



Anti-money laundering and counter-terrorist financing measures

Tanzania

4th Enhanced Follow-up Report &
3rd Technical Compliance Re-Rating
September 2024

Follow-Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 21 countries and includes a number of regional and international observers such as COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

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

For more information about the ESAAMLG, please visit the website: www.esaamlg.org

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ANNEX A

TANZANIA: 4th FOLLOW-UP REPORT & 3rd REQUEST FOR RE-RATING

I. INTRODUCTION

1. The ESAAMLG evaluated the Anti-Money Laundering and Countering the Financing of Terrorism and counter Proliferation Financing (AML/CFT/CPF) regime of the Republic of Tanzania under its Second Round of Mutual Evaluations (MEs) from 1 to 12 July 2019. The ESAAMLG Council of Ministers adopted the Mutual Evaluation Report (MER) in June 2021. This draft Follow-up Report (FUR) analyses Tanzania's progress in addressing the technical compliance deficiencies identified in its MER, relating to thirteen (13) Recommendations. Re-ratings are proposed where sufficient progress has been made.
2. Overall, the expectation is that countries will have addressed most if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report needs to consider the progress that Tanzania has made to improve its effectiveness.

II. FINDINGS OF THE MER

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

TABLE 2.1: Technical Compliance ratings², June 2021

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	PC	PC	LC	PC	NC	NC	NC	LC	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	NC	PC	LC	PC	PC	NC	NC	NC	LC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30

¹ https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/438.

² There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC).

4. In view of the above ratings, the country was placed under enhanced follow up in terms of Paragraph 105 of Procedures for the ESAAMLG 2nd Round of AML/CFT. Following the adoption of the MER in June 2021, the Tanzania has made some progress to address deficiencies outlined in the Report. The following experts (assisted by Muluken Yirga Dubale and Valdane Joao from the Secretariat) assessed Tanzania's request for TC re-ratings and prepared its follow-up report: Mr. James Manyonge (Kenya); Ms. Chanda Lubasi Punabantu (Zambia); Mr. Masautso Ebere (Malawi); Ms. Gashumba Jeanne Pauline (Rwanda); and Ms. May Paule Rabat (Seychelles).

III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

5. This section summarises Tanzania is progress made in improving its technical compliance by addressing some of the TC deficiencies identified in the MER.

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

3.1.1. Recommendation 6-Targeted Financial Sanctions Related To Terrorism And Terrorist Financing (Previously rerated PC from NC, now rerated to C)

6. The main findings of the MER were that: a) the legislation in URT to freezing assets does not meet the 'without delay' requirements as set out in the FATF Standards; b) there is no requirement to request another country to give effect to the actions initiated under the freezing mechanisms or provide as much identifying information and specific information supporting the designation as possible; c) there is no legal authority, procedures, or mechanisms to implement the requirements under Criterion 6.3, 6.5(c-d); and d) there is no requirement for the freezing to be done without prior notice.
7. The September 2023 FUR rated found that Tanzania addressed the identified deficiencies against Criterion 6.7 and largely addressed Criteria 6.1, 6.2 and 6.3 while remained with moderate or major shortcomings with the remaining criteria. The major findings were that Tanzania still have some minor and moderate outstanding deficiencies, including the issue of implementing TFS without delay which affected the overall rating.
8. The September 2023 FURR found that the law is silent on the procedure regarding whether or not the government should make known its designating status to other UN member states. While the regulations are silent on the procedure regarding whether or not the government should make known its designating status to other UN member states, we note that regulation 18(2)(b)(iii)'s requirement that the Minister provides "any

other relevant information as may be required by the Security Council" would arguably extend to the notification as to whether URT wants its designating status known to other UN member states, since this is a piece of information required under UNSCR 2253 (2015). This is further supported by the fact that under Regulation 18(2)(a), the Minister is obligated to follow the procedures provided by the relevant Committee, including using the standard form for listing. As pointed out by URT, Part IV of the 1267/1989 Committee's Standard form for listing requires Member States proposing a new listing to specify if the Committee or the OMBP may make known the Member State's status as a designating state. Thus, this requirement is implicit under both regulation 18(2)(a) and 18(2)(b)(iii), and has been interpreted by URT as such. **Hence, c.6.1 has been Met.**

