clerks, and trainee accountants.

Law Society of Swaziland regulates legal profession in the country under Legal Practitioners Act, 1964. There are 431 legal professionals comprising attorneys, notaries and conveyancers. Services offered include litigation, real estate, notarial work and advisory services.

Real estate agents are not regulated. There is an association which is still in formative stages and has about 30 members. Individuals and companies wishing to offer real estate services obtain general trading license from the Ministry of Trade and Commerce and include real estate in their business portfolio. It is a growing business which has experienced increased attraction from foreign buyers. Large cash transactions are sometimes used to settle real estate payments, with lawyers and accountants as main facilitators.

Dealers in precious stones and metals overseen by CBE. Licensing of dealers in precious stones and metals is the responsibility of the Geology Department in the Ministry of Natural Resources and Energy under Mining Act, 1958 and its Regulations. No license was issued for precious stones and metals business. The Kingdom of Eswatini is a transit route for gold and diamond smuggled from neighboring countries to unknown destinations.

AML/CFT Policies, Strategy and Coordination

Ministry of Finance is responsible for AML/CFT policy formulation and implementation of implementation programmes. The Ministry chairs the National Task Force on AML/CFT. The National Task Force on AML/CFT coordinates inter-agency cooperation AML/CFT. It includes various government agencies responsible for crime in general, ML/TF, supervision and regulation of financial sector, among others. It further facilitates interaction with private sector organizations involved in AML/CFT issues. In practice however, the National Task Force rarely meets owing to resources and coordination challenges.

The National Task force is in the process of reviewing its current AML/CFT Policy to ensure that it fully aligns to the FATF Recommendation. The country in 2018 set a new AML/CFT Strategy 2018-2022. The strategy outlines the goal and objective that Country would lie to attain in relation to AML/CFT by 2022, thus creating a robust AML/CFT Framework.

Overview of AML/CFT Compliance and Supervision

Following the amendment of the MLTFP Act in 2016, the Central Bank issued a circular informing all accountable institutions under CBE supervision to conduct ML/TF risk assessments. Running parallel with that exercise, was the development of RBA supervisory tools. This was done with the assistance of the IMF under its technical assistance mission. Much is yet to be done in terms of automating the tools as an enhancement to improve efficiencies. Currently CBE is conducting offsite and onsite inspections in flow with the migration to RBA. With the country having completed the national risk assessment, we look forward to use the results to enhance risk assessments reviews that are conducted by the accountable institutions.

The CBE has in the last two years seen significant growth in the number of institutions under its supervision. These include banks, money remittance operators, money value transfer service, forex bureaus. This has also brought about a variety of new products and delivery channels as financial institutions strive to be innovative to meet the needs of customers in terms of the ease of transacting as well as accessibility to the formal sector by the previously excluded clientele.

Challenges and Future Plan

- (i) Inadequate financial resources in terms of conducting extensive public awareness on the new legislations that impact AML/CFT
- (ii) Slow implementation of recommended actions required to address defiance's identified by the MER;
- (iii) Inadequate institutional capacity in terms of human and capital resources to monitor financial transactions and lack of adequate forensic and financial investigative skills and prosecution.
- (iv) Limited institutional capacity in investigating and prosecuting of AML/CFT within the law enforcement

Conclusion

The Kingdom of Eswatini has made significant progress by amending its ML/TPF law in 2016 and the issuance of the Anti-Money Laundering (UNSCR) Regulations, 2016 which substantially addresses the deficiencies it had in its first Mutual Evaluation. The Country is expeditiously continuing with the implementation of the provisions of all the new ML/TF legislation.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA



General Background

Ethiopia is Africa's oldest and never colonized country located in East Africa with a total land area of 1,104,300 square kilometers (km²) and a total population of 90 million (2016 national estimate). Ethiopia shares borders with Djibouti, Eritrea, Sudan, South Sudan, Kenya, and Somalia. The capital city of Ethiopia is Addis Ababa. Ethiopia is the ancestor of mankind. Lucy is discovered in 1974 and has been proved to be about 3.2 million years old. The country has its own calendar, alphabet and is home to more than 80 ethnic groups having their own language, culture and tradition. The major religions are Christianity and Islam. Ethiopia is a Federal Democratic Republic and parliamentary form of government made up of nine regional states and two chartered cities. The parliament is bicameral having The House of Federation which is the upper chamber and The House of People's Representatives which is the lower chamber. Members of both the upper and the lower chamber are elected and serve five-year terms. The House of People's Representatives has legislative power and The House of Federation interprets. The latest Constitution of the Federal Democratic Republic of Ethiopia entered into force since August 1995. The Prime Minister of the country serves as the Head of Government and the President serves as head of state.



Overview of Financial Institutions and DNFBP Sectors

Financial Institutions (FIs) operating in Ethiopia include banks, insurance companies, Micro Finance Institutions (MFIs), postal savings, money transfer institutions, financial saving and credit cooperatives as determined by the National Bank of Ethiopia. The financial inclusion products are mobile banking, agent banking, micro insurance and postal money transmission. Commercial banks and MFIs operating in Ethiopia provide financial inclusion products. Pursuant to the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No.780/2013 (the AML/CFT Proclamation), Designated Non-Financial Businesses and Professions (DNFBPs) include real estate agents and brokers, dealers in precious metals and stones, auditors and accountants, lawyers and notaries.

Overview of ML/TF Risks

Ethiopia completed the first National Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment (NRA) in 2016 using the World Bank tool. The NRA was undertaken by seven groups representing various government and private institutions. The national risk of ML and TF is medium and Medium-high respectively. The NRA also rated lawyers, notaries, mobile banking, agent banking, micro-insurance, insurance, capital goods financing, saving and credit cooperatives as low vulnerability. The Non Profit Organizations (NPOs), MFIs and the banking sector are rated as Medium-low. Besides, real estate agents, dealers in precious metals and stones, accountants and

auditors, postal money transfer service exhibited to Medium vulnerability. On the other hand, Illegal-hawala providers and illegal money lenders are rated as medium-high. In addition, the NRA identified high threat predicate crimes: corruption, tax fraud/evasion, fraud, human trafficking and migrant smuggling, Illegal-hawala and Contraband including hard currency smuggling.

AML/CFT Policies, Strategy and Coordination

A National AML/CFT Committee was established with a responsibility to develop and coordinate national AML/CFT policy that consists of the Ministry of Finance and Economic Cooperation, Head of Prime minister's office, the Ministry of Justice, National Bank of Ethiopia, the Minister of Foreign Affairs, Charities and Societies Agency, Federal Police, Ethiopian Revenues and Customs Authority, EFIC, Federal Ethics and Anti-Corruption Commissions and Ministry of Trade. The national committee is chaired by the Minister of Finance and Economic Cooperation Ministry. This body initiated the revision of the AML/CFT law and assessment of the NRA. The EFIC, in accordance with Article 13(9) of the AML/CFT Proclamation, has the power to follow up the implementation and coordinate AML/CFT actions of other governmental institutions.

Overview of AML/CFT Compliance and Supervision

FIs shall enter into business operation when only authorized by the National Bank of Ethiopia. In order to ensure compliance requirements, the AML/CFT Proclamation gives the EFIC the power to supervise FIs and DNFBPs, independently or in collaboration with regulatory bodies. To that end, EFIC has developed Risk-based approach manuals, and accordingly, has so far conducted AML/CFT supervisions at reporting entities and NPOs.

Overview of AML/CFT Legal and Institutional Frameworks



EFIC providing training for compliance officers from the private sector

Ethiopia has been undertaking various measures to combat Money Laundering and Financing Terrorism. Ethiopia adopted the AML/CFT Proclamation. The Financial Intelligence Center of Ethiopia (EFIC), an administrative style, is established by the Council of Ministers regulation No.171/2009. The AML/CFT Proclamation empowers the EFIC to serve as a central authority. The country also approved the Procedure for the Freezing of Terrorist Assets Council of Ministers' Regulation No. 306/2014. Furthermore, the EFIC issued Financial Institutions' AML/CFT Compliance Directive No.01/2014 and DNFbps' ML/CFT Compliance Directive No.02/2016. Mutual Legal Assistance (MLA) and extradition requirements are covered properly by the AML/CFT Proclamation. The EFIC has the responsibility and power to request/receive MLA and extradition requests. Apart from this, the country established a Federal Ethics and Anti-Corruption Commission (FEACC). The FEACC follows up Asset Recovery Inter-Agency Network for Eastern Africa (ARINEA) and the STAR/INTERPOL Asset Recovery Focal Points Network. In general, the AML/CFT legal framework is comprehensive. Ethiopia also ratified relevant international and regional Conventions which are part of the law of the country in accordance with Article 9(4) of the Constitution. These include:

- The UN Convention Against Transnational Organized Crime (Palermo Convention);
- **Suppress and Punish Trafficking in Persons, Especially Women and Children;**
- UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention);
- UN Convention Against Corruption (Merida Convention);
- African Union Convention on Preventing and Combating Corruption;
- OAU Convention on the Prevention and Combating of Terrorism;
- International Convention for the Suppression of the Financing of Terrorism;
- IGAD's Conventions on Mutual Legal Assistance and Extradition

Challenges and Future Plan

Although the country has conducted several awareness creation programs, lack of awareness coupled with cash based economy is still a major challenge for the AML/CFT regime; therefore, it needs further efforts. In addition, the inappropriate human power and skill at competent authorities undermine the AML/CFT regime.

Conclusion

Ethiopia underwent a first AML/CFT and Combating Proliferation financing mutual evaluation assessment that was conducted by the World Bank and was approved at the ESAAMLG Council of Ministers meeting held on the 5th of June, 2015. Since then, the country has been accomplishing significant AML/CFT activities. The Government of Ethiopia approved a new EFIC structure in March 2018 which enables the EFIC to properly coordinate the AML/CFT efforts of the country.

REPUBLIC OF KENYA



General Background

The Republic of Kenya is located in East Africa, where it borders the Indian Ocean to the east, Ethiopia to the north, Somalia, to the north east, South Sudan to the north west, Uganda to the west and Tanzania to the south and south east. In 2017, Kenya's population was estimated by the World Bank to be at 49.7 million, while its Gross Domestic Product (GDP) stood at USD 79.4 billion. Kenya occupies an area of 581,309 square kilometres, with the three largest cities being Nairobi, Mombasa and Kisumu.



Recent investments by the Government of Kenya in mega-infrastructure projects such as the Standard Gauge Railway (SGR) and the LAMU PORT (Lapsset) Corridor have opened up opportunities and solidified the country's position as a regional economic, financial and communications hub serving East, Central and Southern Africa.

In 2010, Kenya promulgated a new Constitution that saw the country shift from a centralized government to a decentralised governance framework, comprising of two levels of government, the National Government and 47 County Governments. Each county has a County Executive comprising of a County Governor and Deputy Governor who are elected directly by the electorate.

The Executive branch of the Government is headed by the President who appoints the Cabinet and also serves as the Commander-in-Chief of the Kenya Defence Forces. Unlike the previous system of government, members of the Cabinet are not members of Parliament.

The Parliament comprises of two chambers, the National Assembly (Lower House) and the Senate (the Upper House). Of the 350 members of the national assembly, 290 members are elected directly from single-member constituencies, forty-seven women members are elected directly from each county, and twelve representatives of special interests. The Senate comprises of sixty-eight members, out of whom forty-seven members are directly elected from each county and twenty members nominated by political parties in the senate.

Kenya's legal system is rooted in English common law. The Judiciary consists of the Superior Courts; Supreme Court, Court of Appeals, High Court, Industrial Court, Environment and Land Court and the Subordinate Courts which consist of the Magistrate Court, the Courts Martial and the Kadhi Court. The Chief Justice heads the Judiciary and is responsible for its administration.

Overview of Financial Sector and Designated Non-Financial Businesses and Persons (DNFBPs)

The Financial Sector

In the last decade, the financial sector in Kenya has experienced a significant level of growth, which has been spurred by several factors including a stable regulatory environment, the increased adoption of technology and innovations as witnessed by the dominance of MPESA, the money transfer service and the emergence of alternative channels of distribution. This is further evidenced by the substantial increase in the level of access to formal financial services in Kenya, which rose from 27% to 75% in the last decade.

Kenya's financial sector comprises of deposits taking institutions (commercial banks and mortgage finance companies, microfinance banks, and deposit taking savings and credit co-operatives (saccos)), non-deposit taking institutions including money remittance service providers, foreign exchange bureaus the insurance industry, pensions industry and the capital markets.

Kenya's financial sector is dominated by the banking sector, which according to the Central Bank of Kenya Bank Supervision Annual Report as at December 31, 2017, had a total asset base of Ksh. 4 billion and total deposits of Ksh. 2.9 billion. The banking sector comprised of 43 banking institutions (42 commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 13 microfinance banks, 3 credit reference bureaus, 19 money remittance providers, 8 non-operating bank holding companies and 73 foreign exchange (forex) bureaus.

There is a high level of interconnectedness between different financial sub-sectors in Kenya with a number of local financial groups covering multiple sectors. With the increased level of financial integration, in the East African Community (EAC), these financial groups have expanded their presence beyond Kenya's borders to Tanzania, Uganda, Rwanda, Southern Sudan, the Democratic Republic of Congo, Malawi and Mauritius.

Designated Non-Financial Businesses and Persons (DNFBPs)

Under the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), the following entities have been designated non-financial businesses and persons, real estate agents, lawyers, trust companies and service providers, motor vehicle dealers, accountants, dealers in precious metals and stones and casinos.

Overview of Money Laundering and Terrorism Financing (ML/TF) Risks

Kenya's status as a regional financial hub, its strategic geographical position, the size and nature of its economy and porous borders render it vulnerable to both money laundering and terrorism financing risks. The main money laundering risks include the laundering of proceeds from

economic crimes such as corruption, fraud, and tax offences as well as organized crime including drug trafficking, human trafficking and cybercrime.

The country continues to be a significant target for terrorist attacks and has been the focus of numerous incidences in the last decade motivated by the participation of Kenya in peace enforcement activities in Somalia under the African Union Mission in Somalia (AMISOM) alongside other troop contributing countries. Terrorist activities are attributable to terrorist organizations domiciled in Somalia, including Al-Shabaab, an Al Qaeda affiliate group, and Islamic State in Somalia. The Terrorism Financing risk in the country and region as a whole is interlinked with existing organized crime networks and is exacerbated by the absence of formal and regulated banking structures in neighbouring conflict prone countries.

AML/CFT Compliance and Supervision

In an effort to further enhance AML/CFT compliance and supervision in the financial sector,

Kenya's financial sector regulators including the Central Bank of Kenya (CBK), the Capital

Markets Authority (CMA), and the Insurance Regulatory Authority (IRA) have implemented the following initiatives:

- Enhanced AML/CFT on-site inspections through the development of a risk based AML/CFT supervisory tool with assistance from the International Monetary Fund (IMF).
- Provided additional clarity on reporting obligations under POCAMLA through the issuance of sector-specific guidelines.
- Increased collaboration with the Financial Reporting Centre (FRC), Kenya's financial intelligence unit (FIU).
- Entered into Memoranda of Understanding (MOUs) with foreign financial sector regulators in order to facilitate information sharing on AML/CFT supervisory issues.
- Enforced administrative sanctions and penalties arising from AML/CFT violations. For example, in 2018, the Central Bank of Kenya fined five banks, a total of Kshs. 392 million (USD 3.92 million dollars) arising from AM/CFT lapses.

Overview of AML/CFT Legal and Institutional Frameworks

Kenya's Legal AML/CFT Framework

Kenya's legal and institutional AML/CFT framework has undergone significant reforms, since the enactment of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) in 2009 and an assessment of Kenya's AML/CFT regime was conducted, in 2010. Some of the key laws and regulations enacted over the last decade include:

- The Prevention of Terrorism Act, 2012 that criminalizes terrorism and its financing. Subsequent amendments to the Act were made in 2013 in order to address criminalization of financing of terrorism in line with Article 2 of the UN Convention of 1999.
- The Prevention of Terrorism (Implementation of The United Nations Security Council Resolutions on Suppression of Terrorism) Regulations 2013 which implement the UN Security Council Resolutions 1267 and 1373 and their successor resolutions. It sets out the mechanisms for designation of both local and foreign entities under UN Security Council Resolutions.
- The Proceeds of Crime and Anti-Money Laundering Regulations 2013 issued pursuant to the Proceeds of Crime and Anti-Money Laundering Act and apply to both financial institutions and DNFBPs.
- Criminalized human trafficking and migrant smuggling through the enactment of the Counter- Trafficking in Persons Act 2010 and the Kenyan Citizenship and Immigration Act of 2011 respectively.
- Introduced the concept of beneficial ownership through the Companies (Amendment) Act of 2017.
- Revision of the financial sector AML/CFT standards so as to align them to the FATF 2012 standards.

All AML/CFT laws and regulations, are subject to continuous revision/amendments so as to with address the evolving environment and so as to comply with international standards on AML/CFT measures. With the exception of legal practitioners, all categories of financial institutions and DNFBPs are now subject to AML/CFT preventive measures.

Kenya's AML/CFT Institutional framework

- The National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) is the body that coordinates the implementation of AML/CFT policy at a national level. Established in 2003 through a gazette notice, membership in the NTF comprises of Government line ministries and departments, law enforcement agencies, financial sector supervisors and the Kenya Bankers Association representing the private sector.
- The Counter Financing of Terrorism Inter-Ministerial Committee, whose principal mandate is to ensure Kenya is compliant with its international obligations on combating terrorism and its financing.
- The AML Advisory Board (AML Board) is established under Section 49 of POCAMLA. The Board's function is to advise the Director General of the Financial Reporting Centre (FRC) on the performance of his functions and the exercise of his powers under the Act.
- The Financial Reporting Centre (FRC), Kenya's financial intelligence unit was established in 2012, under Section 21 of Proceeds of Crime and Anti-Money Laundering Act of 2009 (POCAMLA). The Director General, the substantial Head of the FRC was appointed in 2017. The FRC is an autonomous institution under the National Treasury. Its principal objectives are to:
 - Assist in the identification of proceeds of crime and combating Money Laundering and Financing of Terrorism.

- Receive, analyze suspicious transaction reports (STRs) and disseminate reports to law enforcement agencies, supervisory bodies and any other relevant bodies to facilitate administration and enforcement of the Kenya's AML/CFT laws.
- Exchange information with similar institutions in other countries on Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and other related offences.
- Ensure compliance with international standards and best practices in AML/CFT measures.

The Asset Recovery Agency (ARA) was established pursuant to [the Proceeds of Crimes and Anti-Money Laundering Act](#) and became operational in 2013. Its primary mandate is to identify, trace, seize and confiscate the proceeds of crime, such as those derived from corruption, and financial crimes. In the reporting period, the Asset Recovery Agency (ARA) has investigated 20 cases and preserved assets worth Kshs1.1 billion. Assets worth Kshs72 million were forfeited to the Government. Further, recovery proceedings on corruptly acquired property valued at Kshs7.5 billion were instituted. Additionally, assets worth Kshs2.5 billion were recovered while bank accounts holding Kshs264 million were frozen, pending determination of recovery proceedings

Challenges

Some of the key challenges in implementing AML/CFT measures in Kenya include:

- The lack of a comprehensive national money laundering and terrorism risk assessment. This means that reporting institutions are left to make their own rudimentary analysis on the national money laundering and terrorism financing risks.
- Lack of a comprehensive AML/CFT supervisory regime for DNFBPs including building the capacity of staff to conduct risk based AML/CFT supervision
- Limited AML/CFT knowledge in the DNFBPs. There is still need to sensitize DNFBPs on their obligations under the Kenya's AML/CFT laws and regulations.
- Compliance challenges arising from rapidly evolving range of financial products and services offered by the financial sector in Kenya. Most of these products utilize innovative technologies that present unique AML/CFT risks.
- Issues surrounding lack of adherence to reporting obligations by reporting institutions. suspicious transaction reporting, institutional risk assessments.

Future Outlook

The Government of Kenya remains committed to the global fight to combat money laundering and terrorism and its financing. One of the key priorities going forward will be to undertake a national risk assessment on money laundering and terrorism financing. It is envisaged that the results of the NRA will significantly contribute towards building an understanding of the money laundering terrorism financing risks at the national level.

KINGDOM OF LESOTHO



General Background

The Kingdom of Lesotho is landlocked and is completely surrounded by the Republic of South Africa; it has a total land area of just over 30,355 square kilo meters. The Kingdom of Lesotho has a population of around 2,007,201 million people (2016 census). Majority of the population lives in rural areas. Official languages spoken are English and Sesotho.

Lesotho has been a Constitutional Monarchy since becoming independent from the former Protectorate of Basutoland in 1966, which was under British Government. The King is the Head of State and the Prime Minister is Head of Government. The Constitution is the supreme law of the country and the country holds elections to Parliament every five years.

Lesotho is a developing country with limited domestic markets. Her economic performance depends on export orientated industries and is thus influenced by global trends, commodity prices, and aid flow. The main products of Lesotho are mohair, wool and diamonds. The products manufactured are textiles and clothing which are exported to USA under the Africa Growth Opportunity Act, "AGOA". The value of currency in Lesotho (the Loti) is pegged to the South African Rand under terms of the Common Monetary Area (CMA) agreement.

The legal system of Lesotho is based on Roman Dutch Common law. The judicial system comprises the Court of Appeal, which is the highest court on the land, the High Court, with unlimited original jurisdiction to hear and determine any civil or criminal matter and the power to review the decisions of the lower courts and the Subordinate Courts which comprise different classes ranging from resident magistrate, second and first class magistrate courts. The court of appeal and high court are constitutional creatures while subordinate courts are statutory creatures.

Overview of the financial sector and DNFBPs Sectors inclusion compliance and supervision

The Money Laundering and Proceeds of Crime Act 2008, as amended defines financial institutions and Designated Non-Financial Business and Professions as accountable institutions in the first schedule. The tables below provide an overview of financial and DNFBPs Sectors.

Table 1: Financial institutions

Type of Financial Institutions	Number	AML/CFT Supervisory Authority
Commercial Banks	4	Central Bank of Lesotho
Insurance	9	Central Bank of Lesotho
Pension Funds	-	Central Bank of Lesotho
Micro Finance Institutions	2	Central Bank of Lesotho
Collective Investment Schemes	4	Central Bank of Lesotho
Money Transfer Services	2	Central Bank of Lesotho
Forex Bureau de Change	2	Central Bank of Lesotho

Table 2: DNFBPs

Type	Number	AML/CFT Supervisory Authority
Casino	2	Casino Board
Dealers in precious stones (diamonds)	-	Ministry of Mining
Legal Professionals	-	Law Society
Accountants	-	Lesotho Institute of Accountants
Motor Vehicle Dealers	-	FIU
Real Estate Agents	-	FIU

The Money Laundering and Proceeds of Crime Act, 2008 as amended designates existing sector supervisory authorities to enforce compliance, regulate and supervise entities under their purview on AML/CFT measures. The two tables above illustrate supervisory authorities for the financial and DNFBP sectors. The FIU currently plays a role of super supervisory authority, as well as, a default supervisory authority for entities that do not have a prescribed supervisory authority.

