



Contract for Technical Assistance Support for Improving the Investment and Business Environment in the Southern African Development Community Region (SIBE)

Contract Number: SADC/3/5/1/11

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**Assess the level of risk to the implementation of the
Financial Action Task Force (FATF)
Recommendations to ensure effective and
proportionate measures against Money-laundering,
terrorist financing and proliferation financing in the
SADC region are commensurate with ML/TF risks.**

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1.List of Abbreviations and Acronyms

Abbreviation	Explanation
AML/CFT	Anti-money laundering and combating of financing of terrorism
BO	Beneficial ownership
CCBG	Committee of central bank governors
CDD	Customer due diligence
CISNA	Committee of insurance, securities and non-banking authorities
COSSE	Committee of sadc stock exchanges
DNFBP	Designated non-financial business or profession
ESAAMLG	Eastern and southern african anti-money laundering group
EU	European union
FATF	Financial action task force
FSRBS	Fatf-style regional bodies
FI	Financial institution
FIP	Protocol on finance and investment
FIU	Financial intelligence unit
FSRB	Fatf-styled regional bodies
GABAC	Groupe d'action contre le blanchiment d'argent en afrique centrale
IMF	International monetary fund
LEA	Law enforcement agency
MERS	Mutual evaluation reports
MOU	Memorandum of understanding
NPO	Non-profit organisation
R.	Recommendation
SADC	Southern african development community
SADC-BA	Sadc-banking association
SADC-DFRC	Sadc- development finance resource centre
SADC-RTGS	Sadc real time gross settlement system
SIBE	Support to improving the investment and business environment
STE	Short term expert
TF	Terrorist financing
TOR	Terms of reference
UN	United nations
UNSC	United nations security council
UNSCR	United nations security council resolution

2.Executive Summary

The Financial Action Task Force (FATF) is an inter-governmental body established by the Ministers of its Member jurisdictions with its mandate to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and proliferation financing, and other related threats to the integrity of the international financial system (FATF Recommendation, June 2021).

FATF Recommendations set out a comprehensive and consistent framework of measures, which countries should implement and adapt to their particular circumstances and maintain measures that are effective and proportionate to combat money laundering, financing of terrorism and proliferation financing.

FATF-Style-Regional-Bodies (FSRBs) are autonomous regional organisations that help the Financial Action Task Force (FATF) implement its global AML/CFT policy, which revolves around its 40 recommendations and also play an essential role in identifying and addressing AML/CFT technical assistance needs for their individual members.

The SADC Protocol on Finance and Investment (FIP) calls for Member States to adopt these FATF Recommendations and as such, the SADC has signed Memorandum of Understanding (MoU) with FSRB's such as The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to formalise its relationship in respect of Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT). The majority of SADC Member Countries are members of ESAAMLG and thus subject to evaluations by this body. The Democratic Republic of Congo is a member of GABAC (Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale). There is no reference to any formal arrangement of understanding and cooperation between SADC and GABAC in terms of the FIP. However, all SADC Member States can be subjected to FATF “grey listing” should they be found either by FATF or FSRBs as failing to meet the required standards. ‘Grey listing’ would result in such jurisdiction being subject to enhanced monitoring and being declared as having strategic deficiencies.

This report therefore highlights the key gaps by SADC Member States in respect of their level of compliance with FATF standards. Mutual Evaluations are performed by

the relevant structures such as FATF, FSRBs and other third-party organisation and the STE has consolidated these findings in an effort to assist with clear identification of countries that require support in meeting the FATF standards and circumventing “Grey Listing” going forward.

Further updates were made to the report following a validation workshop which was convened between 21-22 March 2023. The SADC Secretariat, represented by the FIC Unit, convened in Johannesburg, South Africa, key representatives of regulatory authorities from 13 countries, with the exception of Angola, Tanzania, South Africa. The workshop was prepared to enable members to jointly analyse and validate the findings and outcomes of this assignment in accordance with the SADC finance and investment protocol which recommends the need for member states to be in compliance with the FATF recommendations. The assessment was based primarily on the mutual evaluation and action plans developed by FATF Style Regional Bodies, namely ESAAMLG and GABAC. The main objective of the workshop was to provide key stakeholders (FIU representatives and other authorities) an opportunity to review and validate the findings/outcomes of the assignment which had been prepared by the STE in the framework of the fully funded SIBE Programme of the European Union.

The STE updated the report based on the outcomes of the workshop as well as information and updates received from the follow up reports and re-ratings by the relevant FSRB’s as at March 2023. Changes were made to the technical compliance ratings and progress updates in alignment with information from the 45th ESAAMLG Task Force of Senior Officials Meeting - 26th to 31st March 2023 as well as the Rapport De Suivi Renforce RDC 2023 for the DRC dated February 2023.

Discussion held at the Validation workshop highlighted a number of shared challenges amongst Member States. The most common, included challenges in understanding and effectively completing risk assessments for Non-Profit Organisations (NPO) as well as risk assessments for New Technologies (virtual currencies and assets).

Other observed challenges included;

- implementation of national transparency & beneficial ownership information/data sources.

- implementation of targeted financial sanctions, where many of the Member States highlighted struggles with the legal and practical implementation for TFS, relating to Proliferation Financing (PF)

Member States also shared on their success stories and lessons learnt in reaching key milestones in the efforts to strengthen the AML/CFT regimes. Countries that had been successful in their national coordination efforts, such as Zambia, shared on the approach followed to enhance collaboration amongst key national agencies in order to work more effectively. Countries such as Botswana and Seychelles shared their positive experiences with technical assistance support initiatives from international agencies which other Member States were encouraged to consider. Countries previously grey listed, namely, Seychelles, Zimbabwe, Botswana, Mauritius offered to share experiences with the SADC Member States recently added to the FATF Grey Listing, namely Democratic Republic of Congo, Mozambique, Tanzania and South Africa.

The overall conclusion from the detailed discussions was that Member States were willing and open to supporting one another with both technical aspects as well as practical experiences in order to achieve an effective regional AML/CFT/CPF programme.

The Support to Improving Investment and Business Environment (SIBE) Programme

The Support to Improving Investment and Business Environment (SIBE) Programme is a five-year Programme, implemented by the SADC Secretariat and financed by the European Union under the 11th European Development Fund (EDF). The Financing Agreement and the Contribution Agreement were signed in June 2019 and August 2019, respectively. The Programme is implemented over a period of 55 months from the date of signature of the Agreements. The Programme is implemented by the SADC Secretariat and covers all the 16 SADC Countries.

The overall objective of the Programme is to achieve sustainable and inclusive growth and support job creation through the transformation of the region into a SADC investment zone and promoting intra-regional investment and Foreign Direct

Investment (FDI) in the SADC region, in particular for Small and Medium Enterprises (SMEs).

This specific assignment seeks to **‘Assess the level of risk to the implementation of the Financial Action Task Force (FATF) Recommendations to ensure effective and proportionate measures against money-laundering, terrorist financing and proliferation financing in the SADC region.’**

The assignment supports Result Area 2 of the SIBE Programme, which seeks to ensure that enhanced integration of financial markets in the SADC region is promoted. Under this Result area, the programme will, among other things, assist in:

- Developing financial markets in the SADC region;
- Developing policies and strategies to address risks to financial stability at regional and national levels; and
- Strengthening SADC Real Time Gross Settlement System (SADC-RTGS), Committee of Insurance, Securities and Non- Banking Authorities (CISNA), Committee of SADC Stock Exchanges (CoSSE), the SADC Committee of Central Bank Governors (CCBG) and the SADC Banking Association (SADC BA).

Member States recognise the importance of full implementation of the Financial Action Task Force (FATF) Recommendations. Annex 12 of the SADC Protocol on Finance and Investment calls for Member States to adopt and maintain, in accordance with the FATF Recommendations, measures that are effective and proportionate to combat money laundering, financing of terrorism and proliferation and that they will do so cognisant of the impact such measures may have at national and regional level.

3. Methodology and Scope

The primary objective of the assignment was to assess the level of alignment, adoption and implementation of FATF measures by the SADC Member States. The methodology and approach were thus to undertake an assessment on each Member State's level of technical compliance to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. **The approach for this assignment was not to duplicate the mutual evaluation measures concluded by authorised bodies, but rather to assist SADC in identifying key gaps in the fundamental building blocks of their Member States' AML/CFT systems** - which if not addressed and supported could lead to economic isolation in certain aspects.

This assessment was conducted as a desk-based review, which included virtual engagement and correspondence with Member States and relevant stakeholders. The assessment placed focus on the latest available country reports as published through the FATF or FATF-styled regional bodies, namely ESAAMLG and GABAC.

For each Member State, in line with the deliverables set out in the SIBE assignment Terms of Reference, the following key AML/CFT aspects were included as part of the assessment for each country:

- A brief background and overview of each country
- A summary of each country's technical compliance status with the international AML/CFT standards (specifically FATF Recommendations)
- A summary on the status and efforts to complete a National Risk Assessment (NRA)
- Efforts made by countries in implementing a Risk Based Approach (RBA)
- An overview of each country's AML/CFT Strategy, where in place
- An overview of the adequacy of each country's legal framework relating to AML/CFT
- An overview of the adequacy and capabilities of the Financial Intelligence Unit
- Recommended action to be taken by each Member State and/or committed to address any deficiencies

The approach highlighted above, sought to provide an overview of the level of technical alignment with FATF Recommendations and also highlights areas where Member States may be misaligned.

As appealed by the Ministers of Finance and Investment, States should be able to address specific deficiencies relating to the implementation of national policies including but not limited to the adoption of risk-based measures for supervision, assessment of risks associated with Non-Profit Organisations (NPOs) and the general capabilities to identify weaknesses/vulnerabilities in the national AML/CFT framework.

The STE made effort to group/categorise Member States in accordance with the level of compliance in order to identify and distinguish those countries that demonstrate lower levels of technical compliance with FATF standards and thus requiring priority support from SADC.

The categorisation of Member States is either Category A, B, C or D and is based on the overall level of technical compliance with the FATF Recommendations as assessed by either a FATF Styled Regional Body or competent Third-Party Body.

The table below provides an explanatory note on the categorisation:

Category A – Countries assessed against 2012 FATF Recommendations (New) with an overall level of compliance (Largely Compliant + Compliant status) >50%
Category B – Countries assessed against 2012 FATF Recommendations (New) with an overall level of compliance (Largely Compliant + Compliant status) ≤ 50%
Category C - Countries assessed against 2003 Forty FATF Recommendation and 2001 Nine Special Recommendation (old) with an overall level of compliance (i.e., Largely Compliant + Compliant status) ≤ 50%
Category D - Countries assessed against 2003 Forty FATF Recommendation and 2001 Nine Special Recommendation (old) with an overall level of compliance (i.e., Largely Compliant + Compliant status) > 50%

In addition to the technical compliance assessment, a number of stakeholder engagements were initiated with eight SADC substructures/bodies responsible for

driving implementation of AML/CFT measures across Member States. The extent of these engagements included questionnaires to solicit information on the role and efforts by such bodies in supporting and driving compliance as well as to understand some of the challenges faced by supervisory/regulatory bodies within the different sectors represented by each body.

Some of the key substructures established in terms of the FIP which play an important role in driving the implementation of AML/CFT policies within the region include, but not limited to the following structures;

- Committee of Insurance, Securities and Non-banking Financial Authorities
- Committee of SADC Stock Exchanges
- Committee of Central Bank Governors
- SADC – Development Finance Resource Centre (SADC-DFRC)
- SADC – Banking Association
- SADC – Real Time Gross Settlement System

The outcomes of both the technical compliance gaps as well as the findings and observations from the stakeholder engagements provided the basis for the STE to develop guidance and tools that may be used to address some of the gaps identified and also support SADC deliverables under the following two assignments:

- ToR 0292/RA2.1 - *Assess the level of risk-based approach to implementation of the Financial Action Task Force (FATF) Recommendations to ensure effective and proportionate measures against Money-laundering, terrorist financing and proliferation financing in the SADC region are commensurate with ML/TF risks.*
- ToR 0292/RA2.2 - *Assess NBFIs capacities and develop a programme to build the capacities of Non-Banking Financial Institutions on Risk Based Supervision*

The gaps identified by the STE relating to Annexure 12 of the FIP, would enable SADC to implement solutions that would support and address some of the objectives of TOR 0292/RA2.1.

- Section 4.4.1. of this report, sets out a proposed structure, function and responsibility of the SADC AML/CFT Committee, (established in terms of Annexure 12, but operationalised) which could strengthen the

mandate and AML/CFT/CPF efforts of the substructures formed under the FIP.

The outcomes of the FATF technical compliance highlighted in the report provide insight in respect of Member States, which had not met the recommendations dealing with risk-based supervision for financial institutions as well as Designated Non-Financial Business or Professions (DNFBP's).

- As such the STE prepared risk assessment and supervisory approach guidelines in line with FATF and the European Banking Authority, which could support and address some of the objectives of ToR 0292/RA2.2.

In addition, through engagement and feedback received from some Member States, the STE was able to identify areas of technical deficiencies amongst countries, which could be remedied through enhancement in training and capacity building initiatives.

- Section 5.3 of this report covers the specific training needs observed by the STE and an AML/CFT/CPF Learning & Training Log was prepared and proposed to streamline the process for logging training requests from SADC Member Countries. This supports the objectives of ToR 0292/RA2.2. and other similar objectives

The SADC body responsible for AML/CFT matters could be responsible to maintain such a log and identify any partnerships and working groups that may be formed to meet specific training and capacity development needs. Record of training content, workshop material etc. could be kept in a central repository for purposes information sharing amongst all Member States.

4. Outcomes of Assignment

The main objectives of Southern African Development Community (SADC) are to achieve development, peace and security, and economic growth, to alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa.

The Member States are Angola, Botswana, Comoros, the Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe.

Of the 16 SADC Member Countries, 14 are members of The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) subscribing to global standards to combat money laundering and financing of terrorism and proliferation. These SADC Member Countries are Angola, Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.

In terms of ESAAMLG's 20 Year Report, the Union of Comoros was no longer under the ESAAMLG's follow up process as the country withdrew its membership since 2017.

The other remaining SADC country, the Democratic Republic of Congo, is a member of *Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale* (GABAC) also a FATF-Style-Regional-Bodies (FSRBs) that helps the Financial Action Task Force (FATF) implement its global AML/CFT policy and work toward a common goal in identifying and addressing threats to the financial system.

At the initial stages of carrying out the assignment none of the SADC Member States had been listed on the FATF List of Countries that have been identified as having strategic AML deficiencies, in other words, none of the countries were 'grey listed' by FATF.

However, in October 2022, the following SADC Member countries were added to the list of jurisdictions under increased monitoring by FATF and actively working with the FATF to address strategic deficiencies in regimes to counter ML/TF/PF;

- Congo, Democratic Republic;

- Mozambique; and
- Tanzania

In February 2023, South Africa became the fourth SADC Member country to be included by FATF for increased monitoring.

Zimbabwe was still the only SADC Member country with EU & US sanctions in place, these sanctions consist of arms embargo, travel bans, targeted asset freezes and targeted measures on the Government of Zimbabwe.

4.1. Summary of SADC Member Country Technical Compliance Outcomes

In terms of the level of technical compliance for each Member State, countries were found to vary in the progress and state of compliance. Some Member States had made great strides in enhancing their overall AML/CFT programme, other countries still required more effort to ensure alignment with FATF Recommendations and uniformity across the SADC region. As the risk of non-compliance with standards may lead to “grey listing” by FATF, support measures from SADC structures become important to improve/enhance the fundamental AML/CFT building blocks for all Member States.

The FATF review process looks at threats, vulnerabilities, or particular risks arising from the jurisdiction and continually identifies jurisdictions with strategic AML/CFT deficiencies that present a risk to the international financial system. Countries with poor mutual evaluation results (amongst other outcome measures) may be at risk of “grey listing”.

Specifically, a jurisdiction will be reviewed when:

- It does not participate in a FATF-style regional body (FSRB) or does not allow mutual evaluation results to be published in a timely manner; or
- It is nominated by a FATF member or an FSRB. The nomination is based on specific money laundering, terrorist financing, or proliferation financing risks or threats coming to the attention of delegations; or
- It has achieved poor results on its mutual evaluation, specifically:

- it has 20 or more Non-Compliant (NC) or Partially Compliance (PC) ratings for technical compliance; or
- it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or
- it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes or
- it is rated NC/PC on 3 or more of the Big six Recommendations

The 40 FATF Recommendations are evaluated in a risk-based manner. However, certain Recommendations are viewed as vital building blocks for a functional AML/CFT regime, regardless of the risk and context. These are Recommendations that make up the “big six” and consist of Recommendations 3, 5, 6, 10, 11, and 20 corresponding to criminalising ML & TF offence, targeted financial sanctions for TF, customer due-diligence & record keeping measures and reporting of suspicious transactions. If a country is rated Non-Compliant or Partially Compliant (NC/PC) on three or more of these big six, then a country may be subject to the International Co-operation Review Group process, should they meet the prioritisation criteria. In respect to terrorist financing, both Recommendations 5 (TF offence) and 6 (targeted financial sanctions for terrorism finance), are among the “Big Six” Recommendations.

In terms of these key recommendations the following Member States were rated NC/PC on three or more of the Big Six;

- Angola;
- Congo Democratic Republic;
- Eswatini;
- Madagascar;
- Mozambique;
- South Africa;
- Comoros;
- Lesotho;
- Namibia

This is a total of 9 Member States of the 16 (56%) that had not met one of the key measures used by FATF bodies to assess strategic AML/CFT/CPF deficiencies.

As at March 2023 the following updates were confirmed in respect of the technical compliance status of members (where, C is Compliant; LC is Largely compliant; PC is Partially compliant; NC is non-compliant);

- Angola’s MER was still under discussion at the March 2023, Task Force Meeting;
- Botswana had 3 NCs and 5 PCs and 1 N/A outstanding (*ESAAMLG adjusted to 2 NC and 6 PC*)
- Comoros had no further/new updates available;
- DRC’s last MER from GABAC, the country was rated 4 LC, 21 PCs, and 15 NCs
- Eswatini had 17 PCs and 7 NCs outstanding; (*ESAAMLG adjusted to 19 PC’s*)
- Lesotho MER was still to be discussed at the Task Force meeting in September 2023;
- Madagascar had 10 NCs & 13 PCs outstanding; (*ESAAMLG adjusted to 12 NC & 14 PCs*)
- Mauritius had addressed all its TC deficiencies;
- Malawi had 10 PCs and 1 NC, outstanding. Malawi had not requested for any RR since its MER was published in October 2019;
- Mozambique had 3 NCs and 21 PCs outstanding; (*ESAAMLG adjusted to 21 PC*)
- Namibia had 3 NCs and 16 PCs outstanding;
- Seychelles had 2 NCs and 4 PCs outstanding; (*ESAAMLG adjusted to 13 PC*)
- South Africa had 5 NCs and 15 PCs outstanding;
- Tanzania had 9 NCs and 15 PCs outstanding; (*ESAAMLG adjusted to 16 PCs*)
- Zambia had 12 PCs outstanding; (*ESAAMLG adjusted to 11 PCs*)
- Zimbabwe remained with Rec 2 & 8 rated PC (*ESAAMLG adjusted to 4 PCs*)

Further detail for each Member State is provided in the tables below and the individual country outcomes are set out in the sections which follow further in the report. The tables exclude ESAAMLG adjustments due to limitation in data as it relates to the actual FATF Recommendation number that should be amended.

Table 1 shows Category A SADC Member States which are defined as countries that show the most compliant and improved level of technical compliance with FATF Recommendations. These countries included Botswana, Malawi, Mauritius, Seychelles, Zambia and Zimbabwe. These countries were assessed by ESAAMLG using the Revised 2012 FATF Recommendations. There was no immediate concern of these countries being listed for enhanced monitoring as these countries had made significant improvements to their AML/CFT systems in the past few years.

Table reference: C – Compliant; LC – Largely compliant; PC – Partially compliant; NC – Non compliant;

Table 1.1. Category A SADC Member States' Compliance %

Country	NC	PC	N/A	LC + C	LC +C (%)
Botswana	2	5	1	32	80.0%
Malawi	1	10	-	29	72.5%
Mauritius	0	0	-	40	100%
Seychelles	2	4	-	34	85.0%
Zambia	0	12	-	28	70.0%
Zimbabwe	0	4	-	36	90.0%

Table 1.1 –Category A SADC Member Countries																			
Country	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19
BW	LC	PC	C	LC	C	LC	LC	NC	C	LC	LC	LC	LC	NC	PC	LC	N/A	LC	LC
MW	LC	PC	PC	C	PC	LC	PC	NC	C	LC	C	C	C	C	PC	PC	C	C	C
MA	C	C	C	C	C	C	C	LC	C	C	LC	C	C	C	C	C	C	C	C
SY	C	LC	LC	PC	C	PC	PC	NC	C	LC	C	LC	C	C	NC	LC	LC	C	C
ZMB	LC	PC	C	C	PC	PC	PC	PC	C	LC	LC	LC	C	LC	PC	PC	LC	LC	LC
ZW	LC	PC	C	C	LC	C	PC	PC	C	C	C	C	LC	C	PC	C	LC	C	C

	R20	R21	R22	R23	R24	R25	R26	R27	R28	R29	R30	R31	R32	R33	R34	R35	R36	R37	R38	R39	R40
BW	C	LC	LC	LC	PC	LC	LC	C	PC	LC	LC	LC	LC	LC	LC	PC	C	LC	C	LC	LC
MW	LC	C	LC	LC	PC	PC	C	C	C	C	C	LC	LC	PC	PC	LC	C	LC	C	LC	LC
MA	C	C	C	C	LC	LC	LC	C	LC	C	C	C	LC	C	LC	C	LC	LC	LC	LC	LC
SY	C	C	LC	LC	LC	LC	LC	LC	LC	LC	C	C	LC	PC	LC	LC	C	LC	LC	LC	LC
ZMB	C	C	LC	LC	PC	PC	PC	C	LC	C	LC	LC	C	C	C	LC	LC	LC	LC	LC	LC
ZW	C	C	C	C	LC	LC	LC	LC	LC	LC	C	LC	LC	C	LC	LC	C	C	LC	C	LC

Botswana-BW; Malawi-MW; Mauritius-MA; Seychelles-SY; Zambia-ZMB; Zimbabwe-ZW

Table 2 shows Category B SADC Member States which are defined as countries that show the least level of technical compliance with the 2012 Revised FATF Recommendations. These countries include Democratic Republic of Congo, Eswatini, Madagascar, Mozambique, South Africa and Tanzania and were evaluated by ESAAMLG and GABAC and still required some effort to enhance the level of technical compliance to ensure regional advancement. Also noting that the DRC, Mozambique, Tanzania and South Africa were since added to the FATF grey list, with a number of other Member States also at risk if key and fundamental AML/CFT issues are not addressed.

Further details for each Member State are provided in the Individual country sections which follow.

Table reference: C – Compliant; LC – Largely compliant; PC – Partially compliant; NC – Non compliant;

Table 2.1 –Category B SADC Member States																				
Country	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20
ANGL	LC	PC	PC	LC	PC	PC	PC	NC	LC	LC	C	C	LC	C	PC	PC	LC	LC	C	PC
DRC	NC	PC	PC	PC	NC	NC	NC	NC	PC	NC	PC	PC	PC	PC	NC	NC	NC	LC	NC	PC
SWZ	PC	PC	LC	LC	PC	NC	NC	NC	LC	PC	LC	PC	LC	PC	NC	NC	PC	PC	NC	C
NAM	LC	LC	LC	LC	PC	PC	PC	NC	C	LC	LC	NC	PC	LC	NC	LC	LC	PC	PC	PC
MDG	C	PC	LC	LC	PC	NC	NC	PC	C	PC	PC	PC	C	PC	NC	NC	PC	LC	LC	LC
MOZ	LC	PC	PC	C	PC	LC	LC	NC	C	PC	LC	LC	LC	PC	PC	PC	C	LC	LC	C
SA	PC	PC	LC	LC	PC	NC	PC	NC	LC	PC	LC	NC	LC	PC	NC	LC	NC	PC	LC	LC
TZA	PC	PC	C	LC	LC	NC	NC	NC	LC	PC	LC	NC	PC	LC	PC	PC	NC	NC	NC	LC

	R21	R22	R23	R24	R25	R26	R27	R28	R29	R30	R31	R32	R33	R34	R35	R36	R37	R38	R39	R40
ANGL	LC	PC	PC	NC	NC	C	C	LC	LC	LC	LC	LC	PC	C	PC	PC	PC	LC	LC	PC
DRC	LC	NC	PC	NC	NC	PC	PC	NC	PC	PC	LC	PC	NC	PC	PC	PC	PC	PC	LC	PC
SWZ	LC	PC	PC	NC	PC	PC	C	PC	LC	C	LC	PC	PC	PC	LC	LC	PC	LC	PC	PC
NAM	C	PC	PC	PC	PC	LC	C	LC	PC	C	PC	LC	PC	LC	LC	C	LC	LC	PC	PC
MDG	C	NC	NC	NC	NC	PC	LC	NC	LC	C	C	LC	PC	PC	NC	PC	LC	LC	LC	PC
MOZ	C	PC	PC	NC	NC	PC	PC	PC	LC	PC	PC	PC	PC	PC	PC	PC	PC	PC	LC	LC
SA	C	PC	PC	PC	PC	PC	PC	PC	LC	C	C	PC	LC	LC	LC	LC	LC	LC	LC	LC
TZA	C	PC	PC	PC	NC	PC	LC	NC	LC	C	PC	PC	PC	PC	PC	LC	LC	LC	LC	LC

Angola-ANGL; Democratic Republic of Congo-DRC; Eswatini-SWZ; Namibia-NAM; Madagascar-MDG; Mozambique-MOZ; South Africa-SA; Tanzania-TZA

Table 2.1. Category B SADC Member States' Compliance %

Category B SADC Member States' Compliance %					
Country	NC	PC	N/A	LC + C	LC +C (%)
Angola	3	15	-	22	55.0%
DRC	15	21	-	4	10.0%
Eswatini	7	19	-	14	35.0%
Namibia	3	16	-	21	52.5%
Madagascar	10	13	-	17	42.5%
Mozambique	3	21	-	16	40.0%
South Africa	5	15	-	20	50.0%
Tanzania	9	15	-	16	40.0%

Table 3 shows Category C SADC Member States, which are defined as countries that similar to Category B, showed the least level of technical compliance, however with Category C mutual evaluations were done by either ESAAMLG or Third-Party Organisations such as the World Bank/IMF based on the 2003 Forty Recommendations and the 2001 Nine Special Recommendations.