9. The new POTA Regulations, 2022 sets out the procedures for designation compatible to those of UNSCR 1373. URT has identified the Minister responsible for Home Affairs as the competent authority for designation of persons or entities meeting designation criteria set forth in UNSCR 1373 either at its own initiative or at the request of another country. Specifically, regulation 5(1) of the 2023 POTA Regs provides: *The Minister may, upon the recommendation of the Committee and, after being satisfied on reasonable grounds that a party has met any of the designation criteria provided under regulation 9, declare such party a designated party.* Regulation 9 of 2023 POTA Regs is extensive, and sub-regulations 9(a) – (e) are broad enough to cover the UNSCR 1373 listing criteria. The Minister's authority extends to requests from another jurisdiction, via regulation 10. The scope of Regulation 10 is now expanded to include all types of persons. **Hence, c.6.2 has been Met.**
10. The November 2023 amendments to the POT Regulations, 2022 has a provision with *ex parte* procedures for the Permanent Committee while the Committee considers proposal for designations for the purposes of UNSCR 1267 and its successive resolutions (Regulation 6(4) of the POTA Regulations, 2022 (as amended). **Hence, c.6.3 has been Met.**
11. As per Reg. 4 (1) of the POTA Regulations, designation of a party for targeted financial sanctions made by the Security Council has effect and should be enforced without delay in URT. In terms of Reg.3 of the same Regulations (as amended 2023), the term 'without delay' has a maximum threshold of 24 hours. The FIU is mandated to circulate the designated list to the competent authorities including the security organs and, competent authorities, National security organs specified in the constitution of URT, and any other person including the reporting entities within twelve (12) hours after

designation or updated (Regulation 4 of the POTA (as amended in 2023 and 2024)). The designated party is subject to targeted financial sanctions without delay as provided under Regulations 19, 20, 25 and 26 until such a time when the designation is revoked by the Security Council (Reg.4(2)). The POTA Regulations is amended in a way that the whole process should not take more than 24 hours. **Hence, c.6.4 has been Met.**

12. Section 12 (1) (a) of the POTA Regulations 2022 provides mechanisms for disseminating information to reporting persons, competent authorities, or any other person for enforcement. As per Reg.4(4)(b) of the POTA Regulations (as amended in 2023), the supervisory authorities are empowered to issue guidance on TFS obligations for the reporting entities under their purview. The FIU issued TFS Guidelines to all reporting persons (c.6.5 (d). Regulation 12 (2) of the POTA, requires reporting person, competent authority or any other person to report to the committee without delay funds, or other assets, including attempted or other transaction (c.6.5 (e) Met). **Hence, c.6.5 has been Met.**

13. In terms of providing guidance to Financial Institutions and other person or entity including DNFBPs that may be holding targeted funds or other assets on their obligations to respect TFS, Regulation 12 of the POTA Regulations sets out the mechanisms for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action. Additionally, regulations 15(8), (9) and (12) provide further guidance: 15(8): Where the Committee recommends that the name of a designated party appearing on a sanctions list be deleted, the Minister shall, within twenty-four hours of such recommendation being made, notify all relevant persons of such deletion directing them to delete that name from the list circulated to them. 15(9) A notification under sub regulation (8) shall have the effect of revoking the freeze order and other sanctions imposed against the designated party whose name is deleted from the list. 15(12) Upon the Minister delisting a designated party or upon receiving communication from the Security Council on delisting of a party, he shall communicate the delisting in accordance with regulation 12. Moreover, the FIU has prepared guidelines to assist reporting person on their TFS obligations to effectively implement UNSCRs1267 and 1373. The guidelines were circulated to stakeholders in early July 2022. The FIU reviewed the TFS Guidelines in November 2023 consistent with the amendment of the laws. The new TFS guidelines now apply to all existing and future TFs. They also took in consideration the TFS aspects introduced by the POT Regulations amendments in February and November 2023 including issues related to communication of designations, unfreezing of funds or assets of persons with similar

name with the designated party and the application of guidelines to all existing and future TFS UNSC Resolutions. **Hence, c.6.6 has been Met.**