Overview of the AML/CFT legal and institutional framework and their implementation

The Money Laundering and Proceeds of Crime Act, 2008 as amended is a primary legislation that criminalises money laundering and terrorist financing. Since the last report in 1999 the Government of Lesotho set up the Financial Intelligence Unit with the core mandate to receive, analyse and disseminate financial disclosures to law enforcement agencies where money laundering or terrorist financing are suspected. Since the FIU started operations in 2013 it has been able to support operational needs of competent authorities notably the Directorate on Corruption and Economic Offences (DCEO) and the Lesotho Revenue Authority (LRA) with the former having been able to seize and confiscate proceeds of crime worth M1, 500,000.00 (USD114,416.48) in two corruption related cases and the later was disseminated financial disclosures that were estimated

at M66, 900, 752.22 (USD 5,103,032.21) worth of the value of proceeds emanating from suspicious tax evasion cases.

Other notable developments taken since the last report are the enactment of the Money Laundering and Proceeds of Crime (Amendment) Act, 2016 to provide for full operational independence of the FIU; designate sector supervisory authority to regulate and supervise institutions under their purview on AML/CFT measures and to mandate the three competent authorities namely, DCEO, Lesotho Mounted Police Service (LMPS) and LRA to investigate and prosecute money laundering and terrorist financing cases. The Asset Forfeiture Regime has also been set up and driven mainly by the DCEO.

Parliament also enacted a comprehensive legislation, the Prevention and Suppression of Terrorism Act, 2018, intended to criminalise terrorism and terrorist financing. The Mutual Legal Assistance in Criminal Matters Act, 2018 was also passed to provide a legal framework in mutual legal assistance. Otherwise, the international treaties which Lesotho is a party to are generally utilised as the basis for providing and receiving mutual legal assistance. There is also counterpart to counterpart cooperation and to this end the FIU has been able to assist law enforcement agencies to make request from foreign jurisdictions and the same has happened where the FIU has been requested to share information from some agencies in Lesotho with foreign jurisdictions.

It is also worth mentioning that in 2017 Lesotho promulgated regulations cited as Money Laundering and Proceeds of Crime Regulations, 2017 which among others introduce freezing regime for targeted financial sanctions mainly for United Nations Security Council Resolutions 1269 (1999) (1989 and 1988) and 1373.

Other regulations under the Money Laundering and Proceeds of Crime (Currency and Bearer Negotiable Instruments) Regulations 2015 are intended to regulate cross border movement of cash and bearer negotiable instruments and the FIU has received 11 cash declarations since the regulations came into force in 2016.

At domestic level the Government approved the establishment of the AML/CFT National Coordination Committee, whose Secretariat is the FIU, to coordinate AML/CTF initiatives at national level. There are also other domestic arrangements, entered through memorandum of understanding, that enable exchange of information in particular for AML/CFT purposes. The FIU has MOU with LRA, LMPS, DCEO and other administrative bodies such as Land Administration Authority and Immigration to mention but a few.

Overview of ML/TF Risks

Cognisant of creating an enabling environment for economic growth, eradicate money laundering, guard against terrorism financing and have a financial infrastructure resilient to money laundering

and terrorist financing, the government commissioned the assessment of risks of money laundering and terrorist financing, which exercise was completed in June 2018.

The assessment was the product of extensive consultation across government, including law enforcement and intelligence agencies, AML/CFT supervisors and private sector. The assessment also drew on public reports such as regional reports on money laundering and terrorist financing trends and methods, as well as, perception indexes.

With regard to threat of money laundering the findings based on suspicious transaction reports concluded that corruption and bribery, tax evasion, fraud and pyramid schemes pose high money laundering threat. The other offences that contribute to money laundering risk are stock theft, car theft, drug offences, diamond offences and human trafficking. Corruption contributes much more proceeds of crime and therefore is the most prevalent of the predicate offences. Suspicious financial transactions reported indicated that the banking sector is the one used to move tainted funds. This may be attributed to the fact that the banking sector reports most suspicious transactions and not necessarily that it is prone to abuse by money launderers. Furthermore, the FIU traced most of these proceeds to real estate and motor vehicle industries. It therefore means that the sectors abused for money laundering purposes are real estate and motor vehicle. The trends for all these predicate offences are increasing. There is no money laundering case ever prosecuted in the courts of law. Terrorist financing risk is found to be low. The reasons being that Lesotho is located in a region where there is low risk of terrorism. However there are indications that the NPO sector may be abused to radicalise and finance terrorism activities. It was also observed that the use of cash, inconstant application of cash and bearer negotiable instruments declaration, porous borders and poor database on documentation of travelers pose both a terrorist financing and terrorism risks to Lesotho.

Challenges

The overall picture is that there are adequate laws in place to fight money laundering and counter the financing of terrorism. However, there is poor implementation of these laws. This may be attributed to lack of mobilisation of key AML/CFT actors in charge of implementing the AML/CFT regime. Absence of national strategy and inability of the National Coordinating Committee (NCC) to coordinate AML/CFT issues which has led to poor resource allocation and lack of capacity within institutions with mandate to implement the counter measures.

The Government is therefore intent to use the results of the NRA to inform policy and strategy on how these challenges can be overcome and risks identified mitigated. The FIU has been entrusted to coordinate implementation of AML/CFT initiatives, as well as, the national action plan on NRA.

Conclusion

Lesotho has more than 10 years since it enacted the law that seeks to fight against money laundering and combat the financing of terrorism. Despite this milestone there has never been a case on money laundering or terrorist financing that has been successfully investigated and prosecuted, a factor that has always been attributed to lack of understanding of these crimes. The NRA results have however, proved that resources to fight these crimes have also not been well allocated in line with the risks faced in fighting these crimes and going forward the Government has put in place the national action plan intended to implement recommended actions from the National Risk Assessment Report, 2018.

REPUBLIC OF MADAGASCAR
 
General back ground about the country including its economy, political and judicial structure and legal system

Madagascar is an island state of Africa, located in the western Indian Ocean. It is the fifth largest island in the world with an area of 590,000 square kilometres and maritime borders more than 5,000 kilometres long. Its capital is Antananarivo and the local currency is the Ariary. Other islands and archipelagos including Mauritius, Seychelles, Comoros and Reunion (France) surround the country. The population is estimated at 24.24 million in 2016, of which 64 percent is under 25 years of age. It is a very culturally diverse country with 18 ethnic groups (foko) or indigenous nations, divided into six provinces and speaking a common language, Malagasy. Born from the mixture of Austronesian, Sanskrit and Arabic languages, the official languages are Malagasy and French.



Madagascar is gifted with a unique worldwide biodiversity and a great potential: the country has vast expanses of agricultural land, forest areas and access to the sea that could make it the "food basket" of the Indian Ocean. However, Madagascar faces significant development challenges and belongs to the group of the least developed countries according to the UN, with a USD.

The Malagasy economy is essentially based on agriculture, which employs four out of five inhabitants. Agricultural products, cloves, vanilla, cocoa, sugar, pepper and coffee, are among Madagascar twelve largest exports. Madagascar produces the second largest vanilla crop in the world. Malagasy vanilla accounts for a quarter of the world market. Industrial mining activities in Madagascar include chromium, cobalt, ilmenite and nickel production. Small-scale artisanal mining operations, employing over 500,000 people across the country, are mainly gold, precious stones and semi-precious stones. Most of these products are extracted and exported illegally. Free trade zones play a major role in foreign trade. The main trading partners are France, the United States, Germany and Japan, for exports; and China, France, Mauritius, South Africa and India for imports.

At the political and institutional level, Madagascar has been independent since 1960 and is a multi-party republic with a semi-presidential system, in which the President is the Head of State and the Prime Minister is the Head of Government. The executive power is in the hands of the Government whereas the legislative power is shared between the Government and the two Chambers of Parliament: The National Assembly and the Senate. The judiciary power is independent from the former two.

Madagascar's AML/CFT system is based mainly on Law n° 2004-020, supplemented by Law no.

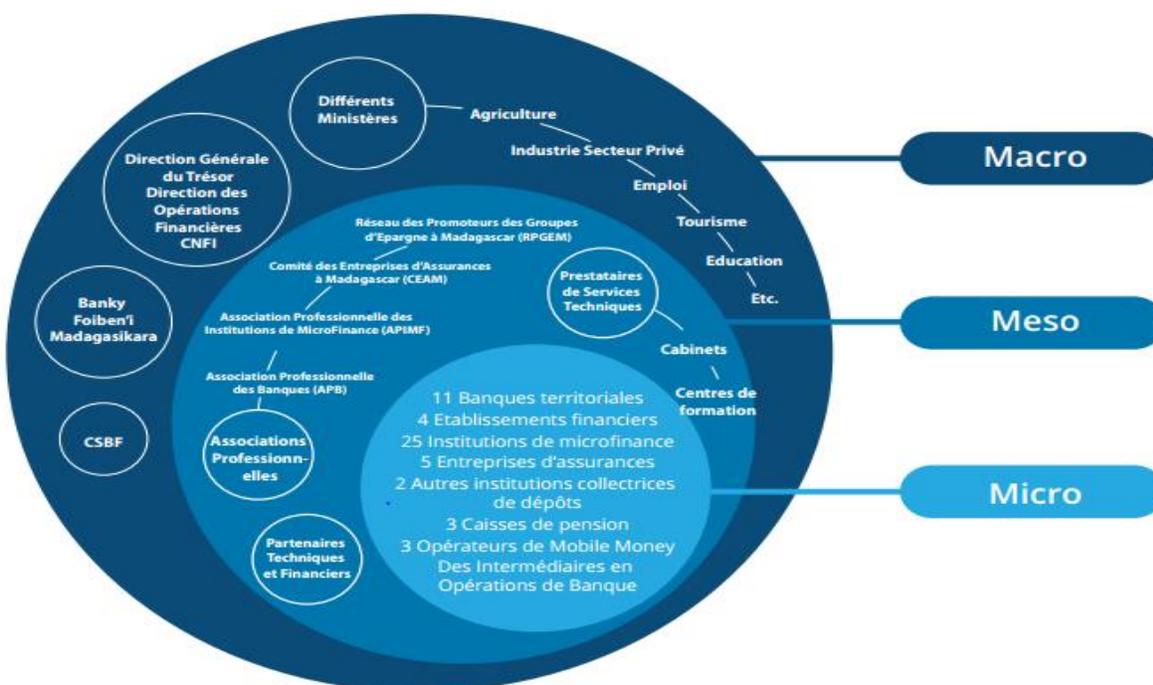
2014-005. This system does not cover all entities and professions that should be subject to the AML/CFT framework. It has any shortcomings, be they relating to the offenses of ML/FT or due diligence obligations. Madagascar does not have the requisite mechanisms for the implementation of financial sanctions related to terrorism financing and to the financing of proliferation of weapons of mass destruction. On the other hand, the legal framework concerning the authorities in charge of investigations and prosecutions, as well as the one applicable to international cooperation generally comply with international standards.

Overview of financial and DNFBP Sectors

Financial institutions

(Data from the Madagascar's National Strategy of financial Inclusion 2018)

The main stakeholders in the banking and financial sector Malagasy can be grouped at macro, meso levels and micro.



ing financial services. The low level of literacy and uninspired use of formal financial services, combined with severe infrastructural constraints and an underdeveloped payment ecosystem, make it difficult for formal financial service providers to reach most consumers. Frequent shocks, such as climate hazards, illness and theft, further reduce their accessibility and increase the risk of lending to such vulnerable consumers.

As a result, most Malagasy do not use financial services, either they go to other people in their community, or they use devices outside the formal financial system to save, borrow and manage risks. This means that financial services do not contribute much or little to resilience to shocks and

that small businesses and agricultural entrepreneurs often cannot access the capital required to support Economic Growth.

Non-financial businesses and professions

The actual Law against money-laundering, like Law No. 2004-020, does not explicitly designate lawyers, notaries and other independent legal professionals or accountants as being subject to anti-money-laundering obligations, nor does it cover dealers in precious metals and precious stones. That constitutes a flaw in a sector that is felt to be vulnerable. Precious stones are often extracted from mines and exported without the knowledge of the authorities, who have banned the export of rough precious stones. The law does set out prevention and detection obligations for real estate agents. It also contains specific provisions for casinos and gaming establishments. The Ministry of Internal Security is responsible for monitoring, and imposing sanctions on casinos and gaming establishments, as the declaring authorities. These powers are not, however, defined in the Law against money-laundering

Although the Prevention and Detection of money-laundering apply to legally designated non-financial businesses and professions, the only obligation that applies to them is to report suspicious transactions.

Overview of ML/TF Risks

Because of its geographic location and the limited means at its disposal to monitor its coastline, Madagascar is vulnerable to traffic of all kinds, and is facing significant ML risks related to the importance of certain underlying offenses (corruption, tax and customs offenses) as well as the natural resource trafficking and drug trafficking.

In terms of FT risk, even though Madagascar has not suffered from terrorism in the past, the Malagasy authorities nevertheless concerns the country could be used as a refuge, conduit, or source of financing or preparation for acts of terrorism against other countries.

The largely informal nature of the economy and the low banking penetration rate after the 2009 political crisis make the country vulnerable and this hinders the effective implementation of the AML/CFT system. The most important ones are judicial corruption; the weakness of state institutions.

Since 2003, Madagascar has committed in fighting against a considerable phenomenon, the corruption, which is and is one of the main predicate offenses to money laundering. In that regard, several significant steps have been taken, such as the establishment in 2003 of the Supreme Council for Fighting Corruption (CSLCC, which became the Committee for the Safeguarding Integrity-CSI in 2006) and the Independent Anti-Corruption Bureau (BIANCO) in 2004. Their work generated Law N°. 2004-030 on fighting corruption, the 2004-2014 National Strategy and the new national anti-corruption strategy (2015-2025). The "Anti-corruption Poles" (PAC), was also established in 2018

based to the law N°. 2016-021 on the Anti-Corruption Poles (PAC) of 22 August 2016 established within the penal justice system specialized jurisdictions.

The level of crime (especially organized violent crime) is also rising, as evidenced, not only by repeated attacks carried out by the Dahalo (originally “cattle rustlers” and active throughout much of the country, especially in the south), but also by the abduction of businessmen. Madagascar also suffers from a high unemployment rate, especially among young people.

The poverty and exclusion can be among the factors that radicalize population groups vulnerable to recruitment for terrorist purposes. Moreover, a form of radicalization that involved the indoctrination of young Malagasies studying abroad on foreign scholarships.

Otherwise, a proliferation of Koranic schools and mosques, set up by certain groups who preached extreme views, especially in the country’s southeastern and northern regions and certain charitable associations located in Madagascar are suspected of being linked to terrorist groups.

Thus, specialized intelligence services have been created for the purpose of collecting information on terrorist threats and the movement of terrorists.

A unit for the coordination of counter-terrorism and counter-transnational organized crime activities, consisting of all concerned services and ministries (SNOLT-CTO), was established by Law N° 2014-005 and has been operational since February 2015. Under the supervision of the Prime Minister, this unit is responsible for developing a national counter-terrorism strategy to strengthen cooperation among the various concerned services.

Madagascar is increasing in in small arms and light weapons trafficking. In order to deal with this type of organized criminal activity, Madagascar implement currently a plan to collect the illegal weapons in circulation and ensure their storage and destruction, and review current legislation.

Madagascar has ratified the agreement on the World Customs Organization (WCO) Framework of Standards. The Framework will be implemented in several stages, and Madagascar’s capacities should be strengthened in accordance with its needs as determined during the evaluation and follow-up missions conducted by WCO.

Madagascar is an active member of the Regional Intelligence Liaison Office (RILO) for Eastern and Southern Africa. Nevertheless, its customs administration has not made extensive use of the Customs Enforcement Network (CEN) and all its components. It would be useful for the fraud-prevention services to make greater use of this tool, and it is imperative that the various services (customs, airport and border police, gendarmerie, intelligence, etc.) cooperate with regard to sharing information and intelligence

Madagascar has ratified all legal instruments on civil aviation. Specialized agencies have been established to gather intelligence on terrorist threats or acts. These are the Central Counter-Terrorism Service (SCLAT) (now SCLIT), within the Secretariat of State for Public Security, and the CounterTerrorism Service (SAT) and Technical Intervention Service (SIT), within the Central Intelligence Service (CIS), which is directly attached to the Office of the President.

The maritime security situation of the countries of Eastern and Southern Africa as well as the Indian Ocean (AFOA-OI) remains precarious due to the resurgence of acts of maritime piracy of

Somali origin and other illicit acts at sea despite the efforts of the international community to help the countries of the region to cope.

Madagascar, which is an integral part of this region, also suffers from the impacts of this insecurity at sea due to the weakness of maritime surveillance and a lack of adequate organizational structure making Madagascar's maritime area vulnerable to all forms of illegal acts. at sea (maritime piracy and armed robbery against ships, illegal fishing, various traffic at sea, illegal migration, etc.).

In the context of maritime surveillance, it is imperative that the country has a complete and detailed picture of the maritime situation in order to know what is happening at sea and to have plausible maritime intelligence before planning and engaging operational means of maritime intervention.

As a result, it has become essential for Madagascar to have a Maritime Information Fusion Center. This project was fulfilled at the 30th Session of the Council of Ministers of the Indian Ocean Commission which designated Madagascar as the host nation of the Regional Maritime Information Fusion Center (RMFRC) in the framework of the MASE project funded by the European Union within the IOC on behalf of the AFOA-OI States.

Thus, Madagascar coordinates the center in collaboration with national and private national partners, regional and international.

AML/CFT Policies, Strategy and Coordination

For the 2015-2025 period, Madagascar has established a national anti-corruption strategy based on 3 major axes: to strengthen rule of law and judicial system, to set up a favorable framework for the entire emerging development and give rise strong national leadership on anti-corruption policy. The aim is to integrate a global and cross-cutting approach by generating strong support and public mobilization through decisive action against corruption.

In this same perspective, Madagascar has put in place a more independent and specialized prosecution structure, the Anti-Corruption Poles (PAC). The first PAC was implemented in Tananarive and operational since June 2018.

The purpose of the Madagascar FIU's mission, SAMIFIN, is to "preserve Madagascar from money laundering and terrorist financing". Thus, in its vision: "Madagascar has a healthy economic environment and is immune to terrorism", SAMIFIN, in 2016, has developed a five-year strategy developed on five strategic axes: prevention, detection, law enforcement, cooperation and strengthening of the organizational system and institutional. It will serve as a reference base for the establishment of the SAMIFIN action plan, through the various interactions between stakeholders in the AML / CFT system, will guide the terms of SAMIFIN's commitment to its national and international partners, and will serve as a guide for monitoring and evaluating the actions planned to achieve the objectives set. The results of the national risk assessment and risks identified will serve as the basis for the national anti-money laundering and terrorism financing strategy and will

enhanced the FIU mission-based strategy. This NRA initiated in June 2017 and is currently being finalized.

Previously, in February 2017, the world bank experts has conducted the Madagascar's mutual evaluation on the technical compliance of the country with the recommendations of the FATF and the effectiveness of its anti-money laundering system and the financing of terrorism. The report was published on the Esaamlg website in September 2018.

In terms of cooperation and coordination at the national, regional and international level, partnership agreements have been signed memorandum of understanding with the Tax Administration, a non-state organizations and FIU counterparts like Russia, Kenya,...

Overview of AML/CFT Compliance and Supervision

There are three main professional regulatory / supervisory bodies in Madagascar:

- 1) The Banking and Financial Supervision Commission (CSBF) whose role as the supervisory and supervisory body for financial institutions is enshrined in Article 1 of Instruction No. 006/2007-CSBF of 3 August 2007 *"is subject to this instruction, credit institutions subject to banking legislation and any financial institution subject to control of the CSBF, including the bureau de change"*.
- 2) ARTEC is the Regulatory Authority for Communication Technologies.
- 3) The National Commission of Public Markets is responsible to report urgently to the Director General of the ARMP on any irregularities found in the file review sessions.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

Madagascar has ratified 13 of the 19 international counter-terrorism instruments. With the adoption of Law No. 2014-005 against Terrorism and Transnational Organized Crime, on 17 July 2014, Madagascar's legal framework incorporates all the offences set forth in the 13 ratified international counter-terrorism instruments.

Madagascar's machinery for combating money-laundering and terrorism financing derives from Law No. 2004-020 on money-laundering of 19 August 2004 and Law No. 2014-005 of 17 July 2014.

Law No. 2014-005 introduced freezing measures in accordance with Security Council resolutions 1267 (1999), 1989 (2011) and 1373 (2001).

Challenges and Future Plan

Madagascar is currently facing a series of major challenges:

- The Supervision of the DNFBBPs (casinos, real estate agents, dealers in precious metals and stones, lawyers, notaries and other independent legal professionals, and accountants),

- The establishment the mechanisms of exchanges between the AML CFT stakeholders within a numeric centralized Platform,
- Etc.

Otherwise, Madagascar has submitted a review of the AML / CFT Act and a bill on the management and recovery of illicit assets. These texts are currently awaiting adoption at the level of the National Assembly.

At the International level, Samifin continues the process of integration within Egmont Group.

Conclusion

Improving the Malagasy AML/CFT system is confronted with significant challenges and will require beforehand actions aimed at (1) strengthening public administration; (2) fighting against informality in the private sector, use of cash, and financial exclusion, (3) implementing a global strategy based on the mobilization of actors involved in AML/ CFT ; (4) Supervision of DNFBP's.

Develop a national AML/CFT national policy based on a national risk assessment, which involves all key players in AML/CFT by sector in identifying the most vulnerable sector to ML/FT and set actions related to prevention, supervision and repression, in the short, medium and long term, and establish mechanisms to track the success of these actions.

Strengthen the legal, human and material resources of the new Anti-Corruption Pole so as to meet the FIU needs in processing disseminated cases and with a view to developing parallel financial investigations in cases of trafficking (including narcotics, rosewood, precious stones, protected species, mining materials, etc.), as well as customs and tax fraud.

Implement awareness-raising actions directed at the most vulnerable financial (bureau de change, electronic system payment) and nonfinancial sector actors to ensure a gradual assimilation of the AML/CFT system.

Implement measures to ensure a wider use of the banking system and improve financial inclusion.

Implement risk-based AML/CFT supervision for financial and non-financial sectors.

Revise the AML/CFT legal framework to ensure compliance with the new FATF Recommendations, including the requirements relating to identifying politically exposed people and beneficial owners.