These countries demonstrated a lower level of technical compliance and may even risk being subject to enhanced monitoring by FATF if identified as having failed to meet FATF standards.

Further detail for each of the below countries is provided in the sections which follow.

Table 3 –Category C SADC Member States																										
Country	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	R19	R20	R21	R22	R23	R24	R25	
COM	PC	PC	PC	NC	NC	NC	LC	PC	NC	NC	NC	NC	NC	LC	NC	NC	NC	NC	PC	PC	NC	NC	NC	NC	NC	
LSO	NC	PC	PC	C	NC	PC	C	NC	NC	NC	NC	NC	NC	PC	NC	NC	NC	PC	C	C	NC	N/A	NC	NC	NC	

	R26	R27	R28	R29	R30	R31	R32	R33	R34	R35	R36	R37	R38	R39	R40	S R I	SRI R5	SRII R6	SRI V R20	SR V R37	SR VI R14	SR VII R16	SR VIII R8	SRI X R32
COM	NC	PC	LC	NC	NC	NC	NC	NC	NC	PC	PC	PC	PC	PC	PC	P C	PC	NC	NC	PC	NC	NC	NC	NC
LSO	NC	PC	PC	NC	NC	PC	NC	NC	NC	PC	C	C	C	PC	PC	N C	PC	NC	NC	PC	NC	NC	NC	NC

Comoros-COM; Lesotho-LSO

Table reference: C – Compliant; LC – Largely compliant; PC – Partially compliant; NC – Non compliant;

Table 3 –Category C SADC Member States

Category C SADC Member States' Compliance %					
Country	NC	PC	N/A	LC + C	LC +C (%)
Comoros	7	19	-	14	35.0%
*Lesotho	13	14	-	13	32.5%
*This Member State has undergone 2nd round of MER done against the Revised FATF Recommendations. However, the 2 nd Round MER's had not yet been made public and therefore findings depicted above may be subject to significant change given the efforts since the 1 st rounds.					

There were no Member States that were within the Category D Member States, which are countries showing mostly compliant and improved levels of technical compliance with FATF Recommendations (i.e., >50%) and evaluated against the 2003 Forty Recommendations and the 2001 Nine Special Recommendations.

Summary of recommended actions

The STE identified that some Member Countries had been able to significantly improve their technical compliance status as well as undertook national risk assessments to inform the overall AML/CFT strategy moving forward. The key recommendation was therefore to create support structures/platforms for engagement amongst the SADC Member States for information sharing on ways to fast track the compliance status of those countries falling behind in specific areas of technical compliance and to address key constraints.

It was also found, from engagements with a number of key FIP sub-structures that Member States experienced technical challenges with the implementation of appropriate AML/CFT country programmes. Some of these challenges included;

- the practical application of important FATF Recommendations;
- developing supervisory frameworks for AML/CFT; and
- implementing risk-based approach requirements.

In an effort to address the above as well prepare tools for ongoing and continuous monitoring and tracking of training and capacity development needs, the STE proposed the introduction of a centralised training and capacity building log & tracking tool to assist and support Member States.

In the observation for technical compliance, the STE found that a number of SADC Member Countries had failed to meet the full compliance status in respect of supervisory measures for financial institutions and DNFBP's. In an effort to address the weaknesses, the STE prepared risk assessment and supervisory approach guidelines in line with FATF and European Banking Authority standards that may be adopted by Member States.

Additional gaps and recommended actions are discussed further in the report.

4.2. Outcomes from SADC Substructure Assessment

The establishment of the SADC substructures in terms of the Protocol on Finance and Investment, is to support the overall SADC agenda of regional growth and development including to play an important role in driving the implementation of AML/CFT policies within the region.

In the assessment, the STE placed important focus on these substructures to understand the practical adoption and implementation of Annexure 12 of the FIP. One of the key and most evident outcomes was the absence of an operationalised AML/CFT Committee within the SADC structure. Provision is made in the Annexure for an AML/CFT Committee, which is responsible to oversee all AML/CFT related matters concerning Member States and work in collaboration with the SADC substructures.

Shortcomings identified in respect of these substructures and their role in implementation of the Annexure 12 were not surprising, given that there was no centralised responsibility to streamline such efforts and to strengthen AML/CFT systems across the region.

For example, CCBG is one of the SADC substructures responsible for implementing Annexure 12 of the FIP. Although the CCBG was found to have included AML/CFT matters as part of its overall agenda and having specified measures to oversee and monitor compliance by Member States, there were key challenges faced by this structure. One such being the lack of enforcement/persuasive powers or tools to ensure that Member States were accountable for any non-compliance or receptiveness on matters raised through the substructure.

Also, the efforts by CISNA in supporting Member States with AML/CFT related matters was not very evident based on the feedback received. The AML/CFT programme was still in the planning phase with only future initiatives shared with the STE.

The Committee of SADC Stock Exchanges (CoSSE) also had little AML/CFT related engagement with its members as there was no AML/CFT specific programme being run through the CoSSE Office. Feedback which was received directly from Member States indicated a need for such programmes as countries mostly shared on the challenges they faced with implementation of AML/CFT strategies, including risk-based approach.

Similarly, the SADC Banking Association indicated the absence of an AML/CFT specific programme within its structure, attributing this to the absence of a centralised directive/programme from SADC.

Other substructures such as SADC - DFRCs focussed more on capacity building programmes, ensuring DFIs in the region were made aware of available policies, institutional structures and recommendations to implement under the SADC AML/CFT direction.

The SADC Payment System Oversight Committee had made efforts in promoting measures by its members to combat money laundering and terrorist financing. Participating central banks were requested to complete questionnaires on the AML/CFT arrangements including other cross-border regulatory requirements in an effort to ascertain compliance.

In the March 2023 validation workshop, it was confirmed that one of the key challenges was the absence of a fully operational AML/CFT Committee under SADC, as is provided for under Article 8 the Annexure. Following in-depth discussions, Member States all agreed on the importance of operationalising the AML/CFT/CPF Committee and ensuring that there were clearly defined terms of reference in order to avoid any duplicated efforts by such committee and other key regional bodies/structures.

More detailed outcomes from the assessment on the SADC substructures is provided further in this report, together with recommended enhancements.

4.3. Detailed Country Outcomes

To ensure uniformity and a comparable level of compliance by SADC Member States, it was highly recommended that countries collaborate and share learnings with one another either directly or through a centralised SADC function that provides AML/CFT specific support to all members. There were countries that had been able to meet high levels of compliance, and learnings from such countries could go a long way in fast-tracking remedial action and support for the region.

The section that follows places focus and more detail on the individual country progress and how the efforts and strides made by some countries could be used to facilitate support for the region as a whole.

4.3.1. Angola

a. Country Overview

The Republic of Angola is the second largest country south of the Sahara after the Democratic Republic of Congo. The oil industry is presently the backbone of the economy. Oil and fishing are the main sectors that have attracted foreign investment in recent years. The upstream oil industry is the country's major source of foreign exchange, and oil production and its supporting activities contribute about half of

Gross Domestic Product (GDP) and 90% of exports. Angola is an open economy and it is classified by the World Bank as a medium-low-income country.

According to the 2023 ESAAMLG Mutual Evaluation report, Angola was exposed to ML threats from proceeds of crime emanating from within and outside the country through its financial system, real estate sector and cross-border trade. In view of its geographical position and economic development, the country was also a transit route for illegal drug. Angola has a sophisticated financial system co-existing with significant use of cash and presence of informal economy.

b. Technical Compliance with the International AML/CFT Standards

The first evaluation of Angola, by the World Bank was conducted in November 2011 and the Mutual Evaluation Report (MER) was adopted by the Council of Ministers in August 2012.

At the time of carrying out the assignment, Angola had undergone its 2nd round of Mutual Evaluation against the Revised FATF Recommendations, which was published in June 2023.

On technical compliance with the FATF Standards, Angola has made various improvements to its AML/CFT legal framework since its first-round evaluation, with only three areas of non-compliance as highlighted below.

Angola: Areas of Non-Compliance to Old FATF R's		
R8: Non-profit organisations - review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse.	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that

Angola: Areas of Non-Compliance to Old FATF R's		
		can be obtained or accessed in a timely fashion

Angola also demonstrated partial compliance to a number of recommendations and effort is required to ensure the building blocks required to have an effective AML/CFT/CPF system, are fully addressed, specifically below:

Angola: Areas of Partial Compliance to OLD FATF R's:			
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R3: Money laundering offence - Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention. Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.
R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R20: Reporting of suspicious transactions - If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).
R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated	R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and	R35: Sanctions - Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or

Angola: Areas of Partial Compliance to OLD FATF R's:			
non-financial businesses and professions (DNFBPs)	professions, subject to the set-out qualifications	efficiency of their AML/CFT systems.	administrative, available to deal with natural or legal persons covered that fail to comply with AML/CFT requirements
R36: International instruments - Countries should take immediate steps to become party to and implement fully the Vienna Convention, 1988; the Palermo Convention, 2000; the United Nations Convention against Corruption, 2003; and the Terrorist Financing Convention, 1999.	R37: Mutual legal assistance - Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings	R40: Other forms of international cooperation - Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing	

c. National Risk Assessment

Angola carried out an NRA exercise using the World Bank Tool from September 2017 to 2019, which was updated through different risk assessments between 2019 and 2021. The Financial Intelligence Unit coordinate the exercise together with the technical group which was comprised of the FIU, Supervisors, Law Enforcement and private Sector.

Overall, Angola has an understanding of ML threats and associated ML vulnerability of various sectors to some extent. The understanding is based on the NRA and sectoral risk assessments conducted since 2019 as well as implementation of the measures since 2000s. Though Angola has identified its ML/TF risks and has introduced measures to strengthen most of the country's AML/CFT legal and institutional needs, the country has not developed and implemented national policies and strategies informed by the identified ML/TF risks. The NTF and supervisory committee have been set up to develop and implement policies and other measures

to promote effectiveness across the AML/CFT system. Although there is consistent understanding/identification of committed serious crimes across most competent authorities based on the NRA and different sectoral risk assessments, the understanding is not in the context of the crimes being potential proceed generating for ML.

Angola's authorities understanding of TF risk varies among authorities with the intelligence services and UIF displaying a better understanding while there is a limited understanding by agencies responsible for TF investigation and prosecution. Angola has not yet identified the subset of NPOs which may be at risk of TF abuse. Significant steps have not been initiated to categorise the NPOs in terms of their vulnerability to TF risk

Risk Based Approach

The application of a risk-based approach to supervision is still at an infancy stage as financial supervisors are just starting to apply a risk-based approach, and they are faced with human resources constraint. DNFBP's supervisors are yet to adopt a risk-based approach to supervision.

d. AML/CFT Strategy

Though Angola has identified its ML/TF risks and the authorities have introduced measures to strengthen most of the country's AML/CFT legal and institutional needs, the country has not developed risk informed national policies and strategies to address identified ML/TF risks. Efforts to apply risk-based approach, improve AML/CFT supervision, national co-ordination and cooperation and international cooperation, changes to the AML/CFT law, and the transparency of legal persons were not fully implemented to achieve the desired outcomes.

The lack of clear policies and strategies guided by identified ML/TF risks, affect prioritisation in addressing the risks and general effective implementation of any measures.

e. Legal framework

The Republic of Angola had a civil law system. Law 34/11 is the main law which provided the AML/CFT legal framework in the Republic of Angola. Law 34/11 criminalised the offences of money laundering and terrorist financing, provided for confiscation of proceeds of crime, prescribed preventative measures applicable to accountable institutions (called subject entities) and their AML/CFT obligations.

Angola's efforts to combat money laundering and terrorist financing are relatively recent. Though a first comprehensive law was adopted in 2011 (but substantially revised in 2020), the implementation of a preventive system for money laundering and terrorist financing was started since 2000s. Angola had been taking steps to address the legal and institutional deficiencies identified following the adoption of its first MER in August 2012. The enactment of AML Law No 05/2020 improved the criminalisation of ML and TF offences, provided for identification and verification of BO, widening the scope of sanctions, among other requirements. Angola's definition of terrorist activities did not encompass all activities defined by the UN, which could limit Angola's ability to investigate and prosecute TF.

Angola had an inadequate legal framework and implementation of targeted financial sanctions (TFS) against terrorist financing (TF) and proliferation financing (PF).

Implementation of the existing laws was also at formative stage.

A number of institutions made up the AML/CFT institutional framework of Angola. At the centre of these institutions was the Ministry of Finance and the FIU/UIF which, directed and coordinated the AML/CFT activities. Mainly, the institutions involved in the AML/CFT implementation were ministries and different agencies.

Although some technical compliance requirements remain, the legal framework underpinning Angola's AML/CFT system was generally solid.

Review of the AML/CFT laws and regulations showed generally, that the country was committed to aligning with the requirements of the AML/CFT international standards although there may still be some technical deficiencies.

f. Capabilities of the Financial Intelligence Unit

In terms of the FATF standards it is expected that Countries establish a Financial Intelligence Unit (FIU) that serves as a national centre for the receipt and analysis of:

- suspicious transaction reports; and
- other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis.

The 2018 Organic Law that established the UIF of Angola provided more operational independence to the Unit, among other reforms.

The Financial Information Unit (UIF) is the national financial intelligence unit (FIU) of Angola which is responsible for receipt, request, analysis and evaluation of reports and dissemination of financial intelligence and other relevant information to the law enforcement agencies. The UIF has autonomy and operational independence as well as reasonable capacity to perform its core functions and has access to a wide range of databases to augment its analysis of the different transactions reports it receives from reporting institutions. The UIF has reasonable capacity to discharge its core functions to assist LEAs to identify potential criminal proceeds and TF cases.

The Country was rated compliant with the requirements as set out in Recommendation 26.

Angola is a member of the Egmont Group, which comprises a group of national entities that seek to explore ways to cooperate with one another in the efforts to fight ML/TF/PF threats and other financial crimes. Angola joined the Group in 2014 and this membership would serve the country in good stead in ensuring alignment with international principles.

g. Recommended action

As recommended in the MER, Angola should promote understanding of ML/TF risks across all stakeholders to inform implementation the AML/CFT strategy and policies on a risk-based approach.

Angola should develop national AML/CFT policies and/or strategies and action plan to address the identified ML/TF risks. It should also ensure that AML/CFT policies and activities are implemented on the basis of a national strategy informed by identified and up-to-date ML/TF risks.

Angola should develop and operationalise sufficient mechanisms and coordination to implement UNSCRs relating to TF and PF.

Angola should conduct a comprehensive assessment of the NPO sector to better understand the threats, and vulnerabilities faced by the sector and target NPOs that are exposed to TF abuse without disrupting or discouraging legitimate NPO activities.

Angola should ensure that the small banks, NBFIs and DNFBPs understand and apply AML/CFT requirements on a risk-sensitive basis. If Angola is to allow dealing in VAs and have VASPs operating, then it should have a legal framework to regulate and supervise the sector.

Angola should ensure effective AML/CFT supervision/monitoring across all categories of FIs and DNFBPs on the basis of ML/TF risks profile of the jurisdiction.

4.3.2. Botswana

a. Country Overview

Botswana is a landlocked country in the centre of Southern Africa and shares borders with South Africa, Namibia, Zambia and Zimbabwe. The mining sector, and in particular diamond mining, is the major contributor to the export base, and government policy endeavours to reduce the vulnerability arising from the heavy dependence on diamonds. Botswana's impressive economic performance over the past four decades is mainly due to the success of its export sector. Botswana is also rated as the least corrupt country in Africa, by international corruption watchdog Transparency International and therefore has a moderate risk in corruption.

b. Technical Compliance with the International AML/CFT Standards

Botswana continued to put more effort to ensure that it was compliant with the remaining few recommendations identified as non-compliant or partially compliant.

The table below highlights Botswana's technical compliance ratings for FATF Recommendations as per the April 2022 ESAAMLG Follow Up Report.

In the Follow Up Report, Botswana was commended on the progress made on Recommendation 26 but reviewers noted that the country had not demonstrated sufficient progress in addressing deficiencies that were still outstanding on Recommendations rated NC and PC, that was Recommendations 2, 8, 14, 15, 19, 24, 25, 28 and 35.

The table below highlights Botswana's technical compliance ratings for FATF Recommendations as at March 2023, wherein Botswana had 2 NCs and 5 PCs outstanding.

Botswana Areas of Non-Compliance to Revised FATF R's	
R8: Non-profit organisations - review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing.	R14: Money or value transfer services - take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures

Botswana Areas of Partial Compliance to Revised FATF R's:		
R2: national cooperation and coordination - have national AML/CFT policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R15: New Technologies- Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing	R24: Transparency & BO of legal persons -Countries should assess the risks of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently

Botswana Areas of Partial Compliance to Revised FATF R's:		
	technologies for both new and pre-existing products	
R28: Regulation and supervision of DNFBPs -Designated non-financial businesses and professions should be subject to regulatory and supervisory measures	R35: Sanctions -Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered by that fail to comply with AML/CFT requirements	

Botswana should progress measures to ensure implementation of laws and regulations that relate to non-profit organisations which the country had identified as being vulnerable to terrorist financing abuse. The Member State must also take measures to ensure that natural or legal persons that provide Money or Value Transfer Services (MVTs) were licensed or registered, and subject to effective systems.

The impact and vulnerabilities associated with new technologies also required strategies at a national level to mitigate ML/TF/PF risks. As with many other SADC Member Countries, that were still battling with transparency of beneficial owner information, Botswana also still needed to address this as one of the important measures to identify ML/TF/PF and related risks.

As of March 2023, Botswana had 3 NCs and 5 PCs outstanding.

c. National Risk Assessment

Botswana completed a maiden National Risk Assessment for money laundering and terrorist financing in 2017, the results of the NRA were disseminated to FIs, DNFBPs and competent authorities for use in their AML/CFT policies and strategies and to create a common understanding of the risks and vulnerabilities identified in the Country. Sectoral risk assessments had since been conducted for sectors which were not covered by the NRA such as real estate, precious stones and metals, legal persons, trusts and Non-Profit Organisations (NPO's), Savings and Credit

Cooperative Society (SACCOS) and these being shared with relevant institutions for application.

d. Risk Based Approach

Most supervisory authorities in Botswana were implementing risk-based approach to supervision and had developed risk-based supervision manuals to guide these efforts.

e. AML/CFT Strategy

Botswana had developed a National AML/CFT Strategy which was approved in October, 2019. There were no key deficiencies identified in this respect as the country was seen to have adequate structures in place to enable efficient national coordination on AML/CFT matters.

The European Commission also removed Botswana from its blacklist with effect from January 7th, 2022. This came after FATF welcomed significant progress made by Botswana in improving their AML/CFT regime.

f. Legal framework

Botswana's legislative framework on AML/CFT had been transformed as twenty-five (25) pieces of legislation which were identified through the ESAAMLG Post Evaluation Implementation Plan were passed into law in June and July 2018 and had since been implemented. There were no immediate concerns on Botswana's progress to continue to enhance and improve on its legislation in addressing any deficiencies in the AML/CFT system.

g. Capabilities of the Financial Intelligence Unit

Botswana was largely compliant with the technical compliance aspects relating to having a financial intelligence unit (FIU) that served as a national centre for the receipt and analysis of suspicious transaction reports and other information relevant to money laundering, associated predicate offences and terrorist financing. The Financial Intelligence Agency is a Department under Ministry of Finance and

Economic Development (MFED) and was responsible for requesting, receiving, analysing and disseminating financial information to relevant authorities. The FIU further exchanged and shared information with its foreign counter parts and undertook typology studies on money laundering and terrorist financing techniques.

Botswana is also a member of the Egmont Group as at July 1, 2021 further supporting its alignment to international best practice principles.

h. Recommended action

Botswana's had made significant progress in improving and strengthening the technical aspects of its AML/CFT regime. Efforts should continue with remaining areas of improvement, specifically on the measures for NPO's and MVTs businesses. Learnings may be drawn from other SADC Member Countries that had met the specific measures relating to MVTs, such as Angola, Mauritius, Malawi, Seychelles and Zimbabwe. Information sharing on the management of risks relating to Non-profit organisations may be solicited from countries such as Mauritius and Angola, as the only two SADC Member Countries that were largely compliant.

In an effort to support other SADC Member States it is recommended that countries such as Botswana provide and share learnings on the AML/CFT systems that it has been able to achieve. This can be done through capacity building programmes, as proposed later in this report.

4.3.3. Comoros

a. Country Overview

Comoros is an archipelago island nation in the Indian Ocean located off the eastern coast of Africa. Surrounding countries include Mozambique, Madagascar, and Seychelles. The Comoros are volcanic islands with steep mountains and low hills. Comoros has a mixed economic system with a heavy reliance on agriculture, combined with relatively weak centralized economic planning and government regulation. Comoros is a member of the League of Arab States (Arab League) and the Common Market for Eastern and Southern Africa (COMESA).

The Comoros is densely populated, with approximately 465 inhabitants per km², and 53% of the population age under 20. High population density places intense pressure on natural resources and the environment. Its location and topography are among the most climate vulnerable in the world

One-fourth of Comoros' population lives just below the national poverty line, and 10% of the population risks falling below the national poverty line in the event of unexpected economic shocks.

b. Technical Compliance with the International AML/CFT Standards

The assessment of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) system of the Union of the Comoros was based on the 2003 Forty Recommendations and the 2001 Nine Special Recommendations developed by the FATF (Financial Action Task Force). The assessment was performed by a team made up of International Monetary Fund (IMF) staff, an expert acting under the supervision of the IMF, and an expert acting under the supervision of the World Bank.

The onsite evaluation was conducted in May 2009 and a final report issued in March 2010. There have been no further reports on any progress by the Comoros since this report. Reliance could therefore not be placed on current data in respect of the country AML/CFT programme as at 2022.

It was also noted that Comoros was no longer a member of the ESAAMLG, as reported in the ESAAMLG, 20 Year report where reference is made to Comoros ceasing membership since 2017. This is another measure considered by FATF bodies when determining whether a country should be included in the list of countries identified as having strategic AML/CFT deficiencies and which present a risk to the international financial system of the Member State.

The findings from the evaluation conducted by the competent authorities also highlight poor level of technical compliance to FATF recommendations. This is concerning given that these requirements were necessary to enable an effective AML/CFT system.

The areas of non-compliance were vast and included lack of preventative control measures, key operational functions such as the FIU, effective Supervision and guidance by supervisory bodies.

Comoros Areas of Non-Compliance to Old FATF R's			
R4: Financial institution secrecy laws - Countries should ensure that financial institution secrecy laws do not inhibit implementation of the FATF Recommendations	R5: Ensuring FI's have adequate Customer due diligence measures as preventative for ML/TF/PF risks	R6: Ensuring FI's have adequate risk management measures to identify and manage Politically exposed persons (PEPs)	R9: Reliance on third parties Countries may permit financial institutions to rely on intermediaries or other third parties to perform elements of the CDD process or to introduce business
R10: Record keeping - Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply swiftly with information requests from the competent authorities	R11: monitoring complex, unusual large transactions - Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.	R12: DNFBPs: Customer due diligence measures for Casino's, Real estate agents, Dealers in precious metals and stones, Lawyers, notaries, other independent legal professionals and accountants, Trust and company service providers	R13: Reporting of suspicious transactions by financial institutions to FIU's
R15: Internal controls and foreign branches and subsidiaries - development of internal policies, procedures and controls, including appropriate compliance management arrangements, and adequate screening procedures to ensure high standards when hiring employees	R16: DNFBPs: Other measures such as reporting requirements and internal policies and procedures and dealing with higher risk countries	R17: Sanctions - Countries should ensure that effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, are available to deal with natural or legal persons covered by these Recommendations that fail to comply with anti-money laundering or terrorist financing requirements.	R18: shell banks - not approve the establishment or accept the continued operation of shell banks. Financial institutions should refuse to enter into, or continue, a correspondent banking relationship with shell banks.

Comoros Areas of Non-Compliance to Old FATF R's

R21: giving special attention to business relationships and transactions with persons, including companies and financial institutions, from Higher-risk countries	R22: Internal controls and foreign branches and subsidiaries - Financial institutions should ensure that the principles applicable to financial institutions, which are mentioned above are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply the FATF Recommendations,	R23: Regulation and supervision of financial institutions - ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations.	R24: Regulation and supervision of DNFBP to ensures that they have effectively implemented the necessary anti-money laundering and terrorist-financing measures.
R25: Guidance and feedback which will assist financial institutions and DNFBP in applying national measures to combat ML/TF, and in particular, in detecting and reporting suspicious transactions	R26: establish a FIU that serves as a national centre for the receiving, analysis and dissemination of STR and other information	R29: Powers of supervisors must be adequate to monitor and ensure compliance by financial institutions with requirements	R30: adequate financial, human and technical resources- Countries should provide their competent authorities involved in combating money laundering and terrorist financing with adequate financial, human and technical resources
R31: National cooperation and coordination - ensure that policy makers, the FIU, law enforcement and supervisors have effective mechanisms in place which enable National cooperation and coordination	R32: Statistics- ensure that their competent authorities can review the effectiveness of systems to combat ML/TF systems by maintaining comprehensive statistics on matters relevant to the effectiveness and efficiency of such systems	R33: Transparency and beneficial ownership of legal persons to prevent the unlawful use of legal persons by money launderers. Countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities	R34: Transparency and beneficial ownership of legal arrangements measures to ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion by competent authorities

Comoros Areas of Non-Compliance to Old FATF R's			
SR III: Targeted financial sanctions related to terrorism and terrorist financing * Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences	SR IV: Reporting of suspicious transactions - If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.	SR VI: Money or value transfer services country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.	SR VII: Wire transfers - take measures to require financial institutions, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain.
SR VIII: Non-profit organisations - review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused		SR IX: Cash couriers - have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligation.	