Weighing and Conclusion

14. URT has addressed all the remaining deficiencies against Recommendation 6. Based on the above, the rating on Recommendation 6 should be upgraded to **Compliant (C)** from PC.

3.1.2 Recommendation 7- Targeted Financial Sanctions related to Proliferation (Originally rated NC – re-rated to C)

15. Under its Second Round MER, Tanzania was rated NC with the requirements of Recommendation 7. At the time, the country did not have measures in place to implement requirements relating to prevention of proliferation financing. Therefore, no rating of not met were given to all Criteria of this recommendation.
16. The Targeted Financial Sanctions referred to in Regulation 4 of the POTA Regulations relate to both TF and PF TFS. The scope of the POTA Regulations was extended to PF pursuant to Section 48 of the POT Act which empowers the Minister responsible for Home Affairs to make Regulations to take TFS against PF. The Regulations that the Minister is empowered to promulgate include Regulation on preventing measures for funds asset and properties of sanctioned persons or entities; Procedures for proposing person or entity for designation and de-listing under the UNSCRs relating to TF and PF; mechanism and criteria for identifying target for designation and implementation of TFS.
17. As per Reg. 4 (1) of the POTA Regulations, designation of a party for targeted financial sanctions made by the Security Council has effect and should be enforced without delay in URT. In terms of Reg.3 of the same Regulations (as amended 2023), the term ‘without delay’ has a maximum threshold of 24 hours. The FIU is mandated to circulate the designated list to the competent authorities including the security organs and, competent authorities, National security organs specified in the constitution of URT, and any other person including the reporting entities within twelve (12) hours after designation or updated (Regulation 4 of the POTA (as amended in 2023 and 2024)). The designated party is subject to targeted financial sanctions without delay as provided under Regulations 19, 20, 25 and 26 until such time when the designation is revoked by

the Security Council (Reg.4(2)). The POTA Regulations is amended in a way that the whole process should not take more than 24 hours. **Hence, c.7.1 has been Met.**

18. The freezing order under UNSCR 1718 List takes place immediately after the FIU disseminates the List to the competent authorities including to the Minister responsible for Home Affairs and the Minister requires the reporting persons and other persons to freeze the assets without delay and prior notice at a maximum 24 hours. These obligations apply to all natural and legal persons and the term “party” under Regulation 3 of the Regulations include an individual, a group, an undertaking or an entity. The definition of “fund and economic resources” is broad enough to cover the FATF definition under Regulation 3. The comprehensive prohibitions on any transaction involving such fund or economic resources effectively meet the definition of “freeze” accounting to the FATF Methodology, as they prohibit the transfer, conversion, disposition, or movement of any funds or other assets that are owned or controlled by designated or listed parties. Since it also requires any person to immediately refrain from performing any action, the “freeze” applies without delay and without prior notice. The freezing obligation is extended to: (i) economic resources, or financial or other related services, wholly, jointly, or are for the benefit of designated persons and entities or entities owned or controlled, directly or indirectly, by designated persons or entities (section 19 (1) (a) POTA regulations). Furthermore, the funds and assets are not limited to those that can be tied to a particular terrorist or proliferation act, plot or threat (section 19 (3) POTA regulations). (ii and iii) Funds or other assets derived or generated from funds or other assets wholly or jointly owned or controlled, directly or indirectly by the designated party; and (iv) Funds or other assets that are wholly, jointly or partly owned by a person acting on behalf, or at direction, of a designated party. Tanzania prohibits their nationals, or any persons and entities within their jurisdiction, from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless authorised by the Minister or by the Security Council (Regs 19 and 20 of the POTA Regulations 2022). Section 12 (1) (a) of the POTA Regulations 2022 provides mechanisms for disseminating information to reporting persons, competent authorities, or any other person for enforcement. As per Reg.4(4)(b) of the POTA Regulations (as amended in 2023), the supervisory authorities are empowered to issue guidance on TFS obligations for the reporting entities under their purview. Section 12 (1) (a) of the POTA Regulations 2022 provides mechanisms for