Despite the absence of a structured and comprehensive analysis of the country's ML /TF risk situation, the risks identified are generally shared by AML/CFT actors in the country, both in the public and private sectors, and all agree that Madagascar is facing significant ML risks are

corruption, trafficking of natural resources (fauna, flora, mining resources), customs and fiscal offenses, and drug trafficking are considered underlying offenses that generate significant proceeds.

Successful case

<http://www.wwf.mg/en/?uNewsID=337052>

http://www.wwf.mg/en/our_news/latest_news/?uNewsID=336890

<http://www.wwf.mg/?uNewsID=326154>

REPUBLIC OF MALAWI



General Background

The Republic of Malawi is located in Southern Africa and borders Tanzania to the East and North-East, Zambia to the North-West, and Mozambique to the South, South-East and South-West. It has a territory of about 118, 484km², with an estimated population of 19 million people.



Economy

Agriculture is the main determinant of economic performance in Malawi, contributing around 30 percent to GDP which was estimated at US\$6.89-billion in 2018. Further, agriculture drives growth in the other economic sectors like manufacturing, mining, tourism, fisheries and transport. To steer growth and development, the current public policies have targeted five key priority areas which are: agriculture and climate change management; education and skills development; energy and industrial development; transport and ICT infrastructure development; and health and population management.

Political System

Malawi became an independent state on 6th July 1964. From that time it was under one party rule until May 1994 when it transformed to multiparty democracy. The system of governance is presidential where the country's state president serves as both the head of state and head of government. He or she is elected through popular ballot for a five-year term in a first-past-the-post electoral system in which the candidate who gets majority of the votes takes up the office. The Government has three branches, namely; Executive, Legislature and Judiciary and these are clearly provided for in the country's Constitution. Malawi is a unitary State with a unicameral legislature. The 193-member parliament has a role to represent the electorate, make laws and play check and balances to the Executive. The Malawi Constitution clearly provides for separation of powers of the Executive, the Legislature and the Judiciary.

Administratively, the country is divided into northern, central, southern and eastern regions which are further divided into 28 districts. The country's capital is Lilongwe.

Legal and Judicial System

The Malawi Legal System is based on the English Law which has been modified since 1969. The Judiciary interprets and applies the laws of Malawi and provides for a mechanism for conflict resolution.

The judiciary is composed of Magistrate Courts, High Court, and Supreme Court of Appeal. The Supreme Court of Appeal, made up of the Chief Justice and nine other justices, is the highest court of justice in the country. The High Court handles any civil or criminal case and has a general division

which hears appeals from the subordinate courts such as the Industrial Relations Court on employment related issues, Commercial Division on commercial or business cases, and magistrate courts as they handle both civil and criminal cases except for most serious offences of treason, murder or manslaughter. Most High Court cases are heard before a single judge, with no jury. Cases that concern the question of constitutionality are heard by three judges.

Overview of Financial and DNFBP Sectors

Malawi's financial sector comprises the Reserve Bank of Malawi (the central bank) which is the overall supervisory authority of 9 commercial banks; 23 pension fund managers; 4 stockbrokers; 17 foreign exchange bureaus; 5 portfolio managers; 4 life insurance companies; 8 general insurance companies; 1 re-insurance firm; 1 re-insurance broker; 17 insurance brokers; and 46 microfinance service providers and 34 Savings and Credit Cooperatives (SACCOs). The banking sector is the largest financial sub-sector with an estimated asset value of USD2-billion as of June 2018.

Malawi has issued 5 casino licences with 3 currently operational and 2 still in pre-operational phase. Further, there are 3 Wide Area Progressive (WAP) operators (with 26 sites currently operational), and 4 Gaming Machine Route Operators. Other sub-sectors of Designated Non-Financial Businesses and Professions (DNFBP) are: 37 individuals registered with the Lands Board as real estate agents and valuers while many operators of the sector do their business without any licence or registration; 268 mineral license holders; 407 licensed lawyers (excluding those employed in government) and 33 licensed firms; and 56 fully qualified practicing members of Institute of Chartered Accountants in Malawi (ICAM) with 22 licensed accountancy and auditing firms as of June 2018.

Overview of ML/TF Risks

Malawi conducted its National Risk Assessment (NRA) on ML/TF in 2013 and this was updated in 2018 using the World Bank Tool. The process of updating the NRA took place from October 2017 to May 2018 and the report was approved in June 2018 by the Minister of Finance, Economic Planning and Development. This exercise was participated by the public sector, private sector and non-governmental organisations (NGOs). In August 2018 the country conducted awareness sessions on the NRA findings targeting financial institutions, DNFBPs, law enforcement agencies, supervisory authorities, National AML/CFT Committee, self-regulatory bodies, NGOs, and relevant ministries and departments of the government. The 2018 NRA was done using the following sub-groups or modules: ML/TF Threat Analysis, TF Risk, National ML Vulnerability, Banking Sector Vulnerability, Insurance Sector Vulnerability, Other Financial Institutions, DNFBPs Vulnerability, NGOs Vulnerability, Legal Persons and Arrangement Vulnerability, and Financial Inclusion.

Malawi's vulnerability to ML is Medium High. The proceeds-generating predicate offences are commonly corruption, fraud, tax crimes, smuggling, wildlife offences, illegal externalisation of foreign exchange, illegal logging, drug trafficking and human trafficking. There is a considerable number of cases investigated and prosecuted, and some resulting in convictions particularly for corruption, theft, fraud, wildlife, and tax crimes.

The NRA further established that the overall threat to TF in Malawi is Low, and that the threat is primarily from external environment. The country has never experienced any incidents of terrorism and the probability of such incidents happening is considered Low.

AML/CFT Policies, Strategy and Coordination

The country is in the process of finalizing its National AML/CFT Policy, and developing the second National AML/CFT Strategy after the previous one expired in 2015. The Minister of Finance, Economic Planning and Development is empowered by the Financial Crimes Act to drive the implementation of AML/CFT measures in Malawi. To this end, he approved the establishment of a formal National AML/CFT Committee in August 2017 after noting that the one in place then was just ad-hoc. The National Committee is co-chaired by the Secretary to the Treasury and FIA, and has under it a National Task Force which handles technical assignments such as drafting of the policy and strategic plan, mutual evaluation responses, and identifying AML/CFT gaps to be considered by the National AML/CFT Committee, among others. Further, the country has a National Counter-Terrorism Panel with the mandate to spearhead implementation of United Nations Security Council Resolutions 1267 and 1373 and successor resolutions. The country's coordination extends to joint investigations and prosecution by the law enforcement, joint inspections of financial institutions and DNFBPs by supervisory authorities, and joint inspections of DNFBPs by the FIA and self-regulatory bodies.

Overview of AML/CFT Compliance and Supervision

Compliance with AML/CFT obligations by financial institutions is higher than by DNFBPs. Supervision of reporting institutions, particularly financial institutions, is risk-based. This is done by the Reserve Bank of Malawi and FIA. On the other hand, the FIA has intensified its outreach to the DNFBPs, with inspections done on some real estate agents and joint inspections conducted on gaming operators and lawyers.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

The Financial Crimes Act is the primary legislation governing the country's AML/CFT regime. This law came into force in February 2017 and repealed the 2006 Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act. In addition, there are other pieces of legislation aligned to the operations of specific law enforcement agencies, supervisory authorities and self-regulatory bodies which help position the country's AML/CFT regime. ML investigations are carried out by the Malawi Police Service, Anti-Corruption Bureau, FIA, and the Department of National Parks and Wildlife. The task of investigating TF and terrorism falls in the hands of Malawi Police Service; however, there has never been any TF case. The National Intelligence Service coordinates response to TF and terrorism threats facing the country.

The FIA's continued membership with the Egmont Group of FIUs has helped in swift sharing of information with other FIUs across the globe. This is complemented by 21 memorandums of understanding (MoUs) with other FIUs, 10 of which are from the ESAAMLG region.

Domestically, the FIA has signed MoUs with the Malawi Police Service, Malawi Revenue Authority, Anti-Corruption Bureau, Reserve Bank of Malawi, Malawi Gaming Board, National Intelligence Service, Office of the Director of Public Officers' Declarations (ODPOD), National Audit Office, Department of National Parks and Wildlife, and NGO Board.

Owing to the good working relationship among various AML/CFT stakeholders, Malawi has since 2013 secured over 20 convictions on ML.

Challenges and Future Plan

Development of legislation takes a lot of time but Malawi has ensured that the key pieces of legislation are in place. This has helped the country to implement AML/CFT measures based on a sound legal framework. Moving forward, the country will enact additional laws and amend some to align them with the ever changing demand on combating ML, TF, proliferation of weapons of mass destruction and other financial crimes. Malawi will also enhance risk-based supervision of reporting institutions and DNFBPs; capacitate law enforcement, supervisory authorities and other relevant government ministries and agencies with requisite resources and skills, and commence imposing administrative monetary penalties on non-compliant reporting institutions. In addition, the country will finalise its AML/CFT Policy and develop the National AML/CFT Strategy.

Since the country is undergoing mutual evaluation until September 2019, the recommendations of the assessors in the Mutual Evaluation Report will form the major basis for implementation of AML/CFT measures from that time.

To promote common understanding on AML/CFT measures and the mutual evaluation process among various stakeholders, an in-country assessors training for 34 public sector officers was organised in February 2018. The training was facilitated by experts from the ESAAMLG Secretariat, namely; Messer's Joseph Jagada, Tom Malikebu, Phineas Moloto and Muluken Dubale. The country intends to continue using its pool of AML/CFT experts in advancing the AML/CFT agenda concerning the public and private sectors.

Conclusion

Malawi continues to make remarkable strides in fighting money laundering, terrorist financing and other financial crimes aimed at protecting the integrity and stability of its financial system, and in turn financial integrity of the region.



In country Assessors Training, Lilongwe, Malawi, February 2018

REPUBLIC OF MAURITIUS

**Country Background**

The Republic of Mauritius is an island state of 1.3 million inhabitants. The country's economy has made great strides since independence in 1968, and Mauritius is now an upper middle-income economy. Following an economic transformation from a purely agricultural economy to a manufacturing one, Mauritius is now relying heavily on its financial services. The financial services sector is composed of two main sectors – the banking sector and the non-bank financial services sector. The Bank of Mauritius is the regulator for the banking sector, while the Financial Services Commission is the integrated regulator for the non-banking financial services sector and global business. The legal system is a hybrid system comprising of both French Codes and English Common Law.



The legal and regulatory framework in Mauritius follows best international practice, contributing to the country's growing role as an International Financial Center. The regulators, policy makers and dedicated authorities have critical roles in economy and their operations are centered towards creating and sustaining a stable macroeconomic environment; building a vibrant, safe and sound banking system; and supporting an efficient payments system, amongst others. The safety and soundness of the financial system hinges on adequate capital and good governance practices, including robust risk management systems.

AML/CFT FRAMEWORK

Mauritius enacted the Financial Intelligence and Anti –Money Laundering Act in 2002 (FIAMLA). Amongst other things, the FIAMLA established the Financial Intelligence Unit, criminalized money laundering and set out AML/CFT obligations for financial institutions and designated non-financial businesses and professions. Mauritius has already undergone two mutual evaluations and the most recent mutual evaluation report was published in September 2018.

As a founding member of the ESAAMLG, Mauritius remains committed to fully implement the international standards for combating money laundering and the financing of terrorism and proliferation. In August 2018, amendments were brought to a number of legislation through the Finance (Miscellaneous Provisions) Act 2018. The relevant amendments introduced are in force and aim at strengthening the AML/CFT framework by:

- (a) enhancing the existing legal framework for preventive measures that apply to financial institutions and Designated Financial Businesses and Professions, which are now collectively referred to as “reporting persons”;

- (b) extending the scope of the FIAMLA to include the financing of proliferation;
- (c) establishing a legal framework to support the National Risk Assessment exercise, currently underway, and which is expected to be completed by February 2019;
- (d) addressing the technical deficiency regarding the status of the Guidance Notes issued by the Bank of Mauritius as “enforceable means”;
- (e) providing a general penalty for contravention of those provisions of the FIAMLA for which no specific penalty was set out;
- (f) amending the Bank of Mauritius Act, Banking Act and FIAMLA to the following effect:
 - (i) the Bank of Mauritius may share information with competent agencies responsible for AML/CFT;
 - (ii) Financial institutions can disclose information among themselves in circumstances set out in the FATF Standards;
 - (iii) The existing practices of the Bank of Mauritius with respect to due diligence conducted on the beneficial owners of an applicant for a banking license are now entrenched in the law;
 - (iv) The provisions regarding shell banks were aligned with the FATF Standards;
 - (v) To facilitate risk-based supervision, the timeframe to undertake an on-site examination may be determined by the Bank of Mauritius;
 - (vi) Financial institutions are now required to undertake a risk assessment, including identifying the money laundering and terrorism financing risks, prior to the launch or use of new products and new business practices.

In addition, a new set of regulations namely, the Financial Intelligence and Anti-Money Laundering Regulations 2018) were promulgated on 28 September 2018 and became effective on 01 October 2018. The Regulations 2018 address the following FATF requirements *inter alia*:

- (i) Customer Due Diligence;
- (ii) Politically exposed persons;
- (iii) Correspondent banking;
- (iv) Money or value transfer services;
- (v) New technologies;
- (vi) Wire transfers;
- (vii) Reliance on third parties; and
- (viii) Internal control and foreign branches and subsidiaries.

Mauritius is in the process of enacting new legislation to implement targeted sanctions, including financial sanctions, arms embargo and travel ban, and other measures imposed by the United Nations Security Council under Chapter VII of the Charter of the United Nations to address threats to international peace and security.

The assessment of the money laundering and terrorism financing risks at national level was launched in January 2017 and it is expected that this exercise will be completed by the second quarter of 2019. This exercise is being conducted with the collaboration of all relevant public sector and private sector institutions and is coordinated by the Ministry of Financial Services and Good Governance. A National Action Plan and National Strategy 2019-2022 are also in the process of being finalized.

Sound and Robust Institutions

Bank of Mauritius

The Bank of Mauritius is mandated under the Bank of Mauritius Act to regulate and supervise financial institutions, namely banks, non-bank deposit taking institutions and cash dealers, carrying on activities in, or from within, Mauritius. The Bank of Mauritius is the AML/CFT regulator and supervisor for the Banking Sector and ensures that its regulatees complies with the AML/CFT requirements set out in the different pieces of legislation. In addition, thereto, there are specific provisions in the Banking Act which vest on the Bank of Mauritius the power to take such action and issue such guideline, directive or instruction as it may consider necessary for the prevention of money laundering and terrorism financing.

Bank of Mauritius: Achievements

The Bank has remained committed throughout the years on enhancing its network of co-operation with other counterpart institutions. On the domestic front, the Bank has entered into seven Memoranda of Understanding (MoUs) with, namely, the Financial Services Commission, the Statistics Mauritius, the Financial Intelligence Unit, the Mauritius Revenue Authority, the Competition Commission of Mauritius, the Registrar of Cooperative Societies and the Independent Commission Against Corruption. The Bank ensures coordination and sharing of information with its counterparts under these MoUs.

The Bank of Mauritius has entered into MOUs on cross border supervision and information sharing with its foreign counterparts. The MOU sets forth a statement of intent between the Bank of Mauritius and its counterparts to establish a framework for mutual assistance, cooperation and the exchange of information in the fulfilment of the institutions' respective supervisory responsibilities.

The Bank has constantly updated its Guidance Notes on AML/CFT in light of the changes brought in the international anti-money laundering and combating the financing of terrorism and proliferation standards issued by the Financial Action Task Force, commonly referred to as the FATF Recommendations, as well as guidelines issued by the Basel Committee on Banking Supervision on Sound management of risks related to money laundering and financing of terrorism. The Bank of Mauritius has travelled a long way in its efforts to combat money laundering and will continue in this endeavour.

There has been a high degree of consistency of the Bank's Guidance Notes with the FATF Standards in respect of adoption of Customer Due Diligence (CDD) measures, which has promoted understanding and application of the CDD obligations by the financial institutions (FIs). This was enhanced by the engagement of the Bank with its regulated entities in various fora. The Bank has, over time established, procedures for assessing the fitness and probity of significant shareholders, beneficial owners, directors and senior management at licensing stage including post-licence acquisition of significant interest in an entity, which helps in preventing criminals from holding shares or holding a management function in institutions under the Banking Act. The Bank of

Mauritius has also successfully implemented an automated system and acquisition of transaction monitoring tools which have significantly improved the ability of the regulated entities to adequately apply on-going monitoring measures especially on the high-risk customers and transactions in a uniform manner.

As regards improvement in the Bank's AML/CFT supervisory and regulatory framework, the Bank has already launched a remediation process through the deployment of an elaborate action plan. Some of the measures, which the Bank has already embarked upon, include; engagement with the World Bank to formalise a documented risk-based AML/CFT supervisory framework and the implementation of this process has effectively started since January 2018, the Bank has set up a dedicated arm for AML/CFT supervision of financial institutions and enhanced its AML/CFT off-site monitoring supervisory toolkit through a revision of its reporting requirements, and the Bank has reviewed its licensing criteria since October 2017 to make it mandatory for an applicant to have a fully automated AML/CFT system in place prior to the start of operations.

Financial Services Commission

The Financial Services Commission, Mauritius (the 'FSC') is the integrated regulator for the non-bank financial services sector and global business sector. Established in 2001, the FSC operates under the Financial Services Act (FSA), and administers the Securities Act (SA), the Insurance Act (IA), the Private Pension Schemes Act (PPS), the Captive Insurance Act, Protected Cell Companies Act and Trusts Act. The FSC licenses, regulates, monitors and supervises the conduct of business activities in the non-banking financial services and the global business sectors. In monitoring the conduct of business activities of its licensees, the FSC focuses inter alia on market conduct, Anti-Money Laundering and Combating the Financing of Terrorism requirements, good corporate governance principles and international norms and standards.

Financial Services Commission Achievements

The FSC has signed several Memoranda of Understanding (MOUs) with regulatory bodies (including foreign supervisory bodies) to facilitate mutual assistance and exchange of information. The main objectives of the MOUs are inter alia to: consolidate supervision of cross-border operations of financial institutions; define mechanisms to share information in accordance with international standards; and reinforce collaboration amongst institutions in the fight against financial crime, money laundering and the financing of terrorism.

In particular, the FSC signed a Memorandum of Understanding (MOU) with the Financial Intelligence Unit (FIU) of Mauritius which describes the ways in which both institutions will collaborate to prevent Money Laundering and the Financing of Terrorism. The FSC, in compliance with Section 22 of the Financial Intelligence and Anti-Money Laundering Act 2002, shares any information on the possibility of a money laundering offence or suspicious transaction with the FIU. In addition, pursuant to the provisions of the Mutual Assistance in Criminal and Related Matters Act 2003, a foreign authority may, in relation to a serious offence, make a request to the Attorney General for assistance in any judicial proceedings carried in their jurisdiction state.

To further reinforce collaboration amongst institutions in the fight against financial crime, money laundering and terrorism financing, two new tripartite MOUs were signed on 19 September 2018 between (FSC, Bank of Mauritius (BoM) and FIU on the one hand, and the FSC, FIU and Independent Commission Against Corruption (ICAC), on the other hand. These two tripartite MOUs add to the gamut of existing bilateral and multilateral MOUs.

As part of its capacity building and training programmes, the FSC, in collaboration with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), hosted a regional workshop on Risk Based Supervision for Securities and Insurance/Pensions Supervisors from 19 to 22 November 2018 in Mauritius. Around 60 participants were present from 18 countries. The workshop aimed to assist supervisors of insurance, securities and pension sectors in enhancing their understanding and application of risk based supervision for AML/CFT in line with the Financial Action Task Force (‘FATF’) requirements and apply a focused supervision strategy. The workshop on risk-based supervision was to strengthen the capacity of supervisors in the ESAAMLG member countries.

In the Budget 2018/2019, the Government of Mauritius announced that the FSC, in collaboration with the OECD, would host a Regional Centre to foster capacity building and eliminate financial malpractices. The collaboration with the OECD was sealed in September 2018 through a Memorandum of Understanding (MoU) that was signed by the Honourable Prime Minister Pravind Kumar Jugnauth and His Excellency, Mr Angel Gurria, Secretary General of the OECD.

The capacity building programmes will cover areas including, but not limited to, insurance and pensions, combatting financial misconduct, AML/CFT, corporate governance and fair competition, financial literacy and financial inclusion, capital markets, cross-border investments, anti-bribery and anti-corruption, data protection, as well as, Fintech and Blockchain policy issues. The establishment of the FSC’s Regional Centre of Excellence in Mauritius underlines the commitment of Mauritius to enhance and elevate financial services within the jurisdiction.

Mauritius Revenue Authority

The challenges facing MRA Customs as a main border agency have evolved over the years and require improved abilities to counter transnational crimes. Physical transportation of cash as a method of money laundering is widely used by criminals for drug trafficking, tax fraud, weapons and arms smuggling, human trafficking and the financing of terrorism.

Mauritius Revenue Authority Achievements

Following the upsurge in the value of drugs seized in the Island and intelligence reports indicating that these drugs are wholly imported, these imply that large amount of cash may have been illegally transferred for their purchase. In view of enhancing controls, MRA has implemented a dedicated team, the Anti-Money Laundering Unit (AMLU), for better controlling physical transportation of cash and Bearer Negotiable Instruments (BNI) across borders by cash couriers and through containerized cargo, freight and courier services.

This policy aims to enhance controls on physical cross border transportation of cash and BNI and increase compliance of persons in regards to their obligations and the implementation of best

practices by the department in accordance with the Financial Action Task Force (FATF) recommendations. FATF is an intergovernmental body having the same objective of combating money laundering and financing of terrorism.

The Customs Act has recently been amended to make provision for detention of currency for a specific period where there is suspicion of money laundering to allow further investigation to be carried out by the MRA. Also where there is suspicion of the financing of terrorism or any other criminal offence the amount of the currency or bearer negotiable instruments found in the possession of the person will be detained and refer the matter, and at the same time remit them to the police or such other relevant investigatory body.

The AMLU shares all information relative to physical cross border transportation of currency internally to other sections within the MRA and also shares information with other agencies such as Independent Commission Against Corruption (ICAC), Mauritius Police Force (MPF) and Financial Intelligence Unit (FIU).

MRA is working in close collaboration for sharing of information at regional and international level through Customs Mutual Administrative Assistance Agreements (CMAAA), Memorandum of Cooperation (MoC) and other World Customs Organisation (WCO) instruments.