In addition to the areas identified as technically non-compliant, Comoros was also partially compliant to the following FATF requirements which further weakened the overall AML/CFT system and increasing the risk of being 'grey listed.'

Comoros Areas of Partial Compliance to Old FATF R's:			
R1: Money laundering offence - criminalise money laundering on the basis UN Convention-	R2: Countries should ensure intent and knowledge required to prove the offence of money laundering is	R3: Confiscation and provisional measures to enable competent authorities to confiscate property laundered, proceeds from money	R8: New technologies - Financial institutions should pay special attention to any money laundering threats that may arise

Comoros Areas of Partial Compliance to Old FATF R's:			
applying the crime of money laundering to all serious offences, including the widest range of predicate offences.	consistent with the standards set forth in the Vienna and Palermo Conventions,	laundering or predicate offences, instrumentalities used in or intended for use in the commission of these offences	from new or developing technologies that might favour anonymity,
R19: domestic and international currency transactions - consider the feasibility and utility of a system where banks and other financial institutions and intermediaries would report all domestic and international currency transactions above a fixed amount, to a national central agency with a computerised data base	R20: Having requirements to apply the FATF Recommendations to businesses and professions, other than designated non-financial businesses and professions, that pose a money laundering or terrorist financing risk	R27: Responsibilities of law enforcement and investigative authorities - ensure that designated law enforcement authorities have responsibility for money laundering and terrorist financing investigations.	R35: International Cooperation- implement fully the Vienna Convention, the Palermo Convention, and the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism
R36: Mutual legal assistance and extradition - rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering and terrorist financing investigations, prosecutions, and related proceedings.	R37: mutual legal assistance / dual criminality - to the greatest extent possible, render mutual legal assistance notwithstanding the absence of dual criminality	R38: Mutual legal assistance: freezing and confiscation - take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate property laundered, proceeds from money laundering or predicate offences, instrumentalities used in or intended for use in the commission of these offences, or property of corresponding value	R39: Extradition - recognise money laundering as an extraditable offence.
R40: Other forms of international cooperation and widest possible range of	SR I - International instruments - Ratification and implementation of UN instruments - take immediate steps to ratify and to	SR II: Terrorist financing offence - Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations.	SR V: International Cooperation - Mutual legal assistance Each country should afford another country, on the basis of a treaty,

Comoros Areas of Partial Compliance to Old FATF R's:			
international co-operation to their foreign counterparts	implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism. Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373	Countries should ensure that such offences are designated as money laundering predicate offences.	arrangement or other mechanism for mutual legal assistance or information exchange, relating to the financing of terrorism, terrorist acts and terrorist organisations.

c. National Risk Assessment

The Comoros evaluation as like Angola, was based on the old FATF Recommendations (2003) which did not place focus or requirement for assessing ML/TF risks at a national level and adopting a risk-based approach. The national assessment of ML/TF risks by countries is however a key and critical foundation to addressing and mitigating ML/TF risks.

There was therefore no publicly available information on the completion of a National Risk Assessment by the Comoros.

Member States are expected to align with FATF standards including any changes to such standards and effort should be made to conclude and assess the associated ML/TF/PF risks at a national level in order to appropriately apply policies and resources to combat financial crimes.

d. Risk Based Approach

The Comoros AML/CFT framework did not make provision for a risk-based approach by either competent authorities or obligated entities. The Comorian legal framework made no provision for excluding or exempting financial institutions from due diligence measures based on risk. Also, in the absence of a national risk assessment there was no indication for support of a risk-based framework at a national level.

e. AML/CFT Strategy

In the evaluation conducted, assessors confirmed that the Comoros had not established an overall strategy for combating the financial aspects of organised crime. It identified the FIU steering committee as the appropriate structure for defining the general guidelines for AML/CFT policy, as the committee consisted of the Ministers of Finance, Justice, Interior, and the Armed Forces, however these actions had not been put into effect.

The completion of a national risk assessment would also assist the Comoros in identifying key input in the formulation of an AML/CFT strategy and serve as the basis for a risk-based approach. Key threats and vulnerabilities facing the country would be identified and addressed according to prevalence and materiality.

f. Legal framework

Comoros, which, at the time of the last evaluation, was still at the beginning stages of setting up its AML/CFT system, still required support and training to strengthen its capabilities for more rigorous implementation of the laws adopted and alignment across surrounding islands of Comoros.

The 2009 Ordinance was in practice applicable throughout the Union of the Comoros and identified as the official AML/CFT legislation.

There were certain aspects of criminalising money laundering which did not fully meet FATF standards. Similarly, weaknesses of the criminalisation of the financing of terrorism in Comorian law and the lack of criminalisation of some predicate offenses, and other matters contributed to some of the weaknesses of the overall legal framework. This placed further risk of being 'grey listed' as these

recommendations form part of the Big six recommendations used to measure strategic AML/CFT weaknesses or strengths.

g. Capabilities of the Financial Intelligence Unit

The Financial Intelligence Unit (FIU) is the principal body for combating money laundering and terrorist financing in the Comoros. It was created by the 2003 Ordinance but did not actually begin to operate until the second half of 2008 after the appointment of its members. The composition of the FIU was seen more like an intergovernmental coordination committee rather than an operational financial intelligence unit. A number of weaknesses in the operational process included the FIU having;

- No legal basis for reception, analysis, and dissemination of information on the subject of terrorist financing.
- Weaknesses in information provided to subject entities on how to prepare STRs.
- Limited access to information and no statistics
- No guarantees for independence and operational autonomy by the FIU
- No periodic reports as part of broader governance requirements
- No premises, staff, and ongoing budget for FIU

The FIU had also not yet begun the process of becoming a member of the Egmont group which would serve as an important avenue for alignment with international best practice.

h. Recommended action

The mutual evaluation for Comoros, as is the case for Angola, was based on the old FATF Recommendations. Assessing a country based on these old standards may have some limitations as the reports are based on the old FATF standards which set lower requirements that do not assess the effectiveness of the AML/CFT regimes and may be outdated. The first priority would therefore be to ensure the Member State is assessed against revised standards which support the adoption of a risk-based approach.

Comoros must finalise its National Risk Assessment – which would guide the AML/CFT strategy at a national level as well as guide obligated entities on their risk-

based approach. Technical support for such initiatives may be sought from the relevant governmental organisations such as the World Bank who have assisted many other countries with their NRA methodology.

The Comoros should also demonstrate the political will to enhancing its AML/CFT programme by:

- Becoming a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to show commitment to FATF recommendations and enable adequate support and guidance through evaluations processes
- Addressing all technical compliance non-compliant and partial compliant recommendations to build a solid foundation to ensure compliance and identifying specific training needs for authorities and relevant law enforcement functions
- Giving specific attention and focus to the legal framework shortcomings and operational requirements for an effective and efficient FIU structure

4.3.4. Democratic Republic of Congo

a. Country Overview

With a surface area equivalent to that of Western Europe, the Democratic Republic of Congo (DRC) is the largest country in Sub-Saharan Africa (SSA). DRC is endowed with exceptional natural resources, including minerals such as cobalt and copper, hydropower potential, significant arable land, immense biodiversity, and the world's second-largest rainforest.

The DRC's economy is primarily based on the mining sector and is potentially one of the richest mining countries in Africa. The country was the world's fourth largest producer of industrial diamonds during the 1980s, and diamonds continue to dominate exports, accounting for nearly half of exports in 2004. The oil industry, mainly from offshore fields, is another important contributor to the DRC's economy. Agriculture is the mainstay of the DRC economy, accounting for 42.5 % of GDP in

2004, with the main cash crops consisting of coffee, palm oil, rubber, cotton, sugar, tea and cocoa.

The DRC with its dense rain forests, wildlife and rivers offers an important investment opportunity for the development of eco-tourism and the construction of new hotels.

b. Technical Compliance with the International AML/CFT Standards

The Democratic Republic of Congo is a member of The Action Group against Money Laundering in Central Africa (GABAC) which is a Specialised Institution of the Central African Economic and Monetary Community (CEMAC) and FATF-Style Regional Body (FSRB).

An onsite evaluation by GABAC took place in the DRC between 13-24 August 2018 and the report published in April 2021. In terms of this report the following key outcomes are highlighted together with the recommended action required from the Member State to ensure alignment with the revised FATF Recommendations against which the country was measured.

According to the report published, competent authorities in the DRC generally have a poor understanding of the ML/TF risks to which the country is exposed and the Congolese AML/CFT system is further weakened by the rather limited capacity and moral integrity of investigators and magistrates in the context of legal proceedings on money laundering and the financing of terrorism. Weaknesses in the legislative and regulatory framework leave some FIs and DNFBPs outside the scope of the overall AML/CFT preventive measures.

At the initial stage of carrying out the assignment the DRC had not been listed on the FATF list of Countries identified as having strategic AML deficiencies, in other words, 'grey listed' by FATF. However, in October 2022, the country was added to the list of jurisdictions under increased monitoring by FATF and actively working with the FATF and GABAC to address strategic deficiencies in regime to counter ML/TF/PF

Weaknesses are reflected in the below tables in the form of FATF

Recommendations that were either not met or partially met by the Member State.

DRC: Areas of Non-Compliance to Revised FATF R's			
R1: assessing risk & applying risk-based approach - identify, assess, and understand the ML/TF/PF risks for the country, and take action, to mitigate effectively. require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.
R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer due diligence (CDD) measures	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.
R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met	R19: Higher risk countries - Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which	R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the beneficial ownership

DRC: Areas of Non-Compliance to Revised FATF R's			
	this is called for by the FATF		and control of legal persons that can be obtained or accessed rapidly and efficiently
R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion	R28: Regulation and supervision of DNFBPs - Designated non-financial businesses and professions should be subject to regulatory and supervisory measures	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.	

Improvement by the DRC was also required in respect of the following areas of partial compliance which extend to national policies, supervisory powers and preventative measures as highlighted.

DRC Areas of Partial Compliance to Revised FATF R's:			
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R3: Money laundering offence - Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention. Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences	R4: Confiscation & provisional measures - adopt measures similar to those set forth in the Vienna Convention, the Palermo Convention, and the Terrorist Financing Convention, including legislative measures, to enable their competent authorities to freeze or seize and confiscate	R9: Financial institution secrecy laws - Countries should ensure that financial institution secrecy laws do not inhibit implementation of the FATF Recommendations

DRC Areas of Partial Compliance to Revised FATF R's:

R11: Record keeping - Financial institutions should be required to maintain, for at least five years, all necessary records on transactions, both domestic and international, to enable them to comply swiftly with information requests	R12: Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures	R13: Correspondent banking - Financial institutions should be required, in relation to cross-border correspondent banking and other similar relationships, in addition to performing normal customer due diligence measures	R14: Money or value transfer services - Countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations.
R20: Reporting of suspicious transactions - If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).	R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set-out qualifications	R26: Regulation and supervision of financial Institutions - Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations	R27: Powers of supervision - Supervisors should have adequate powers to supervise or monitor, and ensure compliance by, financial institutions with requirements to combat money laundering and terrorist financing, including the authority to conduct inspections.
R29: Financial intelligence units - Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of suspicious transaction reports; and other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis.	R30: Responsibilities of law enforcement and investigative authorities - Countries should ensure that designated law enforcement authorities have responsibility for money laundering and terrorist financing investigations within the framework of national AML/CFT policies	R32: Cash couriers - Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system.	R34: Guidance and feedback - The competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in

DRC Areas of Partial Compliance to Revised FATF R's:			
			detecting and reporting suspicious transactions
R35: Sanctions - Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered that fail to comply with AML/CFT requirements	R36: International instruments - Countries should take immediate steps to become party to and implement fully the Vienna Convention, 1988; the Palermo Convention, 2000; the United Nations Convention against Corruption, 2003; and the Terrorist Financing Convention, 1999.	R37: Mutual legal assistance - Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings	R38: Mutual legal assistance: freezing and Confiscation - Countries should ensure that they have the authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate property
R40: Other forms of international cooperation - Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing			

c. National Risk Assessment

The DRC conducted a national risk assessment in 2013, however the report was not approved, and although ML/TF risks had been identified, this was not an official view.

Corruption is identified as one of the main money laundering threats. The DRC's exposure to the risk of money laundering also resulted from the recurrence of other underlying offences, including misappropriation of public funds; illegal taking of interests; trafficking in mining products; poaching; and trafficking in wildlife and timber products.

The threat of the financing of terrorism in the DRC was linked to activism of gangs and armed groups as well as its geographical location and surrounding countries that had TF vulnerabilities.

Authorities within the DRC were believed to understand some of the ML/FT risks to which the country was exposed. Some of the gaps which were identified in the 2013

NRA included lack of sectoral assessments, inadequate/incomplete threat and vulnerability assessment and having a lack of processes that would allow for the dissemination of the NRA results.

In February 2023 the DRC published the Rapport De Suivi Renforce RDC 2023 which provided updates on the progress underway in meeting technical and other gaps identified in the mutual evaluation by GABAC.

According to this report, the DRC was in the process of finalising its National Risk Assessment for ML/FT. The draft NRA Final Report had been sent to the World Bank experts for their comments. Virtual sessions with the various working groups had been planned as part of the validation of the NRA results. The Final Report was planned to be adopted and published by the authorities by April 2023.

d. Risk Based Approach

The Mutual Evaluation Report highlighted the lack of a national risk-based approach to ML/CFT in the DRC. Although the Central Bank of the Congo had been found to display some understanding of ML/TF risks and had established prudential supervisory mechanisms - supervision was not found to be risk-based, sanctions were not dissuasive, and most of the DNFBPs were not regulated.

It had also been found that the overall banking sector had only a basic understanding of ML/TF risks. Although they applied due diligence measures, it was not in a manner which was satisfactory in terms of the findings from the evaluation reports. Other sectors such as microfinance businesses, credit unions and Money or Value Transfer Services businesses had little understanding of the ML/TF risks related to their clients, products or services.

The Member State reported progress in addressing the technical gaps of implementing a risk-based approach. Act No. 22/068 of 27 December 2022 on combating money laundering and the financing of terrorism and proliferation sought to address the following;

- risk assessment by reporting entities;

- risk-based approach to AML/CFT;
- the specific ML/FT obligations of DNFBPs.

e. AML/CFT Strategy

In terms of the Mutual Evaluation, the DRC did not have a comprehensive AML/CFT strategy. Although the Member State had made efforts in coordination, by creating the Committee to Combat Money Laundering and the Financing of Terrorism (COLUB), a platform which sought to bring together various competent administrations that would establish a synergy of actions in the context of the development of appropriate national policies to combat money laundering. However, the Committee's lack of resources was identified as a weakness that prevented it from holding meetings and adopting measures to refine a coherent national AML/CFT strategy.

Progress reported by the country in addressing these technical compliance deficiencies through the enactment of Act N°22/068 of 27 December 2022 for the creation of an AML/CFT Inter-ministerial Committee to define, lead and coordinate the government's AML/CFT policy.

f. Legal framework

The DRC authorities encourage a political will to combat ML/TF, and as such has adopted a legal and institutional AML/CFT framework which is inspired by international standards. The Mutual Evaluation had found that the framework developed in 2004 had mostly not been updated to keep pace with developments in international standards, including the 2012 FATF Recommendations.

Some of the deficiencies identified through the MER included not having specific AML/CFT regulatory standards for DNFBPs. There was inadequacy of the legislative and regulatory framework governing DNFBPs and NPOs. And there was a lack of a review of the legal and regulatory framework with regard to risks and the possibility of misuse of the NPO sector for criminal purposes.

The country did not have sufficient experience and expertise in the detection and suppression of the financing of terrorism.

In December 2022 the DRC promulgated new legislation including Act No. 22/068 to combat money laundering and the financing of terrorism and the proliferation of weapons of mass destruction. The Act which makes provisions for a number of areas such as beneficial owner; extension of the number of taxpayers; integration of the suppression of proliferation financing; Politically Exposed Persons; national risk assessment and the risk-based approach; targeted financial sanctions; presumption that assets are illegal; parallel financial investigations and the keeping of statistics.

The country also reported on provisions made on the activity and supervision of credit institutions as well as establishment of a political structure for AML/CFT coordination, known as the Inter-ministerial AML/CFT Committee and a technical coordination structure known as the AML/CFT Advisory Committee.

The country also reported on progress made in the real estate sector, setting a threshold for the transfer of real estate titles and mortgage loans granted by banks and other credit institutions.

Under the new AML/CFT law promulgated in December 2022, the Post Office's financial services are subject to the same AML/CFT requirements as other reporting entities. Work was also under way to draft regulation on the AML/CFT due diligence and internal monitoring obligations of insurance and reinsurance undertakings and insurance and reinsurance intermediaries.

g. Capabilities of the Financial Intelligence Unit

Article 17 of Law No. 04/016 of 19 July 2004 on the fight against money laundering and the financing of terrorism established a financial intelligence unit called CENAREF under the supervision of the Minister of Finance.

Although it was placed under the administrative supervision of the Minister of Finance, it enjoyed autonomy of decision at the operational level. Its role was to

receive, analyse and process reports from regulated persons and organisations and to report to the Public Prosecutor's Office.

The Anti-Money-Laundering Act gave CENAREF the role of central body responsible for receiving, analysing and passing on suspicious transaction reports from reporting companies and professions. It also gave it the jurisdiction to conduct strategic studies in accordance with FATF standards.

Act No. 22/068 of 27 December 2022 on combating money laundering and the financing of terrorism and the proliferation of weapons of mass destruction, made further provision for CENAREF as the central and unique structure responsible for collecting and processing financial information on ML/CFT circuits as well as on the protection of information.

The DRC was not a member of the Egmont Group and CENAREF had not yet made an application for membership. The lack of membership of the Egmont Group, the lack of strategic analysis and the lack of appropriate measures to secure and protect the dissemination of information form part of the areas for improvement.

h. Recommended action

In order to address the prevalent ML/TF/PF threats and vulnerabilities faced by the Member State it is important to ensure the NRA is concluded. This would guide the risk-based approach for both supervisory bodies and regulated entities and enable informed allocation of resources ranging from law enforcement to supervision of AML/CFT/CPF systems. Finalisation and approval of the NRA and dissemination thereof to identified stakeholder is highly recommended as a key action item by the Member State as this will assist in the formulation of a comprehensive AML/CFT strategy for the country as well as assist in the risk-based approach,

The DRC must make concerted effort to further enhance the capacity of the FIU, the DRC should commence with its application to Egmont Group to become a member and demonstrate political will to align with global efforts to fight ML/TF/PF.

The country is encouraged continue its efforts to strengthen the AML/CFT regime and fully address the technical compliance issues identified and effectively

implement a risk-based approach based on risks identified. The country is also encouraged to place greater focus on the commitments made under the grey listing outcome which include;

- strengthening the legal framework;
- finalising the NRA on ML and TF and adopting an AML/CFT national strategy;
- designating supervisory authorities for all DNFBP sectors, and developing and implementing a risk-based supervision plan;
- adequately resourcing the FIU, and build capacity to conduct operational and strategic analysis;
- strengthening the capabilities of authorities involved in the investigation and prosecution of ML and TF; and
- demonstrating effective implementation of TF and PF-related TFS.

4.3.5. Eswatini

a. Country Overview

Eswatini is a landlocked country in Southern Africa bordering South Africa and Mozambique, with a population of 1.2 million. Poverty levels have stagnated at high levels in the last five years, with 39.7% of the population estimated to have been living under the international \$1.90 poverty line in 2016 and 2017.

Eswatini has close economic ties to South Africa, which it depends on for about 85% of its imports and about 60% of exports. Eswatini is a member of the Common Monetary Area (CMA), with Lesotho, Namibia, and South Africa. Under the CMA, the Eswatini lilangeni (the domestic currency) is pegged to the South African rand, which is also legal tender in the country.

b. Technical Compliance with the International AML/CFT Standards

The AML/CFT outcomes reported for Eswatini were based on the 4th Draft Mutual Evaluation report of April 2022.

Since its last assessment in February 2010, Eswatini's AML/CFT regime had undergone notable reforms, including strengthening of the legal and institutional frameworks for combating ML and TF. The country amended the MLTFP Act, 2011,

which is the primary law dealing with AML/CTF and also introduced regulations intended to implement targeted financial sanctions on TF. The Eswatini Financial Intelligence Unit (EFIU) core functions, which were previously performed by the Central Bank, were currently performed by an independent and autonomous FIU.

In spite of these efforts, the country still required work in improving the technical compliance aspects of a number of FATF Recommendations – as these seek to support a solid foundation for an effective AML/CFT programme.

Eswatini Areas of Non-Compliance to Revised FATF R's			
R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,
R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R19: Higher risk countries - Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	

Key aspects of partial compliance included the all-important national assessment of ML/TF risks, fully addressing the TF criminalisation requirements and meeting all preventative measures that aim to mitigate risk.

Eswatini Areas of Partial Compliance to Revised FATF R's:			
R1: assessing risk & applying risk-based approach - identify, assess, and understand the ML/TF/PF risks for the country, and take action, to mitigate effectively. require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action	R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks ¹ identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer due diligence (CDD) measures
R12; Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures	R14: Money or value transfer services - take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures	R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met	R18: Internal controls and foreign branches - Financial institutions to implement programmes against ML/TF/PF, including policies and procedures and ensure that foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements
R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)	R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set-out qualifications	R25: Transparency & BO of legal Arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely	R26: Regulation and supervision of financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the

Eswatini Areas of Partial Compliance to Revised FATF R's:			
		information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion	FATF Recommendations
R28: Regulation and supervision of DNFBPs -Designated non-financial businesses and professions should be subject to regulatory and supervisory measures	R32: Cash couriers - Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system.	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.	R34: Guidance and feedback - The competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions
R37: Mutual legal assistance - Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings	R39: Extradition - Countries should constructively and effectively execute extradition requests in relation to money laundering and terrorist financing, without undue delay	R40: Other forms of international cooperation - Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing	

As of March 2023, Eswatini had 17 PCs and 7 NCs outstanding.

c. National Risk Assessment

Eswatini undertook a National Risk Assessment (NRA) in 2016 and it was still in the approval stages. The draft NRA established that a significant percentage of criminal proceeds which were laundered in Eswatini were from within the country mainly from the following crimes: corruption (in particular, in the public sector), tax evasion, fraud and illicit drug trafficking. The country borders Mozambique and South Africa and is also a member of the Common Monetary Area (CMA) with Lesotho, Namibia and South Africa. In view of its geographical position and trade links with its neighbouring countries, Eswatini was also exposed to foreign ML threats arising from smuggling of goods and cash including drug trafficking.

The 2016 NRA exercise did not include a comprehensive risk assessment of TF threats and vulnerabilities. The assessment was also not comprehensive enough to cover all relevant sectors such as NPOs, legal companies and arrangements, bureau de changes and illegal forex dealing. Eswatini had not yet officially communicated the results of the NRA exercise as it was still going through the approval process.

Effort to expedite the approval process were necessary given the prolonged timeline since initial undertaking of the exercise in 2016. Extended delays may impact the relevance of the identified threats and vulnerabilities which may have changed over the period as ML/TF/PF trends are known to evolve over time.

During the workshop, the Kingdom of Eswatini indicated that it was conducting an updated National Risk Assessment (NRA) to identify AML/CFT related risks using the World Bank Tool. The NRA would include risk assessment on the NPO sector, VASPs, Terrorist Financing and Legal Persons (Beneficial Ownership).

d. Risk Based Approach

Eswatini's AML/CFT framework made provision for a risk-based approach and the financial sector supervisors were in the early stages of implementing AML/CFT risk-based supervision.

The financial sector supervisors, the Central Bank of Eswatini (CBE) and Financial Services Regulatory Authority (FSRA) had reasonable supervisory frameworks to monitor AML/CFT compliance for the financial institutions that they supervised. Both supervisors had started applying risk-based approaches to AML/CFT supervision though at varying levels of implementation. The scope and intensity of AML/CFT supervision was also uneven among different sectors, and not fully commensurate with the risk profiles of the different financial institutions.

There was no legal and institutional framework to monitor Non-Profit-Organisations at the risk of TF nor were there mechanisms on a risk-based approach.

Additional support in the form of an RBA supervisory framework for all sectors would assist Eswatini but key to this would be the finalisation of the NRA and sector risk assessments which would inform the approach towards the prevalent threats and vulnerabilities at a national level.

e. AML/CFT Strategy

Eswatini has an AML Strategy (2018-2022) that was developed in 2018 and which assists in the implementation of some of the AML/CFT requirements. The Strategy was being reviewed to align it with the ML/TF risks identified in the draft NRA report and to include the financing of terrorism and proliferation (TF/PF). The country was also in the process of developing a National AML/CFT/CPF Policy that was informed by the identified risks.

Given that the NRA was still in draft, the country should ensure that the overall strategy and objectives aligned with existing risks as approved by cabinet. The Member Country should therefore ensure finalisation of the NRA to facilitate an updated strategy for AML/CFT related matters.

f. Legal framework

Eswatini's AML/CFT regime has undergone notable reforms. This included strengthening of the legal and institutional frameworks for combating ML and TF. The country amended the MLTFP Act, 2011, which was the primary law dealing with

AML/CTF, to broadly criminalise ML in line with the Palermo and Vienna Conventions. Eswatini also introduced regulations intended to implement targeted financial sanctions on TF.