disseminating information to reporting persons, competent authorities, or any other person for enforcement. As per Reg.4(4)(b) of the POTA Regulations (as amended in 2023), the supervisory authorities are empowered to issue guidance on TFS obligations for the reporting entities under their purview. Reg.4(4)(b) of the POTA Regulations (as amended) provides powers for supervisory authorities to issue guidance on TFS obligations. The FIU issued TFS Guidelines to all reporting persons. Regulation 12 (2) of the POTA requires reporting person, competent authority or any other person to report to the committee without delay funds, or other assets, including attempted or other transaction. Tanzania has adopted measures to protect the interest of third parties as per Regulation 22 of the same Regulations. **Hence, c.7.2 has been Met.**

19. Section 6(1)(c) of the AMLA confers general power to the FIU to supervise reporting persons for compliance with anti-money laundering, countering terrorist financing and countering proliferation financing obligations under the Act and any other written laws; Regulation 20(6) of the new POTA regs makes clear that “Competent authorities shall be responsible for the implementation and enforcement of targeted financial sanctions.” 12(5), 19(5) and 20(5) contain penalty provisions, and failure to comply is subject to civil, administrative and criminal sanctions. Moreover, regulation 31 also provides that “Any person who contravenes these Regulations where no specific penalty is provided, that person shall, on conviction in the case of- (a) an individual person, be liable to a fine not exceeding five hundred million shillings but not less than one hundred million shillings or be ordered to pay three times the amount of money involved or market value of the property, whichever amount is greater or to a term of imprisonment not exceeding five years; (b) a body corporate, be liable to a fine of not less than five hundred million shillings or be ordered to pay three times of the amount of money involved or market value of the property, whichever amount is greater. (2) For the purposes of subsection (1)(b), every director, manager or principal officer and member of the board of directors of the company shall be deemed to have committed the offence. **Hence, c.7.3 has been Met.**

20. As revised under the 2023 POTA Regulation, regulation 15(3)(b) instructs listed persons and entities to petition to the Focal Point directly for de-listing. The November 2023 amendments to the POT Regulations added Regulation 20A with a view to comply with criterion 7.4(b) with respect to unfreezing the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (i.e. a false positive), upon verification that the person or entity involved is not a designated person or entity. Regulation 21(1)-(4) of 2023