The Independent Commission against Corruption

The Independent Commission against Corruption (ICAC) is the law enforcement agency responsible to investigate and prosecute money laundering offenses. One of the key functions of the ICAC is to lead the national fight against money laundering and corruption through a three-pronged strategy based on investigation, prevention and education, encompassing both the reactive and proactive modes. The Commission comprises 4 Divisions, namely: The Corruption Investigation Division (CID); the Corruption Prevention and Education Division (CPED); the Legal Division (LD), and the Corporate Services Division (CSD) which is a non-statutory division. The CID is divided into 2 units: Corruption and Anti-Money Laundering. The further setting up of dedicated units such as the Digital Forensic Lab and the Intelligence team has led to the acquisition and honing of specialist skills in order to develop a pool of investigators with the capacity to enquire into complex cases.

The Independent Commission against Corruption Achievements

The ICAC has, in the recent years, undergone its self-introspection with a view to becoming more effective and efficient. During its teething period, when it was newly set up, the ICAC had adopted what may be described as a traditional strategy to investigations. These were initiated on the basis of complaints received at the Commission. Given that the majority of complaints received were corruption-related, the main focus, as an investigatory body, was to secure convictions. Likewise, the money laundering investigations were reactive, essentially arising from complaints received, although there was, through the use of financial investigation tools provided by the law, an element of proactivity.

However, this strategy did not emphasise on the link between the corruption proceeds and money laundering, such that the culprits' illicit gains had, in the past, generally not been subject to

investigation for eventual forfeiture. Since assets recovery constitutes the underlying basis for corruption and money laundering investigation, the reactive strategy was reviewed by new management in July 2016. Since then, greater focus has been placed on the role of money laundering in combating financial crime and corruption, without necessarily playing down the need for continuous fight against corruption.

Timely and better coordination between different units of the investigative division, increasing assistance from the in-house LD, constant follow-up of sensitive and high profile cases along with the capacity building efforts have resulted in boosting productivity and efficiency.

Prevention and education are increasingly being recognised as crucial strategies in the fight against corruption and money laundering. An all-inclusive partnership approach is adopted where the ICAC works closely with the different stakeholders in society. Through prevention and education, the ICAC aims at empowering members of the public and organisations to recognise acts of corruption, resist and reject them and undertake actions to reinforce a culture of integrity. Over the years, our strategies have evolved from creating awareness on the dangers of corruption to empowering and encouraging stakeholders to take ownership of the fight by engaging in initiatives to promote an integrity culture.

The ICAC has reached out to a broad spectrum of the civil society and regulatory bodies in order to have a national consensus in the fight against corruption and money laundering through, amongst others; the implementation of the Public Sector Anti-Corruption Framework (PSACF) which has the objective of assisting public bodies in the setting up of anti-corruption strategies, evaluating them independently and improving on existing measures, regular empowerment programmes with stakeholders from the public sector, private sector, education sector and civil society. As at date, the ICAC has interacted with 350,000 persons through face to face sessions; the conduct of Corruption Prevention Reviews (CPRs) which is an analysis of systems and procedures of public bodies to identify weaknesses/loopholes leading to corruption risks and recommend remedial measures; development of corruption prevention tools/best practice guides to address corruption risk areas; and assistance to organisations to come up with codes of conduct and integrity programmes.

The ICAC spearheaded in 2016 an initiative aimed at ensuring a more effective inter-agency collaboration through coordination meetings among the different law enforcement agencies namely the Mauritius Police Force, the Financial Intelligence Unit, the Mauritius Revenue Authority, the Financial Services Commission and the Mauritius Prisons Service, the Customs Department, the civil society and the media.

ICAC aims to become a model of excellence in the region, regarding the fight against corruption and money laundering and in the promotion of good governance. As such, an International Cooperation and Capacity Building Unit was set up to facilitate international cooperation and capacity building of staff in a transnational resource and knowledge sharing exercise.

Attorney General's Office

The Attorney General's Office (AGO) provides legal and legislative drafting services to the Government. The Attorney General's Office is the only institution that interacts with the three

constitutional powers namely the Legislature (National Assembly), the Judiciary (Courts) and the Executive (Government/Ministries). The Office also provides assistance to the Courts in its capacity as Ministère Public in addition to a number of other statutory powers vested upon it. The AGO looks at the Mutual Legal Assistance system and extradition system.

Requests for mutual legal assistance are governed by the Mutual Assistance in Criminal and Related Matters Act 2003. All requests, whether to a foreign state or from a foreign state, are made through the Attorney-General, who is the Central Authority. Those requests are limited to matters in relation to “serious offences”, which are defined as offences carrying a maximum penalty of not less than 12 months’ imprisonment under the law of Mauritius and also under the law of the foreign state, or offences under international criminal tribunals.

Extradition requests are now governed by a new Extradition Act, which came into operation in May 2018, replacing the now repealed Extradition Act of 1970. Mauritius allows extradition from its territory if an extradition treaty with the foreign state is in force. Since the coming into operation of the Extradition Act 2017, a counter-terrorism convention, to which both Mauritius and a foreign state are parties, is now regarded as a valid extradition treaty for the purpose of those offences falling within the scope of the convention. Additionally, under the Extradition Act 2017, in the absence of an extradition treaty, the Attorney-General may still consider the request if he is of the opinion that the extradition would be in the interests of justice, or if assurances are given by a foreign State that the foreign state would grant a comparable request if one were to be made by Mauritius.

The Law Practitioners Act 1985 provides for registration of law firms, Foreign law firms and Joint law ventures by the Attorney General. The law firms are regulated by the Law Practitioners Act and the Companies Act 2001. The registered law firms are expected to perform any function that a law practitioner can lawfully perform.

Attorney General Office Achievements

The Attorney General has received more than 55 requests under the Mutual Assistance in Criminal and Related Matters Act since 2014 up to now. These requests come from various countries including United Kingdom, USA, India, China, Madagascar, the Republic of Kenya and Austria to name but a few.

The Attorney General’s Office has since 2014 dealt with 6 cases of extradition amongst which was the case of Mr and Mrs Sicart who were accused of offences of ‘abus de confiance, escroqueries en bande organisée’ and “faux usage de documents en écriture privée”.

Presently Mauritius has as at date 42 Law Firms which are registered under the Law Practitioners Act consisting of 4 Joint law Ventures, 1 Foreign Law Firm and 37 Law Firms.

Registrar of Companies

At its inception, the Corporate and Business Registration Department (CBRD) which was formerly the Companies Division, under the supervision of the Registrar, was administering companies registered under the Companies Act and Societe under the French Codes only. In 2006 the CBRD

was designated to be the one stop for registration of all businesses. As from 2011, the CBRD was mandated this time to administer the Limited Partnerships Act, the Foundations Act in 2012 and the Limited Liability Partnerships Act in 2017. Today it is now a Government Department registering all types of legal and natural persons involved in any kind of businesses including the allocation of business registration number all Associations, Trade Unions and Cooperatives. The CBRD is now the repository of one of Government largest database. in this country Live Information is published on its website and is available free of charge.

Registrar of Companies Achievements

Both money laundering and terrorist financing are strictly regulated in Mauritius. Money laundering is the concealment of the illegal origins of income from certain criminal activities, referred to as prior criminal offences. Every financial centre runs the risk of being misused for money laundering. The scope of terrorist financing is more difficult to define than money laundering. It is understood to be the providing of assets for the perpetration of a terrorist act. Similarly, in the fight against terrorist financing, international standards also exist for combating the proliferation of such financing. The government has put up various structures to monitor carefully all suspicious business activities. Prevention of Drugs trafficking is high on the agenda of the government.

To facilitate the monitoring exercise, a series of measures have been applied. The Public Sector business program and service delivery solutions have been introduced to facilitate the inclusion of social and economic growth. The use of technology E-platforms (such as e-procurement, etc), tools and applications as an accelerator for improved quality service, efficiency, productivity, performance and results have taken over the manual processes. The CBRD is now becoming an almost virtual registry as all processes and updating are made online.

The use of objective-oriented systems has also been introduced to simplify and automate business processes to be forward-thinking, rapid, responsive and efficient for customers thus maximizing compliance. Along with enhancements to the existing legislations, structural reforms on institutional frameworks have been implemented. Specialised units for corporate search and demand for copies of documents as evidence are available. Onsite inspections are carried out for better compliance rate. Offences are compounded by the CBRD with the approval of the Director of Public Prosecution. Non-compliant companies are removed from the register.

Regulations for the sharing of information via the info highway system have been issued to communicate with other government agencies to facilitate enquiries for both national and international issues. Regular interactive governmental committees are set up whenever required to coordinate compliance. In some cases, direct access to the system is given to expedite matters. Lately amendments were made for the disclosure of beneficial ownership information in specific circumstances.

REPUBLIC OF MOZAMBIQUE



GENERAL OVERVIEW

Mozambique is located in the southern part of the African continent. It is part of the Southern Region, with a total area of 801,590 km², with a population of 28,861,000, according to statistics for 2017. To the north it borders Tanzania, the West with Zambia, Malawi, Zimbabwe and South Africa, the Southwest and South with South Africa and the Kingdom of Eswatini, and the East with the Indian Ocean. It is administratively divided into 11 provinces, namely Niassa, Cabo Delgado, Nampula, Zambezia, Tete, Manica, Sofala, Inhambane, Gaza, Maputo and Maputo City (province status), and in 154 districts and 53 municipalities.

The Mozambican coastline covers an area of 2,795 km of coastline, with a number of islands such as the Quirimbas Archipelago, the Ibo and Mozambique islands, the Angoche and Primeiras Islands, and more to the South, the Chiluan Island, the Bazaruto Archipelago; Regarding Maputo Bay, the Xefinas, Portugueses and Inhaca Islands.

Most Mozambican rivers are oriented from the Northwest to the Southeast, or from West to East. The most important rivers are Rovuma - Lugela, Lúrio, Ligonha, Zambezi, Púnguè, Búzi, Save, Limpopo, Incomáti and Maputo.

Mozambique's main export products are Aluminum, Mineral Coal, Wood, Tobacco, Electricity, Chrome Ore, Iron and Steel. Recently, it was discovered that, Mozambique has gas reserves in the Rovuma basin.

Mozambique became independent from Portugal on June 25, 1975, having approved the first Constitution of the Republic, with a one-party system and a People's Assembly and defined as its Capital, the City of Maputo.

The official language is Portuguese. The one-party system was amended with the approval of the new Constitution of the Republic of Mozambique in 1990, when the multiparty system was introduced. The Constitution of the Republic was later updated/ amended in 2004 and 2018 to accommodate new developments.

Regarding the Legal System, the Republic of Mozambique has adopted the Roman-Dutch system, also known as "Civil Law", being governed by a Constitution that establishes a rule of Law and a Democratic State. It has three organs of power, namely the Executive (President of the Republic and the Cabinet or Council of Ministers), the Legislative (Parliament) and the Judiciary, which comprises the organs of Administration of Justice. The Constitution of the Republic of Mozambique ensures the separation of powers mentioned above.

Mozambique is a member of the United Nations, the Southern African Development Community (SADC), African Union, Portuguese Speaking Countries Community (CPLP), African Countries of Portuguese Official Language (PALOP'), Commonwealth and the Islamic Organization.

Recent Developments in the Mozambican Economy

Key Macroeconomic and Financial Indicators

(g) Gross Domestic Product (GDP): Moderate 3.3% growth in the first 9 months of 2018, with the third quarter registering an annual increase of 3.2%. The performance of economic activity in this period was led by the extractive industry with an annual growth of 15.4%, followed by agriculture (3.8%), trade and repair services (3.8%) and hotels and restaurants (3.3%), together contributing to the GDP growth by 2.17 pp. The good weather conditions, on the supply-side, and the higher external demand for mining, on the demand-side, are the main factors driving economic activity in a context of subdued domestic demand.

(h) Inflation: In 2018 annual inflation remained low and stable. It slowed down from 5.65%, in December 2017, to 4.27%, in November 2018, allowing an annual average inflation of 4.08%, significantly below the target set by the State (11.90%), after 15.11% in December 2017. This stability continues to reflect the impact of the monetary policy restrictive measures taken by the Banco de Moçambique (BM) in 2016, which had a direct impact on exchange rate stability and the reduction of aggregate demand, in a context in which (i) the State has been implementing, since 2017, further fiscal consolidation measures, and (ii) the domestic supply of food products increased as a result of improved climatic conditions in 2018.

(i) Balance of Payment

Preliminary data indicate that by September 2018, economic transactions between resident economic agents and the rest of the world point to a current account deficit of USD 2,447.0 million, corresponding to an escalation of USD 871 million, over the same period of 2017, mainly explained by the increases in the deficits of the partial goods account by USD 320 million and services by USD 684 million.

Net International Reserves (NIR)

Provisional data indicate that the balance of NIR at the close of November 2018 stood at USD 2,883.70 million, corresponding to a loss of USD 178.00 million, compared to the figure recorded at the end of 2017, which is equivalent to a balance of Gross International Reserves of USD 3,130.20 million, an amount sufficient to cover 7 months of imports of non-factor goods and services, excluding large project transactions, and slightly above international standards (3-6 months). The main factors of NIR variation are summarized in the table below.

Exchange Rate

The period from January to November 2018 was marked by some volatility in the exchange rate, standing at 61.52MZN/USD on 30 November, equivalent to a depreciation of 4.48%, in relation to the rate registered at the end of 2017, and 1.87% in comparison to November 2017.

The volatility of the domestic currency somewhat reflected aspects such as the strengthening of the US dollar in the international market, and a certain speculative behavior of the economic agents

holding foreign currency, in the first quarter and in August 2018, faced with greater demand for foreign currency in the domestic market for financing imports.

In the first three quarters of 2018, the South African Rand was traded between commercial banks and their clients at an exchange rate of 4.52 MZN/ZAR, after 4.76 MZN/ZAR at the end of 2017, equivalent to a cumulative metical appreciation of 5.4%, and annual depreciation of 2.96%.

Money Supply

In the first ten months of the year, money supply measured by M3⁹ expanded by MZN 14,030.3 million (+ 3.6%), reflecting the increase in foreign currency deposits by MZN 9,419.0 million (+9.6 %), equivalent to more than USD 110.8 million (+ 6.7%), in line with the good performance of the export sector. In addition, the period in question was marked by the increase of deposits in national currency by MZN 7,096.0 million (+ 2.8%), on a scenario in which cash return to the banking system reached MZN 2,485.5 million (-6.8%). As a result of these variations, there was an annual increase of M3 by MZN 23,889.3 million (6.4%).

Credit to the Economy

The period from January to October 2018 was marked by a reduction in credit granted by commercial banks to the private sector, as a result of factors such as:

Poor financial capacity of the State, which has been jeopardizing the payments of expenses incurred in previous fiscal years, as well as of incurring investment expenses;

High risk of the commercial banks' client portfolio, measured by the high level of bad credit which is around 12.2% of total portfolio, after reaching around 6% in the first months of 2017;

Anks' preference to apply bank liquidity in securities (Treasury Bills and Treasury Bonds), to the detriment of private sector lending.

In the first eight months of the year, credit to the private sector declined by MZN 2,302.4 million (-1.0%), due to the reduction of credit in local currency by MZN 1,202.4 million (-0, 7%), as well as in foreign currency in an amount equivalent to MZN 1,100.0 million (-2.2%). In annual terms, credit fell by MZN 14,576.0 million (-6.1%).

Reference Interest Rates (MIMO) and of IMM Transactions

Up to November 2018, the MPC signaled a monetary policy decompression by reducing the MIMO rate, which was broadly reflected in the fall of interest rates on instruments traded on the Interbank Money Market (IMM), as well as in the interest rates applied by commercial banks in

⁹ Cash in circulation outside the banking system plus the total deposits of residents, excluding non-monetary financial institutions.

their transactions with the public. Indeed, the MIMO rate accumulated a year-on-year reduction of 450bp to 15.00%, a rate that was applied to reverse-repo transactions and liquidity swaps between commercial banks for one-day period. In line with the MIMO rate decline, interest rates on Treasury Bills auctions for maturities of 91, 181 and 364 days reduced from 23.75%, 24.17% and 24.98%, in December 2017, to 14.00% 13.99% and 13.96% in the first week of December 2018, respectively.

Retail Interest Rates

Data concerning September 2018 show that interest rates on new operations between commercial banks and their clients had consolidated the downward movement. Indeed, nominal interest rates on new loans declined, on average, by 8.76 percentage points since the beginning of the year to 23.13% in September 2018. In the first nine months of the year, prime rate reduced by 6.85 percentage points, to 20.40% in November 2018.

Interest rates on new deposits declined at a similar pace, falling by 8.21 percentage points, from January to September 2018, to 11.1%, resulting in a spread between active and passive interest rates of 12.03 percentage points, very close to the 12.58 percentage points registered in December 2017.

Measure Taken by BM in 2018

Monetary Policy

Up to November 2018, the BM held four Monetary Policy Committee (MPC) sessions, where the following decisions were taken:

Reduction of the monetary policy interest rate, MIMO rate, cumulatively, 450 basis points to 15.00%;

Reduction of interest rates on Standing Lending Facility (SLF) and the Standing Deposit Facility (SDF) by 250 and 200 basis points to 18.00% and 12.00%, respectively; and

Increase in the reserve requirement ratio for foreign currency liabilities by 1300 basis points, to 27.00%, and maintenance of the ratio for liabilities in domestic currency at 14.00%.

Prudential and Financial Measures

Publication of the Code of Conduct for Credit Institutions and Financial Companies;

Approval of the Regulation on Advertising Financial Products and Services;

Approval of the prudential limits to the concentration of risks that credit institutions assume with their counterparts;

Revision of the agreement on the single index, which consisted in: (i) adopting a mathematical model for calculating the cost premium; (ii) define the standard customer profile of banking

institutions and provide credit spreads; and (iii) harmonize concepts and introduce meta data to facilitate the reading of economic agents.

Approval of the regulation on the determination of ratio between the value of the loan and the value of the guaranteed asset and the ratio of debt service to customer income; and

Introduction of the regulation on Domestic Credit Institutions of Systemic Relevance.

Exchange Policy and Transactions

Resumption of daily foreign exchange sales in the Interbank Foreign Exchange Market (IFEM) for purposes other than fuel, coupled with the adoption of the weekly pre-announcement of the respective amounts to cope with the excessive volatility of the Metical exchange rate vis-à-vis the US Dollar.

Approval of the Regulation that defines the conditions for movement of the Specific Account of Export Revenue;

Approval of the Regulation that establishes rules and procedures complementary to the special exchange regime for oil and gas operations;

Review of the rules on the limit of sale, withdrawal, entry and exit of foreign currency.

LEGAL FRAMEWORK FOR ANTI-MONEY LAUNDERING AND FINANCING OF TERRORISM

Regarding the measures to prevent and combat money laundering and fight against the financing of terrorism, Mozambique ratified the Vienna Convention on the Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Palermo Convention, which adopts measures to counter Transnational Organized Crime. Mozambique is also a signatory of the United Nations conventions against Corruption (Merida Convention) and adopted by the African Union.

- Mozambique ratified and domesticated the following UN Conventions on TF:
- International Convention for the Suppression of Acts of Nuclear Terrorism 2005;
- Amendment to the Convention on the Protection of Nuclear Material, 2005;
- Protocol of 2005 to the Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation; and
- Protocol of 2005 to the Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms located on the Continental Shelf.
- Mozambique is a founding member of the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG), established in August 1999 in the City of Arusha, United Republic of Tanzania.

In this regard, in September 2009, Mozambique underwent a process of Mutual Evaluation carried out by (ESAAMLG).

The evaluation aimed at assessing the level of compliance with international standards in respect to the Mozambican anti money laundering and financing of terrorism legal framework and, assess the

degree of implementation of the FATF 40 + 9 Recommendations for the protection of the national financial system against misuse by criminals for money laundering and terrorist financing.

The Mutual Evaluation report of Mozambique was adopted in 2011, in the Republic of Mauritius.

Since then, the Government of Mozambique, aware of the harmful effects of money laundering and terrorist financing to the nation, region and international financial system has been putting in place measures to counter the effect of these crimes.

As a way of addressing the deficiencies identified in the Mutual evaluation report, the government of Mozambique came up with a five years action plan, Post Mutual Evaluation Report and also approved a National Strategy to Prevent and Combat Money Laundering and Terrorism Financing.

Mozambique criminalized Money Laundering through Law no. 7/2002 of 5 February, the Anti-money laundering Act.

In August 2013, the government of Mozambique passed a new Act, Law 14/2013 of 12 August, the new AML/CFT law, which repealed and replaced the old one. This Act aimed at reinforcing preventive measures (Customer Due Diligence, restraint, record keeping, Report of STRs, collaboration, control and training) and of criminal nature

(new criminalization of Money Laundering and widening the scope of predicate offences criminalization of Terrorist Financing and Criminal Organizations).

In order to align the AML/CFT laws in force with the current challenges in which this crimes must be tackled more vigorously and at a global scale, by making the various mechanisms provided for in international instruments applicable in Mozambique, in August 2018, the Parliament passed Law no. 5/2018, of 2 August, which establishes the legal framework for the Prevention, Suppression and fight against terrorism.

BANK OF MOZAMBIQUE AML/CFT INITIATIVES FOR THE FINANCIAL SECTOR

The financial services sector is regulated and supervised by two independent institutions - namely the Bank of Mozambique, for all matters pertaining to banking, foreign exchange institutions, micro-finance deposit-taking institutions, capital markets, leasing activities, mobile money companies and the Mozambique Insurance Supervision Institute, for all nonbank financial services such as insurance, and private pensions funds.

The banking sector is very active and mature, with nineteen commercial banks, all characterized by varying degrees of foreign ownership. The two largest banks are owned by Portuguese banks.

The Bank of Mozambique, as the Central Bank, created by Law n.º 1/92, of January 3 is responsible for overseeing and safeguarding the stability, integrity and efficiency of the banking industry.

Under the AML/CFT Act, 2013, and its regulation of 2014, all financial institutions have been provided with the Financial Institutions (Anti-Money Laundering) Guidelines to ensure adherence

to the practices of monitoring and reporting money laundering or criminal activities, in particular suspicious transactions, approved by the Notice n.º 4/GBM/2015, of June 17.

The Bank of Mozambique has continued enforcing AML/CFT standards within the financial sector (and strengthened supervision on AML/CFT through the implementation of strategic measures, namely:

- Signing MoUs with GIFiM for exchange of information, preferably through the electronic platform GoAML;
- Conducting regular meeting with the GIFiM to discuss issues related to AML/CFT;
- Carrying out public awareness campaign on matters of AML/CFT;
- Carrying out the revision of the banking law;
- The Bank of Mozambique has been accepted as associate member of IOSCO from August 2018;
- From 2017 to 2018, the Bank of Mozambique has conducted administrative AML/CFT processes having support examinations and FIU Reports, and;
- Imposing fines on several banks.

MOZAMBIQUE FINANCIAL INTELLIGENCE UNIT (GIFiM)

The government of Mozambique has established the *Gabinete de Informação Financeira de Moçambique*, abbreviated as GIFiM, the Mozambican Financial Intelligence Unit, as provided for under Law 14/2007, of 27 June,.