The legal framework, however, did not adequately provide for reasonable measures to enable identification and verification of a beneficial ownership and the legal and institutional frameworks and processes for implementing UNSCRs on TF and PF had been found to have delays. It is increasingly becoming a matter of global concern to have greater transparency about beneficial ownership and improve financial transparency. Efforts should be made both by government bodies, by making disclosure of beneficial ownership as simple and inexpensive as possible and by regulated entities in the preventative measures implemented to promote compliance.

The country also indicated that it had taken a decision to develop an AML/CFT omnibus legislation (which draft bill made amendments to all the different legislation identified as deficient) to address the deficiencies identified in the MER.

g. Capabilities of the Financial Intelligence Unit

As indicated, the Eswatini Financial Intelligence Unit's (EFIU) core functions, which were previously performed by the Central Bank, were being performed by an independent and autonomous FIU located in a different office premises. Eswatini had also established and constituted a National Task Force comprising of the Council and Technical Committee, intended to develop national AML/CFT policies and strategies, and to ensure their effective implementation.

The quality of EFIU's financial intelligence was considered reasonably good with a potential to support the operational needs of Law Enforcement Agencies (LEAs). The LEAs used it more for pursuing predicate offences than ML/TF. The EFIU enjoyed a wider access to information held by competent authorities, though some challenges were experienced at some agencies. There had been no strategic analysis produced to assist LEAs to identify and target high-risk activities.

The Eswatini Financial Intelligence (EFIU) initiated the Egmont membership application process with its sponsors (FIC, South Africa and FIA, Malawi) having conducted the initial eligibility assessment.

h. Recommended action

The significant technical compliance shortcomings highlighted above should be addressed, specifically relating to the transparency regime applicable to legal persons, the national cooperation and coordination on AML/CFT/CPF, targeted financial sanctions relating to terrorist financing (TF) and proliferation financing (PF), supervisory measures and failure to comply with the preventive measures in general, in addition to the poor maintenance of statistics.

Eswatini is also advised to undertake a sector specific assessment on its NPO's to identify those susceptible to TF abuse as this was also another key gap identified.

4.3.6. Lesotho

a. Country Overview

Lesotho is a small, mountainous, and landlocked country, surrounded by its much larger neighbour, South Africa. It has a population of about 2.2 million with an economy based on agriculture, livestock, manufacturing, mining, and depends heavily on inflows of workers' remittances and receipts from the Southern African Customs Union (SACU). Lesotho is geographically surrounded by South Africa and is economically integrated with it as well. The World Bank classifies Lesotho as a lower-middle-income country.

b. Technical Compliance with the International AML/CFT Standards

For purposes of this assignment the STE was unable to obtain AML/CFT Evaluation outcomes or reports that reflected the current or more recent technical compliance status for the Member State concerned.

During the validation workshop the Member State was however able to confirm that Lesotho had undergone its 2nd round of Mutual Evaluation against the Revised FATF Recommendations. The onsite evaluation was held 16 November 2022 to 7 December 2022. Outcomes of the review were still under discussion as the first draft reviews by Lesotho were submitted to ESAAMLG only on 9 March 2023. Given the outcomes of such evaluation it may be expected that the technical compliance status may change significantly given the efforts since the last evaluation.

The outcomes discussed in this report are therefore based on the ESAAMLG evaluation of the Kingdom of Lesotho from 29th November to 10th December 2010. This was done against the old FATF Recommendations and Special Recommendations.

The Lesotho Mutual Evaluation Report of 2011 showed that the country was not compliant with majority of the FATF Recommendations, many of which were legislative in nature.

A high-level mission was conducted in 2017 to assess the progress and challenges faced in implementation. The main piece of legislation was the Money Laundering and Proceeds of Crime Act, 2008 which had since been amended to address the gaps identified. However, there were still a number of significant technical compliance shortcoming that need to be addressed by Lesotho, as tabled below.

By failing to meet the fundamental building blocks of an effective AML/CFT regime, the country could face an uphill battle in ensuring compliance with FATF Recommendations and ultimately aligning with the Annexure 12 requirements.

As is the case with a number of other SADC Member States, Lesotho was also included as one of the Member States that were rated NC/PC on 3 or more of the Big six FATF recommendations, thus not meeting one of the key measures used for determining 'grey listing'.

Lesotho Areas of Non-Compliance to Old FATF R's

R1: Money laundering offence - criminalise money laundering on the basis UN Convention- applying the crime of money laundering to all serious offences, including the widest range of predicate offences.	R5: Ensuring FI's have adequate Customer due diligence measures as preventative for ML/TF/PF risks	R8: New technologies - Financial institutions should pay special attention to any money laundering threats that may arise from new or developing technologies that might favour anonymity,	R9: Reliance on third parties Countries may permit financial institutions to rely on intermediaries or other third parties to perform elements of the CDD process or to introduce business
R10: Record keeping - Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply swiftly with information requests from the competent authorities	R11: monitoring complex, unusual large transactions - Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.	R12: DNFBPs: Customer due diligence measures for Casino's, Real estate agents, Dealers in precious metals and stones, Lawyers, notaries, other independent legal professionals and accountants, Trust and company service providers	R13: Reporting of suspicious transactions by financial institutions to FIU's
R15: Internal controls and foreign branches and subsidiaries - development of internal policies, procedures and controls, including appropriate compliance management arrangements, and adequate screening procedures to ensure high standards when hiring employees	R16: DNFBPs: Other measures such as reporting requirements and internal policies and procedures and dealing with higher risk countries	R17: Sanctions - Countries should ensure that effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, are available to deal with natural or legal persons covered by these Recommendations that fail to comply with anti-money laundering or terrorist financing requirements.	R19: Higher risk Countries - Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF.
R23: Regulation and supervision of financial institutions -	R24: Regulation and supervision of DNFBP to ensures that they	R25: Guidance and feedback which will assist financial	R26: establish a FIU that serves as a

Lesotho Areas of Non-Compliance to Old FATF R's

ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations.	have effectively implemented the necessary anti-money laundering and terrorist-financing measures.	institutions and DNFBP in applying national measures to combat ML/TF, and in particular, in detecting and reporting suspicious transactions	national centre for the receiving, analysis and dissemination of STR and other information
R29: Powers of supervisors must be adequate to monitor and ensure compliance by financial institutions with requirements	R30: adequate financial, human and technical resources- Countries should provide their competent authorities involved in combating money laundering and terrorist financing with adequate financial, human and technical resources	R32: Statistics- ensure that their competent authorities can review the effectiveness of systems to combat ML/TF systems by maintaining comprehensive statistics on matters relevant to the effectiveness and efficiency of such systems	R33: Transparency and beneficial ownership of legal persons to prevent the unlawful use of legal persons by money launderers. Countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities
R34: Transparency and beneficial ownership of legal arrangements measures to ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion by competent authorities	SR I - International instruments - Ratification and implementation of UN instruments - take immediate steps to ratify and to implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism. Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the	SR III: Targeted financial sanctions related to terrorism and terrorist financing * Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences	SR IV: Reporting of suspicious transactions - If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.

Lesotho Areas of Non-Compliance to Old FATF R's			
	financing of terrorist acts, particularly United Nations Security Council Resolution 1373.		
SR VI: Money or value transfer services country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.	SR VII: Wire transfers - take measures to require financial institutions, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain.	SR VIII: Non-profit organisations - review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused	SR IX: Cash couriers - have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligation.

The areas identified as partially compliant at the time of the assessment by the STE include enhancements in respect of international cooperation measures as well as risk management measures by FI's as highlighted below:

Lesotho Areas of Partial Compliance to Old FATF R's:			
R2: Countries should ensure intent and knowledge required to prove the offence of money laundering is consistent with the standards set forth in	R3: Confiscation and provisional measures to enable competent authorities to confiscate property laundered, proceeds from money laundering or predicate	R6: Ensuring FI's have adequate risk management measures to identify and manage Politically exposed persons	R14: Tipping-off and confidentiality - Where lawyers, notaries, other independent legal professionals and accountants acting as independent

Lesotho Areas of Partial Compliance to Old FATF R's:			
the Vienna and Palermo Conventions,	offences, instrumentalities		legal professionals seek to dissuade a client from engaging in illegal activity, this does not amount to tipping off
R18: shell banks - not approve the establishment or accept the continued operation of shell banks. Financial institutions should refuse to enter into, or continue, a correspondent banking relationship with shell banks	R27: Responsibilities of law enforcement and investigative authorities - ensure that designated law enforcement authorities have responsibility for money laundering and terrorist financing investigations.	R28: Powers of law enforcement and investigative authorities - When conducting investigations of money laundering and underlying predicate offences, competent authorities should be able to obtain documents and information for use in those investigations, and in prosecutions and related actions	R31: National cooperation and coordination - ensure that policy makers, the FIU, law enforcement and supervisors have effective mechanisms in place which enable National cooperation and coordination
R35: International Cooperation- implement fully the Vienna Convention, the Palermo Convention, and the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism	R39: Extradition - recognise money laundering as an extraditable offence.	R40: Other forms of international cooperation and widest possible range of international co-operation to their foreign counterparts	SR II: Terrorist financing offence - Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences.
SR V: International Cooperation - Mutual legal assistance Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, relating to the financing of terrorism, terrorist acts and terrorist organisations.			

c. National Risk Assessment

Lesotho's Mutual Evaluation Report of 2011 was the last available MER at the time of carrying out the assignment and this MER measured compliance against the 2003

FATF Recommendations which did not include the provisions for the national assessment of ML/TF risks and requirements for a risk-based approach. Lesotho had however concluded its National Risk Assessment in 2018 to assist the country in applying a risk-based approach to ensure that measures to prevent or mitigate ML/TF are commensurate with the risks identified.

The most prevalent predicate offences identified in Lesotho included corruption, fraud and forgery, tax evasion, stock theft and to a lesser extent a number of other offences such as drug offences, diamond and human trafficking and others.

Lesotho continues to place reliance on the outcomes of the 2018 and confirmed that several areas of re-assessment would be required and therefore a revised NRA was envisioned to address identified gaps.

d. Risk Based Approach

Lesotho had embarked on a number of initiatives to progress its AML/CFT programme including efforts to effectively migrate to a risk-based approach in line with best international practice. The Central Bank of Lesotho revamped its regulatory framework and was in the process of building capacity at the Financial Intelligence Unit. AML/CFT standards for banks were being implemented with external support. Progress had also been made in the management of risks associated with Politically Exposed Persons and the collection and retention of beneficial ownership information. Plans to establish a national registry of bank and mobile network operator accounts would provide information to support these efforts.

The Central bank had adopted a Risk Based Supervision (RBS) approach to supervision of licensed financial institutions since 2009. Under this approach, the CBL assesses the risk profile of each institution and ascertains the effectiveness of the systems and procedures to identify, measure, monitor and control risks. It, therefore, benefited institutions as regulatory efforts were more focused on high-risk areas and provided for more efficient supervision. The framework enabled a more proactive and better position to pre-empt any serious threat to the stability of the financial system from current or emerging risks.

All institutions were currently under different levels of Supervision and improvements were still required or underway for a risk-based approach for specific sectors such as;

- Banks - Risk Based Supervision was in place but required improvement in both Technical Compliance aspects amongst other
- Non-Banking Institutions – There was no RBA framework with Technical Compliance measures not met
- DNFBPs - There was no RBA and TC \ not met (Casinos were all foreign and relied on foreign practice from parent and were considered somewhat effective but the core legislation was not from Lesotho)
- There was no supervision in place for NPOs

e. AML/CFT Strategy

The Kingdom of Lesotho joined the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in 2003 and following its membership, Lesotho developed a strategy to develop the AML/CFT legal and institutional framework for the country. The AML/CFT Policy and Strategy was spearheaded by the Ministry of Finance with the FIU assigned as Secretariat to coordinate AML/CFT related activities at a national level.

The AML CFT strategy updated by the National Task Team and approved in October 2022 by the NCC- National Coordinating Committee made up of Principal officers in all key stakeholder offices, Central Bank, Ministry of Finance, FIU High Court, Prosecution amongst others.

f. Legal framework

The country established the Anti-Money Laundering Task Team in 2001. The Task Team was established with the initiative of Central Bank of Lesotho to develop legislation that would combat money laundering and terrorist financing. The AML/CFT initiatives were spearheaded by Ministry of Finance and coordinated by the Financial Intelligence Unit as the Secretariat.

In 2008, Parliament of Lesotho enacted the Money Laundering and Proceeds of Crime Act, 2008 as a primary legislation to criminalise money laundering and terrorist financing. The Act in particular established the legal and institutional AML/CFT framework to: prevent and counter illicit financial crimes both in the financial sector and designated non-financial businesses and professions; empower supervisory authorities to supervise or monitor and ensure compliance by financial institutions and designated non-financial businesses and professions with AML/CFT requirements.

The National AML/CFT/CFP Policy was planned for development in the 2023/2024 financial year. However, a number of legislative milestones had been achieved.

Lesotho promulgated a number of legislations to combat MT/TF/PF and had more recently amended the Money Laundering and Proceeds of Crime (Amendment) Act, 2008 and issued the Money Laundering and Proceeds of Crime Regulations 2019 for implementing the requirements under the MLPC Act (as amended) and UNSCRs 1267/1373. It had also enacted five legislations; namely, Witness Protection Act, 2021, Fugitive Offenders (Amendment) Act 2020, Mutual Legal Assistance in Criminal Matters (Amendment) Act 2020, Prevention of Corruption and Economic Offences (Amendment) Act 2020 and Drugs of Abuse Act 2022. The Acts and Regulations address all of the deficiencies under technical compliance.

The Beneficial Ownership regulations of 2020 was still awaiting Parliamentary approval. Work was underway to increase resources for key competent authorities and enhancements on the Case Management System operated jointly with the LEA's to collate statistics on AML/CFT/CFP cases.

g. Capabilities of the Financial Intelligence Unit

The Financial Intelligence Unit is established by the Money Laundering and Proceeds of Crime Act 4 of 2008 as a juristic person to act as a central national agency responsible for receiving, requesting, analysing and dissemination to law enforcement agencies disclosures of financial information concerning suspected proceeds of crime and alleged money laundering and terrorist financing offences

with the aim to combat money laundering, terrorist financing and related financial crimes.

It facilitates the operational independence of Lesotho's FIU by allocating sufficient human and financial resources and develops mechanisms to enable the FIU to access financial information from different AML/CFT stakeholders.

Though the FIU analysed and disseminated intelligence, its ability to produce quality intelligence was hampered by limitation in technical and human resources, and poor data base sources. Limited human resource was highlighted as a burning issue for the FIU which operated only on a total of 16 staff member for the entire unit.

Most databases that had personal information were still kept manually and in some instances the information was haphazardly kept and inaccessible.

Lesotho is also not a member of the Egmont Group and effort should be made to become a member in order to demonstrate political will to form part of a global community working towards the fight against financial crimes.

h. Recommended action

A key noting from Lesotho's evaluation was that the country was evaluated against the old FATF Recommendations and assessing a country based on these old standards may have some limitations as the reports are based on the old FATF standards which set lower requirements that do not assess the effectiveness of the AML/CFT regimes and they may be outdated. It was however noted that the country had already undertaken an assessment against the Revised Recommendations and outcomes thereof were still pending.

The country must also capacitate supervision of non-bank entities through providing technical assistance and resources that will enable effective risk-based supervision.

The FIU should enhance its processes for keeping and maintaining of comprehensive records and statistics as this is key in understanding and tracking

risks. The FIU should be provided with adequate human and financial resources and make effort to join the Egmont Group.

4.3.7. Madagascar

a. Country Overview

Madagascar is the world's fifth largest island, situated in the Indian Ocean off the coast of southern Africa. Despite considerable natural resources, however, its population of about 28 million (2020) has one of the world's highest poverty rates. Madagascar continues to face major economic and social challenges, exacerbated by exogenous shocks.

Poverty remains elevated and on the rise in urban areas, reflecting the impact of rural-urban migration, the lack of employment opportunities in the cities, and a decline in the productivity of private enterprises. Moreover, recent evidence indicate that repeated cyclones increased the poverty rate among affected households. (World bank -March 2023)

The Malagasy economy is essentially based on agriculture and agricultural products, cloves, vanilla, cocoa, sugar, pepper and coffee, are among Madagascar's twelve largest exports.

b. Technical Compliance with the International AML/CFT Standards

Madagascar's Mutual Evaluation was undertaken by the World Bank in 2017 – 2018 using the 2013 FATF Assessment Methodology. The ESAAMLG Council of Ministers adopted the Mutual Evaluation Report (MER) in September 2018.

According the Mutual Evaluation Report, Madagascar was Compliant (C) on 5 Recommendations, Largely Compliant (LC) on 8 Recommendations, Partially Compliant (PC) on 15 Recommendations and Non-Compliant (NC) on 12 Recommendations.

Madagascar had been making efforts including legal and institutional measures to address the deficiencies identified including enacting a number of laws to enhance the legal framework.

Madagascar must however take greater steps and action to meet the outstanding technical compliance issues highlighted. These are tabled below as areas of non-compliance and partially compliant in respect of the FATF Recommendations.

As is the case with a number of other SADC Member States, this Member State was also included as one of the Member States that were rated NC/PC on 3 or more of the Big six FATF recommendations, thus not meeting one of the key measures used for determining 'grey listing' and placing it at risk thereof.

Madagascar Areas of Non-Compliance to Revised FATF R's			
R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.
R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)	R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set-out qualifications	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the	R25: Transparency & BO of legal Arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate

Madagascar Areas of Non-Compliance to Revised FATF R's			
		beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion
R28: Regulation and supervision of DNFBPs -Designated non-financial businesses and professions should be subject to regulatory and supervisory measures		R35: Sanctions - Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered that fail to comply with AML/CFT requirements	

Madagascar Areas of Partial Compliance to Revised FATF R's:			
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer due diligence (CDD) measures
R11: Record keeping - Financial institutions should be required to maintain, for at least five years, all necessary records on transactions, both domestic and international, to enable them to comply swiftly with information requests	R12; Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures	R14: Money or value transfer services - Countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations.	R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met
R24: Transparency & BO of legal persons -	R26: Regulation and supervision of	R33: Statistics - Countries should	R34: Guidance and feedback - The

Madagascar Areas of Partial Compliance to Revised FATF R's:			
Countries should assess the risks of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations	maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems	competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions
R36: International instruments - Countries should take immediate steps to become party to and implement fully the Vienna Convention, 1988; the Palermo Convention, 2000; the United Nations Convention against Corruption, 2003; and the Terrorist Financing Convention, 1999.		R40: Other forms of international cooperation - Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing	

c. National Risk Assessment

Madagascar finalised its NRA process with the support of the World Bank. The NRA process which launched in June 2017, included all national AML / CFT stakeholders, assessing the different risks of ML and TF at a sectoral and national level.

The NRA exercise consisted of several working groups which included the competent authorities and the private sector as well.

The national stakeholders, authorities and Ministers council adopted the results of the NRA and the National Strategy on AML/CFT was based on these results.

National authorities and stakeholders involved in the process adopted the results and the report of the NRA on November 2021. The global results of this evaluation confirmed that the risks level of ML was high with the dominant threats identified as corruption, tax and customs fraud, natural and mining resources trafficking.

Dissemination of the relevant document and workshops for sensitisation of all Malagasy stakeholders involved in AML/CFT/CPF (reporting entities, LEA, NPO's, etc.) were planned for the period 2022.

d. Risk Based Approach

Having finalised its NRA, Madagascar was able to address the initial gaps relating to the adoption of a risk-based approach. The AML/CFT policy and strategy had been developed following a risk-based approach, prioritizing the sectors that were most vulnerable and exposed to ML/TF/PF risks.

The NRA process had only been recently adopted with workshops planned to sensitise stakeholders on outcomes of assessment.. Work still needed to be concluded for the country to apply risk-based supervision of financial institutions and DNFPB's.

The RBA was therefore not fully adopted although well under way.

e. AML/CFT Strategy

Madagascar carried out the process of developing the AML/CFT/CPF strategy, with technical and financial support from the World Bank. The Strategy had been developed by prioritising the sectors that were most vulnerable and exposed to ML / TF risks, taking into account potential threats.

The Strategy was based on five (05) strategic objectives and serves as a reference, evaluation and monitoring framework for AML/CFT actions during the period 2022 to 2026 and included:

- Establishing the Malagasy legal and institutional framework in AML/CFT into line with international standards;
- The strengthening of coordination and cooperation mechanisms in the area of AML/CFT, collection and sharing of financial intelligence at the national and international scope;

- Strengthening the soundness of the Malagasy financial system through the implementation of AML/CFT/CPF preventive measures and a risk-based supervision framework;
- Strengthening the effectiveness of investigations, prosecutions and convictions against ML and crimes related to the exploitation of natural resources, and the financing of terrorist activities;
- The formalisation of the economy and the promotion of financial inclusion in compliance with AML/CFT measures.

Madagascar had also established a national anti-corruption strategy based on 3 major axes: to strengthen rule of law and judicial system, to set up a favourable framework for the entire emerging development and give rise strong national leadership on anti-corruption policy.

f. Legal framework

Since the adoption of the MER, Madagascar had been making efforts including legal and institutional measures to address the deficiencies identified in the MER, namely:

- Law n ° 2017-027, on international cooperation in criminal matters,
- Law No. 2018-043 on the fight against money laundering and the financing of terrorism,
- Law on the recovery of illicit assets: Ordinance No. 2019-015 of July 15, 2019,
- Decree N°2021 -960 on September 29th 2021 relating implementation of Illicit Assets Forfeiture Agency (ARAI),
- Insurance Law No. 2020-005, on June 2, 2020,
- Banking law N ° 2020-011, on September 1st 2020,
- Adoption of the results of NRA risks assessment and the National AML/CFT Strategy on November 12, 2021.
- Decree N° 2022-937 on June 22, 2022 relating to organization and functioning of National Committee in charge of Coordination and Orientation of AML/CFT
- Instruction n° 001/2022-CSBF amending and supplementing certain provisions of Instruction n°006/2007-CSBF relating to the prevention and fight against money laundering and terrorist financing

- • Adoption and dissemination of manual, regulation and directive in application of AML/CFT law.

g. Capabilities of the Financial Intelligence Unit

Madagascar has largely met the technical compliance requirements for Recommendation 29, which require amongst other, the establishment of a FIU that serves as a national centre for the receiving, analysing and dissemination of STR and other information.

The Financial Intelligence Unit (or SAMIFIN) was created by Articles 15 to 24 of the AML Law. The purpose of the Madagascar FIU's mission, SAMIFIN, is to "preserve Madagascar from money laundering and terrorist financing".

Article 16 of the AML Law and Article 1 of Decree 2015-1036 provide that SAMIFIN is independent. It performs its operational functions and its administration independently. Article 2 of the decree gave it the power to receive, analyse and disseminate reports (including suspicious transactions) made by reporting entities.

SAMIFIN, has developed a Strategy on five strategic axes: prevention, detection, law enforcement, cooperation and strengthening of the organisational system and institutional. 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 enhance the FIU mission-based strategy.

Madagascar was also not a member of the Egmont Group but did indicate that becoming Egmont member was on the top list priorities of FIU Madagascar. It was working closely with its FIU sponsors UIF Angola and FIU Mauritius. The latter had planned regular on-site visit to help FIU Madagascar attain the objective.

h. Recommended action

Madagascar is encouraged to continue with the progress on the implementation of a risk-based approach and must ensure that supervisory bodies apply a risk-based approach to the supervision of financial institutions and DNFPB's. As well as ensure that the obligated entities themselves assess their ML/TF/PF risks.

The country must also urgently address all other non-compliant and partially compliant aspects of the technical compliance review specifically fully implementing action concerning national cooperation and coordination by having national AML/CFT/CPF policies, informed by the risks identified, and implement mechanism for the application of United Nations Security Council Resolutions Against terrorism (1267, 1373).

Although ESAMMLG reviewers noted the commitment of Madagascar to implement the shortcomings of the MER, there was concern with the slow progress that the country had made in addressing the remaining TC deficiencies as per the prescribed timelines in the ESAAMLG 2nd Round of AML/CFT ME and follow-up Procedures.

Madagascar was also identified as being non-compliant on 3 or more of the FATF Big six recommendations, which is one of the measures used by FATF bodies to determine whether or not a country will be 'grey listed' – hence the importance in addressing the technical compliance measures.

Madagascar also needed to strengthen the national mechanism to prevent the risks of use of NPOs for terrorist purposes or terrorist financing.

4.3.8. Malawi

a. Country Overview

Located in Southern Africa, Malawi is landlocked, sharing its borders with Mozambique, Zambia and Tanzania. The country's estimated population of 18.6 million (2019), is expected to double by 2038.

Malawi remains one of the poorest countries in the world despite making significant economic and structural reforms to sustain economic growth. The economy is heavily dependent on agriculture, employing nearly 80% of the population, and it is vulnerable to external shocks, particularly climatic shocks.

Malawi continues to rely on subsistence, rainfed agriculture, which limits its growth potential, increases its susceptibility to weather shocks, and creates food insecurity.

Trade policies and a business environment continue to impede investment and commercialisation, as well as erratic electricity supply that limits value addition and slows economic diversification.

b. Technical Compliance with the International AML/CFT Standards

The ESAAMLG evaluated the Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) regime of the Republic of Malawi under its Second Round of Mutual Evaluations in 2018. The Mutual Evaluation Report (MER) was adopted by the ESAAMLG Council of Ministers in September 2019.

According to the MER, 11 out of the 40 recommendations were rated PC and NC and with only one area of technical non-compliance, with the country being encouraged to continue to address the deficiencies. Malawi is one of the few SADC Member States which are within the acceptable level of compliance with the FATF Big six Recommendations. But still requiring effort in addressing 2 of the Big six, namely the ML and TF Offence requirements as listed below;

As of March 2023, Malawi had 10 PCs and 1 NC, outstanding.