POTA Regulations provides for the procedures that authorise the access to frozen funds or other assets which have been determined to be necessary for basic expenses or extrajudicial expenses. As per regulation 21(5) of the 2023 POTA Regs, where the Minister determines that the funds or other assets are to be used for the purposes specified in the regulation, the Minister will notify the relevant United Nations Sanctions Committee of his intention not to object to the application. The Minister should then notify the listed party and provide guidance to reporting persons and any other person in possession of funds or assets of designated party, of the decision of the United Nations Sanctions Committee upon being made, provided that for ordinary expenses, in the absence of a decision within the five working days of the notification under sub regulation (5), it will be deemed that the relevant United Nations Sanctions Committee has not objected to the use of the funds or other assets, or any part thereof. The November 2023 amendments to the POT Regulations repealed and replaced sub regulation 21(6) to empower the Minister to notify the listed party on the decision of the relevant UNSC Committee in relation to his application for extraordinary expenses. Regulation 12 of the POTA Regulations sets out the mechanisms for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action. Additionally, regulations 15(8), (9) and (12) provide further guidance: 15(8): Where the Committee recommends that the name of a designated party appearing on a sanctions list be deleted, the Minister shall, within twenty-four hours of such recommendation being made, notify all relevant persons of such deletion directing them to delete that name from the list circulated to them. 15(9) A notification under sub regulation (8) shall have the effect of revoking the freeze order and other sanctions imposed against the designated party whose name is deleted from the list. 15(12) Upon the Minister delisting a designated party or upon receiving communication from the Security Council on delisting of a party, he shall communicate the delisting in accordance with regulation 12. Moreover, the FIU has prepared guidelines to assist reporting person on their TFS obligations to effectively implement UNSCRs 1267 and 1373. The guidelines were circulated to stakeholders in early July 2022. The guidelines on the implementation of TFS were revised and new guidelines were issued in November 2023 incorporating all legislative changes in the POTA and the POT Regulations. The new Guidelines were circulated to all stakeholders on 3rd November 2023. **Hence, c.7.4 has been Met.**

21. Regulation 19 (4) (a) of the POTA allows the additions of interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to freezing provided that

any such interest, other earnings and payments continue to be subject to these provisions and are frozen provided that any such interest, earnings and payments continue to be subject to freezing. Based on regulation 19 (4) (b) (i),(ii),(iii), the Minister permits the frozen account to make payments based on the following conditions: (i) the contract is not related to any of the prohibited items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering or services referred to in UNSCR 2231 and any future successor resolutions; (ii) the payment is not directly or indirectly received by a person or entity subject to the measures in paragraph 6 of Annex B to UNSCR 2231; and URT has submitted prior notification to the Security Council of the intention to make or receive such payments or to authorize, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorization. **Hence, c.7.5 has been Met.**

Weighing and Conclusion

22. URT has addressed all the remaining deficiencies against Recommendation 7. Based on the above, *the rating on Recommendation 7 should be upgraded to Compliant (C) from NC.*

3.1.3 Recommendation 23- DNFBPs: Other measures (Originally rated PC –Rerated to C)

23. Under its Second Round MER, Tanzania was rated PC with the requirements of Recommendation 23. The major deficiencies were that some DNFBPs were not covered, and the legal framework in Zanzibar does not require DNFBPs to comply with the higher-risk countries requirements set out in R.19.
24. Tanzania amended Section 3 of the AMLA and Section 2 of the AMLPOCA, to include TCSPS, Lawyers, notaries, other independent legal professionals and accountants in the definition of reporting person and they are now subject to the requirement under criterion 23.1 (a). Under regulation 16(4)(b) of AMLA Regulations and 16(4) (b) of AMLPOCA), requires dealers in precious metals or stones to report when they engage in a cash transaction with a customer equal to or above 15,000 USD or its equivalent to Tanzanian Shillings. Regulation 16(4)(d) of AMLA Regulations and Regulation 16(4)(d) of AMLPOCA, requires TCSPs to report when they engage in a transaction, on behalf or for a client in relation to the following activities: (i) acting as a formation agent of legal persons; (ii) acting as or arranging for another person to act as a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal

persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; (iv) acting as or arranging for another person to act as a trustee of an express trust or performing the equivalent function for another form of legal arrangement; and (v) acting as or arranging for another person to act as a nominee shareholder for another person. **Hence, c.23.1 has been Met.**