GIFiM is an administrative FIU. It is a state agency with national representation and it has administrative and technical autonomy, functioning under the auspicious of the Council of Ministers.

GIFiM has been operational since July 2011 and operates autonomously and independently and the main function are, receiving, requesting, centralizing, analyzing and disseminating, to the competent judicial and law enforcement authorities and supervisory and monitoring authorities, information on economic and financial operations which could lead to the practice of money laundering and terrorist financing.

Reporting of Suspicious transactions to the GIFiM is done through the aid of software called goAML.

Since starting operations the number of STR's, CTR's and EFT's has grown significantly, year after year.

Regarding trainings, it is worth mentioning that, the GIFiM organizes, on a regular basis and whenever necessary, training for compliance officers mainly working for financial institutions on issues related to reporting mechanism, typologies and trends and CDD issues, in order to ensure that the reports sent to the GIFiM are of high quality and relevant.

In June 2018, the parliament passed a new GIFiM Act, Law No. 2/2018, of June 19.

This Act repeals and replaces the old GIFiM Act.

The current GIFiM Act provides greater autonomy, operational independence and financial capacity to boost its activities, including training and public awareness, and to adjust the legal and operational framework that responds to international characteristics and good practices for FIUs.

GIFiM has signed MoUs with domestic and international counter parts to facilitate and expedite the exchange of information.

Regarding, domestic entities, GIFiM has signed MoUs with the following entities: (i)

National Criminal Investigation Service (SERNIC), (ii) Bank of Mozambique, (iii) Attorney General's Office, (iv) Revenue Authority, and (v) Anti-Corruption Office/Unit.

NATIONAL CRIMINAL INVESTIGATION SERVICE (SERNIC)

SERNIC was created by Law 2/2017 of January 9, replacing the extinct Criminal Investigation Police Unit.

SERNIC is a public service of paramilitary nature, auxiliary of the administration of justice endowed with administrative, technical and tactical autonomy without prejudice to the guardianship exercised by the Minister who oversees the area of order, security and public safety, in matters that do not affect its autonomy, in accordance with Article 3 (1).

This service is governed by the principles of rigor in respect for legality, impartiality, non-partisanship, exemption, objectivity, respect for human rights, justice, integrity and honesty.

Within the scope of its functions of prevention, investigation and criminal proceedings, among others, SERNIC is assigned the following competences:

Promote and carry out actions aimed at general prevention and criminal investigation;

To assist the judicial authorities and to carry out the preparatory instruction for criminal proceedings;

Centralize, analyze and disseminate information on crime, technical and scientific expertise;

Investigation of crimes against persons, patrimony, cyber-crimes, public order and safety, money laundering, financing of terrorism, trafficking in persons, organs and parts of the human body and drug trafficking;

In the framework of cooperation, SERNIC is also responsible for liaising with national criminal investigation bodies to the international police organization INTERPOL, SARPCOO and other organizations of the same nature.

THE ANTI-CORRUPTION UNIT

Law No. 16/2012, of August 14 (Law on Public Probity): this Law is intended to establish the basis for safeguarding public morality and respect for public property and regulates various aspects such as ethical duties and principles, prohibitions to civil servants, declaration of assets by

certain categories of servants and conflict of interest. Regarding the issue of prevention and combat of conflict of interest the law established the Central Commission of Public Ethics and provides that in each public institution there should be a public ethics committee. On the other hand, the law establishes certain criminal offenses for cases of violation as well as penalties or implications of a civil, administrative and disciplinary nature.

Penal Code (passed through Law no. 35/2014, of 31 December): The importance of this instrument was to regulate and harmonize the current challenges faced by society at large since the previous Penal Code was approved in the colonial era, 1886 which was in force until the approval of the recent one. As far as corruption is concerned, the great value of approving this Code consisted in unifying in one instrument, provisions related to legal types of crimes that were dispersed/scattered in different legal instruments, widen the scope of corruption offence to other sectors (such as the private sector, sports, cooperative, etc.). In Mozambique, corruption was only punishable in the public domain, as well as criminalized corruption involving magistrates and criminal investigation officers influence peddling, embezzlement and illicit enrichment.

Law no 4/2017, of January 18 (Organic Law of the Public Prosecutor's Office): Law that establishes the reference to the Anti-Corruption Unit to Combat Corruption as well as its powers. Regarding the same, it refers to the law that the Central Office for Combating Corruption comprises the Provincial Offices to Combat Corruption.

Decree no 27/2014 (Model of Asset Declaration): The Public Probity Law sets the obligation of declaration of assets by certain public servants. Such obligation extends to the respective spouses or person living with the public servant in an analogous situation, children and dependent minors.

Resolution of the Council of Ministers no. 15/2018, of May 24 (Code of Conduct for State employees and agents): This is an instrument that, in particular, regulates the conduct of State officials and agents.

The Strategic Plan of the Attorney General's Office 2012-2016: With regard to the Strategic Plan of the Attorney General's Office, this included institutional development (not forgetting that, the Anti-Corruption Unit on the other hand, since its establishment in 2004, it has operated under the auspicious the AG's Office) the Strategic Plan in question conceived as one of the fundamental aspects the reinforcement of the mechanisms of control of the legality in the organs and institutions of the State and society in general, and, in the area of legality the issue of corruption at the level of the institutions stands out;

The Strategic Plan of the Anti-Corruption Unit 2018-2022: Having elapsed the Strategic Plan 2011-2014, it was necessary to assess it and, therefore, come up with a new Strategic plan for the period 2018-2022, which aims at strengthening the achievements of the previous plan, improve institutional performance, promote a culture of integrity in state and private institutions in order to experience an economic and social development of the country.

Institutional framework

According to the law (namely, Organic Law of the Public Prosecutor's Office), the Anti-Corruption Unit is responsible for coordinating actions to prevent and combat corruption crimes. Therefore, this presupposes that the task of preventing and combating corruption is not only for the Anti-corruption Unit but for other public and private entities as well as for society in general. With regards to public bodies, it is defined that each public institution must take action to prevent and combat corruption.

With regards to the Anti-corruption Unit, it should be noted that, at the time of its creation (in 2004) the Anti-corruption Unit itself was established in the capital of the country and in the Provinces of Sofala and Nampula Provincial Offices were established having interim powers, (for as long as Provincial Offices were not established) in the Provinces of the Central and Northern regions of the country, meaning that, the Sofala Office also responded to the provinces of Manica, Tete and Zambézia while the Nampula Office also responded for the provinces of Niassa and Cabo Delgado. On the other hand, the Central Office, in addition to having jurisdiction throughout the country was especially responsible for the Provinces of the South of the Country (namely Maputo City, Maputo Province, Gaza and Inhambane).

Cooperation between the Anti-Corruption Unit (GCCC) with other entities in dealing with investigation of crimes of corruption

In light of functions attributed to the Anti-Corruption Unit and the range of competences that are attached to it, it follows that in the pursuit of its activities, this entity will have to interact and cooperate with other institutions, such that in the last ten years it has increased collaboration with others entities be it private or public institutions namely, the General Inspectorate of Finance (IGF), (GIFIM), Mozambique Tax Authority (ATM), Administrative Court (TA), Ministry of Interior, The Auditors and Accountants Association (OCAM), CTA (which is the Confederation of Economic Associations of Mozambique), Ministry of Education, banking institutions as well as telephone companies.

On the other hand, the Anti-Corruption Unit has signed a Memorandum of Understanding with the Ministry of Interior, which focuses on preventive and repressive activity in the Immigration Services; due to the fact that several acts of corruption are committed by agents connected to these Services (extortion and illegal charges against foreign citizens, illegal entry of foreigners through bribes, fraudulent issuance of Passports, Documents for Foreign Resident in the country and other documents through bribes, etc.

NATIONAL TASK FORCE

Aware of the importance of preventing and combating money laundering, as a means of strengthening cooperation and coordination mechanisms among national institutions, the Government decided, through of the Council of Ministers in April 2011, to set up a Multi-Sectoral Task Force) consisting of officials from various institutions, including the Ministry of Economy and Finance, the Ministry of Interior, the Ministry of Foreign Affairs and Cooperation, the Ministry of

Justice, Constitutional and Religious Affairs, the Office of the Attorney General's Office, the Central Office for Combating Corruption, Bank of Mozambique and GIFiM.

The National Task Force was formally constituted through an order of the Minister of Economy and Finance, among others, with the following attributions:

- Assess the risks and vulnerabilities of money laundering of the national financial system;
- Draft and update the national strategy to prevent and combat money laundering and terrorist financing, to be approved by the Government;
- Support the Government and regulatory and supervisory entities in the implementation of the Law on the prevention and combat of money laundering, as well as to comply with the international standards;
- Identify the most expeditious ways for the implementation of any other measures established in multilateral agreements and initiatives subscribed by Mozambique for the prevention and control of the laundering of proceeds of serious crimes and terrorist financing activities.

Mozambique is a full member of ARINSA (Asset Recovery Inter-Agency Network for Southern Africa), since June 2017, and it has three focal points representing the following institutions, the Attorney General's Office, National Criminal Investigation Service and GIFiM (FIU Mozambique).

REPUBLIC OF NAMIBIA



General back ground about Namibia including its economy, political and judicial structure and legal system

General Background

The Republic of Namibia lies across the Tropic of Capricorn in the South West of Africa and covers an area of 824,292 square kilometers (318,259 square miles). It is bordered by South Africa to the south and southeast, Botswana and Zimbabwe on the east, Angola on the north, and the South Atlantic Ocean on the west. The Caprivi Strip, a narrow extension of land in the extreme northeast, connects it to Zambia and Zimbabwe. The country is divided into 3 broad zones: the Namib desert to the west; the Kalahari Desert to the east; and the Central Plateau.

Namibia is largely desert, ranchland with a long coastline on the South Atlantic, and borders South Africa, Botswana and Angola. The country's natural mineral riches and tiny population of about 2.5 million (2016) have made it an upper-middle-income country.

Political stability and sound economic management have helped anchor poverty reduction, however this has not yet been accompanied by job creation, and extreme socio-economic inequalities inherited from the years it was run as under an apartheid system still persist, despite generous public spending on social programs.

The Namibian Legal and Political System

The Namibian legal system is characterized by legal pluralism. It is an amalgamation of Westminster-style Constitutional law, Roman-Dutch common law, customary law and international law. Most of what constitutes the corpus of Namibian law is not codified and must be distilled from the evolving body of jurisprudence.

In 1989 after a liberation war and international pressure South Africa withdrew its administration from Namibia. A Constituent Assembly was formed. This body was tasked with drawing up a Constitution and organising an election to select a Namibian administration. The Constituent Assembly was given a set of principles by the international community, the 1982 principles, to include in the Constitution. Most of these principles are contained in the Bill of Rights. On 9 February 1990 the Namibian Constitution was adopted. The Constitution has become the template against which the validity of all laws is tested. The constitutional order eradicated the era of Parliamentary supremacy and substituted it with constitutional supremacy and the rule of law. Chapter three of the Constitution imports a human rights culture into the Namibian legal order.

Civil and political rights are expressed as positive rights which give rise to obligations for the State, whilst the socio-economic rights are obligations which are progressive, meaning that the obligation of the State is not immediate but conditional.

The Namibian constitution provides for a multiparty democracy in a unitary republic. The President is head of state and government as well as Commander-in-Chief of the Defense Force. Elected by direct universal adult suffrage at intervals of not more than five years, he or she must receive more than 50 per cent of the votes cast. The President appoints the government, the armed forces chief of staff and members of a Public Service Commission, but the National Assembly may revoke any appointment. The President can only serve two successive directly elected five-year terms. The President may dissolve the National Assembly, and may also proclaim a state of national emergency and rule by decree, subject to the approval of the National Assembly.

Legislative power is vested in a National Assembly of 72 elected members, and up to six nominated but non-voting members, all members serving for a maximum of five years. The National Assembly can remove the President from office by passing an impeachment motion with a two-thirds majority. The Prime Minister is leader of government business in parliament.

An upper house, the National Council, is provided for in the constitution and was formally convened in February 1993. It consists of two members from each of the 13 regions, elected by regional councils and serving for a term of six years. The National Council has limited powers to review legislation passed by the National Assembly and can block bills.

Overview of financial and DNFBP Sectors

The Namibian Financial Sector: Macro-financial Context

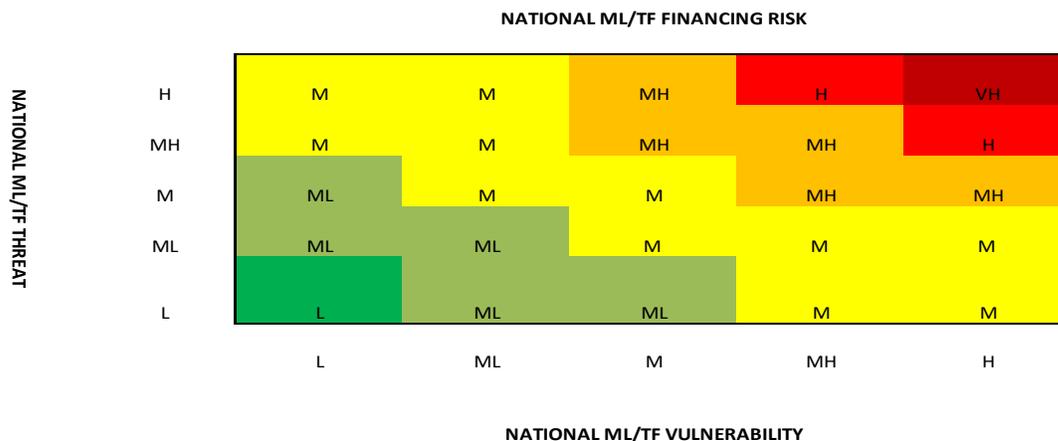
Namibia has a large, concentrated, and complex financial system. It is dominated by four large and heterogeneous financial conglomerates, all with close ownership and funding links to South Africa.

As of September 2018, 10 banks were licensed in Namibia: 7 commercial banks, E-Bank, a branch of a foreign bank, and a representative office. The four large banking groups (three of them subsidiaries of South African banks) hold about 98 percent of total bank assets. More than one-half of bank loans are directed to residential and commercial mortgages, making banks vulnerable to housing price corrections. Counterparty concentration of their loan portfolios is high.

The NBFIs sector is large, with assets around 262 percent of GDP, in part reflecting a pre-funded Government Institutions Pension Fund (GIPF), with the assets of about 70 percent of GDP. Asset managers play an important role in integrating the financial system, linking institutional investors to financial markets and banks. They manage funds on behalf of pension schemes, insurance companies and unit trust products (Box 1). Accounting for this phenomenon, NBFIs net assets amount to approximately 138 percent of GDP. SOFIs account for 2.4 percent of total assets of the financial sector or around 8 percent of GDP. Institutional investors hold about 50 percent of their assets in Namibia, about a third in South Africa,¹ and the rest in advanced economies.

Overview of ML/TF Risks

Namibia conducted its first National Money Laundering and Terrorist Financing Risk and Threat Assessment in 2012. The main sources of proceeds of crime that could be identified by the various Law Enforcement Agencies upon investigation (using the available crime statistics provided) were: tax evasion, Corruption/Bribery, Stock Theft, Motor Vehicle Theft, and Fraud. In assessing the 2012 National TF Risk, the assessment focused on two areas, namely, 2012 National TF Threat and National TF Vulnerability. Upon the completion of the 2012 NRA Action Plan in 2013/14, Government commissioned an update to the 2012 NRA in 2014/15 with specific focus on understanding vulnerabilities with Trade Based Money Laundering and Illicit Capital Flight. The 2014/15 NRA Update caused Namibia to uncover amongst the worlds biggest fraud cases (committed within the Customs, Tax and Banking environment) GDP per capita and caused an overall reclassification of the main sources of proceeds of crime. The government also commissioned a complete overhaul of the 2012 NRA during the 2016/17 and 2017/18 financial years through conducting sectoral ML/TF/PF sectoral risk and threat assessments. It is expected that the results of the update will be availed by June 2019.



AML/CFT Policies, Strategy and Coordination & Overview of AML/CFT Legal and Institutional Frameworks and their implementation

Namibia updated her 2007 national AML/CFT Policy and Strategy in 2017/18 and the new policy with its complementing strategies and action plans will be discussed in the Namibian Parliament during the second quarter 2019.

The updated national Policy extensively aligns Namibia’s overall Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) policy position and stance with that of the country’s national interest, the UN and UN Security Council as well as AML/CFT/CPF standards and best practices under the FATF umbrella and the global community at large.

The Policy serves as umbrella for the effective implementation and functioning of the following legislative instruments, which plays a prominent role in Namibia's AML/CFT/CPF prevention and combatting efforts:

- a) The Prevention of Organized Crime Act, 2004 (Act no. 29 of 2004) as amended;
- b) The Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended; and
- c) The Prevention and Combatting of Terrorist and Proliferation Activities Act, 2014 (Act No. 4 of 2014).

Implementation of the revised 2017/18 National AML/CFT/CPF Policy, Strategy and Action Plans will continue to vest in Namibia's Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council (the Council), supported by the FIC and the Council's Technical Committee as chaired by the FIC.

The Council serves as Namibia's main AML/CFT/CPF Policy Advisory Body and additionally is responsible for availing governance oversight over the affairs of the FIC. It plays a predominant role in ensuring national AML/CFT/CPF coordination and cooperation in both the spheres of prevention and combatting of ML/TF/PF.

Namibia also has a Technical Committee serving as advisor to the Ministry of Safety and Security on the effective implementation and administration of the PACOTPAA. This Committee consists of representatives from the Ministry of Safety and Security, the Namibian Police Force, the NCIS and the FIC as its chair.

Namibia also has various established AML/CFT/CPF preventative and combatting Law Enforcement Task Forces and Industry Forums functioning under the umbrella of the Council

Overview of AML/CFT Compliance and Supervision

The regulated populace which is required to be covered in terms of the Supervision and Monitoring of Compliance function, is determined by the number of institutions listed on schedules I and III of the FIA and/or institutions which provides services or products listed on schedule I or III of the FIA. Thus far, the FIC has registered 1,801 (one thousand eight hundred and one) institutions which is subjected to FIA Monitoring and Supervision Activities. The progress made by some of the entities is evident in the increase in the number and quality of suspicious transaction reports received to date by the FIC as can be seen from the graph below. Despite the above successes noted, the small Human Resource Component within FIC, causes the majority of:

- the remaining Accountable and Reporting Institutions not effectively being subjected to FIA Compliance Monitoring and Supervision activities; and

- incoming reporting types especially STRs received, being placed on low priority as can be seen from the below graph.

Challenges, Future Plans & Conclusion

As alluded to above, despite Namibia having an effective national AML/CFT/CPF policy, legislative and implementation regime, with AML/CFT/CPF matters effectively coordinated at both policy and implementation level, the country remains severely challenged by:

- capacity constraints both in terms expertise, technical, financial and human resources; and
- low statistics recorded in successful ML/TF/PF investigations and prosecutions.
- Despite the challenges noted, the overall success of the national AML/CFT/CPF regime is visible from the country's ability to continuously:
- align policies, laws, action plans and direct scarce resources to mitigate new and emerging ML/TF/PF risks; and
- involve all national AML/CFT/CPF stakeholders in a coordinated manner to address and mitigate national ML/TF/PF risk exposure.

The above is possible due the country's continuous commitment displayed to, on regular intervals, update the national NRA in targeted and focused manner and use its result to develop and prioritize its national AML/CFT/CPF policy, legislative and implementation framework. The jurisdiction keenly looks forward to her 2019/20 AML/CFT/CPF evaluation and remain committed to, in a timely manner, address any recommendations resulting from same.

REPUBLIC OF RWANDA



General background of Rwanda

Introduction

The Republic of Rwanda, located in East Africa, is bordered by Uganda to the north, Tanzania to the east, DRC to the west and Burundi to the South. Rwanda is a landlocked country with population of approximately 12 million and its total surface area is 26,338 square kilometers.

Economy

Rwanda put in place implementation mechanisms to rapidly achieve its long-term goals. Over the last 10 years, Rwanda has implemented two long term goals:

Firstly, the five-year Economic Development and the second were Poverty Reduction Strategies EDPRS (2008-12) and EDPRS-2 (2013-18) respectively. Both were designed to help the country in realizing its Vision 2020 development plan. Nested sector-specific strategies and district development plans reflecting Rwanda's well-advanced decentralization drive helped by guiding EDPRS implementation. Rwanda is finalizing the National Strategy for Transformation (NST), the planned successor to EDPRS-2 covering the period of 2018–2024. Rwanda's NST focuses on economic, social, and governance transformation toward the aspiration of Vision 2050.

During the past financial year, Rwandan economy grew by 8.9% on average in 2017-18 after 3.4% recorded in 2016-17. The increased performance compared to the previous financial year was linked to improvement in international commodity prices and favorable weather conditions that supported agriculture sector as well as the recovery in the construction sector. Due to favorable commodity prices, formal exports strongly increased by 46.1 percent compared to 7.4 percent growth in formal imports. Consequently Rwanda's trade deficit reduced by 11.7% from USD 1,425.3 million in 2016-17 to USD 1,258.2 million in 2017-18.

Rwanda's gross domestic product (GDP) rose by 10.6 percent in the first quarter of 2018 compared with the same quarter of 2017. In Q3 2018, GDP at current prices was estimated to be 2,062 Billion RWF, up from 1,927 in Q3 2017. Estimates calculated in 2014 prices show that GDP growth was 7.7 % higher in real terms compared to Q3 2017.

The decline in inflation is attributed to good weather conditions and good harvests that eased inflationary pressures on food crops. However, The National Bank of Rwanda achieved its price stability objective throughout the year. The unemployment rate in Rwanda was 16.0 percent compared to 17.8 percent in August 2017. It has slightly decreased by about 0.7 percentage point

from 16.7 percent observed in February 2017. Generally, the economy of Rwanda is positively trending.

Political and Judicial structure

Rwanda has guarded its political stability since the 1994 genocide against Tutsi. The Parliamentary election took place in September 2018 indicates that women hold 64% seats. The President of Rwanda is the head of State, and has broad powers, including creating policy in conjunction with the Cabinet, exercising the prerogative of mercy, commanding the armed forces, negotiating and ratifying treaties, signing presidential orders, and declaring war or a state of emergency. The President is elected by popular vote every seven years, and appoints the Prime Minister and, upon proposal of the latter, all other members of Cabinet.

The Constitution also establishes, among other institutions aimed at fostering the socio-economic agenda of the country, the office of the Ombudsman, one of whose duties is to prevent and fight corruption and other related offenses in public and private administration. All public officials (including the President of the Republic) are required by the Constitution to declare their wealth to the Ombudsman on an annual basis.