Malawi Areas of Non-Compliance to Revised FATF R's

R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,

Malawi Areas of Partial Compliance to Revised FATF R's:

R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should	R3: Money laundering offence - Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention. Countries should apply the crime of money	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the
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Malawi Areas of Partial Compliance to Revised FATF R's:			
designate an authority or have a coordination or other mechanism that is responsible for such policies.	laundering to all serious offences, with a view to including the widest range of predicate offences	financing of terrorist organisations and individual terrorists	prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.
R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion
R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.		R34: Guidance and feedback - The competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions	

c. National Risk Assessment

The Malawian authorities successfully carried out an NRA in 2013 and the report was approved by the Government in May 2015. After the adoption of the NRA, the Malawi FIU was tasked to make the relevant stakeholders aware of the NRA findings, and to monitor the progress in the implementation of the NRA action plans.

Malawi completed and revised the National Risk Assessment in 2018 as the basis to adopt, develop and implement a risk-based approach to AML/CFT.

Malawi was however still expected to use the findings of the 2018 NRA (and any updates thereof) to demonstrate the effective implementation of the AML/CTF Strategy and Policy.

d. Risk Based Approach

The AML/CFT framework did make provision for a risk-based approach with certain aspects still requiring enhancements to intensify the application and promote and increase access for financial services to mitigate the ML/TF risks identified.

The Reserve Bank of Malawi (RBM) issued guidance notes to all financial institutions, in August 2020, on the management of ML/TF risks amid the Covid-19 pandemic. The guidance also incorporated measures on risk-based approach to AML/CFT.

However, more work was required from the Member State to intensify outreach activities to improve the implementation of the AML/CFT framework particularly in respect of the Financial Crimes Act, 2017 and the relevant UNSCRs, 2018 NRA, and ensure that all the stakeholders (e.g., government policy-makers, FIA, LEAs, Supervisors, FIs and the DNFBPs) understand and effectively carry out their responsibilities.

Malawi had to some extent, assessed risks and vulnerabilities facing the NPO sector, it had not however developed any risk-based measures for supervision and monitoring of the NPOs which may be at risk of being abused for terrorist financing purposes.

e. AML/CFT Strategy

Malawi did not have approved national AML/CFT policies informed by the identified risks and reviewed regularly. The process of developing the National AML/CFT Policy had been under way and the Ministry of Finance had set up a special task

team in June 2021 to expedite the process. The task team had finalised drafting of the Policy in December 2021 and it was expected that the Policy would be approved by Cabinet in 2022.

Updated information received as at March 2023 was that the National AML/CFT/CPF policy was approved by cabinet on 15th February 2023. However, the approval was in principle and the FIA was still awaiting the Office of the President's written approval to formalise the Policy.

f. Legal framework

Malawi enacted new laws and strengthened its institutional framework to have a more robust and relatively effective AML/CFT system. Key institutional changes included re-establishment of the Fiscal and Fraud Unit (FFU) within the Malawi Police Service (MPS) and strengthening of powers of the Financial Intelligence Authority (previously known as Malawi FIU), establishment of a National Counter-Terrorism Panel (NCTP) and the Asset Forfeiture Unit (AFU) to effectively implement AML/CFT/CPF legal frameworks.

Malawi had a solid framework which allows the competent authorities to collect and use intelligence to investigate predicate and ML crimes.

Since the adoption of the MER, the Country had worked on the following legislation and other Technical Compliance matters:

- Financial Crimes (Money Laundering) Regulations 2020 issued on 15th May 2020
- The Gazette Notice on designation of authorized officer by the Minister was issued on 13th November 2018.
- NGO Policy, and NGO mapping and MOU had been done, partially addressing some of the MER findings
- Penal Code Addressing Recommendation 3 and 5 on Money Laundering and Terrorism criminalisation was issued on 21 February 2023. However, the issue of defining '**funds**' for purposes of TF in the laws as per FATF standards was still an outstanding issue.

- Companies (Beneficial Ownership) Regulations addressing issues of BO were issued on 23rd December 2022 partially addressing some of the issues raised in MER
- Guidelines for all DNFBPs were in place
- Establishment of the Financial Crimes Court Division in 2022 to handle all Financial Crimes matters

g. Capabilities of the Financial Intelligence Unit

Malawi has a developed Financial Intelligence Unit (FIU), known as Financial Intelligence Authority (FIA). The FIA is the central agency for the receipt and analysis of suspicious transactions and other reports from reporting entities, and dissemination of financial intelligence and other relevant information to LEAs to identify potential cases of ML, TF and associated predicate offences. Following the repeal of the AML Act, 2006 which established the FIU as an administrative unit, the FCA gave the FIU investigative and asset recovery mandates in addition to the central agency core functions.

The FIA has been member of the Egmont Group since 2009, which provides it with a platform to exchange information with foreign counterparts.

The FIA also had autonomy and operational independence to perform its core functions with access to a wide range of databases to augment its analysis of the different transactions reports it receives from reporting institutions. The FIA had reasonable capacity to discharge its core functions to assist LEAs to identify potential criminal proceeds and TF cases. The FIA was well structured and had a secured environment to safeguard its operations. There was a need for the authorities to provide more resources to the FIA to enable it to strengthen its capacity to support the emerging focus on complex financial crimes investigations.

h. Recommended action

Malawi should address the remaining technical compliance gaps and place special focus on Recommendation 3 and 5 which form part of the FATF Big six.

Implementation of the NRA findings through a risk-based approach should also be a key priority and approval of AML/CFT/CPF policies at a national level.

The Member State confirmed that the following action was underway as part of the overall effort to address Technical Compliance;

- Review of the Financial Crimes Act 2017
- Review of the Financial Crimes (Suppression of TF & Proliferation) Regulations 2017 to address R. 8 (These will be issued by April 2023)
- NGO Amendment Bill 2021
- Risk assessment of NPO sector
- Risk assessment of Virtual assets and Virtual assets service providers

4.3.9. Mauritius

a. Country Overview

Located off the southeast coast of Africa, neighbouring the French island of La Reunion, Mauritius is an island state of about 1.3 million people. The country's economy has made great strides since independence in 1968 and is now classified as an Upper-Middle-Income economy.

Mauritius has a mixed developing economy based on manufactured exports, agriculture, tourism, and financial services. Government efforts to diversify the economy after 1980 have been successful, and the island is no longer as completely dependent on sugar production as it was throughout most of its history. The island has built up a strong outsourcing and financial services sector, as well as an important tourism industry, and now boasts one of Africa's highest per capita incomes.

b. Technical Compliance with the International AML/CFT Standards

Mauritius had a comprehensive AML/CFT legal framework and at the time of initiating the assignment Member State was compliant or largely compliant with 39 out of the 40 FATF Recommendations.

Mauritius had met the challenges of implementing the FATF action plan to remedy the strategic deficiencies identified by the FATF in AML/CFT system (which initially led the country to be included in the FATF Grey list).

As at March 2023, Mauritius had addressed all its TC deficiencies.

Mauritius Areas of Non-Compliance to Revised FATF R's
None

Mauritius Areas of Partial Compliance to Revised FATF R's:
None

c. National Risk Assessment

Mauritius completed its first National Risk Assessment exercise which enabled the country to identify, assess and understand its ML and TF risks in 2019. In this respect, the overall Money Laundering Risk for Mauritius was rated Medium-High based on an overall ML Threat and ML Vulnerability rating of both Medium-High.

The overall TF Risk for Mauritius was rated Medium.

Financial institution (FI) and Designated Non-Financial Business (DNFBP) supervisors also carried out an integrated ML/TF risk assessment of the financial services sector and the DNFBPs through a thorough assessment of their ML vulnerabilities as part of contribution to the National Risk Assessment. The sectoral risk assessment comprised the following:

- Banking Sector;
- Securities Sector;
- Insurance Sector;
- Other Financial Institutions;
- Trust and Corporate Service Providers; and
- DNFBPs including Gambling sector, Accountants and legal professionals.

On the basis of the NRA findings which included the sectoral risk assessments, FI and DNFBP Supervisors have developed and adopted a system of risk-based supervision of the sectors to promote compliance.

d. Risk Based Approach

The country conducted an NRA which informed the overall approach at a national and sectoral level. All AML/CFT supervisors, including the supervisor of the Non-Profit Organisations sector in Mauritius had implemented a risk-based supervision system.

Mauritius still needed to address the gap relating to onsite inspections and the frequency thereof; the frequency of onsite inspections was not determined on the basis of risks identified by the supervisors and the country.

e. AML/CFT Strategy

Mauritius adopted a National AML/CFT Strategy (2019-2022) which articulates policies and strategies to address the risks identified in the NRA exercise and the recommended actions contained in the Mutual Evaluation Report 2018. The Strategy uses a risk-based approach and sets out the AML/CFT priorities for 2019-2022.

Some of the measures include:

- Revision of its AML/CFT legislative framework by amending a number of existing legislations including the FIAMLA, the Prevention of Terrorism Act and the Convention for the Suppression of the Financing of Terrorism Act,
- Enactment of the United Nations Sanctions Act which provides a legal framework for the implementation of targeted financial sanctions related to terrorism, terrorism financing and proliferation financing.

f. Legal framework

Mauritius embarked on the process of reviewing and strengthening its existing Anti-Money Laundering and Combatting the Financing of Terrorism Framework. As such, Mauritius comprehensively reviewed its AML/CFT legal framework to ensure full compliance with the FATF standards. Significant changes were brought to the

Financial Intelligence and Anti-Money Laundering Act (FIAMLA) and other existing legislations.

Law enforcement agencies had demonstrated to the FATF that they had capacity to conduct ML investigations, including parallel financial investigations and complex cases. Mauritius had also demonstrated the adequate implementation of targeted financial sanctions through outreach and supervision. The country had ensured the access to accurate basic and beneficial ownership information by competent authorities in a timely manner.

g. Capabilities of the Financial Intelligence Unit

Mauritius had met the technical compliance requirements under recommendation 29 with its Financial Intelligence Unit established under section 9 of the Financial Intelligence and Anti Money Laundering Act in August 2002. It is the central Mauritian agency responsible for the request, receipt, analysis and dissemination of financial information regarding suspected proceeds of crime and alleged money laundering offences as well as the financing of any activities or transactions related to terrorism to relevant authorities.

The FIU has been a member of the Egmont Group of Financial Intelligence Units since 2003.

h. Recommended action

Mauritius had already enacted the Virtual Assets and Initial Token Offering Act (VAITOS Act) to comply with FATF Recommendation 15. The Act provides for the Financial Services Commission to regulate and supervise the virtual asset service providers and issuers of initial token offerings, and the application of a risk-based approach covering VA activities and VASPs.

As at March 2023, the country had addressed all its TC deficiencies.

4.3.10. Mozambique

a. Country Overview

Mozambique borders Tanzania, Malawi, Zambia, Zimbabwe, South Africa, and Eswatini. Its long Indian Ocean coastline of 2,500 kilometres faces east to Madagascar.

About two-thirds of its estimated 31 million people live and work in rural areas. The country is endowed with ample arable land, water, energy, as well as mineral resources and newly discovered natural gas offshore; three, deep seaports; and a relatively large potential pool of labour. It is also strategically located; four of the six countries it borders are landlocked, and hence dependent on Mozambique as a conduit to global markets.

Mozambique has a mixed economy combining both traditional and market economic systems. Many citizens engage in subsistence agriculture. However, there is a variety of private freedom combined with centralized economic planning and government regulation. Mozambique is still grappling with a military insurgency in parts of the gas-rich province of Cabo-Delgado.

b. Technical Compliance with the International AML/CFT Standards

The ESAAMLG evaluated the Anti-Money Laundering and Combating the Financing of Terrorism and proliferation financing (AML/CFT/CPF) regime of the Republic of Mozambique under its Second Round of Mutual Evaluations and the onsite visit took place from 25th November to 06th December 2019. The Mutual Evaluation Report (MER) was adopted by the ESAAMLG Council of Ministers in June 2021

Mozambique required concerted effort to address the technical compliance deficiencies highlighted below which are vast and significant to the overall AML/CFT system. These range from measures relating to criminalising ML/TF offences, measures to identify vulnerable Non-profit organisations vulnerable, supervisory approaches and preventative measures by regulated entities

As is the case with a number of other SADC Member States, Mozambique was also included as one of the Member States that were rated NC/PC on 3 or more of the

Big six FATF recommendations, thus not meeting one of the key measures used for determining 'grey listing'.

At the initial stages of carrying out the assignment Mozambique had not been listed on the FATF List of Countries identified as having strategic AML deficiencies, in other words, 'grey listed' by FATF. However, in October 2022, the country was added to the list of jurisdictions under increased monitoring by FATF and actively working with the FATF and ESAAMLG to address strategic deficiencies in regimes to counter ML/TF/PF

As at March, Mozambique had 3 NCs and 21 PCs outstanding.

Mozambique Areas of Non-Compliance to Revised FATF R's		
R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R24: Transparency & BO of legal persons -Countries should assess the risks of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	R25: Transparency & BO of legal Arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion

Mozambique Areas of Partial Compliance to Revised FATF R's:			
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks1 identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R3: Money laundering offence - Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention. Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer due diligence (CDD) measures

Mozambique Areas of Partial Compliance to Revised FATF R's:

R14: Money or value transfer services - Countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations.	R15: New Technologies- Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)
R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set out qualifications	R26: Regulation and supervision of financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations	R27: Powers of supervision - Supervisors should have adequate powers to supervise or monitor, and ensure compliance by, financial institutions with requirements to combat money laundering and terrorist financing, including the authority to conduct inspections.	R28: Regulation and supervision of DNFBPs - Designated non-financial businesses and professions should be subject to regulatory and supervisory measures
R30: Responsibilities of law enforcement and investigative authorities - Countries should ensure that designated law enforcement authorities have responsibility for money laundering and terrorist financing investigations within the framework of national AML/CFT policies	R31: Powers of law enforcement and investigative Authorities - should be able to obtain access to all necessary documents and information for use in those investigations, and in prosecutions and related actions.	R32: Cash couriers - Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system.	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.
R34: Guidance and feedback - The	R35: Sanctions - Countries should	R36: International instruments - Countries	R37: Mutual legal assistance - Countries

Mozambique Areas of Partial Compliance to Revised FATF R's:			
competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions	ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered that fail to comply with AML/CFT requirements	should take immediate steps to become party to and implement fully the Vienna Convention, 1988; the Palermo Convention, 2000; the United Nations Convention against Corruption, 2003; and the Terrorist Financing Convention, 1999.	should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings
R38: Mutual legal assistance: freezing and Confiscation - Countries should ensure that they have the authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate property			

c. National Risk Assessment

Mozambique completed the National Risk Assessment (NRA) on ML/TF/PF, with the financial and technical support of the World Bank. As at the March 2023 meetings, Mozambique had been largely compliant with criteria for Recommendation 1. The Member State had identified and assessed the ML/TF risks in the country and put in place some measures required to address areas of high risk. The assessment identified threats and vulnerabilities and the sectors at risk. The casino sector, real estate, traders of precious Metals and stones, and the environmental crimes as the most vulnerable sectors for ML/TF.

The Bank of Mozambique was receiving technical assistance from the French Development Agency since December 2020 on AML/CFT matters aimed at improving the regulatory framework for the financial sector, covering commercial banks, microfinance institutions, Money Value Transfer Services (MVTs), Fintech's and VASPs. The main objective of the technical assistance was to capacitate the

Central Bank both technologically and in terms of human resources for carrying out the risk-based supervision.

d. Risk Based Approach

The understanding of ML/TF risks and AML/CFT obligations varied across FIs and DNFBPs sectors.

The country had not demonstrated that the risk-based approach extended to other areas to mitigate TF risks. Supervisors had not demonstrated implementation of risk-based supervision. FIs and DNFBPs were required to undertake risk assessments, put in place policies to mitigate the identified risks. However, there was no requirement for the policies to be approved by senior management of the FIs/ DNFBPs. Application of simplified measures was subject to proven low risk and such exemptions were not allowed where there was suspicion of ML/TF risks. However, it was not a condition that the low risk should be consistent with the results of the country's risk assessment.

e. AML/CFT Strategy

Mozambique has since developed national strategy to prevent and fight of money laundering, terrorism financing and financing of the proliferation of weapons of mass destruction for period 2023 – 2027, which is informed by identified risks.

The overall strategy sets out 5 goals, namely to;

- Update the legal Framework for the prevention and combat of BC/FT/FP
- Strengthen the comprehension of the country's exposure to BC/FT/FP risks as well as the national coordination mechanisms and international cooperation
- strengthen prevention, detection, investigation, accusation and trial of the BC/FT(FP) crimes and the related measures with this loss proceeds and profits resulting from the commission of crimes
- Strengthen in compliance with the prevention and fight of BC/FT/FP and the supervision and inspection of obligated entities

- Increase the transparency measures concerning natural, legal and unincorporated persons, as well as mitigate the risks of the economic operations and financial transactions:

For each one of the five (5) strategic goals, the country had identified intervention areas and respective activity lines for their proper implementation/action plan and respective outcome indicators.

f. Legal framework

Mozambique has had legal and institutional frameworks on AML since 2002 and CFT since 2013. These have been strengthened over the years through amendments and enactment of new laws and restructuring of the AML/CFT institutions.

The country had carried out a number of activities, including legislative changes as outlined to improve the AML/CFT regime of Mozambique;

- Law 11/2022, of July 7, criminalises migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation
- Mozambique has in place measures, including legislative measures, that enable the confiscation of property laundered
- Law 13/2020, provides a legal basis for the confiscation of assets and allow competent authorities to identify, trace, and evaluate property that is subject to confiscation
- Law 11/2022, Mozambique has in place measures, including legislative measures, that enable the confiscation of the objects and provides provisional measures, such as freezing or seizing, to prevent any dealing, transfer or disposal of property subject to confiscation, amongst other

g. Capabilities of the Financial Intelligence Unit

Mozambique had an administrative financial intelligence unit (FIU) known as Gabinete de Informação Financeira de Moçambique (GIFiM). The GIFiM (FIU) produces reasonably good financial intelligence which could effectively support the

operational needs of Law Enforcement Agents but it could not be demonstrated that the LEAs effectively used the financial intelligence to initiate or support ML investigations or to trace proceeds of crime.

GIFiM could not adequately demonstrate that it was doing enough analysis work on TF to support the investigations by LEAs. Its resources and capacity were still limited to enable it to fully perform its core functions, particularly in the area of analysis. The recruitment process for additional staff had commenced as at April 2022 with training initiatives for existing staff members.

GIFiM was not yet a member of Egmont Group but had officially requested the South African Financial Intelligence Center (FIC) and the Brazilian FIU (COAF) as sponsors, to undertake the Egmont Readiness Exercise. For that purpose, a visit by FIC South Africa to GIFiM was scheduled for the year 2022.

h. Recommended action

Mozambique is encouraged to complete the work currently underway to implementing a risk-based approach for AML/CFT supervision. The STE has also developed risk based supervisory guidelines that may assist in the overall supervisory programme. Strengthening the FIU capability and reaching Egmont Group membership will also assist in providing the country with additional support and resource capabilities through these structures, as well as demonstrating the will to be part of the global fight against financial crimes.

Mozambique should focus on the commitments made to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime which included;

- ensuring cooperation and coordination amongst relevant authorities to implement risk-based AML/CFT strategies and policies;
- conducting training for all LEAs on mutual legal assistance to enhance the gathering of evidence or seizure/confiscation of proceeds of crime;
- providing adequate financial and human resources to supervisors, developing and implementing a risk-based supervision plan;

- providing adequate resources to the authorities to commence the collection of adequate, accurate and up-to-date beneficial ownership information of legal persons;
- increasing the human resources of the FIU as well as increasing financial intelligence sent to authorities;
- demonstrating LEAs capability to effectively investigate ML/TF cases using financial intelligence;
- conducting a comprehensive TF Risk Assessment and begin implementing a comprehensive national CFT strategy;
- increasing awareness on TF and PF-related TFS; and
- carrying out the TF risk assessment for NPOs in line with the FATF Standards and using it as a basis to develop an outreach plan

4.3.11. Namibia

a. Country Overview

Namibia is a small country of about 2.5 million people, with a long coastline on the South Atlantic, bordering South Africa, Botswana, Zambia and Angola. It is the driest country in Sub-Saharan Africa, and is rich in mineral resources, including diamonds and uranium. The economy is heavily dependent on the extraction and processing of minerals for export. Mining accounts for 11.5% of GDP, but provides more than 50% of foreign exchange earnings. Rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds.

Namibia is the world's fifth-largest producer of uranium.

b. Technical Compliance with the International AML/CFT Standards

Namibia previously underwent a FATF Mutual Evaluation in 2007, conducted according to the 2004 FATF Methodology. The 2007 Mutual Evaluation was the first ever AML/CFT/CPF assessment the country was subjected to and the outcomes implied that there was significant room for improvement as the country was found to

be non-compliant with most international AML/CFT/CPF standards and thus highly exposed to ML/TF/PF risks on both the domestic and international front.

In 2015, following significant progress by Namibia in improving its AML/CFT regime, the country was removed from the list of countries identified by FATF as having strategic deficiencies. Namibia had since established the legal and regulatory framework required to meet its commitments and continues to work with ESAAMLG to address the full range of AML/CFT issues identified.

Namibia had since undergone a second peer review/mutual evaluation based on the 2012 FATF Recommendations, and prepared using the 2013 Methodology. The on-site visit to the country was from 27 September – 08 October 2021 with the MER published in September 2022.

As of March 2023, Namibia had 3 Non-compliance and 16 Partially Compliance areas outstanding as highlighted below.

As is the case with a number of other SADC Member States, Namibia was also included as one of the Member States that were rated NC/PC on 3 or more of the Big six FATF recommendations, thus not meeting one of the key measures used for determining 'grey listing'.

Namibia Areas of Non-Compliance to Old FATF R's			
R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R12; Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures	R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met	R15: Internal controls and foreign branches and subsidiaries - development of internal policies, procedures and controls, including appropriate compliance management arrangements, and adequate screening procedures to ensure

Namibia Areas of Non-Compliance to Old FATF R's

			high standards when hiring employees
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Namibia Areas of Partial Compliance to Old FATF R's:

R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R13: Correspondent banking - Financial institutions should be required, in relation to cross-border correspondent banking and other similar relationships, in addition to performing normal customer due diligence measures
R18: Internal controls and foreign branches - Financial institutions to implement programmes against ML/TF/PF, including policies and procedures and ensure that foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements	R19: Higher risk countries - Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF	R20: Reporting of suspicious transactions - If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).	R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion
R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions,	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.	R39: Extradition - recognise money laundering as an extraditable offence.

Namibia Areas of Partial Compliance to Old FATF R's:			
subject to the set-out qualifications	adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently		
R40: Other forms of international cooperation - Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing			

c. National Risk Assessment

In 2012, Namibia commenced with the first National AML/CFT Risk Assessment to identify and assess risks the National AML/CFT system is exposed to. The outcomes of such NRA activity were published in 2012 and had since helped the combatting framework in various ways including:

- enhancing understanding of ML/TF risks in Namibia amongst stakeholders;
- encouraging and laying the foundation for adopting a risk-based approach to AML/CFT, as envisaged in the amended FIA 2012;
- enhancing Namibia's national AML/CFT system particularly through improving compliance with the International AML/CFT standards and conventional best practices.

The 2012 assessment scope was limited in that certain sectors could not be assessed owing to various factors. The 2015/2016 NRA update was primarily a continuation of the work done in the 2012 exercise as the update was limited to areas excluded from the earlier assessment, plus included a review of TF risks. In keeping with the 2012 NRA action plans, Namibia conducted an update of such NRA in 2015 and 2016 to gauge the effectiveness of combatting measures implemented since the issuance of the 2012 NRA outcomes. Given the dynamic and ever-changing positions of domestic and international ML/TF/PF risks, all stakeholders in the combatting framework supervised were required to periodically renew their awareness of prevailing ML/TF/PF risks, trends and methods to ensure combatting

frameworks are accordingly aligned. In furtherance of such, given the changing ML/TF risks, the NRA was again updated in 2020 (issued in 2021). The 2020 update included components on environmental crimes and PF risk assessments.

The most prevalent ML threats remained potential tax related offences, fraud and corruption in terms of financial values. There were no known terrorist activities domestically, domestic TF was thus found to be non-existent with the national TF level rated as Low. While the PF combatting framework (vulnerability) was deemed reasonably effective, there may have been incidents of contravention of UNSC Resolutions on PF thus resulting in national PF risk level being rated Medium Low.

d. Risk Based Approach

Namibia's legal framework makes provision for the adoption of a risk-based approach to AML/CFT, as set out in the Financial Intelligence Act, 13 of 2012 (FIA). Financial Institutions and DNFBPs were required to undertake risk assessments and mitigate risks they were aware of with the FIA making provision for RBA in sections 39(1), section 23 (risk clients) and section 24 (On-going and enhanced due diligence), along with different other FIA compliance guidance and directives issued.

The AML/CFT/CPF supervision activities were risk based. Supervisory policies, procedures and the framework were informed by an understanding of risks.

e. AML/CFT Strategy

Namibia has since 2012 produced corresponding AML/CFT strategies with every release of the findings of the NRAs. Namibia revised its AML/CFT strategy, which expired in 2018, to consider the results of the 2020 NRA and the authorities had started implementing some parts of the Strategy.

The strategy focuses on eleven priority areas:

- streamline AML/CFT/CPF policy, legislative and implementation regime;
- enhance understanding and alignment of ML/TF/PF mitigation strategies;
- enhance information sharing;

- ensure AML/CFT/CPF powers, procedures and tools to operate effectively, to mitigate threat exposure;
- enhance AML/CFT/CPF combatting capabilities;
- enhancing Namibia’s combatting response to high-risk profit generating crimes as per the 2020 National ML/TF/PF risk assessment;
- transforming the suspicious activity reporting (SAR) and suspicious transactions reporting (STR) regime;
- enhance AML/CFT/CPF risk-based supervision and risk management;
- ensure transparency of beneficial ownership reforms;
- enhancing national, regional and international AML/CFT/CPF cooperation and collaboration; and
- enhancing AML/CFT/CPF prevention and combating governance. Competent authorities are required to use the relevant thematic priority areas to develop and implement agency/institutions priorities and objectives.