25. Tanzania was rated C on Recommendation 18 under the September 2023 FURR. The requirement for reporting person to comply with the internal control's requirement set out in recommendation 18, was added on Section 18 of the AMLA and Section 13 of the AMLPOCA. The scope of these provisions is also applicable to all DNFBPs. The provisions require DNFBPs to: (i) compliance management arrangements including the appointment of a compliance officer at the management level; (ii) screening procedures to ensure high standards when hiring employees; (iii) an ongoing employee training programme; and (iv) an independent audit function to test the system. **Hence, c.23.2 has been Met.**
26. Tanzania was rated C on Recommendation 19 under the September 2023 FURR. Regulations 10 of both AMLA and AMLPOCA (as amended) now require that DNFBPs are now required to apply enhanced due diligence measures, counter measures, advise weaknesses and enhanced ongoing monitoring on any case identified as one where there is a high risk of money laundering, terrorist financing or proliferation financing, and any transaction or business relationship with a person established in a high-risk jurisdiction. **Hence, c.23.3 has been Met.**
27. The June 2021 MER rated c.23.4 as **Mostly Met**. The deficiency was that TCSPs were not covered and therefore not subject to tipping-off requirements. To address this, Tanzania amended Section 3 of the AMLA and Section 2 of the AMLPOCA, to include TCSPS, Lawyers, notaries, other independent legal professionals and accountants in the definition of reporting person. **Hence, c.23.4 has been Met.**

Weighing and Conclusion

28. Tanzania has addressed all the requirements on recommendation 23. *Therefore, the rating on recommendation 23 should be upgraded from PC to C.*

1.1.4 Recommendation 32- Cash Couriers (Originally rated PC – rerated LC)

29. Under its Second Round MER, Tanzania was rated PC with the requirements of Recommendation 32. The assessment team found that Tanzania did not have explicit requirements in law or under the Regulations regulation giving powers to the Customs Officer or any other officer to temporarily seize, stop or restrain currency or BNIs for a reasonable period to determine whether evidence of ML/TF may be found where there is suspicion of ML/TF or predicate offence. Further, the Customs Officer did not have powers competent authorities to request and obtain further information from the carrier with regard to the origin of the currency or BNIs and their intended use.
30. The June 2021 MER rated c.32.1 as Mostly Met³. No information was provided on this criterion. **Hence, the rating remains Mostly met.**
31. Regulation 10 (3) of the Anti-Money Laundering (Cross-Border Declaration of Currency and Bearer Negotiable Instruments) Regulations, 2016 and Regulation 28 (3) of AMLPOCA Regulation 2022 provide for powers of the custom officer to investigate undeclared or falsely declared currency or BNIs as follows:
- (3) Where the undeclared or falsely declared currency or bearer negotiable instrument is seized in accordance with these Regulations, the Customs Officer shall investigate the matter and submit the case file to the Director of Public Prosecutions for institution criminal proceedings.*
- Hence, c.32.4 has been Met.**
32. The June 2021 MER rated c.32.5 as Mostly Met⁴. No information was provided on this criterion. **Hence, the rating remains Mostly Met.**
33. The law in United Republic of Tanzania empowers a Custom Officer to stop or restrain currency or BNIs for a reasonable time to ascertain whether evidence of ML/TF may be found in cases where there is a suspicion of ML/TF/PF or predicate offences (Section 23(2) and (4)(d) of the AMLA and Section 18(2) and (3)(d) of the AMLPOCA). Customs Officer has powers to seize the whole amount of the undeclared or falsely declared currency or bearer negotiable instruments; and issue a seizure notice to the person whose undeclared currency or bearer negotiable instrument is seized as provided in

³ <https://www.esaamlg.org/reports/MER%20of%20Tanzania-June%202021.pdf> , P. 186

⁴ Ibid.

the Second Schedule and retain a copy of such notice (Section 10 (1) of the AMLA and Section 28 of the AMLPOCA). **Hence, c.32.8 has been Met.**

Weighing and Conclusion

34. URT has addressed the identified deficiencies against Criteria 32.4 and 32.8. However, some minor deficiencies identified against Criteria 32.1 and 32.5 still remain. *Therefore, the rating on recommendation 32 should be upgraded from PC to LC.*

Recommendation 35- Sanctions (Originally rated PC – rerated to LC)