The judicial branch structure is as follows: the Supreme Court, Court of Appeal, high courts of the Republic, intermediate courts and primary courts and mediation committees. The new Constitution in Rwanda also ushered in reforms in the judiciary such as new legislation, establishing new courts, procedures, structures, standards including academic and professional qualifications as well as regulatory and administrative frameworks. At this point it is also important to note that after the genocide, Rwanda faced a very special situation and needed special interventions to try genocide perpetrators. One of the innovations was the establishment of Gacaca Courts to try genocide cases. Gacaca Courts exact different penalties including compensation, but most importantly emphasize two aspects of confession and forgiveness as a way to heal the wounds.

Legal system

The system of law of Rwanda is based on the Belgian and German civil law system and has integrated certain aspects of customary law. Parliament deliberates on and passes laws. It legislates and oversees executive action in accordance with the procedure determined by the Constitution.

Overview of financial and DNFBP Sectors

The Rwandan financial sector is composed of banks and microfinance, insurance, securities, pensions, foreign exchange, remittances and payment services providers. Except securities that are regulated and supervised by the Capital Market Authority; other financial services are supervised

and regulated by the National Bank of Rwanda. The Banking sector dominates other financial sectors.

Designated Non-Financial Business and Professions sector is comprised of Real Estate agents, Casino, dealers in precious metal dealers, Accountants, Lawyers, Non-Profit Organizations (NPOs).

There is no specific law that governs the real estate agents activities. However, dealers are self-regulated through their Rwanda Association of Real Estate Brokers (RWAREB).

Casinos are regulated and monitored by the Ministry of Trade and Industry (MINICOM). There is law governs gaming activities and establishes the licensing procedure, monitoring and regulation of gaming activities.

The Institute of Certified Public Accountants of Rwanda (ICPAR) is the only Professional accountancy Organization (PAO) mandated by law to regulate the accounting professionalism in the Republic of Rwanda. The Institute exists to serve public interest and has wide-ranging responsibilities including promotion and adherence to financial reporting, auditing and ethical standards. ICAPR registrars and monitors professional accountants and audit firms.

Lawyers are governed by the law establishing the Bar Association in Rwanda, determining its Organization and Functioning. The law among other this determines modalities on how to be qualified as a professional lawyer. Lawyers are self-regulated through Rwanda Bar Association.

The mining sector is governed by law on mining and quarry. The Rwanda Mines, Petroleum and Gaze Board(RMB) is mandated to supervise and monitor private or public entities conducting mining, trade and value addition of mineral operations. The RMB is charge of granting license related to purchasing and selling mineral substances in Rwanda. Rwanda Mining Association is operating under the umbrella of the Private Sector Federation (PSF). The Rwanda Mining Association is composed of big concessions belonging to the foreign investors represented by Rwanda Mining Investment Forum (RMIF), as well as Medium and individuals' companies.

The Rwanda Governance Board (RGB) is the competent authority in charge of registering, granting legal personality, and monitoring of the functioning of domestic and international religious and Non-Profit Organizations (NPOs) operating in Rwanda and ensures that they comply with the requirements of the Law.

Overview of ML/TF Risks

National Risk assessment on ML/FT risks is at final stage. Its preliminary findings demonstrated that money laundering risk is rated as **Medium** while the financing of terrorism is **Medium Low** . This is derived from the level of threat which is medium low and the level of vulnerability which is medium. **The Medium Low** for FT risk rate was based on that Rwanda does not face any

immediate financing terrorist threats but considers the volatile geo-political situation in DRC and EAST AFRICA as possible avenues for the spread of terrorism and terrorism financing into the country.

NRA revealed that the prevalent predicate offenses reflected are embezzlements, forgery documents, corruption, illegal award of public tenders, Tax evasion.

AML/CFT Policies, Strategy and Coordination

As it is mentioned in previous paragraph, there have been put in place the AML/CFT policies, strategy and coordination for the purpose of least possibly mitigating ML/FT risk in Rwanda

AML/CFT Policies

The following are policies predominantly undertaken in terms of laws and regulations.

- Rwanda has full joined ESAAMLG in October 2014 for getting-together ML/FT risk combating ability;
- A new Law N° 69/2018 of 31/08/2018 on prevention and punishment of money laundering and terrorism financing has approved by Parliament to replace Law No. 47/2008 of 09/09/2008 AML/CFT. It has undertaken to address issues identified gaps by earlier assessors and reviewers.
- Directive No 01/FIU/2018 of 16/02/2018 of the financial investigation unit relating to anti money laundering and combating the financing of terrorism.
- Directive No 01/2017 of 02/10/2017 of the Financial Intelligence Unit on Cross Border Cash Declaration was signed and published in the official gazette, n° 40 of 02/10/2017
- Law N° 54/2018 of 13/08/2018 on fighting against corruption
- Law N° 46/2018 of 13/08/2018 on counter terrorism
- Law N° 51/2018 of 13/08/2018 relating to the prevention, suppression and punishment of trafficking in persons and exploitation of others
- The New FIU directive to complement the existing FIU directive (directive N° 001/FIU/2015 of 30/12/2015 of the financial investigation unit relating to identification of customers, suspicious transactions reporting and record keeping requirements for reporting entities);
- National Risk Assessment is in final stages, it will help to guide reporting entities and supervising agencies in executing risk based approach to combating, Money laundering and Financing of Terrorism;

- Public awareness was undertaken through the National Risk Assessment Workshops which were undertaken for all stockholders. Awareness materials (notes) have been prepared, which will continue to be utilized in executing awareness activities;
- Guidelines to Banks on anti-money laundering and combating financing terrorism were put in place in 2014;
- There has been enforcement of investigating money laundering and financing terrorism crime through NPPA, Rwanda Investigation Bureaus (RIB) and Counter Terrorism Unit which is embodied by National Police

AML/CFT Strategy

Rwanda’s strategies on preventing money laundering and financing terrorism are:

- Introduction and implementation of a comprehensive AML/CFT legislation;
- Effective regulation of the financial sector and other accountable institutions;
- Effective International co-operation;
- Effective strategic entry/**exit** controls;
- Effective community sensitization
- Effective Trainings to all stakeholders

AML/CFT Coordination

The coordination of preventing money laundering and financing terrorism is a key strategy of the Rwandan Government. The coordination mechanism that are in place are the following:

- The Financial Intelligence Council is a first forum where relevant authorities meet to discuss issues related to ML/FT and their related predicate offences. The council also has obligations to set national strategies on AML/CFT.
- The National Anti-Corruption Council is also a forum where authorities meet and take strategies to combat corruption and related offences,
- The Fraud forum where different stakeholders meet to exchanges ideas on new typologies of financial crimes
- In addition, cooperation MoUs were signed for information exchange.

Overview of AML/CFT Compliance and Supervision

All reporting persons are obliged to comply with AML/CFT obligations and other related laws for preventing ML/FT risk. The AML/CFT law requires supervision authorities to monitor the implementation of the law by reporting persons. Among the supervision authorities, there is the National Bank of Rwanda and the Capital Market Authorities for financial institutions. For the DNFBPs, there is Rwanda Governance Board for NPOs, Ministry of Trade for Casinos and gambling

activities, Rwanda Mines, Petroleum & Gas Board (RMB) precious metal and stone activities, Rwanda Bar Association for lawyers, and Institute of Certified Public Accountants(ICPAR) for accountants

In addition, the Financial Intelligence Centre(FIC) is in charge of collecting, analyzing and disseminating suspicious transactions and other illegal activities . The FIC is also a coordination of all activities of AML/CFT frameworks.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

AML/CFT Legal Frameworks implementation

The law N° 69/2018 of 31/08/2018 on prevention and punishment of money laundering and terrorism financing was enacted in August 2018. This law put in place relevant mechanic with regard to prevention and criminalization of ML/FT. In additions other laws and regulations provides provisions that enable different institutions to prevent and monitor ML/FT. Among them, there are:

The law N° 47/2017 of 23/9/2017 governing the organization of banking. Its article 9, states that the Central Bank may license a company or a cooperative in Rwanda as a bank, if it determines that the shareholders have not been involved in money laundering and financing of terrorism;. The same law in its article 56 states that Central Bank may revoke a license granted to a bank at any time if the bank is engaged in money laundering and financing terrorism activities and the article 71 says also that the Central Bank may appoint a special administrator for a bank if it is established that the bank is suspected of engaging in money laundering and financing terrorism.

The law N° 40/2008 of 26/08/2008 establishing the organization of microfinance activities. Its article 23 states that any person convicted of the ML shall not direct, administer, manage or supervise activities of a microfinance institution. Its article 56 notes also that the Central Bank may take a decision of appointing a special commissioner in a micro finance institution when it has been established that the micro finance institution engages in money laundering.

The law No 30/2018 of 02/6/2018 determining the jurisdiction of courts. Its article 38 states that the chamber of economic crimes hears at first instance the following offences: corruption and related offenses; misuse of public property; money laundering; embezzlement or destruction of public property; terrorism and so others.

The law N° 58/2011 of 31/12/2011 governing the gaming activities. Its article 24 states that Money exchanged must be for the purposes of playing only. Procedures will be in place to detect anyone suspected of irregular wager designed only for money laundering.

The law N° 11/2008 of 06/05/2008 establishing the institute of certified Public Accountants of Rwanda and determining its powers, organization and function. Its article 67 states that a person is disqualified for membership of the Institute if that person has been convicted by a court of competent jurisdiction in the Republic of Rwanda, or elsewhere, of an offence involving fraud or dishonesty, money laundering or corruption

The Regulation N° 01/2017 of 22/02/2017 governing foreign exchange bureaus. In its article 5, it is stated that the application for license shall be accompanied by documented procedures for preventing, detecting and reporting incidences of money laundering and combating the financing of terrorism. Its article 12 also states that a forex bureau shall maintain a Management Information System that will be used to detect suspicious transactions for money laundering and terrorism financing and any other illegal practices.

The Regulation N° 05/2018 of 27/03/2018 governing payment services providers. Its article 5 states that the application letter for licensing shall be at least accompanied by documentation of ability to comply with all applicable Anti-Money Laundering and Combating of Financing of Terrorism (AML/CFT) laws, standards and measures.

The Regulation N° 06/2018 of 27/03/2018 on money remittance services. Its chapter III is only related to anti-money laundering and the financing of terrorism measures.

Regulation N° 07/2018 of 27/03/2018 on payment initiation and aggregation services. Its article 5 provides internal control mechanisms to comply with obligations in relation to anti-money laundering and terrorist financing requirement.

Regulation N° 02/2017 of 22/02/2017 governing agents (This regulation shall apply to the Institutions that wish or provide financial services through the agents). The chapter VII identifies measure of anti-money laundering and combating the financing of terrorism (AML/CFT).

AML/CFT Institutional Frameworks

The following are institutions that have in their mandate, the AML/CFT

- **Financial Intelligence Centre (FIC):** has the responsibility of receiving, processing, analyzing and disseminating information in relation to suspected money laundering and terrorist financing transactions. Also facilitates the cross-border sharing of information about suspected money laundering and terrorist financing transactions.
- **Capital Markets Authority (CMA):** the local capital market authority is responsible for implementing government policy on capital markets, as well as regulating and supervising all capital market activities with a view to maintain a proper code of conduct and acceptable practices on the capital (among these acceptable practices, AML/CFT provision is included)

- **Ministry of Foreign Affairs and International Cooperation:** is in charge of international cooperation.
- **Ministry of Justice:** is responsible for governing lawyers, setting laws and enforcing criminal laws.
- **Ministry of Trade and Industry:** is responsible to regulate and supervise casino and gambling activities.
- **National Bank of Rwanda:** is responsible to regulate financial institutions and to supervise the compliance of AML/CFT activities.
- **National Intelligence and Security Service (NISS):** is responsible for internal and external intelligence as well as immigration and emigration matters for the prevention and protecting against threats the national security.
- **National Public Prosecutors Authority (NPPA):** investigates offenses in relation to which it is conducting proceedings and leads investigations carried out by Judicial Police Officers.
- **Ombudsman:** is responsible for fighting corruption and other related offenses.
- **Rwanda Bankers Association (RBA):** Banks endeavor to be committed to the fight against corruption, the laundering of crime-originated assets and the financing of terrorist acts in each case as stipulated by international norms and the provisions of national laws and regulations.
- **Rwanda Cyber Security Agency:** is responsible for conducting cyber intelligence on any national security threat in cyberspace and provide information from such intelligence to the relevant organs;
- **Rwanda Development Board (RDB):** is charge of registering companies, promoting investment.
- **Rwanda Governance Board (RGB):** is responsible for registration and monitoring both domestic and international NPOs including religious organizations operating in Rwanda. It is in charge of detecting if the source of fund was not generated from illicit activities, and also there is no business relationship with the financing of terrorism.
- **Rwanda Cooperative Agency (RCA):** supervising of implementation of laws and instructions governing cooperatives.
- **Rwanda Investigation Bureaus (RIB):** to prevent and pre-empt criminal acts by identifying and investigating all kinds of physical or cyber-attacks;
- **Rwanda Mines, Petroleum & Gas Board (RMB):** is responsible to regulate and supervise precious metal and stone activities.
- **Rwanda National Police:** is responsible for the maintenance of law and order, the combating of terrorism.
- **Rwanda Public Procurement Authority (RPPA):** is responsible to ensure organization, analysis and supervision in public procurement matters; to advise the government and other public procurement organs on the policies, strategies and organization of public procurement; and to monitor activities of public contract award and execution.

- **Rwanda Revenue Authority (RRA):** is charged with enforcing, assessing, collecting, and accounting for the various taxes imposed in Rwanda. It is also responsible for conducting of investigations into tax evasion and tax fraud cases. It has judicial power to investigate these cases in cooperation with the customers agents present at the border entry and exit points.

Challenges and Future Plan

There are challenges and suggested plan that were the result of the National Risk Assessment:

- Inadequate capacity in financial crime investigation, prosecution and criminalization was identified where capacity and professionalism is needed in investigating and prosecuting ML/FT and other related crimes.
- Low level of awareness to the public on AML/CFT was also identified and need of strategies on AML/CFT framework was paramount.
- Staff knowledge on AML/CFT is inadequate; here, the financial institutions especially in MFIs and DNFBPs should respond appropriately to train and improve the staff knowledge and understanding of ML issues in collaboration with BNR and FIC.
- Lack of supervision of reporting entities was resulting to require supervisory authorities to ensure that reporting entities are implementing the AML/CFT frameworks

Conclusion

Rwanda is committed to continue improve its legislations and regulations to make sure they complies with international standards but also to monitor their effectiveness. The first NRA identified where to put more resources and efforts in preventing the ML/TF.

REPUBLIC OF SEYCHELLES



General Background

The Republic of Seychelles is situated in the Indian Ocean and consists of 115 granitic and coral islands which covers a total of 455.3 square kilometers. In 2017, the population of Seychelles was estimated at around 93,920 people. The official languages are Creole, English and French.

The mainstay of the Economy is the Tourism and Fisheries Industries, as well as the Financial Services Sector, where the former contributes around 70% of the total foreign exchange earnings. Classified as a high income country by the World Bank since 2015, the people of Seychelles enjoy a relatively high standard of living. In addition, the country boasts modern infrastructures in terms of building, telecommunications and utility services.

Seychelles is a relatively young democracy having gained independence from the British in 1976 and has a multi-party political system with universal suffrage. The Republic of Seychelles follows strict separation of powers with the President as Head of State and Head of Government. The President heads a cabinet of 11 Ministers including the Vice- President.

The Republic of Seychelles has a 3 tiered Judicial system consisting of Magistrates court, the Supreme Court, headed by the Chief Justice and the Court of Appeal which is the final appellate court. The judicial system is a mixed jurisdiction legal system based on the English Common Law and the Napoleonic Code. The Civil Law is governed by the Civil Code which is derived from the Napoleonic Code whilst the Criminal and Procedural Law is substantially British based.

The sources of law are mainly through legislation. The National Assembly of Seychelles is the legislative branch of the Government. It has the power to create, amend and repeal all laws except for certain chapter in the Constitution of the Republic of Seychelles. The Constitution is the supreme law of the country and as a result certain chapters therein, such as the Constitutional Right of the Individual, can only be amended by a referendum.

The National Assembly is Unicameral and has a mixed system of directly elected members from the 25 constituencies and up to 9 members are elected through a system of proportional representation. General elections are held every five years.

Overview of FIs and DNFBPs

The FIU is the sole competent authority for supervising and monitoring AML/ CFT compliance by FIs and DNFBPs. On the other hand, the Central Bank of Seychelles (hereafter CBS) and the Financial Services Authority (hereafter FSA) are the regulator and prudential supervisor of the entities which falls within their purview. The Financial Sector can be broadly categorised into 5

sectors which includes Banking, Securities, Insurance, Foreign Currency Exchange Bureaus and MVTs as well as Credit Unions.

The DNFBPs sector in Seychelles consists of casinos, accountants, lawyers, auditors, real estate, precious metals and precious stones dealers. The scope of DNFBPs has been further broadened to include dealers in motor vehicles, boats and yachts.

Overview of ML and TF risks

Seychelles conducted its first AML/ CFT National Risk Assessment from 2016 -2017. The final Report was adopted by the Cabinet of Ministers in 2018 and published online shortly thereafter. This national exercise saw the participation of both public and private sector entities.

The NRA focused on the following 7 modules:

- National Threat
- Vulnerabilities
- Banking
- Non-Banking Financial and Fiduciary Service Providers
- DNFBPs
- Other Financial Institutions
- Terrorist Financing

The overall threat for ML was identified as Medium High and took into consideration the domestic ML threat as well as the threat which emanated from outside Seychelles. The national vulnerability was rated as high due to the fact that despite a strong legislative and regulatory framework, there low enforcement activities. As a result of which, and other factors, the ML risk was rated as Medium High.

On the other hand, the TF risk rating was assessed as Low and that has been attributed to the fact that, to date, there has been no identified/ reported case of TF. It is important to note that the authorities remain vigilant considering the country's strategic location and the size of its territorial waters.

Financial inclusion was not included as a module in the NRA due to the fact that an exercise conducted by the CBS prior to the launch of the NRA identified that the Seychelles has a very high level of financial inclusion.

Overview of AML/ CFT Policies, Strategy and Coordination

A National AML/ CFT Committee under the Chairmanship of the Director of the FIU was created in 2008 following the first Round of Mutual Evaluations. It is responsible for the formulation and implementation of the National AML/ CFT Strategy 2015 - 18. This committee is not established by

law and functions as a semi- formal structure composed of all Law Enforcement Agencies, Regulators, Supervisors and other critical public agencies mandated with ensuring compliance to the domestic AML/ CFT legislative framework. The following institutions are members to the Committee, Ministry of Home Affairs, Ministry of Finance, Department of Foreign Affairs, Office of the Attorney General, Seychelles Police Force, Department of Immigration, Seychelles Revenue Commission, CBS, FSA, Seychelles Investment Bureau, Office of the Registrar General, Seychelles Licensing Authority and the FIU.

The National AML/ CFT Strategy 2015 - 18 has ran its course and it is currently under review with particular focus being placed on the findings of the NRA.

Legal and Institutional Framework

The key legislation and provisions in Seychelles which specifically target AML/CFT matters are:

- The AML Act 2006 (as amended in 2008, 2011 and 2017)
- AML Regulations 2012
- Proceeds of Crime (Civil Confiscation) Act, 2008 (as amended in 2017)
- Prevention of Terrorism Act, 2004
- Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2015

In 2017, amendments were made to the AML Act, 2006 which limited the definition of criminal conduct as set out in Section 2 of the Act and went on to further reduce the automatic freeze from 10 days to 5 days. it further removed provisions which provided for the FIU to administratively freeze for 180 days. Amendments to the Proceeds of Crime Act in the same year, transferred the power of the FIU to seize and confiscate assets derived from Proceeds of Crime and/ or any which were used in criminal conduct to the Police.

The Seychelles takes a multi- agency approach to the implementation of its AML/ CFT regime. 5 key institutions involved in this regard are:

- FIU: In additions to its core functions which are to receive, analyse and disseminate, the Seychelles FIU also investigate ML/ TF, supervise and monitor AML/ CFT compliance by reporting entities as well as coordinate the National AML/ CFT effort through its Chairmanship of the AML/ CFT Committee;
- CBS: Regulator and prudential supervisor of banks, credit unions, money transfer and foreign currency services providers;
- FSA: Regulator and prudential supervisor for non- bank Financial Institutions, Trusts and Corporate Service Providers and Casinos;
- Seychelles Police: Investigation of ML/ TF, predicate offences as well as civil confiscation;
- Office of the Attorney General: drafting of AML/ CFT laws, prosecution of ML/ TF cases and is

also the central authority for mutual legal assistance and extradition.

Overview of the Compliance and Supervision

The AML Act, 2006, the AML Regulations 2012, the Prevention of Terrorism Act 2004 and the Prevention of Terrorism Regulations 2015 details the AML/ CFT obligations of all reporting entities. The FIU has further published the AML/ CFT Guidelines which offers more guidance to Reporting Entities vis- a- vis their AML/ CFT obligation.

Reporting Entities as per the Schedule 2 of the AML Act, 2006 includes:

- Accountants and Auditors
- Lawyers
- Real Estate
- High Value Dealers
- Casinos
- Financial Institutions
- Other non- bank Financial Institutions

As the sole AML/ CFT supervisor, the AML Act 2006 conferred the FIU with powers to supervise all Reporting Entities to ensure that they comply with the provisions of the AML Act 2006 and the PTA 2004. Moreover, it is tasked with providing guidance to the Reporting Entities, as well as providing training where necessary. Currently, Reporting Entities are not being supervised on a risk based approach, however, it is expected that the findings of the NRA will assist in the development and implementation of a Risk Based Supervision Model suitable for the country.

Challenges and Future Plan

The Seychelles has just undergone the Second Round of Mutual Evaluations and a number of recommendations have been made which are aligned with the deficiencies identified in the National AML/ CFT regime. This is compounded by the findings of the NRA from which similar observations were made. The Government of Seychelles has committed to AML/ CFT reforms which is not limited to legislative amendments but also includes more robust institutional reforms. A National AML/ CFT Action Plan is being rolled out under the supervision of the Ministry of Finance to ensure that all the required policy decisions are undertaken to further strengthen the AML/ CFT legislative framework.

REPUBLIC OF SOUTH AFRICA



BACKGROUND INFORMATION

The Republic of South Africa is a developing country situated at the southernmost part of the African continent. It shares borders with Botswana, Mozambique, Namibia, Swaziland and Zimbabwe while Lesotho is completely enclosed within South Africa. The country has a 1219 million kilometer surface area. In 2017 the estimates the mid-year population at 56.52 million with a life expectancy of 61.2 years.