The Strategy and the NRA combined provide monitoring and evaluation of implementation framework with each agency/institution.

f. Legal framework

From the time of the adoption of its first MER in 2007, Namibia had been taking steps to address the legal and institutional deficiencies identified in the report.

Several institutions made up the AML/CFT institutional framework of Namibia. At the centre of the institutions was the Ministry of Finance, with the FIC responsible for directing and coordinating the AML/CFT activities. Namibia’s AML/CFT/CPF framework was premised on key Government agencies, civil society and private sector stakeholders playing their role in prevention and combatting as per the relevant laws and regulations.

Namibia undertook major AML/CFT reforms of its legal and institutional frameworks to address the deficiencies identified in the 2009 Mutual Evaluation Report (MER) which include the following;

- Prevention of Organised Crime Act 29/2004 (POCA) which criminalizes ML and explains conduct amounts to ML and the penalties thereof;
- Financial Intelligence Act 13/2012 (FIA) which are comprehensive measures to deter, detect and combat all forms of ML; and
- Prevention and Combating of Terrorism and Proliferation Activities Act (PACOTPAA) 12/2012 (as amended) which are measures to deter, detect, combat and criminalize funding and acts of terrorism activities.

g. Capabilities of the Financial Intelligence Unit

Namibia has established a Financial Intelligence Unit (FIU) within the Bank of Namibia, called the Financial Intelligence Centre (FIC), which enables the Bank to exchange financial intelligence with foreign Financial Intelligence Units (FIUs), foreign law enforcement agencies and domestic law enforcement agencies.

In the NRA, it was largely concluded that the FIC:

- had operational independence and autonomy, free from any undue political, government, or industry influence or interference to carry out its functions freely;
- had a reporting system (especially for STRs and SARs) which works effectively, including analysis and dissemination of information and intelligence;
- was able to disseminate, spontaneously and upon request, information and results of its analysis to relevant competent authorities, in most instances;
- had, in most instances, timely access to databases of other domestic agencies and commercial sources, and can obtain additional information from reporting entities for its analysis; and
- derived great benefit by virtue of being a member of the Egmont Group of FIUs.

Namibia has been a member of Egmont Group since 2014.

h. Recommended action

The 2021 NRA published by Namibia (concerning the 2015 – 2019 period), sets out the progress made by Namibia in respect of a wide range of AML/CFT requirements, including the NRA, updates to the AML/CFT/CPF policy, risk-based approach requirements and enactment and amendments of various laws. These efforts seem to address some of the technical compliance aspects of the last MER progress report.

There are still a number of technical gaps that should be addressed for Namibia to meet technical compliance with all 40 FATF Recommendations.

Focus should be placed on the three Big Six Recommendations still outstanding as well as effort on the NPO and New technology requirements.

4.3.12. Seychelles

a. Country Overview

The Republic of Seychelles lies northeast of Madagascar, an archipelago of 115 islands with almost 98,000 citizens, three-quarters of whom live on the main island of Mahé. Seychelles has the highest gross domestic product (GDP) per capita in Africa, at \$12.3 billion (2020). It is highly dependent on tourism and fisheries, and climate change poses long-term sustainability risks. Among Seychelles' development challenges is a focus on greater productivity, participation and performance of the economy as means to increasing shared prosperity. Some of the main institutional challenges in this regard are notably barriers to open and operate businesses; inefficiencies in public sector management, such as limited statistical capacity; scope for a more strategic and sustainable approach to social protection; and the need to broaden access to quality education and skills development.

b. Technical Compliance with the International AML/CFT Standards

The AML/ CFT framework of Seychelles was assessed against the FATF 2013 Methodology and the 2012 FATF Recommendations in the Second Round of Mutual Evaluations conducted by ESAAMLG. The onsite component of the assessment took

place between 20th November to 5th December, 2017. The Report (“MER”) was adopted by the ESAAMLG Council of Ministers in September, 2018

While Seychelles had completed its ML/TF risk assessment, there was limited assessment of the Non-Profit Organisations (NPOs) sector to determine those NPOs which were considered as having higher TF risk exposure. This is also highlighted below as one of the non-compliant areas for technical compliance.

As at March 2023, Seychelles had 2 NCs and 4 PCs outstanding.

Seychelles Areas of Non-Compliance to Revised FATF R's	
R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R15: New Technologies- Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products

Seychelles' implementation of targeted financial sanctions against terrorist financing in terms of the United Nations Security Council Resolutions (UNSCRs) 1267 and 1373 (and its successor resolutions) was also found to be ineffective due to the lack of proper coordination between the competent authorities.

Seychelles did not have both a legal and institutional framework nor mechanisms in place to implement targeted financial sanctions relating to proliferation financing as highlighted in the areas of partial non-compliance.

Seychelles Areas of Partial Compliance to Revised FATF R's:			
R4: Confiscation & provisional measures - adopt measures similar to those set forth in the Vienna Convention, the Palermo Convention, and the Terrorist Financing Convention, including legislative measures, to	R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of	R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.

Seychelles Areas of Partial Compliance to Revised FATF R's:			
enable their competent authorities to freeze or seize and confiscate	suppression of terrorism and terrorist financing.	proliferation of weapons of mass destruction and its financing.	

c. National Risk Assessment

Seychelles' first National Risk Assessment Report on Money Laundering and Terrorist Financing was promulgated in 2018 with the aim of identifying, understanding and assessing the risks faced by the country in relation to money laundering and terrorist financing. The NRA identified the following predicate offences as some of the most commonly prevalent within the country: drug trafficking, tax evasion, counterfeiting, forgery, corruption and bribery.

The National Risk Assessment carried out in 2017 rated Seychelles' overall money laundering ("ML") threat as Medium High with the overall national vulnerability rated as High. The overall terrorist financing threat was assessed as low while the overall vulnerability was assessed as Medium Low.

The country also published a risk assessment concerning the money laundering (ML), and terrorist financing (TF) risks associated with Virtual Assets (VA) and Virtual Assets Service Providers (VASPs) in response to the FATF requirements.

d. Risk Based Approach

Seychelles' Legal framework did make provision for a risk-based approach by obligated entities and required the reporting entities to identify, assess and understand ML/TF risks and take into account the risks identified at country level and ensure proportionate measures to mitigate risks.

Seychelles also incorporated a risk-based approach to allocation of resources to mitigate the risks identified with the help of the World Bank. With this improved understanding of risks the sectoral supervisors (CBS, FSA and FIU) had put in place appropriate resources to prevent and mitigate the identified risks.

e. AML/CFT Strategy

Seychelles established the coordination of its AML/ CFT Strategy and Policy through the Anti-Money Laundering and Countering of Financing of Terrorist Committee chaired by the FIU. The Committee was a platform for provision of advice to government on AML/CFT matters, fostering of domestic exchange of information and carrying out the national ML/TF risk assessment.

The 2020-2023 National AML/CFT Strategy seeks to mitigate the identified ML/TF risks and to positively address shortcomings in the AML/CFT framework. The Strategy was informed by the findings of the NRA, the second round of ME and guided by five core Strategic Objectives which together promotes a comprehensive overhaul of the Seychelles AML/CFT Framework.

The strategic objectives include:

- Enhancing Seychelles' AML/CFT legal framework consistent with international standards for combatting ML/TF and PF
- Strengthening domestic and international cooperation in the fight against ML/TF and PF
- Developing capacities of relevant public and private sector entities to combat ML/TF and PF
- Developing effective Risk Based Supervision and Enforcement of AML/CFT and CPF measures
- Strengthening intelligence, investigations, prosecutions and confiscations of ML/TF and PF

f. Legal framework

Since the last follow-up report & technical compliance re-rating in September 2021, Seychelles had reviewed a number of legislations in a continuation of the national exercise to strengthen to its regulatory, supervisory and institutional framework as it relates to AML/ CFT, in an effort to improve its technical compliance with the FATF Recommendations.

By April 2022 Seychelles had made amendments and promulgated the following legislations in order to address deficiencies;

- The Licences Act, (Cap.113) resulting in the enactment of the Licenses (Amendment) Act, 2021
- The Anti-Money Laundering and the Countering the Financing of Terrorism Act, 2020 resulting in the enactment of the Anti-Money Laundering and the Countering the Financing of Terrorism (Second Amendment) Act, 2021
- The Prevention of Terrorism Act (Cap. 179) resulting in the enactment of the Prevention of Terrorism (Second Amendment) Act, 2021
- The Criminal Procedure Code (Cap. 54) resulting in an amendment to Section 153B
- The Anti-Corruption Act, 2016, resulting in the enactment of the Anti-Corruption (Amendment) (No.3) Act, 2021
- The Anti- Money Laundering and Countering the Financing of Terrorism (Cross Border Declaration) Regulations, 2022
- The Anti- Money Laundering and Countering the Financing of Terrorism (National Risk Assessment) Regulations, 2021
- The Anti- Money Laundering and Countering the Financing of Terrorism (Amendment) Regulations, 2021
- The Anti- Money Laundering and Countering the Financing of Terrorism (Counter-measures) Regulations, 2022
- The Prevention of Terrorism (Implementation of United Nations Security Council Resolutions on Suppression of Terrorism) (Amendment) Regulations, 2022
- The Prevention of Proliferation Financing (Amendment) Regulations, 2022

The FIU issued a guidance document titled “Anti-Money Laundering and Countering the Financing of Terrorism Institutional Risk Assessment Guidelines” to its reporting sectors guiding them on how to conduct and document their AML/CFT risk assessment in line with the requirements of the AML/CFT Act.

Further efforts to enhance the legal framework form part of the overall strategic objective of the country.

g. Capabilities of the Financial Intelligence Unit

Seychelles has addressed most of the deficiencies identified against Recommendation 29 of FATF and rated as largely compliant.

The FIU is established as a central authority for receiving and analysing suspicious transaction reports and other information relevant to ML and TF and for disseminating the results of that analysis. The FIU in the performance of its function was not subject to the direction, control or influence from any other party who or which may compromise its operational independence and autonomy.

Seychelles FIU was the central agency for receipt and analysis of transaction reports, and dissemination of financial intelligence and other information to identify and investigate potential ML/TF and associated predicate offences.

The FIU had access to a variety of public and private sector databases to enhance the quality of financial intelligence and other information it produces and provide to LEAs. The information accessed has been used to produce and provide reasonably good financial intelligence and other information which has been used by the LEAs to initiate or support potential ML and associated predicate offences cases.

Seychelles also benefits from membership to the Egmont Group which has been in place since 2013.

h. Recommended action

It is recommended that the country continue to address the technical compliance deficiencies still outstanding, specifically the NPO measures and although it was noted that the Member State had completed risk assessment on virtual assets and virtual assets service providers, the Seychelles should still address all shortcomings in respect of the country's legal framework in respect thereof and in the legal and institutional framework to implement targeted financial sanctions relating to proliferation financing.

4.3.13. South Africa

a. Country Overview

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-kilometre surface area. In 2021 the estimates the mid-year population at 60 million.

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.

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.

b. Technical Compliance with the International AML/CFT Standards

The last Mutual Evaluation Report relating to the implementation of Anti-Money Laundering and Counter-Terrorist Financing standards in South Africa was undertaken in 2021. According to that Evaluation, although the country has a solid legal framework to fight money laundering and terrorist financing, it has significant shortcomings implementing an effective system.

The areas of non-compliance and partial compliance range from the completion of a national risk assessment to inform a risk-based approach and provide strategic

policies and plans to mitigate identified risks, to supervisory and preventative measures by relevant authorities.

South Africa was amongst the many SADC Member States that were rated NC/PC on 3 or more of the Big Six FATF Recommendations.

At the initial stages of carrying out the assignment South Africa had not been listed on the FATF List of Countries identified as having strategic AML deficiencies, in other words, 'grey listed' by FATF. However, in February 2023, the country was added to the list of jurisdictions under increased monitoring by FATF and was actively working with the FATF and ESAAMLG to address strategic deficiencies in its regimes to counter ML/TF/PF.

As of March 2023, South Africa had 5 NCs and 15 PCs outstanding.

South Africa Areas of Non-Compliance to Revised FATF R's			
R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R12; Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures	R15: New Technologies- Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products
R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met			

South Africa Areas of Partial Compliance to Revised FATF R's:			
R1: assessing risk & applying risk-based	R2: national cooperation	R5: Terrorist financing offence - criminalise	R7: Targeted financial sanctions –

South Africa Areas of Partial Compliance to Revised FATF R's:

approach - identify, assess, and understand the ML/TF/PF risks for the country, and take action, to mitigate effectively. require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action	and coordination - have national AML/CFT/CPF policies, informed by the risks ¹ identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.
R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer due diligence (CDD) measures	R14: Money or value transfer services - take measures to ensure that natural or legal persons that provide money or value transfer services (MVTs) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures	R18: Internal controls and foreign branches - Financial institutions to implement programmes against ML/TF/PF, including policies and procedures and ensure that foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements	R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)
R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set out qualifications	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	R25: Transparency & BO of legal Arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can	R26: Regulation and supervision of financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations

South Africa Areas of Partial Compliance to Revised FATF R's:			
		be obtained or accessed in a timely fashion	
R27: Powers of supervision - Supervisors should have adequate powers to supervise or monitor, and ensure compliance by, financial institutions with requirements to combat money laundering and terrorist financing, including the authority to conduct inspections.	R28: Regulation and supervision of DNFBPs -Designated non-financial businesses and professions should be subject to regulatory and supervisory measures	R32: Cash couriers - Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system.	

c. National Risk Assessment

South Africa was in the process of concluding its first national assessment of ML risks

(ML NRA). The approach taken was mainly qualitative rather than quantitative, relying primarily on experts' judgement to consider threats, vulnerabilities, and consequences. The information considered includes internal information from competent authorities (including basic AML/CFT statistics such as STRs, ML investigations, prosecutions, and convictions) and open-source information such as reports of international and regional bodies, research of think tanks, etc.

Several Sector Risk Assessments (SRA) were conducted with inputs from the private sector fed into the ML NRA with respect to sector vulnerabilities.

The ML threats identified in the preliminary findings of the ML NRA as high-risk were corruption and bribery, tax related offenses, cybercrimes, fraud and drug trafficking, followed by human trafficking, smuggling of illicit goods, and wildlife trafficking

South Africa has concluded an assessment of its TF risk exposure at the national level (TF NRA) in March 2022. The TF NRA also considered potential threats, vulnerabilities, and consequences primarily based on experts' views and information similar to that of ML NRA.

South Africa considered terrorism, and the financing thereof, a national security priority. Although the country had not been affected by terrorism as drastically as other regions in the world, South Africa was not immune to international, regional and domestic terrorism.

The country has, through its Financial Intelligence Centre, put measures and mechanisms in place to increase vigilance and ensure a coordinated approach between stakeholders within the public and private sector to detect, disrupt and prevent terrorism financing.

d. Risk Based Approach

Risk-based AML/CFT regulation and supervision was relatively new. AML/CFT supervision was the responsibility of various sector supervisory bodies, including Self Regulating Bodies in the DNFBP sectors, and, where there was no supervisor or SRB, the FIC was responsible for national supervisory coordination. Most supervisory activities occurred for banks and ADLAs but none of the supervision of FIs or DNFBPs used a proper RBA.

Finalisation of the national risk assessment would also be beneficial to having an informed approach based on identified risks. There have been Sector Risk Assessments concluded by the Prudential Authority which positively contributed to the efforts for a risk-based approach to ML/TF/PF.

e. AML/CFT Strategy

South Africa did not have a formal AML/CFT strategy. In 2017, the country issued a consultation paper that set some policy priorities which included:

- strengthening AML/CFT through a more consultative approach based on partnerships between key stakeholders in the public and private sectors;
- improving co-ordination and collaboration to ensure more effective preventive measures and better enforcement measures; and

- a more customer-friendly and less-costly approach to implementation of AML/CFT.

These high-level principles were to be supported by increased CDD obligations (including for domestic PEPs), increased BO transparency, introducing UNSCR asset freezing, and improved information sharing and enforcement by supervisory bodies.

South Africa was yet to develop coordinated and holistic national AML/CFT policies informed by ML/TF risks, though some existing policies or measures mitigate some aspects of the risks identified. However, significant ML risks remain largely unaddressed for beneficial owners of legal persons and trusts, cross-border movement of cash, and criminal justice efforts are not yet directed towards effectively combating higher risks such as ML related to corruption, narcotics, and tax offenses.

Some financial sectors, DNFBPs and VASPs were yet to be subject to most AML/CFT obligations and their exclusion was not justified based on risk.

f. Legal framework

The Financial Intelligence Centre acts as the primary authority over Anti-Money Laundering (AML) efforts in South Africa. The FIC is responsible for establishing an AML regime and maintaining the integrity of the South African financial system.

The Financial Intelligence Centre Act, 2001 (FIC Act) has since 2003 been the key regulatory tool to protect the integrity of the South African financial system against abuse for illicit purposes like money laundering the proceeds of crime and the financing of terrorism. The Amendment Act strengthens the FIC Act by introducing a risk-based approach to customer due diligence, among others. It puts the risk-based approach at the centre of South Africa's AML/CFT regime and recognises that the risks of money laundering and terrorist financing vary within and between sectors. It requires an understanding of money laundering and terrorist financing risks at various levels including within Government, supervisors and institutions in private sector.

Although South Africa had a solid legal framework to fight money laundering and terrorist financing it has significant shortcomings and since the adoption of the mutual evaluation report, South Africa had been making efforts including legal and institutional measures to address the deficiencies identified in the MER, namely:

- Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 and
- Protection of Constitutional Democracy against Terrorist and Related Activities Amendment Act, 2022.
- Additionally, amendments were made to Schedule 2 of the FIC Act in order to provide for the appropriate structure of supervisory bodies.

g. Capabilities of the Financial Intelligence Unit

The Financial Intelligence Centre (FIC) is South Africa's FIU. The FIC is operationally autonomous and the framework under which it operates complies with most requirements. The Financial Intelligence Centre (FIC) effectively produces operational financial intelligence that Law Enforcement Agencies (LEAs) use to help investigate predicate crimes and trace criminal assets, but the LEAs lack the skills and resources to proactively investigate ML or TF.

It also supports and guides the activities of supervisors concerning compliance with AML/CFT measures, supervises some AIs and reporting institutions (RIs), and assists the Minister of Finance with advice on AML/CFT policy matters. South Africa's FIU, the FIC, was established as the national centre for receiving, analysing and disseminating information on the suspicion of ML and TF.

South Africa has been a member of the Egmont Group since 2003 which further strengthens the FIU capabilities.

h. Recommended action

The completion of a national risk assessment is important in assisting the country identify prevalent risks in order to assign resources adequately and effectively and

ensuring all relevant sectors are assessed for ML/TF/PF risks. The country should also make effort in addressing the technical compliance deficiencies and place focus on all the commitments made to the FATF in order to lift the grey listing.

The high-level political commitments made and which should be addressed include;

- demonstrating a sustained increase in outbound MLA requests that help facilitate ML/TF investigations and confiscations of different types of assets in line with its risk profile;
- improving risk-based supervision of DNFBPs and demonstrating that all AML/CFT supervisors apply effective, proportionate, and effective sanctions for noncompliance;
- ensuring that competent authorities have timely access to accurate and up-to-date BO information on legal persons and arrangements and applying sanctions for breaches of violation by legal persons to BO obligations;
- demonstrating a sustained increase in law enforcement agencies' requests for financial intelligence from the FIC for its ML/TF investigations;
- demonstrate a sustained increase in investigations and prosecutions of serious and complex money laundering and the full range of TF activities in line with its risk profile;
- enhancing its identification, seizure and confiscation of proceeds and instrumentalities of a wider range of predicate crimes, in line with its risk profile;
- updating its TF Risk Assessment to inform the implementation of a comprehensive national counter financing of terrorism strategy; and
- ensuring the effective implementation of targeted financial sanctions and demonstrating an effective mechanism to identify individuals and entities that meet the criteria for domestic designation

4.3.14. Tanzania

a. Country Overview

Tanzania is formerly known as Tanganyika. In 1964, Tanganyika united with the Island of Zanzibar to form the United Republic of Tanzania, the largest of the East African countries and one of the poorest countries in the world.

Tanzania is located east of Africa's Great Lakes north of Mozambique and south of Kenya, it has a coastline at the Indian Ocean in east. The nation is bordered by six other African countries: Burundi, the Democratic Republic of the Congo, Malawi, Rwanda, Uganda, and Zambia, it also shares maritime borders with the Comoros and the Seychelles. It has shorelines at three of the Great Lakes: Lake Victoria, Lake Tanganyika and Lake Nyassa (Lake Malawi).

The country occupies an area of 945,087 km² and has a population of 50.1 million people, capital is Dodoma, largest city, chief port, major economic and transportation hub and de facto capital is Dar es Salaam

b. Technical Compliance with the International AML/CFT Standards

The last Mutual Evaluation Report relating to the implementation of Anti-Money Laundering and Counter-Terrorist Financing standards in Tanzania was undertaken in 2021. And despite improvements noted, there are still significant gaps in the legal framework of the country.

At the initial stages of carrying out the assignment Tanzania had not been listed on the FATF List of Countries identified as having strategic AML deficiencies, in other words, 'grey listed' by FATF. However, in October 2022, the country was added to the list of jurisdictions under increased monitoring by FATF and actively working with the FATF and ESAAMLG to address strategic deficiencies in regime to counter ML/TF/PF

The table below provides for the areas of non-compliance and partial compliance and as at March 2023, Tanzania had 9 NCs and 15 PCs outstanding.

Tanzania Areas of Non-Compliance to Revised FATF R's

R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,	R12; Politically exposed persons- Financial institutions should put measures in place in relation to foreign politically exposed persons (PEPs) (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures
R17: Reliance on third parties - Countries may permit financial institutions to rely on third parties to perform elements of the CDD measures or introduce business, provided that the certain criteria are met	R18: Internal controls and foreign branches - Financial institutions to implement programmes against ML/TF/PF, including policies and procedures and ensure that foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements	R19: Higher risk countries - Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF	R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion
R28: Regulation and supervision of DNFBPs - Designated non-financial businesses and professions should be subject to regulatory and supervisory measures			

Tanzania Areas of Partial Compliance to Revised FATF R's:

R1: assessing risk & applying risk-based approach - identify, assess, and understand the ML/TF/PF risks for the country, and take action, to mitigate effectively. require	R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks ¹ identified, which should be regularly reviewed, and should	R10: Customer due diligence - Financial institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictitious names. And should be required to undertake customer	R13: Correspondent banking - Financial institutions should be required, in relation to cross-border correspondent banking and other similar relationships, in addition to
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Tanzania Areas of Partial Compliance to Revised FATF R's:

financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action	designate an authority or have a coordination or other mechanism that is responsible for such policies.	due diligence (CDD) measures	performing normal customer due diligence measures
R15: New Technologies- Countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanisms, and (b) the use of new or developing technologies for both new and pre-existing products	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R22: DNFBPs: Customer due diligence - The customer due diligence and record-keeping requirements set out in Recommendations apply to designated non-financial businesses and professions (DNFBPs)	R23: DNFBPs: Other measures - The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the set-out qualifications
R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently	R26: Regulation and supervision of financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations	R31: Powers of law enforcement and investigative Authorities - should be able to obtain access to all necessary documents and information for use in those investigations, and in prosecutions and related actions	R32: Cash couriers - Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system

Tanzania Areas of Partial Compliance to Revised FATF R's:			
R33: Statistics - Countries should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems.	R34: Guidance and feedback - The competent authorities, supervisors and SRBs should establish guidelines, and provide feedback, which will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing, and, in particular, in detecting and reporting suspicious transactions	R35: Sanctions - Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered that fail to comply with AML/CFT requirements	

c. National Risk Assessment

Tanzania identified and assessed the ML/TF risks through the national risk assessment (NRA) process which was carried out from September 2015 to December 2016 using the World Bank NRA Tool. The NRA identified the threats and vulnerabilities as well as the authorities' final understanding of the national ML risks.

The 2015/16 NRA had not yet been updated.

The NRA exercise and development of the report involved all relevant competent authorities and Self-Regulatory Bodies (SRBs) and representatives of industry associations. These stakeholders were therefore privy to the results of the risk assessment. In addition to this, the authorities conducted meetings, seminars and workshops during which the results of the NRA exercise were shared and the NRA report was published on the FIU website in May 2019.

d. Risk Based Approach

Although the Member State had identified and assessed its ML/TF risks, it had not demonstrated that, based on its understanding of ML/TF risks, it applied a risk-based

approach to allocate resources and implement measures to prevent or mitigate ML/TF risks. In addition, it waived the requirement for reporting entities to verify the identity of customers which were also other reporting entities even where the NRA report had identified them as high risk.

There was no specific requirement for supervisors to ensure that FIs and DNFBPs implemented their obligations under R.1 and had AML/CFT policies and procedures to manage and mitigate the risks. There was no explicit requirement for FIs to apply simplified CDD measures only when lower risks had been identified through an adequate analysis of risks by the country or the FI. The Supervisory guidelines proposed further in the report may be able to assist and support the Member State in strengthening the supervisory framework.

e. AML/CFT Strategy

Tanzania did not have AML/CFT policies which were informed by the risks identified. However, the country has an AML/CFT Strategy for the period 2010 to 2013 which was developed before the NRA conducted between 2015 and 2016. The Strategy was based on the self-assessment of gaps existing in its legal, law enforcement, financial sector and corporate governance frameworks which the authorities carried out and was further informed by the recommendations of the 2009 MER. The AML/CFT Strategy was not based on risks which were identified through the NRA, which is important in ensuring effective management of risks and may therefore not be effective.

f. Legal framework

Tanzania has established institutional frameworks and introduced several laws to address money laundering and terrorism financing. The country had made significant progress in improving its AML/CFT regime with FATF noting that Tanzania had established the legal and regulatory framework to meet its commitments regarding the strategic deficiencies previously identified. However, there were still major shortcomings outstanding. Although the country generally implemented the TFS obligations, the legislation in relation to freezing assets did not meet the 'without delay' requirements as set out in the FATF Standards. There was also no legal

framework and coordination framework in place to implement UNSCRs related to PF. The legal and regulatory framework to obtain and maintain BO information was also inadequate.