35. Under its Second Round MER, Tanzania was rated PC with the requirements of Recommendation 35. The major deficiencies were that the sanctions regime did not cover failure to comply with requirements under R.13, R.14, R.15, R.16, R.18 and R.19 and the breaches of the obligations related to TFS do not constitute criminal offenses. There are moderate shortcomings with regard to R.35.
36. There are a range of proportionate and dissuasive criminal and administrative sanctions available to deal with natural or legal persons that fail to comply with the AML/CFT requirements which could be explained as follows:

Recommendation 6

37. It is now a criminal offense for breaches of TFS related obligations. Regulation 31 provide for a general penalty for contravention of any provision of the POTA Regulation (as amended) where no specific penalty is provided. In this regard a person shall, on conviction if he is –
- (a) an individual person, be liable to a fine not exceeding five hundred million shillings but not less than one hundred million shillings or be ordered to pay three times the amount of money involved or market value of the property, whichever amount is greater or to a term of imprisonment not exceeding five years;
 - (b) a body corporate, be liable to a fine of not less than five hundred million shillings or be ordered to pay three times of the amount of money involved or market value of the property, whichever amount is greater.

Recommendations 13, 14, 15, 16, 18 and 19

38. For sanctions against non-compliant with on the remaining recommendations 13, 14, 15, 16, 18 and 19 identified in the MER, URT has a range of sanctions for legal persons and natural persons as shown on the table below:

REC.	SANCTION AVAILABLE
13	<p>Regulation 12 of both AMLA) and AMLPOCA Regulations requires Reporting Persons, in relation to cross-border correspondent banking and other similar relationships, in addition to performing enhanced customer due diligence measures to-</p> <ul style="list-style-type: none"> (a) <i>gather sufficient information about a respondent institution to understand fully the nature of the respondent's business and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action;</i> (b) <i>assess the respondent institution's anti-money laundering, countering terrorist financing and countering proliferation financing controls;</i> (c) <i>obtain approval from senior management before establishing new correspondent relationships;</i> (d) <i>clearly understand the respective responsibilities of each institution; and</i> (e) <i>with respect to "payable-through accounts", be satisfied that the respondent bank has conducted customer due diligence on the customers having direct access to accounts of the correspondent bank and that it is able to provide relevant customer due diligence information upon request to the correspondent bank.</i> <p>The reporting person is prohibited from entering into or continue, a correspondent banking relationship with shell banks and is required to satisfy themselves that respondent institutions do not permit their accounts to be used by shell bank.</p> <p>The regulation do not specify a specific sanction for this requirement and therefore the general penalty in both AMLA and AMLPOCA in Section 28B and 81B respectively apply. In addition, administrative sanction may also be imposed by FIU or the Regulators.</p>
14	<p>All MVTS are reporting persons by virtue of AMLA and AMLPOCA and are subject to all AML/CFT/CFP preventive measures under those legislations. In this regard in contravention by MVTS provider on any requirement where no specific penalty is provided will be subject to a general penalty, or administrative sanction to be imposed by FIU or the regulators.</p>
15	<p>Section 15(6) of AMLA (Section 14A of AMLPOCA) requires reporting persons to conduct ML/TF/PF risk assessment associated with-</p> <ul style="list-style-type: none"> (a) new and existing customers, countries or geographical areas, products, services, transactions and delivery channels; (b) new products, business practices, services, technologies and delivery channels prior to their launch or use; (c) existing products, business practices, services, technologies and delivery channels which have undergone changes, prior to their continued use; and (d) the use of new or developing technologies for both new and pre-existing products. <p>New products include any transfers within decentralized convertible virtual currencies or assets networks, person-to-person transfers involving hosted wallet providers, large value virtual currency payments or assets transfer, mobile payments and internet-based payments</p>