As a middle-income emerging market it boasts an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; and a stock exchange that is Africa's largest and among the top twenty in the world. However unemployment, poverty, and inequality remain persistent socio-economic challenges. Numerous economic development plans have been adopted since 1994 to address these challenges and central to these plans has been the need to achieve inclusive growth that caters for all South African. However structural constraints like skills shortages and declining global competitiveness among others limit economic growth.

South Africa's first democratic elections were held in 1994, following many years of the economy being wrecked by internal conflict and external sanctions. The first democratic government inherited a financial sector that had developed within the context of an inward-looking policy environment, with skewed investment opportunities, client focus and ownership and control of companies in the hands of a select few. Years of political and economic isolation resulted in a regulatory structure which had become progressively de-harmonised from international standards.

The key challenge for the democratic government was to reconcile the first-world banking sector – characterised by well-established infrastructure and technology, but limited participation (over 60% of the adult population was excluded from any formal financial services in 1994) – with the enormous demand for financial services. The government took a three-pronged approach to address these issues by: encouraging private firms to initiate stalled investment plans; working to bridge the divide between the first and second economies by providing appropriate savings and risk as well as transactional products; and building a social security net to alleviate poverty.

The government continues to work towards bringing unregulated financial activity within the regulated financial system, thereby providing an audit trail of transactions that extend the reach and effectiveness of anti-money laundering and combating the financing of terrorism (AML/CFT) controls and bring some measure of consumer protection. This means ensuring that individual clients currently excluded from using formal financial services, particularly low-income clients, can access and, on a sustainable basis, use financial services which are appropriate to their needs and are being offered by registered financial services providers. The South African government considers the pursuit of financial inclusion and maintenance of the integrity of the financial system, in the form of an effective AML/CFT regime, as being complementary to the financial sector policy objectives.

The constitutional democracy has a three-tier system of government and an independent judiciary. The national, provincial and local levels of government all have legislative and executive authority in their own spheres. Parliament is the legislative authority of South Africa and has the power to make laws for the country, in accordance with the Constitution. The Cabinet is the executive authority headed by the President. The President appoints the Deputy President, ministers and deputy ministers from the National Assembly. The judicial authority in South Africa is vested in the courts, which are independent and subject only to the Constitution and the law. The Constitution provides for the following courts: Constitutional Court; Supreme Court of Appeal; High Courts; Magistrates' Courts; and any other court established or recognised in terms of an Act of Parliament, including any court of a status similar to either high courts or magistrates' courts.

The African National Congress (ANC) has been at the helm of government since 1994 and the Democratic Alliance (DA) has established itself as the official opposition. There are other political parties which become important when forming coalition governments thus establishing the required two-thirds majority needed to win elections.

OVERVIEW OF FINANCIAL AND DNFBP SECTORS

The financial services sector is sophisticated, boasting dozens of domestic and foreign institutions providing a full range of services including commercial, retail and merchant banking, mortgage lending, insurance and investment. This sector is backed by a sound regulatory and legal framework. The sector assets make up three times GDP and this ratio exceeds most emerging market economies. Non-banks account for about two thirds of financial assets which is also unusually large for an emerging market. However this sector still does not serve all South African, this is due to the fact that the sector previously excluded the majority of black South Africans. It is for this reason that at the core of the National Treasury's policy has been the need to increase financial inclusion and the incorporation of the informal financial sector into the main financial sector.

As far as DNFBPs are concerned, South Africa has a mixed and developed DNFBP sector. Most of these industries have supervisory bodies whose main function had been to monitor the conduct of their members to ensure that business is undertaken with integrity. The DNFBPs that are supervised cover most of the professional bodies as identified by FATF and those that are not, the government is currently undertaking necessary schedule amendments to ensure that the scope is FATF compliant.

OVERVIEW OF ML/TF RISKS

South Africa's position as the financial center of the continent due to its sophisticated banking and financial sector means that there are high volume of transactions that are dealt with on a daily basis. Parallel to this is the existence of a large cash-based market especially to the region. These two factor make South Africa a target for transnational and domestic crime syndicates. The Financial Intelligence Centre (FIC), South Africa's FIU, works closely with other government agencies on AML/CTF enforcement.

Corruption, fraud, and organized crime constitute the largest sources of laundered funds, while narcotics and wildlife trafficking also contribute substantial proceeds. South Africa also presents a market for illicit drugs in sub-Saharan Africa and a transshipment point for cocaine and heroin. It is also a major source and transit country for wildlife crime. Other sources include business email compromises, theft, racketeering, currency speculation, credit card skimming, precious metals and minerals theft, human trafficking, stolen cars, and smuggling. South Africa's primary international terrorism-related concerns are of an indirect nature, including the possibility that the losses sustained by the Islamic State in Iraq and the Syrian Arab Republic might lead to the return or relocation of foreign terrorist fighters (FTFs) to Africa. There is an acknowledgement that even though Southern Africa had not been as affected by terrorism as other regions of the world, it is not immune to the terrorist threat.

AML/CFT POLICIES, STRATEGY AND COORDINATION

The South African framework for anti-money laundering and counter terrorist financing is provided for in the Prevention of Organised Crime Act, 1998 (POCA), the Protection of Constitutional Democracy against Terrorism and Related Activities Act, 2004 (POCDATARA), and the Financial Intelligence Centre Act, 2001, (FICA), which was amended in 2017 to bring South Africa in line with international standards. The FICA compels institutions to use a risk-based approach toward AML/CFT deterrence. While the FIC plays the lead role in the implementation of FICA, relevant stakeholders are engaged on a continuous basis to give effect to the objectives of the Act. To this end an inter-departmental committee of Heads of the relevant Departments and Agencies serves as a platform for formal engagement and oversight of matters related to the implementation of the FATF recommendations and combating ML/TF activities.

OVERVIEW OF AML/CFT COMPLIANCE AND SUPERVISION

FICA compels financial institutions and other designated businesses to monitor financial flows and report suspicious transactions. South Africa, through the Financial Sector Regulation (FSR) Act adopted the Twin Peaks model for financial sector regulation. This model gives the South African Reserve Bank (SARB) an explicit mandate to maintain and enhance financial stability. It also creates a prudential regulator, known as the Prudential Authority (PA) and a market conduct regulator, known as the Financial Sector Conduct Authority (FSCA). The PA is responsible for prudential regulation of banks, insurers, cooperative financial institutions, financial conglomerates and certain market infrastructures, while the FSCA regulates market conduct with the aim of enhancing and supporting the efficiency and integrity of financial markets and protecting financial customers. Over and above the aforementioned supervision, the FIC also carries out a supervisory function as it relates to other reporting institutions.

UNITED REPUBLIC OF TANZANIA



General Background

The United Republic of Tanzania consists of Mainland Tanzania and Tanzania Zanzibar (Zanzibar). The President of the United Republic of Tanzania is the Head of State and the Head of Government for the United Republic of Tanzania.

All State authority in the United Republic is exercised and controlled by the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar. Although Zanzibar is part of the United Republic of Tanzania, it is autonomous in specific areas of governance with its own constitution, Executive, Judiciary and Legislature.

The total area of the United Republic of Tanzania covers an area of 945,000km² made up as follows: 881,000 km² (Mainland), 2,000 km² (Zanzibar), Water 62,000km² and forest and woodlands 3,350km². Tanzania has a total population of 44,928,923 whereby, the population of Mainland Tanzania is 43,625,354 and that of Zanzibar is 1,303,569 (2012 Population and Housing Census). The capital city is Dodoma while Dar es Salaam is the commercial hub and major sea port for Mainland Tanzania and it serves neighboring land-locked countries.

The United Republic of Tanzania is located in Eastern Africa and shares the frontier with the following countries Kenya and Uganda (North), Rwanda, Burundi and Democratic Republic of Congo (West), Zambia, Malawi and Mozambique (South) and the Indian Ocean (East).

Economy

The country is richly endowed with natural resources. Since the second half of the 1980s, bold decisions were made to undertake economic reforms whereby the economy was transformed from state controlled to market based. For almost more than decade now Tanzania has been enjoying macro-economic stability. As of year 2017 Gross Domestic Product (GDP) was about TZS.116,101,908 million with average growth of about 7.1%, while inflation rate as of November 2018 was about 3%. Main pillars of economy include agriculture, tourism, fishing, mining, manufacturing, energy, construction, transportation, telecommunication, and financial services. Agricultural sector is the main contributor to national income. It accounts for more than 50 percent of GDP, 70 percent of exports and 80 percent of employment. The sector is a major foreign exchange earner for the country.

Political

In mid-1970's the United Republic of Tanzania introduced a one party system that came to an end in 1992 following the re-introduction of the multi-party system. The first multi-party general election was held in 1995. The fifth multi-party elections held in October 2015 brought-in His Excellency Dr. John Pombe Joseph Magufuli of Chama Cha Mapinduzi (CCM) as the fifth President of the United Republic of Tanzania.

The President of Tanzania and members of National Assembly are elected together by direct popular vote to serve five-year terms.

The current President of Zanzibar, His Excellency Dr. Ali Mohamed Shein is the seventh President of Zanzibar. Together with incumbent members of Zanzibar House of Representatives were last elected in year 2015. The President of the Revolutionary Government of Zanzibar and the House of Representatives have jurisdiction over all non-union matters.

The Judicial Structure and Legal systems

The Judiciary in Tanzania consists of three organs: the Court of Appeal of the United Republic of Tanzania, the High Courts for Mainland Tanzania and Zanzibar, Magistrates Courts and Primary Courts. The Judiciary in Tanzania is headed by the Chief Justice.

Apart from the Court of Appeal which serves the United Republic of Tanzania, Zanzibar has a distinct and separate court system, headed by Zanzibar Chief Justice, which is made up High Court, Kadhis (Islamic) Courts and Magistrates Courts.

Tanzanian legal system is based on the English common law and statutes as enacted by Parliament. The Constitution of the United Republic of Tanzania and the Constitution of Zanzibar are the highest laws of the land.

The Parliament of the United Republic of Tanzania has the authority to pass laws applicable to both Mainland Tanzania and Zanzibar (union matters) as well laws applicable to Mainland Tanzania (non union matters). The House of Representatives of Zanzibar has the authority to pass laws that are applicable to Zanzibar only.

Financial Sector

Financial Sector in Tanzania includes Banks and non-Bank Financial Institutions (65), Bureau de Change (110), Insurers and Intermediaries (130), Securities Market Intermediaries (14), Collective Investment Schemes (5), Money Remitters (6), Electronic Money Issuers (7), and Pension Fund Managers (2). The regulators of the sector include Bank of Tanzania, Tanzania Insurance Regulatory Authority, Social Security Regulatory Authority, and Capital Markets and Securities Authority.

Designated Non-Financial Business and Professions (DNFBPs)

Designated Non-Financial Business and Professions (DNFBPs) in Tanzania includes Real Estate Agents, Dealers in Precious Metals and Stones, Dealers in works of Art, Operators of gaming activities, Auctioneers and Accountants and Lawyers. This sector so far has two regulators namely Gaming Board of Tanzania and Zanzibar Law Society.

Overview of ML/TF Risks

Tanzania conducted National Risk Assessment (NRA) on Money Laundering (ML) and Terrorist Financing (TF) from September 2015 to December 2016 using World Bank Tool. The findings show that the overall money laundering risk is Medium High (MH), which is the result of the ML threat that was rated Medium (M) and the overall money laundering vulnerability that was rated Medium High (MH).

Overview of AML/CFT Policies, Strategy and Coordination

The National Multi-Disciplinary Committee on Anti-Money Laundering has obligation to formulate, assess and improve the effectiveness of the policies and measures to combat money laundering. As a result of the NRA, the National Committee is in the process of formulating and reviewing the National AML/CFT policy and strategy respectively.

Overview of AML/CFT Compliance and Supervision

The Anti-Money Laundering Act, Cap. 423 empower regulators to enforce compliance of their regulated entities and conduct onsite and offsite examinations for the purpose of monitoring and ensuring compliance. In addition, the law allows the FIU to conduct onsite inspection on the reporting persons, either in collaboration with the regulator or on its own, for the purposes of detection of money laundering or combating financing of terrorism activities.

Legal and Institutional Framework

The main AML/CFT legislation in the United Republic of Tanzania comprises of the Anti-Money Laundering Act, Cap 423 which is applicable in Mainland Tanzania; the Anti-money Laundering and Proceeds of Crime Act, 2009 which is applicable in Zanzibar and the Prevention of Terrorism Act, 2002 which is applicable in both parts of the United Republic. Other relevant laws include: The Proceeds of Crime Act, Cap 256; The Penal Code, Cap. 16; The Prevention and Combating of Corruption Act, 2007; The Extradition Act, Cap 368; The Criminal Procedure Act, Cap 20; The Mutual Assistance in Criminal Matters Act, Cap 254; The Evidence Act, Cap 6; The Economic and Organized Crime Control Act, Cap 200; The Banking and Financial Institutions Act, Cap. 342; The Gaming Act, Cap 41.

The Anti-money laundering Act, CAP.423 criminalizes money laundering consistent with the Vienna and Palermo Conventions, which Tanzania has ratified. The Act established the Financial Intelligence Unit (FIU) and gave it mandate to: Combat money laundering and terrorist financing; share information with law enforcement authorities and international agencies; supervise and enforce compliance with the AML/CFT requirements; The Act introduces a regulatory framework of compliance control measures requiring reporting persons to know their customers, keep records of their customers' transactions, appoint compliance officers, train reporting persons and law

enforcement agencies. It gives power to supervisory bodies to enforce compliance with Anti-money laundering laws to regulated entities.

The Anti Money Laundering Act Cap.423 also establishes the National Multi-Disciplinary Committee on Anti Money Laundering (National Committee) as a policy advisory body to the Government on the country's AML/CFT measures. The National Committee is composed of members appointed by the Minister for Finance and Economic Affairs, from various Government Ministries and Institutions that are involved in the fight against money laundering and terrorist financing.

Challenges

- Low level of awareness amongst the practitioners and the general public
- Dominance of the informal sector and cash based economy
- Poor document and data retention system
- Competing priorities for scarce government resources
- Interagency cooperation challenges
- Lack of Regulators for some reporting persons
- Large porous and unsecured borders.

Conclusion and way forward

The United Republic of Tanzania has made remarkable progress in strengthening the AML/CFT regime. With high level of political commitment, Tanzania will continue taking all necessary measures to strengthen the AML/CFT regime with a view of having a robust and very effective system.

REPUBLIC OF UGANDA


Introduction

Uganda is a largely cash based economy. Only a small proportion of the Ugandan population has bank accounts and the percentage having insurance policies or owning securities is even lower. However, there are plans for the development of the economy which would lead to more transactions being effected through the formal financial sector. The use of cash for transactions within the country and across the borders is commonplace. Ugandan shillings are accepted as 'legal' tender in neighboring countries such as Southern Sudan, Rwanda and Eastern DRC. This encourages cross border movement of cash and increases Uganda's vulnerability to AML / CFT.



The economy of Uganda is largely dependent on its agricultural produce. The economic betterment of the country is due to the active endeavor of the government as well as the help and support of various countries of the world and international organizations. Uganda's GDP or Gross Domestic Product is currently estimated at \$ 25.89 billion. The fiscal exchange rate of Uganda's GDP is approximately \$5 billion. Uganda GDP real growth rate stands at about 1.9%. The GDP of Uganda per capita is around \$ 666.61.

Structure of Uganda's Financial Sector

The financial sector of Uganda is diverse. It is composed of formal and informal financial institutions that operate in a variety of ways.

In the first tier (Tier 1) are all the 25 local commercial banks. Tier 2 is the category described as Credit Institutions with 4 institutions. These institutions operate more or less like banks but do not offer current account deposit facilities. These mainly deal in time and savings deposits and are not members of the cheque clearing house. Under Tier 3 has 5 institutions are the Micro Finance Deposit-taking Institutions (MDIs)

All the above mentioned three tiers of institutions are licensed, regulated and supervised by Bank of Uganda as mandated by the Financial Institutions Act, 2004 (as amended in 2016) and the Micro Finance Deposit- Taking Institutions Act, 2003. Along these institutions are the forex bureaus and

money remittance businesses that are licensed by Bank of Uganda under the provisions of the Foreign Exchange Act, 2004. Although these institutions do not take public deposits, they operate in the public domain and in public interest as they offer services of buying, selling, and transferring foreign exchange for the public.

There are other players in the financial sector which include the East African Development Bank Ltd, Uganda Development Bank Ltd, National Social Security Fund, Uganda Securities Exchange, Insurance Companies and thousands of micro finance institutions and Savings and Credit Cooperative Organisations.

Overview of ML/TF Risks

According to the National Risk Assessment (NRA) of the Money Laundering (ML) and Terrorism Financing (TF) risks analyzed the ML threat to which Uganda is exposed and the major predicate offenses that generate larger amounts of criminal proceeds, and the level of the TF threat that the country faces. It also examined the country's ML/TF combating ability and the vulnerabilities of the financial sector, designated non-financial business and professions (DNFBPs) to ML and TF abuse and financial inclusion. The NRA assessed how criminals utilize the ill-gotten funds and the methods they use to launder criminal proceeds. The NRA analyzed the methods with which terrorist organizations raise and move terrorist funds.

The table below summarizes the overall ML risk in Uganda, as a combination of threat and vulnerability for each of the sectors analyzed by the NRA:

OVERALL MONEY LAUNDERING RISK IN THE JURISDICTION						
Overall Threat	H	M	M	MH	<ul style="list-style-type: none"> • Money Remitters • Casinos • Dealers in precious metals & gems 	<ul style="list-style-type: none"> • Forex Bureaus • Real Estate • Lawyers
	MH	M	M	OFIs	MH	<ul style="list-style-type: none"> • Banking
	M	ML	M	M	<ul style="list-style-type: none"> • Insurance 	MH
	ML	ML	ML	<ul style="list-style-type: none"> • Securities • Accountants 	<ul style="list-style-type: none"> • NGOs 	M
	L	L	ML	ML	M	M
		L	ML	M	MH	H
Overall Vulnerability						

The analysis of the ML threat showed that, at domestic level, the most proceeds-generating predicate offences are corruption, fraud, tax crimes and counterfeiting of goods. It is interesting to note that, in terms of largest numbers of reported/detected cases fraud is the most reported/detected crime, followed by tax crimes and corruption. This difference can be explained by the fact that in many instances corruption (such as the paying of a bribe to access services) is considered as a “way of life” in Uganda and therefore often goes without being reported. However, the analysis suggests that the number of reported corruption cases is far below the instances of corruption



National Risk Assessment Stakeholder workshop

Role of the UAMLC

The Uganda Anti-Money Laundering Committee (UAMLC) is the national task force for Uganda whose role is to coordinate the fight against money laundering and the combating of the financing of terrorism in Uganda. The UAMLC represents Uganda as the national task force in the anti-money laundering crusade at the national, regional and international level and forums (including the representation of Uganda at the ESAAMLG meetings held twice a year).

Uganda’s Achievements and Milestones in the AML/CFT Crusade [2010-2018]

Uganda is committed to the fight against money laundering and the combating of the financing of terrorism. In this regard, Uganda has put in place a robust anti-money laundering and the combating of the terrorist financing regime and institutional framework that will ensure that these crimes are controlled and prevented. Over the last decade, Uganda has progressively advanced its AML / CFT work and activities.

The Anti Money Laundering Act (AMLA) was enacted in November 2013, which led to the establishment of the Financial Intelligence Authority in 2014.

Uganda conducted a National Risk Assessment in 2016/2017 which was meant as part of fulfillment of the FATF standards R.1, to understand the country’s ML/TF risk exposures, develop mitigation mechanisms and guide our resource allocation based on a risk based approach.

The report as approved by cabinet in August 2017 and subsequently disseminated to the public 14th/09/2018 and a copy uploaded on the FIA website.



The National Risk Assessment Report Dissemination. Minister of State in the Ministry of Finance, Hon. David Bahati (middle) and Executive Director, Financial Intelligence Authority, Sydney Asubo (on the right)

Uganda underwent a Mutual Evaluation Exercise 2016 to assess its compliance with the FATF Recommendations on AML/CFT. The ESAAMLG team later made a follow up trip in 2017 and Enhanced Follow Up Report and Technical Compliance Re-Rating report is now posted on the ESAAMLG website September 2018. This further confirms Uganda’s commitment to the causes of the ESAAMLG and is also a focal point for addressing the gaps in Uganda’s AML/CFT laws and regulations so as to conform to the FATF Recommendations on AML/CFT.

UAMLC has fast tracked the amendment of several laws to as part of the FATF requirement and strengthening Uganda’s legal frame work to effectively fight ML/TF.

Role and initiatives of major players in the fight against ML/TF

In general, the members of the UAMLC are the major players in Uganda in the fight against ML/TF and have been working as a joint national task force/multi-disciplinary committee in the anti-ML/TF crusade. The UAMLC presently consists of the following government organisations:-

1. Ministry of Finance, Planning and Economic Development [MOFPED]
2. Bank of Uganda [BOU]
3. President's Office [External Security Organisation-ESO]
4. President's Office [Internal Security Organisation- ISO]
5. Ministry of Justice [MOJ]
6. Ministry of Internal Affairs [Immigration Department].
7. Directorate of Public Prosecutions [D.P.P]
8. Uganda Police Force
9. Capital Markets Authority [CMA]
10. Uganda Revenue Authority [URA]
11. Uganda Bankers Association [UBA]
12. Uganda Institute of Bankers [UIB]
13. Non-Governmental Board [Ministry of Internal Affairs]
14. Lotteries and Gaming Regulatory Board
15. Financial Intelligence Authority (FIA)

Because of their respective statutory roles, duties and mandates, some of the above mentioned members of the UAMLC have taken varied initiatives in the anti- money laundering/CFT crusade as mentioned below :-

The Ministry of Finance, Planning and Economic Development created the Uganda Anti Money Laundering Committee [UAMLC] and is generally responsible for all matters concerning the combating of money laundering in Uganda including the putting in place of an effective AML/CFT regime for Uganda

The Bank of Uganda (BOU) is the institution responsible for supervising banks, other financial institutions and micro- finance deposit-taking institutions (MDIs), forex bureaus and money remittance companies. Before the establishment of FIA, BOU had conducted a number of focused sensitisation seminars on AML/CFT to the Insurance Industry, the Accounting Profession, the CMA and the financial sector in Uganda in general. A nation-wide campaign was also conducted by the Bank in conjunction with the Uganda Bankers Association (UBA) to sensitize the public about “Know Your Customer” policies, requirements and procedures. AML / CFT awareness raising in the country is a key component and feature of the national AML / CFT strategy plan for Uganda and will be conducted on a continuous basis.

BOU has continued enforcing AML/CFT standards within the financial sector (particularly banks, credit institutions and forex bureaus) using moral suasion and the Anti-Money Laundering Guidelines issued to financial institutions and forex bureaus in 2002 and 2003, respectively, together with the provisions on control of money laundering contained in the Financial Institutions Act, 2004. All banks now have AML/CFT Compliance officers an indication of their willingness to adhere to AML/CFT compliance programs.