Since the publication of the MER in June 2021, Tanzania has enacted the following legislation in order to address deficiencies;

- The Anti – Money Laundering Act (Cap 423) (A revised edition that incorporated amendments up to March, 2022),
- Anti – Money Laundering and Proceeds of Crime Act (Act NO: 10 of 2009 of Zanzibar - (as amended in March 2022)
- The Proceed of Crimes Act (as amended in March 2022)
- Anti – Money Laundering Regulations 2022 (as amended in December, 2022)
- Anti – Money Laundering and Proceeds of Crime Regulations 2022.
- The Prevention of Terrorism (General) Regulations 2022

g. Capabilities of the Financial Intelligence Unit

The Financial Intelligence Unit (FIU) was established under section 4 of the Anti-Money Laundering Act, Cap. 423 of 2006 (AMLA) to combat money laundering and the financing of terrorism. The FIU came into operation in September, 2007.

The primary function of the FIU is to combat money laundering and the financing of terrorism in Tanzania. It was therefore responsible for receiving suspicious transaction reports from reporting persons, in relation to suspected money laundering and terrorist financing activities as well as analysing and disseminating intelligence to appropriate law enforcement agencies for investigation and further action.

The FIU was established as an Extra Ministerial department which operates or undertakes its functions independent of oversight of the Ministry of Finance. The AMLA was amended, and provides for operational independence and additional powers of the FIU for it to effectively discharge its functions.

Tanzania was rated compliant with requirements under recommendation 29.

The Tanzanian FIU is a member of Egmont Group of FIUs and has been a member since June 2014.

h. Recommended action

It is recommended that Tanzania fully address the technical compliance issues identified and effectively implement a risk-based approach based on current risks identified. The country is also encouraged to place greater focus on the commitments made under the grey listing outcome which include;

- improving risk-based supervision of FIs and DNFBPs, including by conducting inspections on a risk-sensitive basis and applying effective, proportionate, and dissuasive sanctions for non-compliance;
- demonstrating authorities' capability to effectively conduct a range of investigations and prosecutions of ML in line with the country's risk profile;
- demonstrating that LEAs are taking measures to identify, trace, seize, and confiscate proceeds and instrumentalities of crime;
- conducting a comprehensive TF Risk Assessment and begin implementing a comprehensive national CFT strategy as well as demonstrating capability to conduct TF investigations and pursue prosecutions in line with the country's risk profile;
- increasing awareness of the private sector and competent authorities on TF and PF-related TFS; and
- carrying out the TF risk assessment for NPOs in line with the FATF Standards and using it as a basis to develop an outreach plan.

4.3.15. Zambia

a. Country Overview

Zambia is an entirely landlocked country covering an area of 752,612 km². To the north it is bordered by the Democratic Republic of Congo and the United Republic of Tanzania, to the west by Angola, to the south west by Namibia, to the east by Malawi and Mozambique, and to the south by Zimbabwe and Botswana. Zambia sits on a gently undulating plateau, which is between 900 and 1,500 metres above sea level.

This plateau is a mix of woodland and savannah regions interspersed with lakes, rivers, hills, swamps and lush plains.

Mining and quarrying account for a large proportion of Zambia's merchandise exports and have traditionally contributed the largest proportion of the country's total Gross Domestic Product (GDP). Zambia is presently the world's fourth largest producer of copper and has around 6 % of the world's known reserves. Zambia is richly endowed with various minerals such as copper, cobalt, gold and various precious stones.

b. Technical Compliance with the International AML/CFT Standards

The last Mutual Evaluation Report relating to the implementation of Anti-Money Laundering and Counter-Terrorist Financing standards in Zambia was undertaken in 2019. According to that Evaluation, Zambia was deemed Compliant for 11 recommendations and Largely Compliant for 17 of the FATF 40 Recommendations

As at March 2023, Zambia had 12 PCs outstanding.

Zambia Areas of Non-Compliance to Revised FATF R's
None

Zambia Areas of Partial Compliance to Revised FATF R's:			
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R5: Terrorist financing offence - criminalise terrorist financing on the basis of the Terrorist Financing Convention, and criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists	R6: Targeted financial sanctions – terrorism & terrorist financing - implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,

Zambia Areas of Partial Compliance to Revised FATF R's:			
R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,	R16: Wire transfers - ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.	R24: Transparency & BO of legal persons - Countries should assess the risks of misuse of legal persons for ML/TF/PF, and take measures to prevent their misuse. And ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently
R25: Transparency & BO of legal arrangements - Countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion	R26: Regulation and supervision of financial institutions – Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations	R28: Regulation and supervision of DNFBPs -Designated non-financial businesses and professions should be subject to regulatory and supervisory measures	R35: Sanctions - Countries should ensure that there is a range of effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, available to deal with natural or legal persons covered by that fail to comply with AML/CFT requirements.

c. National Risk Assessment

Zambia's first NRA report was completed in 2016 and the results were shared with all stakeholders in September 2017. In June 2018, the NRA report was updated through a Sectoral ML Threat Assessment Addendum in order to make it current. Both the initial NRA and the Addendum identify common predicate offences

committed in Zambia and the five highest proceed generating predicate offences are corruption, tax evasion, theft, fraud and drug trafficking. According to the authorities, corruption generated the highest amount of criminal proceeds among all predicate offences and the resultant ML threat was rated very high.

d. Risk Based Approach

The country had also developed the ML/TF Risk Based Framework and Manual although supervisors had not yet started implementing it.

AML/CFT supervision of the DNFBPs sector was still very weak as none of the supervisors had yet started implementing their supervisory roles. Although ML/TF risks relating to this sector had been identified in the NRA, the sector has not started applying a risk-based approach.

e. AML/CFT Strategy

Informed by the results of the NRA, Zambia developed an AML/CFT/CPF policy informed, among others, by the NRA Report of 2016, the MER 2019 and subsequent FURs. An Action plan had been developed to implement the policy to run for a three-year period with targets, time-lines and responsibilities to address the identified ML/TF risks.

The Government of the Republic of Zambia had also approved the National Anti-Money Laundering and Countering Terrorism and Proliferation Financing Policy on 14th November 2022.

f. Legal framework

Zambia has taken major steps in strengthening both its legal and institutional framework on AML/CFT. This includes the amendments to the PPML Act in 2010, ATA in 2015, enactment and subsequent amendment of the Financial Intelligence Centre Act in 2010 and 2016, respectively, introduction of the Forfeiture and Proceeds of Crime Act (FPCA) in 2010, the repealing and enactment of new Anti-Corruption Act, 2012, Companies Act and the Banking and Financial Services Act in 2017, creation of Financial Intelligence Centre, Anti-Money Laundering

Investigations Unit, and National Anti-Terrorism Centre in addition to the other already existing institutions.

g. Capabilities of the Financial Intelligence Unit

Zambia has an operational FIU known as the Financial Intelligence Centre. It is a statutorily established unit for receipt and analysis of transactional reports, and dissemination of financial intelligence and other information to authorised investigative agencies mandated to identify and investigate potential ML and TF cases. The FIC exercises its function independently under the oversight of a Board and the Ministry of Finance. The FIC is properly structured to perform its functions.

Zambia was admitted to the Egmont group of FIUs in October 2018.

h. Recommended action

Zambia should set out a detailed action plan to address the remaining TC recommendations and address, as there was still a significant number of PC's outstanding.

4.3.16. Zimbabwe

a. Country Overview

Zimbabwe occupies 390,757 km² of land in south central Africa, between the Limpopo and Zambezi rivers. The land-locked country is bounded by Mozambique to the east, Zambia to the north and north west, South Africa to the south, and to the south west by Botswana. It lies wholly within the tropics and is part of the great plateau which traverses Africa.

Zimbabwe's economy is dependent on agricultural products including tobacco, cotton and sugar cane. Major export commodities are tobacco and horticulture. Smaller crops like sugar, tea, coffee, cotton, seeds, maize, small grains and oilseeds are also

exported. The sector is an important contributor to the country's export activities, with markets in America, Europe, Africa and the Far East.

b. Technical Compliance with the International AML/CFT Standards

The last follow-up Mutual Evaluation Report relating to the implementation of Anti-Money Laundering and Counter-Terrorist Financing standards in Zimbabwe was undertaken by ESAAMLG in 2021. According to that Evaluation, Zimbabwe was deemed Compliant for 20 recommendations and Largely Compliant for 13 of the FATF 40 Recommendations. There were no areas of non-compliance and it was further reported in April 2022, that the requirements for R26, 28 and 34 had been met and revised from the previously partially compliant technical compliance status.

As of March 2023, Zimbabwe remained only with Rec 2 & 8, 7 and 15 rated PC.

Zimbabwe Areas of Non-Compliance to Revised FATF R's
None

Zimbabwe Areas of Partial Compliance to Revised FATF R's:	
R2: national cooperation and coordination - have national AML/CFT/CPF policies, informed by the risks ¹ identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.	R8: non-profit organisations - review adequacy of laws and regulations that relate to non-profit organisations identified as being vulnerable to terrorist financing abuse. apply measures, in line with the risk-based approach, to protect them from terrorist financing abuse,
R7: Targeted financial sanctions – proliferation - implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.	R15: New technologies - Countries and financial institutions should identify and assess ML/TF/PF risks that may arise in relation to development of new products and new business practices, including new delivery mechanisms,

c. National Risk Assessment

Zimbabwe completed the NRA in 2019 using the World Bank AML/CFT Risk Assessment. The national money laundering threat for Zimbabwe has been assessed to be medium, with the main ML major predicate offences being used to

generate proceeds being (a) Fraud, (b) Contravention of the Customs & Exercise Act, (c) Contravention of the Gold Trade Act, (d) Corruption and (e) Contravention of the Income Tax Act.

Overall, Terrorism and terrorist financing threat in Zimbabwe was rated low.

Overall Zimbabwe's technical compliance status for the assessment of risk and application of risk-based approach was found to be largely compliant.

d. Risk Based Approach

The MLPC Act, requires financial institutions to apply risk sensitive measures based on a comprehensive ML/TF risk assessment. The AML/CFT Directive of 2016 also requires that FIs and DNFBPs to take into account the findings of the NRA when carrying out ML/TF risk assessment. With further efforts required to ensure that all other sectors follow similar requirements.

FIs and DNFBPs were required to assess their ML/TF risks, document the risks and consider the category of the risk and the appropriate mitigating controls.

Zimbabwe largely demonstrated application of a risk-based approach to allocation of resources and implementation of AML/CFT measures to prevent or mitigate ML/TF risks. The country should however ensure that such interventions were applied across all competent authorities.

Overall Zimbabwe's technical compliance status for the assessment of risk and application of risk-based approach was found to be largely compliant.

e. AML/CFT Strategy

Zimbabwe has developed a National AML/CFT Strategic Plan 2020-2025 which has four strategic objectives as guided by the findings of the NRA. The four focus areas include:

- Parallel Financial Investigations,
- Capacity Building Awareness and Supervision,
- Asset forfeiture and Confiscation and,

- Beneficial Ownership and NPOs.

The strategic plan has an accompanying detailed implementation matrix which isolates key primary indicators (KPIs) for each of the four issues and corresponding allocation of resources, where such resources are allocated based on the level of risk that the sector/entity poses.

f. Legal framework

Zimbabwe underwent a comprehensive review of its AML/CFT regime which led to a number of new laws and amendments to the existing legislations to strengthen the regime. The Money Laundering and Proceeds of Crime Act [Amendment of 2018] (MLPC Act) is a composite legislation criminalising ML and TF.

g. Capabilities of the Financial Intelligence Unit

The FIU is deemed to be a unit in the administrative establishment of the Central Bank, but has its own governing statutes, giving it a mandate distinct from that of the central bank.

The FIU has the primary responsibility of ensuring AML/CFT compliance, but works in close cooperation with supervisory/regulatory bodies of the various types of designated reporting institutions to ensure that the regulated entities comply with their AML/CFT obligations.

Efforts were under way to seek Egmont Group membership and FIU sponsors had been identified, an unconditional application for membership was yet to be submitted.

h. Recommended action

Zimbabwe is encouraged to seek Egmont Group membership in order to increase support and capacity for the FIU and to demonstrate political will by joining global entities in the fight against ML/TF/PF.

The country confirmed during the March 2023 Validation workshop that it had already made great strides in the process of gaining membership to Egmont through support from SADC member state Malawi. Membership was expected to be confirmed in July 2023.

The country should also set out a detailed action plan to address the remaining TC namely efforts in respect of the measures for NPO in line with FATF standards and national co-operation requirements.

4.4. Outcomes of AML/CFT efforts by SADC substructures

The SADC Protocol on Finance and Investment (FIP) establishes a number of substructures with the aim to support, facilitate and foster harmonisation of the financial and investment policies of the State Parties in order to make them consistent with objectives of SADC. The FIP calls for Member States to adopt and maintain, in accordance with the FATF Recommendations, measures that are effective and proportionate to combat money laundering, financing of terrorism and proliferation financing and that they will do so cognisant of the impact such measures may have at national and regional level.

Some of the key substructures established in terms of the FIP which play an important role in driving the implementation of Anti-Money Laundering and Combating of Financing Terrorism (AML/CFT) policies within the region include, but not limited to the following structures:

- Committee of Insurance, Securities and Non-banking Financial Authorities
- Committee of SADC Stock Exchanges
- Committee of Central Bank Governors
- SADC - Development Finance Resource Centre (SADC-DFRC)

Annexure 12 to the FIP sets out the specific AML/CFT requirements for Member States and recognises that regional cooperation and harmonisation is crucial to efficient and coherent efforts in combating money laundering and the financing of terrorism.

The primary objective of Annexure 12 is to facilitate the convergence of the Anti-Money Laundering and Combating of Financing of Terrorism policies, laws and regulatory practices of the various State Parties, within the framework of the FATF Recommendations; as well as to support effective and proportional action against money laundering and the financing of terrorism in the SADC region.

The specific requirement as set out in the Assignment Terms of Reference require that the SADC region fully operationalise Annexure 12 of FIP. An assessment was thus concluded on each of the above-mentioned FIP substructures/SADC structures to establish the efforts of each in driving the implementation of Annexure 12.

4.4.1. SADC AML/CFT Committee

The Article 10 of the Annex 12 establishes a SADC AML committee that is required to play the role of;

- reviewing the implementation of the Annex; and
- preparing annual reports to the Council of Ministers of Finance and Investment and enhancing cooperation with the ESAAMLG.

Article 8 of Annexure 12 of the FIP requires that at least once every five calendar years, the **SADC Anti-Money Laundering Committee** review and produce a report on the impact that anti-money laundering and financing of terrorism measures have had on crime and terrorism in each State Party and the region, and where necessary, recommend appropriate measures to increase the positive impact in the region.

Assessment Observations/Findings

In carrying out the assignment, the STE established through consultation with the SADC Secretariat, that an AML/CFT Committee had in fact not been in place or operationalised to fulfil the functions envisioned in Annexure 12. Instead, SADC maintained co-operation with ESAAMLG on issues related to AML/CFT and the Secretariat relied on the SADC Organ on Politics, Defence and Security Cooperation /SPSS Programme for defence and security issues on other aspects of the requirements set out in the Annexure.

- The Annexure 12 requirement for a committee to carry out specific AML functions/responsibilities had not been met by SADC. This was in spite of any co-operation with other organs or third parties
- There was also no provision, i.e., in the form a signed Memorandum of Understanding (MoU) with GABAC to formalise a relationship in respect of Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) as it relates to the DRC as a SADC member State

Recommended action

In order to fully operationalise Annexure 12 within the region it is recommended that there be a functioning centralised body/structure within SADC with the responsibility to oversee and coordinate AML/CFT related matters.

Although SADC may place reliance on AML/CFT evaluations performed by other regional bodies such as ESAAMLG or GABAC, the responsibilities set out in the Annexure require additional functions as highlighted above and proposed below.

In order to support and strengthen the mandate and AML/CFT efforts of the substructures formed under the FIP, it is highly recommended that SADC operationalise an AML/CFT committee with representation from each Member State. Such committee may be responsible for amongst other things the following key functions:

- Monitoring and Oversight of adoption and implementation of Annexure 12 by all Member States
- Monitor progress on compliance with all FATF recommendations by Member States
- Encourage member State to meet the required compliance and support efforts by substructures/other support structures
- Act as a regional advisory function on AML/CFT related matters by recommending measures to enhance controls
- Act as a central body to facilitate technical and capacity building initiatives and policy research

- Act as the point of contact on all AML/CFT related matters for SADC Member States including regional bodies such as FATF Styled Regional Bodies or other Third-Party bodies driving AML/CFT agendas
- At least once every five calendar years, review and produce a report on the impact that anti-money laundering and financing of terrorism measures have had on crime and terrorism in each State Party and the region, and where necessary, recommend appropriate measures to increase the positive impact in the region
- Extend reviews for the assessment of the unintended impact on finance and investment, including financial access by low-income persons, and, where necessary, recommend appropriate measures to lessen negative impact
- Discuss any reports developed in terms of Article 8 and subsequently publish, after the State Party has been afforded an opportunity to amend and finalise the report and agree to its publication.

4.4.2. Committee of Insurance, Securities and Non-banking Financial Authorities

Committee of Insurance, Securities and Non-Banking Authorities (CISNA) is part of the Trade, Industry, Finance and Investment Directorate of SADC and reports to the SADC Committee of Ministers of Finance and Investment. One of the key objectives of CISNA is to work towards the harmonisation of prudential matters including respective laws and regulations and regulatory and supervisory practices amongst Member States. This includes promoting sound corporate governance and AML/CFT supervision of financial institutions.

CISNA committee meetings amongst Member States take place twice a year and include AML /CFT as a running agenda item to ensure that members keep all pertinent market issues of concern on their radar.

The STE engaged CISNA to further establish the extent of its role in the implementation and adoption of Annexure 12 requirements by CISNA Members. The feedback which was solicited is set out in the table below.

Table 4: CISNA assessment Responses

Summary of Questionnaire	Responses
What is the level of oversight by the Substructure to ensure implementation of any AML/CFT objectives or outcomes for each Member State?	Committee ensures all model laws go through the scrutiny of AML / CFT experts (AMLCFT technical committee before and ESAAMLG and SADC legal going forward) before implementation by members
Does the Substructure have any enforcement/persuasive powers/measures for deviation of SADC AML/CFT objectives?	CISNA does not in its own capacity have any enforcement/persuasive powers to ensure implementation of AML/CFT measures by Member States, however Member States are subject to FATF Styled Regional Body standards such as ESAAMLG/GABAC
Does the Substructure have formalised measures/processes to foster a harmonised and common regulatory framework/approach for AML/CFT within the region?	Nonspecific. Members are subject to FATF standards / recommendation Each member is expected to incorporate in its domestic laws the international standards on AML/CFT as set by the FATF (FATF Recommendations).
Are there any AML/CFT capacity development programmes facilitated by the Substructure to strengthen capacity of Members in the region?	CISNA's strategic plan 2021 – 25 is planning on building internal, institutional and professional capacity which should inevitably ensure AML / CFT
What specific AML/CFT challenges are faced by Members?	Alignment with the amended recommendation 15 with a balance between innovation and investor protection. The majority of jurisdictions do not have legal and regulatory frameworks in place to ensure licensing/registration and supervision of Virtual Assets Service Providers (VASPs) for AML/CFT purposes

Summary Findings

The AML/CFT programme did not appear to have active programmes to support Member States and ensuring a unified and harmonised approach to supervision. Reliance was mostly placed on the role of FSRB and in-country authorities. CISNA also like all the other sub structures did not have any enforcement/persuasive power to ensure alignment by Member States.

Recommended Action

A centralised AML/CFT function from a SADC perspective is recommended to set a clear agenda for AML/CFT related matters for all FIP sub-structures impacted and oversee and monitor adoption and implementation of the stipulated programme.

4.4.3. Committee of SADC Stock Exchanges

The Committee of SADC Stock Exchanges (CoSSE) is a collective body of the various stock exchanges in the Southern African Development Community (SADC) and forms part of SADC substructures under the SADC Finance and Investment Protocol (FIP)

One of the committee's objectives is to provide a platform for information exchange/benchmarking between members, for numerous capital market issues, including AML/CFT matters.

Although CoSSE did not include AML/CFT as a standard agenda item for the bi-annual meetings held, members may engage one another and exchange Information via other channels such as email or during the bi-annual meetings. The responses received by the STE and tabled below, demonstrate the extent of involvement on AML/CFT matters.

Table 5: CoSSE assessment Responses

Summary of Questionnaire	Responses
What is the level of oversight by the Substructure to ensure implementation of any AML/CFT objectives or outcomes for each Member State?	None
Does the Substructure have any enforcement/persuasive powers/measures for deviation of SADC AML/CFT objectives?	None
Does the Substructure have formalised measures/processes to foster a harmonised and common regulatory framework/approach for AML/CFT within the region?	This has not been done.
Are there any AML/CFT capacity development programmes facilitated by the Substructure to strengthen capacity of Members in the region?	None.
What specific AML/CFT challenges are faced by Members?	<ul style="list-style-type: none"> - practical application of one of the most important FATF Recommendations, - the implementation of robust IT systems for transaction monitoring - the internal process of self-assessment of the risk of money laundering, terrorist financing and proliferation of weapons of mass destruction. - shareholder and BO identification processes - developing Supervisory frameworks for AML/CFT - implementing risk-based approach requirements

Summary of Findings

There was no specific AML/CFT programme overseen by CoSSE, although members are encouraged to engage one another through various other tools. The members mostly identified with similar challenges and dedicated support function in

the form of a centralised SADC structure would assist in addressing some of the challenges highlighted above.

Recommended action

A centralised AML/CFT function from a SADC perspective is recommended to set a clear agenda for AML/CFT related matters for all FIP sub-structures impacted. A platform where Member States/ FIP substructures can engage the SADC centre of excellence in AML/CFT matters for any training needs by Member States.

4.4.4. Committee of Central Bank Governors

The Committee of Central Bank Governors (CCBG) was created to attend to monetary policy and financial issues within the SADC region and its mandate is to promote financial co-operation and stability as a prerequisite for sustainable growth and enhanced investment flows into and across the region.

CCBG is also one of the SADC substructures responsible for implementing Annexure 12 of the Protocol on Finance and Investment dealing with Anti-Money Laundering and has established a Subcommittee of Banking Supervision Directors and Experts, whose responsibility is monitoring implementation of AML/CFT regulations among SADC States.

The CCBG Banking Supervision Subcommittee meets once a year and the Steering Committee also once a year. Feedback received from the CCBG highlights the current progress and challenges faced by the Committee in ensuring Annexure 12 adoption.

Table 6: CCBG assessment Responses

Summary of Questionnaire	Responses
What is the level of oversight by the Substructure to ensure implementation of any AML/CFT objectives or outcomes for each Member State?	<p>The Banking Supervision Subcommittee discuss Member States' adherence to AML/CFT requirements including FATF Recommendations at the annual meetings held.</p> <p>The CCBG Banking Supervision Subcommittee also conducts an annual survey on Member States' observance of AML/CFT protocols, specifically the</p>

Summary of Questionnaire	Responses
	Financial Action Task Force Recommendations and the findings from this report are submitted to the Committee of Central Bank Governors.
Does the Substructure have any enforcement/persuasive powers/measures for deviation of SADC AML/CFT objectives?	there are no CCBG-specific measures except monitoring compliance to the FATF Recommendations. The work is done by mutual cooperation among central banks, led by a central bank and responses are coordinated by the CCBG Secretariat. Reminders are sent to member central banks that have not responded to questionnaires.
Does the Substructure have formalised measures/processes to foster a harmonised and common regulatory framework/approach for AML/CFT within the region?	The CCBG Banking Supervision and Legal Subcommittees prepared the SADC Model Banking Law (incorporating all 29 Basel Core Principles) which was approved by Governors to be used as guidelines by the member central banks. Central banks in the region conduct supervisory colleges; annual survey on AML/CFT is part of the work programme of the CCBG Banking Supervision Subcommittee and is approved by the CCBG.
Are there any AML/CFT capacity development programmes facilitated by the Substructure to strengthen capacity of Members in the region?	The CCBG Secretariat liaises with ESAAMLG to provide training to SADC central bank experts on AML/CFT
What specific AML/CFT challenges are faced by Members?	<p>One challenge is that in their self-assessments, Member States tend to rate themselves much more favourably than the situation on the ground and this becomes evident when they are rated by other agencies such as ESAAMLG</p> <p>Country Specific challenges include;</p> <ul style="list-style-type: none"> - DRC: Weaknesses in the legislative and regulatory framework leave some FIs and DNFBPs outside the scope of the overall AML/CFT preventive measures. - Lesotho: Supervision of non-banks Financial Institutions still at infancy stage. There is need for capacitation. - FIU limitation in technical and human resources, and poor data base sources. - Malawi: Malawi does not have a national AML/CFT Policy and Strategy in place - Madagascar: Legal framework gaps - Mauritius: frequency of onsite inspections was not determined on the basis of risks identified by the supervisors and the country; - Mozambique: All the supervisory authorities have inadequate resources to effectively supervise their sectors. - Seychelles: limited assessment of the Non-Profit Organisations (NPOs) sector FIU, which is the only AML/CFT supervisor in Seychelles, has inadequate resources to effectively supervise or monitor compliance with AML/CFT requirements by reporting entities. Legal framework gaps - Tanzania: significant gaps in the legal framework. does not have written AML/CFT policies informed by the identified ML/TF risks - Zambia: does not have a national AML/CFT Policy and Strategy in place but is in the process of developing one based on the results of its NRA.