	<p>services.</p> <p>The sanction for contravention of this requirement is provided for in Section 15 (16) of the AMLA which is similar to Section 10 of the AMLPOCA.</p> <p>Section 15(16) of AMLA requires that a person failing to implement the requirements in accordance with section 15 to be liable to administrative measures as may be imposed by FIU or regulator.</p> <p>In Zanzibar Section 14A applies the general penalty for contravention of Section 10 among others. In mainland Tanzania the criminal sanction under the general penalty may also be applied on contravention of requirement against new technologies.</p> <p><i>However, URT has not started regulating VASPs as per the requirement of Recommendation 15 in general and therefore no sanction as per the requirements of C15.8.</i></p>
16	<p>The Laws referred to in the opposite column requires reporting persons to obtain and keep information in cash and electronic funds transfers transactions (refer to regulation 10 of the Electronic Funds Transfer and Cash Transaction Report Regulations 2019 and Regulations 31 to 36 of the AMLPOCA Regulations). The Electronic Funds Transfer Regulations makes reference to imposition of administrative sanction for failure to report cash of electronic transactions.</p> <p>Criminal sanctions under the general penalty provisions apply for contraventions against requirements for wire transfers.</p>
18	<p>Both AMLA and AMLPOCA requires reporting persons to establish and maintain internal reporting procedures and to implement group wide programmes (See. Section 18 and 19 of AMLA and Section 13 and 14 of AMLPOCA).</p> <p>In both mainland Tanzania and Zanzibar the sanctions are under the general penalty.</p>
19	<p>Regulation 10 of both AMLA and AMLPOCA Regulations requires the application of enhanced due diligence measures and enhance ongoing monitoring in any transaction or business relationship with a person established in a high-risk jurisdiction. The Regulations have no specific sanction for contravention of such requirement and therefore the general penalty in AML and AMLPOCA apply in this case.</p>

Hence, c.35.1 has been Mostly Met.

39. In addition to the above table under C35.1, in terms of section 28B of the AMLA, where an offence under the AMLA has been committed by reporting entities, the sanctions are applicable not only to reporting entities but also to their directors, managers, controllers or principal officers of the reporting entities. Similarly, the administrative sanctions under Regulation 23 of POTA Regulations include sanctions against natural persons. In Zanzibar, liability of corporate bodies and their directors, managers, controllers or principal officers are provided for under Section 9, 9A and 81B of AMLPOCA. The issue raised on VASPs under C35.1 is also a shortcoming when it comes to sanctions against directors and senior managers of VASPs. **Hence, c.35.2 has been Mostly Met.**

Weighing and Conclusion

40. Tanzania has addressed all the requirements on recommendation 35. However, URT has not started regulating VASPs as per the requirement of Recommendation 15 in general and therefore no sanction as per the requirements of C15.8 against the VASPs and their directors and senior managers. *Therefore, the rating on recommendation 35 should be upgraded from PC to LC.*

CONCLUSION

41. Tanzania has made significant overall progress in resolving the technical compliance shortcomings identified in its MER and ratings for 5 Recommendations have been revised. The jurisdiction has addressed the deficiencies in respect of Recommendations 6 (PC), 7(NC), 23(PC) 32(PC) and 35(PC). The reviewers recommend upgrading the rating for Recommendations 6,7, and 23 with Compliant (C) and Recommendations 32 and 35 with Largely Compliant (LC).

42. Given the progress made since adoption of its MER, Tanzania’s technical compliance with the FATF Recommendations has been revised as shown in the table below:

Table 2. Technical compliance following revision of ratings, June 2024

Recommendation	R6	R7	R23	R32	R35
Previous Rating	PC	NC	PC	PC	PC
Re-rated to	C	C	C	LC	LC

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

43. Overall, in light of the progress made by Tanzania since the adoption of its MER, the re-ratings for its technical compliance with the FATF Recommendations should be considered and approved by the ESAAMLG Task Force of Senior Officials Plenary as follows:

Table 3. Technical compliance following revision of ratings after the adoption of the Tanzania MER, June 2024

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

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

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