Capital Markets Authority which regulates the securities industry in Uganda, with 20 licensed broker dealers, fund managers, investment advisers and a Unit Trust Manager has drafted regulations on Anti Money Laundering for securities players, though these Regulations are yet to take effect. The Uganda Insurance Commission requires every insurance company to have a Anti Money Laundering Policy (AML), which is reviewed regularly and we ensure that it is implemented by the responsible officers (compliance officer).

Lotteries and Gaming Regulatory Board regulates the casino and gaming sector which was rated as Medium-high during the National risk assessment. To that end a number of recommendations were made in order to streamline the sector operations in respect with AML/CFT. To date the Board has:

- Set up an AML sector task force/committee/team to spearhead, follow up and implement AML/CFT regulations and provide sector knowledge and assistance to the FIA. A draft sector AML policy has been developed.
- An industry AML typology is to be carried out in 2019.
- All casinos were instructed by the gaming board to hire AML/CFT control officers. These were hired and the board together with FIA are set to train them in January 2019.
- The board is set to register all punters/gamers as part of the recommendations in the NRA report in order to limit ML/TF.

FIA conducted a typology study on investors who wanted to partner with government to invest in the infrastructure projects. To this effect a cabinet paper was prepared and discussed in cabinet. Based on the Cabinet Memo, FIA was added another role to undertake financial due diligence to private sector investors who express to partner with government in delivering infrastructure projects. FIA has carried out a number of due diligence analysis and produced reports which have saved Government colossal sums.

International AML/CFT Initiatives

Uganda has continued to actively participate in regional and international fora on the combating of the laundering of money and the financing of terrorism. Uganda has been an active member of the ESAAMLG since its inception. Up to four Ugandans have participated in the ESAAMLG's Mutual Evaluation Exercises and various UAMLC members have also contributed to the ESAAMLG's typology exercises and reports. Uganda has liaison arrangements with most countries engaged in the fight against terrorism and continues to exchange information with them whenever required.

Uganda has had productive contacts with and is an active member of the International Criminal Police Organisation (INTERPOL) and is the Headquarters to the United Nations African Institute for the Prevention of Crime and Treatment of Offenders (UNAFRI). At the regional level, the Treaty for East African Co-operation includes co-operation in security matters and there is regular contact between Security and Intelligence Chiefs.

Uganda's, Securities regulator, the Capital Markets Authority is a member of IOSCO, the international standards setter for the securities industry worldwide. Uganda has carried out an IOSCO self-assessment to ensure that its laws and regulations comply with the 30 IOSCO principles of securities regulations.

Future AML/CFT Developments

Uganda's future AML/CFT work shall be guided by the national AML/CFT strategy cited above, but most of the planned work and activities shall be premised on strengthening Uganda's AML/CFT framework and fast tracking the joining of EGMONT as a member. Through the FIA, It is also planned to conduct further training sessions to build awareness and educate various stakeholders on the features and implications of the AML law and why it is necessary. Future typology studies on money laundering in Uganda are also planned to be carried out.

It is planned set up and operationalise a 2 tier AML/CFT task force where the current UAMLC will be the second tier while the first tier shall be constituted by liaison staff at operational level who will be meeting regularly to fast track disseminated cases, share information, and support prosecution guided/led investigations for cases.

It is planned to conduct another National Risk Assessment as part of revaluation of the country's risk exposure to ML/TF

Conclusion

Overall, Uganda's National AML/CFT Strategy and work has significantly progressed over the last decade and will be improved further to ensure Uganda's compliance with the Recommendations on AML/CFT efforts to address the shortcomings identified are in high gear.

REPUBLIC OF ZAMBIA
 
General back ground about the country including its economy, political and judicial structure and legal system

The political system of Zambia is a multi-party democracy and its legal system is based on statute law enacted by its Parliament, English Law and Zambian Customary Law. Section two of the English Law (Extent of Application) Act sets out the English laws that are recognised in Zambia. These are, the common law, the doctrines of equity and the statutes which were in force in England on the 17th August, 1911 and the Supreme Court Practice Rules in force until 1999. The three arms of Government which operate independently comprise the Executive, the Legislature and the Judiciary.

Mining is the major contributor to Zambia's economy with copper accounting for 80% of export earnings. Other major sectors include agriculture, manufacturing, tourism and construction.

The Zambian economy in 2018 was projected to grow at around 4 percent from 3.4 percent in 2017. This was due to improved performance in sectors such as mining, construction, manufacturing, wholesale and retail trade as well as stable and reliable energy supply that is supporting growth. Inflation remained relatively stable within the target range of 6-8 percent in the first half of 2018. Inflation was 7.9 percent in September 2018 from 6.1 percent in December 2017. Food inflation was the key driver of the increase and was recorded at 8.6 percent in September 2018 compared to 4.8 percent in December 2017.

Interest rates remained relatively high with the lending rates declining to an average of 23.5 percent in August 2018 from an average of 26.7 percent in December 2017. In the foreign exchange market, the Kwacha remained relatively stable. The Kwacha depreciated by 0.9 percent to an average of K10.10 per United States dollar in August 2018 from K10.01 in December 2017. The depreciation was mainly on the backdrop of the strengthening of the United States dollar.

Overview of financial and DNFBP Sectors

The financial sector in Zambia comprises, the banking sector (18 banks), non-bank financial institutions (122 institutions consisting of 8 leasing and finance institutions, 4 building societies, 73 bureaux de change, one savings and credit institution, 34 microfinance institutions, one development bank, and one credit reference bureau. The other sectors that form part of the financial sector in Zambia include insurance, pensions and capital markets sub sectors. The financial sector provides a wide variety of financial instruments and constitutes the formal financial services, while informal financial services exist in the form of money lenders and savings groups. The financial sector together with users of financial and non-financial products and services make up the financial sector ecosystem.

On the other hand, the Designated None-Financial Businesses and Professions (DNFBPs) compromise, Real estate agents, casinos, accountants, lawyers, dealers in precious stones and metals and dealers in motor vehicles.

Overview of ML/TF Risks

Government in May 2015 took a bold decision for the country to undertake a money laundering/terrorist financing national risk assessment. The national risk assessment which was coordinated by the Financial Intelligence Centre included participants from selected government ministries, law enforcement agencies, supervisory authorities, reporting entities, civil society organizations and the private sector. Zambia identified ML risk as **medium high** mainly on account of the national combating ability being **medium low** and the ML sectorial risks for the Banking sector being **medium high** and that of the DNFBPs being rated high. TF risk was assessed to be medium low.

AML/CFT Policies, Strategy and Coordination

Following the NRA, an Action Plan was developed for the implementation of the findings of the NRA. Government has further embarked on the developed of the AML/CFT National Policy and Strategy that has taken into account findings and recommendations of the NRA of 2016.

There is strong coordination and cooperation between competent authorities on AML/CFT matters. Coordination and cooperation by stakeholders take place at various levels including the Anti-Money Laundering Authority (AMLA) and the AML/CFT National Task Force of Senior Officials. Zambia has put in place adequate mechanism to enable various authorities at an operational level to cooperate and coordinate on AML/CFT.

Overview of AML/CFT Compliance and Supervision

The level of AML/CFT compliance for the financial sector is better than that of the DNFBPs. These results are authenticated by the findings of the NRA and AML/CFT inspections conducted by various supervisory authorities. Supervisory authorities for the financial sector and the FIC employ risk based approach to AML/CFT inspection. However, supervision for AML/CFT of the DNFBPs limited.

Overview of AML/CFT Legal and Institutional Frameworks and their implementation

The AML/CFT legal framework in Zambia includes among others the following pieces of legislation: Prohibition and Prevention of Money Laundering Act, No. 14 of 2001 (as amended), the Financial Intelligence Centre Act, No. 46 of 2010 (as amended), Forfeiture of Proceeds of Crimes Act, No. 19 of

2010 and the Anti-Terrorism and Non-Proliferation Act, No. 6 of 2018. Other stakeholders in the AML/CFT institutional framework include the, the Ministry of Home Affairs, Ministry of Justice, Ministry of Foreign Affairs, FIC, LEAs, National Prosecution Authority, the Judiciary, Supervisory authorities and private entities i.e. financial institutions and DNFBPs. Zambia has successfully prosecuted various predicate offences as well as money laundering offences and effected various asset forfeitures.

Challenges and Future Plan

The main challenges around AML/CFT include ineffective implementation of the forfeiture regime in Zambia and obtaining information on ultimate beneficial owner(s) of corporate entities. Zambia is in the process of developing regulations for effective implementation of the Forfeiture of Proceeds and Crime Act. There is also need to establish a robust legal framework for effectively supervising DNFBPs. The FIC has had extensive engagements with DNFBPs and the plans, if implemented will go a long way in effectively supervising the various DNFBPs.

Conclusion

Zambia has made significant strides in the AML/CFT front demonstrated by enactment of various laws that have criminalized ML, TF and Proliferation Financing and establishment of AML/CFT institutional framework. The admission of the Zambian FIU as member of Egmont group as at 26th September, 2018 is indeed a major milestone achievement for our country.

The conducting of the NRA has enabled competent authorities to be more focused in carrying out their mandate. The Zambian government wishes to reiterate its resolve to strengthen the financial system and the AML/CFT regime in Zambia and continue to cooperate with ESAAMLG and other cooperating partners in the AML/CFT regime in the foreseeable future.

REPUBLIC OF ZIMBABWE


General back ground about the country including its economy, political and judicial structure and legal system
Geographic

Zimbabwe is a landlocked country with a total area of 390,580 sq km. The capital city of the country is Harare. The country borders Mozambique, (to the east), South Africa and Botswana (to the south and west), and Zambia, (to the north). Zimbabwe is divided into 10 administrative provinces which are Manicaland, Mashonaland Central, Mashonaland East, Mashonaland West, Masvingo, Matabeleland North, Matabeleland South, and Midlands and the two Metropolitan provinces of Harare and Bulawayo.



With the last census having been undertaken in 2012 giving a figure of 13 061 239, currently the population is estimated to be about 15 million. English is the official language while Shona and IsiNdebele are the two major indigenous languages. Christianity is the predominant religion.

Political

Zimbabwe attained independence from British colonial rule in 1980, following an armed nationalist struggle. Cde. Robert Gabriel Mugabe the nation's first Prime Minister, became president in 1987 and was replaced in November 2017 by Emmerson Dambudzo Munangagwa, who has ushered in the 2nd Republic for Zimbabwe.

Zimbabwe's system of government is a Parliamentary Democracy. Executive Authority vests in the President, who holds the titles of Head of State and Government as well as Commander in Chief of the Defence Forces. Under the new constitution that came into force in 2013, the President is elected by popular vote and holds office for a five-year term, with a constitutional limit of up to two terms per individual.

Legislative authority vests in a bi-cameral Parliament, consisting of the National Assembly (the lower house) and the Senate (upper house). Of the 270 members of the National Assembly, 210 are elected by voters from each of the 210 electoral constituencies, while a further 60 members must be women, who are appointed under a system of proportional representation, based on the percentage of votes casts for each political party. Of the 80 Senators, 60 are also appointed under the proportional representation system, while 16 are traditional chiefs (two representing each of the eight provinces other than the two metropolitan provinces of Harare and Bulawayo) while the remaining 2 Senators are elected to represent persons with disabilities.

Economy.

The four main pillars of Zimbabwe's economy are mining, agriculture, tourism and manufacturing. Since 2009 when the Zimbabwe dollar was demonetised, Zimbabwe officially adopted a basket of international and regional currencies, with the US dollar being the anchor currency.

With regards to financial services, the dominant sub-sectors are those of banking and insurance which both contribute an estimated 12% to the national GDP annually. It is estimated that around 70% of Zimbabweans have access to formal financial services, and 30 percent of those accessing the formal financial products do so through transactional and savings products of banks. Zimbabwe has recorded rising financial inclusion figures, from 60 percent in 2011 to almost 80% as of 2018, largely driven by mobile money services.

The country has abundance of precious stones and precious metals contributing more than 11 percent to GDP (USD 3.7 billion) in 2013. Platinum metal group accounts for half of the earnings, with gold and diamond (in this order) sharing the balance

Legal System.

The legal system is a mixture of Roman-Dutch and English Common Law. The Judiciary comprises the Constitutional Court, Supreme Court, High Court, Administrative Court, Labour Courts, Magistrates Courts and Local Courts. The process of passing a law involves the sponsoring Ministry presenting the Principles of Amending Bill to Cabinet, then the initial draft bill is then tabled before the Cabinet Committee on Legislation and subsequently to Cabinet. The bill has to be passed by the Lower and Upper Houses of Parliament, and finally assented to and signed by the President into law. After the President's assent, the law must be published in the Government Gazette. Subsidiary legislation is passed under powers delegated by Parliament through primary legislation. Such subsidiary legislative powers are normally delegated to cabinet ministers and are exercised through the passing of statutory instruments within the parameters set out by the primary legislation.

Overview of financial and DNFBP Sectors

The Financial Sector

As at 30 September 2018 the total banking sector assets were \$13.56 billion. The banking sector comprise 13 commercial banks, 5 building societies, 2 development institutions, a savings bank and 6 microfinance banks as at 30 September 2018. There are a total of 194 credit only microfinance institutions (total asset base \$351.39 million), with the top 10 constituting 69.93% of the total loans as at 30 September 2018. In addition, the largest MFI accounts for 12.51% of the total loans.

As at 30 June 2018, the pensions industry had an asset base of \$4.39 billion. The standalone self-administered funds contributed 1.78 billion while self-administered funds and insured funds contributed \$1.49 billion and 1.12 billion respectively.

Total assets for the insurance industry were \$0.516 billion as at 30 June 2018. Non-life insurers reported total assets of \$0.257 billion, followed by reinsurance companies with \$0.156 billion and the remainder on other insurance sub-sector like funeral and brokers.

Therefore, the insurance and pensions industry had total assets amounting to \$4.906 billion as at 30 June 2018. There were six hundred and twenty-nine (629) registered entities/persons in the non-life insurance industry (20 short-term insurance companies, 2 micro insurance companies, 8 reinsurance companies of which 5 are composite reinsurers, 2 underwriting management companies, 32 insurance brokers, 7 reinsurance brokers, 35 loss assessors, 113 corporate agents and 410 sole agents) and 1,047 in the pensions industry (15 standalone self-administered funds, 172 self-administered funds and 860 insured funds) as at 30 June 2018.

The Securities and Exchanges Commission of Zimbabwe is the regulator for capital market players. The Zimbabwe Stock Exchange is the sole stock exchange in Zimbabwe with market capitalisation of USD 12 billion (about 55% of GDP) and the value of shares trade was 3.6 percent to GDP. There are a total of 68 regulated entities operating within the securities sector, comprising 13 stock brokers, 3 securities transfer secretaries, 6 custodial companies, 26 investment advisors, 15 investment managers, 3 securities trustees and a central securities depository.

Zimbabwe has seen an increase in formal domestic money remittances due to high mobile money usage and other independent money or value service providers. The dominant platforms for providing mobile money service are telecommunications networks and banking sector, which rely on a large network of agents countrywide.

DNFBPs

All categories of DNFBPs as defined by the FATF operate in Zimbabwe. All DNFBP sector participants are either licensed or registered by a competent authority. Lawyers in Zimbabwe provide a number of services including criminal and civil litigations, conducting transactions on behalf of clients such as setting up and managing client trust accounts, and conduct real estate and securities transactions. There are 1 229 legal practitioners and 267 law firms registered with the Law Society of Zimbabwe.

The Public Accountants and the Auditors Board is the statutory regulatory body for accountants. However, there are members belonging to the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants regulated by international standards. They generally offer services ranging from accounting, auditing, tax consultancy, business advisory and other assurances services.

The casino industry is very small in terms of value and all participants are local. No internet casino operations are allowed in Zimbabwe. There are a total of 10 licensed casinos operating in 24 locations. The big casinos have about 3 tables. There are 21 gaming houses mostly located in the casinos. They are licensed by the Lotteries and Gaming Board.

In terms of the real estate sector, Zimbabwe has experienced a significant rise in real estate transactions over the past few years. The Deeds' Office estimated that in any given year property sales will exceed 1000 transactions valued at over USD 500 million.

Overview of ML/TF Risks

Zimbabwe completed its first National Risk Assessment in July 2015,. The NRA analysed the threats and vulnerabilities of the different types of products, transactions and channels offered by the FIs, the DNFBPs and, to a lesser extent, the informal sector. The methodology used with the aide of the World Bank tool addressed ML/TF threat and vulnerability analysis at a national level.

As the overarching analysis of ML/TF threats in Zimbabwe, the NRA identified top five predicate crimes posing the highest risks in 2013, namely (in order of volume of proceeds), smuggling, illicit gold and precious stones dealings, corruption, fraud, tax evasion including externalisation of currency. With regards to smuggling, areas of concern include illicit cross-border currency transportation, as receipts or payments for smuggling activities and the most prevalent commodities affected are precious stones and metals, cigarettes and general tradable goods.

The most vulnerable entities are the banks and the DNFBP sector, most notably precious stones and precious metals dealers and real estate sector. The Real estate sector may also be an area of concern. Agents confirmed that although there were no total official figures, most sales were in large cash transactions.

The risk of TF was regarded as low and the authorities continue to monitor any potential activities that may result in or support terrorism and its financing.

AML/CFT Policies, Strategy and Coordination

The Ministry of Finance and Economic Development (Treasury) is responsible for AML/CFT policy setting and coordination in Zimbabwe. The National Task Force on AML/CFT (NTF) is in charge of coordinating implementation of the NRA findings to mitigate the ML/TF risks. As the secretariat of the NTF, the Financial Intelligence Unit is charged with the responsibility for coordinating inputs to update and review the NRA.

Other stakeholders involved in policy, strategy and coordination are;

- the Ministry of Justice,
- the Ministry of Home Affairs,
- the Ministry of Public Service Labour and Social Welfare,
- the Ministry of Mines and Mineral Development
- the Ministry of Foreign Affairs,
- the National Prosecuting Authority,
- the Zimbabwe Republic Police – mainly the three sections of CCD, Law and Order and Mineral, Flora and Fauna Units,
- The Zimbabwe Anti-Corruption Commission,

- The Reserve Bank of Zimbabwe- mainly the three sections of Bank Supervision Division, Exchange Control and the National Payment Systems,
- The Securities and Exchange Commission of Zimbabwe,
- The Insurance and Pensions Commission,
- Others include the Registrar of Companies; Deeds' Office, Immigration, ZIMRA, financial sector associations and regulators of DNFBPs.

For coordination, these agencies work under the auspices of the Zimbabwe National Task Force on AML/CFT which is a creature of statute and operationalised through a charter to which all stakeholders are signatories. The FIU is the statutorily defined body responsible for coordinating issues and the agencies.

Arising from the National Risk Assessment, Zimbabwe crafted its third five-year national AML/CFT strategy 2015 to 2019. The strategy proposes:

- to increase the effectiveness of the country's AML/CFT systems to detect, investigate and prosecute cases of money laundering, related predicate offences and financing of terrorism; to increase the country's effectiveness in identifying / tracing and confiscating proceeds and instrumentalities of crime and funds related to financing of terrorism.;
- to increase capacity of AML/CFT stakeholder institutions in Zimbabwe and render them more effective;
- to enhance national cooperation as well as Zimbabwe's cooperation with other jurisdictions and with regional and international bodies on AML/CFT issues;
- to regularly assess / review the country's money laundering and financing of terrorism risks and align AML/CFT policies in line with the country's risks and to monitor and review implementation of this National AML/CFT Strategy on an ongoing basis.

Overview of AML/CFT Compliance and Supervision

Zimbabwe has a sound legal and institutional framework for licensing and registration, supervision and monitoring of FIs and DNFBPs for compliance with AML/CFT requirements. In terms of the MLPC Act, the FIU is the overall AML/CFT supervisor, but works closely with competent supervisory authorities who are responsible for their respective areas. In this way, Zimbabwe has created a decentralised yet coordinated supervision model in which the FIU provides leadership and direction to ensure uniform application of the AML/CFT requirements.

Other AML/CFT Supervisors within the Zimbabwean framework include;

- Securities and Exchange Commission of Zimbabwe - regulates capital markets, oversees the licensing of brokers, dealers and investment advisors with the intention of ensuring protection of the investor's interest.
- Insurance and Pensions Commission supervises the pensions and the insurance industry.
- Reserve Bank of Zimbabwe - responsible for supervising banks, Money Value Transfer Services forex bureaus and mobile money service providers. The Exchange Control and the

National Payment Systems have AML/CFT supervision mandate of the non-bank financial services licensed by the RBZ.

The MLPC Act provides for a range of penalties for the FIU in conjunction with other supervisory Authorities to issue sanctions in consultation with the competent supervisory bodies for non-compliance with AML/CFT requirements.

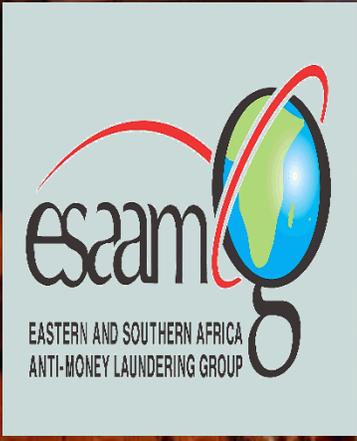
Overview of AML/CFT Legal and Institutional Framework

In the past few years, Zimbabwe has undergone a comprehensive review of its AML/CFT regime. Before this process, the primary legislations underpinning the AML/CFT regime were; Criminal Law (Codification and Reform) Act, 2006, Serious Offences Act, 2001 and the Bank Use Promotion and Suppression of Money Laundering Act, 2002.

In 2013, Zimbabwe passed the Money Laundering and Proceeds of Crime Act (MLPC Act) which is a composite legislation criminalising money laundering (ML) and terrorist financing (TF). The new Act criminalises the offences of ML and TF and the associated predicate offences in various statutes. The Act also provides for provisional and confiscation measures, preventative measures and supervision responsibilities, and sanctions for failure to comply with obligations and commission of ML and TF offences. These laws provide for the salient features of a sound AML/CFT regime based on application of AML/CFT obligations, freezing and confiscation of proceeds, broad institutional framework, and coordination and cooperation (national and international).

Statutory Instrument 76 of 2014 was passed in 2014 to give effect to the United Nations Security Council Resolutions (UNSCRs) 1267 and 1373 and its Successor Resolutions.

Zimbabwe has a broad range of key government ministries, authorities and agencies responsible for AML/CFT matters including policy, supervision, investigation, prosecution and freezing and confiscation of assets. These institutions collaborate on a regular basis under the auspices of the National Task Force on Money Laundering and Terrorist Financing.



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