Summary of Findings

CCBG had a clearly defined AML/CFT programme to assess and support members in implementing FATF Recommendations with ongoing effort to build capacity among Member States. There were concerns raised on the reliability of information from Member States, specifically as it related to self-assessments. Given that CCBG, like other sub structures did not have any enforcement/persuasive measures to challenge progress and drive adoption and implementation of the Annex 12 by States may also pose as a challenge in advancing the region as a whole.

Recommended action

Given that the AML/CFT agenda under CCBG was more advanced, there may be value in having a consistent approach for all other substructures through information sharing processes. A centralised AML/CFT function from a SADC perspective is recommended to set a clear agenda for AML/CFT related matters for all FIP sub-structures impacted. A platform where Member States/ FIP substructures can engage the SADC as a centre of excellence would go a long way in enhancing the programme.

4.4.5. SADC - Development Finance Resource Centre (SADC-DFRC)

The Southern African Development Community - Development Finance Resource Centre (SADC-DFRC) is a subsidiary institution of SADC established under the SADC Protocol on Finance and Investment (FIP). It is collectively 'owned' by the SADC Development Finance Institutions (DFI) Network, also a FIP organisation, with a current membership of forty (40) national DFIs.

The DFRC's mandate is to promote the effective mobilisation of resources by the financial sector, in particular the DFIs, for investment in key areas with the potential to stimulate sustainable and inclusive growth, generate employment and alleviate poverty, in line with the objectives of SADC under the Revised Regional Indicative Strategic Development Plan (RISDP) 2020 - 2030.

DFCR did not convene regular meetings to discuss AML/CFT but it participates at all meetings convened at the invitation of the SADC Secretariat regarding AML/CFT programmes. Information, including documentation, from the meetings was shared with the Member DFIs for implementation where required.

DFCR had no oversight responsibility of DFIs regarding AML/CFT. This was undertaken at country level through the regulatory authorities including central banks (as some DFIs are deposit takers) and non-banking regulators to whom they report.

Table 7: DFRC assessment Responses

Summary of Questionnaire	Responses
What is the level of oversight by the Substructure to ensure implementation of any AML/CFT objectives or outcomes for each Member State?	DFRC has no oversight responsibility of DFIs regarding AML/CFT. This is undertaken at country level through the regulatory authorities including central banks (as some DFIs are deposit takers) and non-banking regulators to whom the report.
Does the Substructure have any enforcement/persuasive powers/measures for deviation of SADC AML/CFT objectives?	None.
Does the Substructure have formalised measures/processes to foster a harmonised and common regulatory framework/approach for AML/CFT within the region?	None
Are there any AML/CFT capacity development programmes facilitated by the Substructure to strengthen capacity of Members in the region?	DFRC undertakes AML training programmes for member DFIs and other stakeholders. The trainings are recorded and evaluation done for each programme.
What specific AML/CFT challenges are faced by Members?	Remote working has introduced many cyber risks and money laundering being part of it because the networks are exposed as more people work from home.

Summary of Findings

There was no specific AML/CFT programme overseen by DFRC and no oversight and enforcement. SADC- DFRC's role in terms of the regional AML/CFT Programme had been to provide capacity building and ensuring DFIs in the region were aware of available policies, institutional structures and recommendations to implement under the SADC AML/CFT programme.

Recommended action

A centralised AML/CFT function from a SADC perspective is recommended to set a clear agenda for AML/CFT related matters for all FIP sub-structures impacted. A platform where Member States/ FIP substructures can engage the SADC centre of expertise on AML/CFT matters for any training needs by Member States.

4.4.6. SADC – Banking Association

The SADC Banking Association is a voluntary organisation and currently not all SADC Member States are members of the SADC BA. The SADC BA's role/position is to approach Member State that are fully emerged in SADC and encourage such States to join the SADC BA (voluntarily)

Below countries are not SADC BA members:

- Comoros, Madagascar, Seychelles, Tanzania

SADC BA did not have a specific AML/CFT role/function within the region as there was no SADC wide AML/CFT programme driven to filter to the Banking Association. Individual in-country banking associations work together with their respective regulators to drive country specific AML/CFT programmes.

Table 8: SADC Banking Association assessment Responses

Summary of Questionnaire	Responses
How often do SADC BA Member State Participants meet to discuss AML/CFT as part of overall agenda?	The board meets twice a year, AML/CFT is not a specific agenda item for such meeting, however countries may or may not share AML related matters in the reports they submit for the SADC BA specific agenda.
Are there any AML/CFT specific requirements or conditions that each Member State must meet to participate in the SADC BA?	None – there is no specific AML/CFT Programme therefore no AML related focus. Any SADC BA specific projects that may have AML/CFT impact, such as the RTGS project - Members are expected to adopt and adhere to in-country regulatory requirements. There is no direct oversight by the BA to ensure AML/CFT conditions/requirements are met.
What is the level of oversight by the SADC BA on AML/CFT related matters? Are there any enforcement/persuasive tools that the SADC BA has to ensure compliance?	The SADC BA has no oversight and enforcement/persuasive function on AML matters. This function is left to in-country regulators of AML/CFT

Summary of Questionnaire	Responses
Are there any formalised measures/processes to foster a harmonised and common regulatory AML/CFT framework/approach for members? Describe such processes and how these are overseen?	The primary role of the SADC BA is to foster harmonised and coordinated mechanisms amongst State's – such as the payments project and other areas that impact in the financial sector in general, and not specific to AML/CFT related matters per se.
Are there any AML/CFT capacity development programmes facilitated by the SADC BA to strengthen capacity of all members and in the region? If yes, describe these initiatives and how they are governed and documented through any formal processes?	The SADC BA does have a training programme in place for participants however it focusses more on SADC BA related matters as opposed to AML specific. There have been instances where SADC BA members requested support on AML and assistance was provided through external sources – however this was on an ad-hoc basis and does not form part of the general SADC BA programme.
Share any current key AML/CFT related challenges faced by the SADC BA community and its members?	Countries do not have the same regulatory/legal frameworks and business may therefore be done differently across the region as a result as the application of regulations within the banking industry would vary. Also, not all countries have implemented RBA
Share any details on AML/CFT related initiatives, collaboration or peer reviews within the community.	It is also recommended that industry participants learn to balance the competitive and collaborative spaces in order to advance regulatory programmes' SADC BA is able to provide the platforms for collaborative initiatives

Summary of Findings

Similar to sub structures, there was no specific AML/CFT programme overseen by SADC BA and no oversight and enforcement/persuasive measures in place on AML/CFT matters.

Recommended action

A centralised AML/CFT function from a SADC perspective is recommended to set a clear agenda for AML/CFT related matters for all FIP sub-structures and other supporting functions impacted. A platform where engagement is recommended, where information can be shared and collaborations identified to advance the regional agenda on AML/CFT regimes.

4.4.7. SADC - RTGS

Article 8 of the SADC Protocol on Finance and Investment (FIP) provides that the state parties shall ensure cooperation among their central banks in relation to the payment, clearing, and settlement system.

The FIP also provides the framework for cooperation and coordination between the central banks in order to define and implement a cross-border payment strategy for the SADC region. In execution of the mandate as per the FIP, the SADC Real Time Gross Settlement (SADC-RTGS) system was developed and implemented as a Financial Market Infrastructure (FMI).

As part of the process of gathering insights, the STE engaged with the SADC RTGS and the feedback is provided as per table below:

Table 9: SADC RTGS Responses

Summary of Questionnaire	Responses
Describe SADC-RTGS's role in respect of the AML/CFT Agenda/Programme for the SADC region? i.e., role in promoting measures to combat money laundering and terrorist financing	The compliance function for all cross-border regulatory requirements is done at the participants' level and is in accordance with the in-country requirements. Thus, all transactions submitted to the SADC-RTGS system are deemed to be adhering with all cross-border regulatory requirements including the AML/CFT requirements. In this regard, there is no specific the AML/CFT Agenda/Programme for the SADC region led by SADC-RTGS system as this done at participants' level. The compliance and monitoring function is performed at central bank level by the banking supervision, exchange control and financial intelligence authorities.
Are all SADC Member States Participants of the SADC-RTGS If there are any exceptions, what are the reasons and plans for inclusion?	Currently, 15 of 16 Member States participate in the SADC RTGS system. Comoros has not yet approached the CCBG Payment System Subcommittee regarding their intention to participate. All SADC Member States are eligible to participate in the SADC RTGS system and any related payment activities.
How often do SADC-RTGS Member State Participants meet to discuss AML/CFT as part of overall agenda?	The participating Member State Participants, except for DRC, are the members of ESAAMLG. The DRC is a member of XYF also seeking to implement measures to combat the financing of terrorism. Thus, the main discussions on AML/CFT matters are done at these regional groupings.
Are there any AML/CFT specific requirements or conditions that each Member State Participant must meet to participate in RTGS?	Participants are required to comply to domestic regulatory requirements including the AML/CFT requirements.
What are such AML requirements/conditions and how are these conditions monitored to ensure implementation?	These are done at ESAAMLG and GABAC regional body. The BSS submits a report to the SADC PSS and SADC PSOC on the state of compliance with the FATF standards. In terms of the SADC PSOC AML/CFT arrangements, all the AML/CFT must be in place and the participating central banks attest by using a questionnaire.

Summary of Questionnaire	Responses
<p>What is the level of oversight by the RTGS Committee on AML/CFT related matters?</p> <p>Are there any enforcement/persuasive tools?</p>	<p>The BSS submits a report to the SADC PSS and SADC PSOC on the state of compliance with the FATF standards. In terms of the SADC PSOC AML/CFT arrangements, all the AML/CFT requirements must be in place and the participating central banks attest by using a questionnaire.</p> <p>There are no enforcement/persuasive tools as these falls outside the SADC PSS mandate. Therefore, the BSS should advise on the extent of enforcement/persuasive tools for the region and in each of the Member States.</p>
<p>Are there any formalised measures or processes to foster a harmonised and common regulatory framework/approach for cross border payments to prevent/mitigate the use of the payment's infrastructure for financial crime?</p> <p>Describe such processes and how these are overseen?</p>	<p>This should be done at ESAAMLG and GABAC regional body level as they are responsible for AML/CFT matters. The harmonised measures and requirements would benefit the regional payment activities.</p>
<p>Are there any AML/CFT capacity development programmes facilitated by the SADC-RTGS to strengthen capacity of participants in the region?</p> <p>If yes, describe these initiatives and how they are governed and documented through any formal processes?</p>	<p>None, as this fall outside its mandate.</p>
<p>Share any current key AML/CFT related challenges faced by the RTGS community and participants?</p>	<p>At the G20, with the BIS and FSB, there is an initiative to address challenges to cross border payments. These challenges are cost, speed, access and transparency of transactions. In the BIS report (BIS Enhancing cross-border payments: building blocks of a global roadmap Stage 2 report to the G20 – technical background report, July 2020), a number of frictions were identified which included AML/CTF challenges. It should be noted that, SADC cross border payments are not immune to these challenges. Challenges shared by South Africa include:</p> <ul style="list-style-type: none"> - The cost of KYC - The cost of KYC for market participants is largely driven by lack of automation of KYC processes, absence of digital identities etc. - Risk-based approach - Implementation of risk-based approach to AML/CFT by participants, particularly the smaller participants who still require a better understanding of their ML/TF risks, remains a challenge. Regulators and supervisors are also developing frameworks and processes to implement risk-based regulation and supervision from an AML/CFT perspective. - ML/TF risk assessments – There is inadequate understanding of ML/TF risks in the national payment system. The South African Reserve Bank (SARB) is in

Summary of Questionnaire	Responses
	<p>the process of conducting a ML/TF risk assessment in the national payment system.</p> <ul style="list-style-type: none"> - Compliance with FATF Recommendation 16 - South African banks have indicated that they are facing challenges to comply with FATF Recommendation 16 within the CMA region in relation to low value cross-border electronic funds transfers.
Share any details on AML/CFT related initiatives, collaboration or peer reviews within the community.	There is none happening as these falls outside the SADC PSS mandate.

Summary of Findings

The SADC-RTGS system provided settlement services to its participants to settle their payment obligation emanating from the cross-border activities within the SADC region. Although this function was greatly impacted by AML/CFT related matters, the RTGS did not hold responsibility for ensuring participants had the necessary controls in place to mitigate ML/TF/PF risks. There were, however, other supporting functions responsible for compliance and monitoring such as at central bank level by the banking supervision, exchange control and financial intelligence authorities.

SADC PSS collaborated with the CCBG Banking Supervision Subcommittee (BSS). BSS had the mandate to conduct the assessment on adherence to the FATF standards at country level.

Recommended action

The recommendation is for SADC to develop a centralised platform for information sharing amongst SADC Member States, specifically around training and capacity building as many members have highlighted challenges in similar areas such as implementation of a risk-based approach, risk assessment and CDD obligations.

5. Policy Frameworks and Guidelines identified to support Member States

In terms of the Terms of Reference for the assignment, the STE was required to prepare supporting policies, controls, and procedures to enable Member States to identify, assess, understand and manage, and effectively mitigate risks. The proposed tools are guided by the gaps identified in carrying out the assignment and seek to;

- harmonise and enable a common regulatory framework as well as
- provide guidance on how supervisory bodies can effectively apply the Risk-based Approach (RBA) in line with the international standards such as FATF as well the European Competent Authorities.

5.1. Tracking Technical Compliance with FATF Recommendations

The findings of the FATF technical compliance highlighted the most significant elements of non-compliance by SADC Member States with the FATF Recommendations. There was not one Member State that had full technical compliance status with all the 40 recommendations and special recommendation in some instances. (At the initial stage of carrying out the assignment – it should be noted that Mauritius became fully compliant with all 40 R's during the course of the assignment)

Although certain countries demonstrated greater effort and progress, others had slower progress in meeting acceptable levels of technical compliance. Technical compliance serves as a key and important building block for an effective AML/CFT programme as it addresses all aspects of compliance from risk assessments, to policy formulations and legal frameworks as well as preventative measures for supervisory functions and obligated entities.

It is recommended that the SADC body responsible for AML/CFT matters engage Member States on a regular basis on their progress and any challenges faced.

The STE prepared a manual Technical Compliance (TC) Tracking Tool which may be automated to streamline the process and ensure accuracy and ease of reporting.

The TC Tracking Tool may be used to track the status of each Member Country in meeting all outstanding FATF Recommendations as identified as non-compliant or partially compliant by the relevant FATF Style Regional Body.

The tool is included as Annexure: SADC Member Country TC Status and Tracking Tool.

5.2. Tracking Capacity Development Needs of SADC Member States

Another important area identified for enhancement was the training and capacity building initiatives for SADC Member States. In the assessment, the STE identified the following;

- Some Member Countries had been able to significantly improve their technical compliance status as well as undertake national risk assessments to inform the overall AML/CFT strategy going forward. The recommendation is therefore to create support structures/platforms for engagement amongst the SADC Member States for information sharing on ways to fast track the compliance status of those countries falling behind in specific areas of technical compliance
- The STE also engaged a number of key FIP sub-structures and information was solicited on any challenges faced by Member States in implementing and effecting an appropriate AML/CFT country programme. The following summarise some of the challenges identified and that may require SADC support in the form of training initiatives or partner programmes;
 - *practical application of one of the most important FATF Recommendations,*
 - *the implementation of robust IT systems for transaction monitoring*
 - *the internal process of self-assessment of the risk of money laundering, terrorist financing and proliferation of weapons of mass destruction.*
 - *shareholder and BO identification processes*
 - *developing Supervisory frameworks for AML/CFT*

- *implementing risk-based approach requirements*

In an effort to address the above as well develop a tool for ongoing and continuous monitoring and tracking of training and capacity development needs, the STE has proposed the introduction of a centralised training and capacity building log & tracking tool. This tool which can be automated to streamline the process and ensure proper record keeping of information, may be used to log any training requests from SADC Member Countries. The SADC body responsible for AML/CFT matters may be responsible to maintain such a log and identify any partnerships and working groups that can be formed to meet specific training and capacity development needs. Record of training content, workshop material etc. should be kept in a central repository for information sharing purposes in instances where other Member States may have similar training needs.

The proposed tool is attached as Annexure: SADC AML-CFT-CPF Learning & Training Log

5.3. SADC Guidelines for Risk Assessment & Supervisory Approach

The FATF's recommendations place a risk-based approach at the centre of any Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime. It recognises that the risk of money laundering (ML) and terrorist financing (TF) and proliferation financing (PF) can vary and that Member States, competent authorities and obliged entities have to take steps to identify and assess that risk with a view to deciding how best to manage it. As such supervisory bodies are required to allocate resources resourcefully in order to be more effective in combating financial crimes.

In the observation for technical compliance, the STE found that a number of SADC Member Countries had failed to meet the full technical compliance status in respect of supervisory measures for financial institutions and DNFBP's.

The below summarised tables reflect the status:

Table 10

2012 FATF RECOMMENDATION REQUIREMENTS	R's	Zambia
Regulation and supervision of financial institutions	R26	PC
2012 FATF RECOMMENDATION REQUIREMENTS	R's	Botswana
Regulation and supervision of DNFBPs	R28	PC

Table 11

2012 FATF RECOMMENDATION REQUIREMENTS	R's	Congo Democratic Republic	Eswatini	Madagascar	Mozambique	South Africa	Tanzania
Regulation and supervision of financial institutions	R26	PC	PC	PC	PC	PC	PC
Regulation and supervision of DNFBPs	R28	NC	PC	NC	PC	PC	NC

Table 12:

2003 FATF RECOMMENDATIONS (OLD)	Rs	Angola (PR 2018-19)	Comoros (ME 2010)	Lesotho (FUR 2022)
Regulation and supervision of financial institutions	R23	PC	NC	NC
Regulation and supervision of DNFBPs	R24	NC	NC	NC

In an effort to address the weaknesses, the STE prepared risk assessment and supervisory approach guidelines in line with FATF and the European Banking Authority. The guidelines include the sector assessment requirements, the supervised entity AML/CFT returns and the supervisory approach.

The proposed guideline is attached as Annexure: SADC Risk Assessment Supervisory Guide.

6.SWOT Analysis & Regional Action Plan

6.1. Summary of SWOT Analysis

The findings and outcomes of this assessment show that there has been great effort on the part of the SADC Member States to commit to the FATF 40

Recommendations by passing laws and regulations, establishing FIU's and other law enforcement structures to support implementing policies for Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT) and Countering the Financing of Proliferation of weapons of mass destruction (CPF) systems.

And although Member States were not all at the same level of meeting full technical compliance and alignment with international AML/CFT/CPF standards, , there were opportunities to make tangible progress through collaboration efforts within the regional SADC structures.

By setting the key weaknesses and threats and identifying the common deficiencies amongst Member States, the region will be better positioned to seize the opportunities and strengthen the regional approach to money laundering, terrorist and proliferation financing.

The SWOT analysis tabled below provides a high-level summary of the strengths, weaknesses, opportunities and threats identified and is followed by a proposed action plan to address going forward.

Table 13: SWOT Analysis

S strengths	W weaknesses	O opportunities	T threats
<p>A number of countries have either started or completed an initial assessment of their money laundering and terrorist financing risks,</p>	<p>Not all Member State have met requirements to criminalizing ML & TF offence, targeted financial sanctions for TF</p>	<p>Botswana, Malawi, Mauritius, Seychelles, Zambia and Zimbabwe are stronger in respect of technical compliance and could lead collaboration efforts to support other Member States</p>	<p>Countries subsequently greylisted and impact on other Member States through business engagements/relationships</p>
<p>FATF and FSRB evaluations have shown that countries have begun to take actions or policies to mitigate their risks with appropriate policy</p>	<p>Some FIP sub-structures highlighted technical challenges faced by Member States impacting the implementation of appropriate AML/CFT country programmes. These included practical application of important FATF Recommendations, developing supervisory frameworks for AML/CFT and implementing risk-based approach requirements</p>	<p>One Member State had met all technical compliance of FATF Recommendation having previously been grey listed and achieving significant progress in redress programmes – could be important in collaboration and learning initiatives amongst other Member States</p>	<p>9 Member States of 16 member States did not meet one of the key measures used by FATF bodies to assess strategic AML/CFT/CPF deficiencies - the following Member State are rated NC/PC on 3 or more of the FATF Big six;</p> <ul style="list-style-type: none"> • Angola; • Congo Democratic Republic; • Eswatini; • Madagascar; • Mozambique; • South Africa; • Comoros; • Lesotho; • Namibia
<p>A large number of Member State are either compliant or largely compliant with requirements to establish effective and operational FIU</p>	<p>Many countries have not met requirements relating to NPO - Gaps were either in respect of laws or having done risk assessments to identify non-profit organisations that can be abused for TF</p>	<p>Some countries have had the experience of FATF/EU 'grey listing' and able to demonstrate sufficient reforms to AML/CFT systems to be removed - learnings can be drawn from these Member States</p>	<p>The mutual evaluation for some countries is based on the old FATF Recommendations and these may have some limitations as the reports are based on the old FATF standards which set lower requirements and they may be outdated</p>

S	W	O	T
strengths	weaknesses	opportunities	threats
SADC Member State have regional body support structures such as ESAAMLG, GABAC to assist countries in progressing AML/CFT agenda	One Member State did not have membership with either FATF or FSRB	Countries with long standing membership to Egmont Group could support other Member States not yet a member of Egmont Group as sponsors, to undertake the Egmont Readiness Exercise	Evolving ML/TF/PF threats and vulnerabilities as new risks emerge and criminals and terrorist financiers take advantage of opportunities poor controls.
Other International bodies such as World Bank and IMF have also extended support to Member States and can be used to continue to steer efforts	Some Member States either had no legal framework for the immediate implementation of targeted UN financial sanctions on the financing of proliferation or could not demonstrate that there were no delays in implementing UN financial sanctions on the financing of proliferation	Recommendation for a centralised body/structure within SADC with the responsibility to oversee and coordinate AML/CFT related matters – establishment of an AML/CFT committee with representation from each Member State	challenges in taking effective action commensurate to the risks faced including difficulties in investigating and prosecuting high-profile cases
Support and initiatives from various FIP sub/structures to support Member States in meeting Annexure 12 requirements	Some countries have not commenced with its application to Egmont Group to become a member and be able to demonstrate political will to align with global efforts to fight ML/TF/PF	Implementing proposed TC Tracking Tool to track the status of each Member Country in meeting all outstanding FATF Recommendations identified as non-compliant or partially compliant by the relevant FATF Style Regional Body	Impact of grey listing of one Member State on others due to trade and other footprint linkages
	National Risk Assessment and other risk assessments are either not yet finalised or not shared widely as possible with relevant stakeholders or not started to enable or facilitate a strategy and policies for AML/CFT related matters	Implementing proposed risk assessment and supervisory approach guidelines in line with FATF and European Banking Authority which include the sector assessment requirements, entity AML/CFT returns and RBA supervisory approach	

S	W	O	T
strengths	weaknesses	opportunities	threats
	legal frameworks which do not adequately provide for measures to enable identification and verification of a beneficial ownership	Implementing the proposed centralised training and capacity building log & tracking tool which can be used to log any training requests from SADC Member Countries and keep record for broader sharing and adoption.	
	Number of SADC Member Countries failed to meet the compliance status in respect of supervisory measures for financial institutions and DNFBP's	Better use and collaboration amongst FIP sub structures to align agenda on AML/CFT/CPF related matters and share learnings	

The proposed regional plan places focus on all recommended action items set out through-out the report under each area reviewed and assessed by the STE.

6.2. Action Plans: SADC Structures and substructures

ACTION ITEM	RESPONSIBLE PARTY	IMPLEMENTATION TIMELINES
<p>SADC to operationalise an AML/CFT/CPF committee/body within SADC that will act as a centralised function to support all AML/CFT/CPF related matters in line with Annexure 12 requirements</p> <ul style="list-style-type: none"> - SADC to ensure there is adequate capacity & resources to support AML/CFT coordination across all structures - Terms of reference for AML/CFT Committee to be clearly articulated and agreed by all relevant parties. It was further Recommendations for such terms of reference to make provision for representative membership requirements from both SADC and individual Member States as well as 	SADC	TBC with stakeholders

ACTION ITEM	RESPONSIBLE PARTY	IMPLEMENTATION TIMELINES
<p>make provision for appointment of resources to support special projects</p> <ul style="list-style-type: none"> - Roles & Responsibilities of key SADC substructures in supporting Member States 		
SADC to establish a formal arrangement of understanding and cooperation between SADC and GABAC in terms of the FIP similar to ESAAMLG to enable partnership and information sharing outcomes	SADC	TBC with stakeholders
Member States that have been grey listed should place great commitment in addressing the key requirements that would enable lifting of grey listing	Members	In line with FATF timelines
SADC Member States that have non-compliant and partially compliant technical compliance outcomes should with immediate effect start addressing and reporting on the progress and plans to meet FATF recommendations. The Technical Compliance Tracker developed by the STE sets out the current status for each member state in respect of all 40 recommendations. Each member state should be required to report back to the relevant SADC body responsible for AML/CFT matters on a quarterly basis on the progress and plans for remediation. Any challenges and support should be logged on the SADC AML-CFT-CPF Learning & Training Log	All SADC Member States More granular engagement may be required with countries identified as having weaker AML/CFT measures in place – based on the technical assessment outcomes.	TBC with stakeholders
SADC to consider for adoption the proposed SADC Member Country Technical Compliance Status and Tracking Tool and ensure MOU in place with Member States for effective implementation	SADC	TBC with stakeholders
SADC to consider for adoption the proposed SADC AML-CFT-CPF Learning & Training Log as well as establish MOU with relevant partners and Member States	SADC	TBC with stakeholders
SADC to consider adoption the proposed SADC Risk Assessment Supervisory Guide as a tool for Member States to implement risk-based supervision	SADC	TBC with stakeholders

