

FINANCIAL INTELLIGENCE CENTRE

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ANNUAL REPORT

FOR THE YEAR 2020

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Financial Intelligence Centre

Tel: +260 211 220252

P.O Box 30481

LUSAKA

Web: <http://www.fic.gov.zm>

March 2021

## **LETTER OF TRANSMITAL**

31<sup>st</sup> March 2021

Honourable Dr. Bwalya K. Ngandu, MP  
Minister of Finance  
Ministry of Finance  
P.O Box 50062  
**LUSAKA**

Honourable Minister,

In accordance with the requirements of section 55 of the Financial Intelligence Centre Act No. 46 of 2010 (as amended), I have the honour of presenting to you, on behalf of the FIC Board of Directors the Annual Report of the Financial Intelligence Centre for the year ended 31<sup>st</sup> December 2020.

Yours Faithfully

Irene Lombe Chibesakunda (Ms.)  
**Board Chairperson**

## VISION, MISSION AND OBJECTIVES

### VISION

"A Zambia with a stable financial system resilient to financial crimes"



### MISSION

"A sole statutory agency dedicated to providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and competent authorities in order to make the Zambian financial system resilient to financial crimes"

## CORE VALUES

"I THE COURAGEOUS CIA"

**Integrity, Transparency, Honesty, Excellence, Courageous, Confidentiality, Impartiality, Accountability**

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## ACRONYMS

ACC	Anti-Corruption Commission
AG	Auditor General
AGA – AAP	Attorney Generals Alliance – Africa Alliance Partnership
AML	Anti Money Laundering
AMLA	Anti-Money Laundering Authority
AMLIU	Anti-Money Laundering Investigation Unit
BoZ	Bank of Zambia
CTPF	Countering Terrorism and Proliferation Financing
CTRs	Currency Transaction Reports
CBCDR	Cross Border Currency Declaration Reports
DNFBPs	Designated Non-Financial Businesses and Professions
DEC	Drug Enforcement Commission
DPP	Director of Public Prosecutions
ESAAMLG	Eastern and Southern Africa Anti Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIUs	Financial Intelligence Units
FSPs	Financial Service Providers
FURs	Follow Up Reports
LEAs	Law Enforcement Agencies
MER	Mutual Evaluation Report
MoU	Memorandum of Understanding
MVTS	Money or Value Transfer Services
NATC	National Anti-Terrorism Centre
NGO	Non-Governmental Organization
NPA	National Prosecution Authority
OECD	Organization for Economic Cooperation and Development
OTA	Office of Technical Assistance
PF	Proliferation Financing
PIPs	Prominent Influential Person
REs	Reporting Entities
SAs	Supervisory Authorities
STRs	Suspicious Transaction Reports
TF	Terrorist Financing
VAs	Virtual Assets
VASPs	Virtual Assets Service Providers
ZRA	Zambia Revenue Authority

## **DIRECTOR GENERAL'S STATEMENT**

The Financial Intelligence Centre ('Centre') is an autonomous body corporate established under the *Financial Intelligence Centre Act No 46 of 2010 (as amended) (the Act)*. The Centre's core function is to receive, request, analyse Suspicious Transaction Reports (STR's) and other disclosures for dissemination of financial intelligence reports to relevant competent authorities for investigations and prosecution where there are reasonable grounds to suspect that crimes have been committed. The FIC falls under the Ministry of Finance and is governed by the board of Directors appointed by the Republican President. The Annual Report is published pursuant to section 55 of the Financial Intelligence Act No. 46 of 2010 (as amended).

In 2020, the world experienced unprecedented times as a result of the COVID -19 pandemic. Globally, the pandemic brought about increased levels of cyber-crime, COVID-19-related frauds and created vulnerabilities for both financial and non-financial institutions due to remote working arrangements. While the pandemic had a significant impact on the operations of the FIC, the institution continued to be guided by its vision of ensuring a stable financial system resilient to financial crimes. In this regard, the FIC issued a Guidance Note to assist reporting entities in dealing with Money Laundering/Terrorism Financing/Proliferation Financing (ML/ TF/PF) risks associated with COVID-19.

During the period under review, the FIC received two thousand two hundred and sixty six (2,266) STRs, representing an increase of 203% from the previous year. Further, there was a 39% increase in the number of STRs disseminated to Law Enforcement Agencies (LEAs), from forty four (44) in 2019 to sixty one (61) in 2020. Notwithstanding this significant increase in reports received, no STRs were submitted by the DNFBPs sector. Evidently this is a concern, given the knowledge that this is a high risk sector for the laundering of illicit funds. The FIC will therefore continue to focus its resources on ensuring that the compliance levels in the DNFBPs sector improve.

The predominant predicate offenses in 2020 have continued to be corruption and tax evasion as observed in the detailed statistics given in this report both for 2019 and 2018. The FIC further observed trends associated with cyber-crimes and the abuse of virtual currencies. Financial crimes are a national challenge which impact on the stability of the economy and the integrity of our financial systems. As such a collective effort is required by all stakeholders in the public and private sectors to actively address and counter these vices. In this regard, the FIC continued to collaborate with competent authorities in the exchange of information, in hosting joint training and supervision activities and in the development of national policies that support the fight against ML/TPF.

Following the release of the 2019 Mutual Evaluation Report for Zambia, the FIC amended its Act in 2020 in order to address the shortcomings in relation to obligations of the reporting entities as identified in the report. This included, inter alia, redefining the functions of the Centre, in order to clarify the role of the institution as the AML/CTPF regulator. The amendments have further broadened the scope of reporting entities to incorporate Virtual Asset Service Providers (VASPs). This entails that institutions that deal in virtual currencies will now be regulated for AML/CTPF purposes.

Looking ahead, the FIC will propose various regulations and guidelines to augment the AML/CTPF legal framework. In addition, the FIC will continue to cooperate with Law Enforcement Agencies and other stakeholders in combatting ML/TF/PF and other financial crimes in Zambia to ensure the vision of “a Zambia with a stable financial system resilient to financial crimes” is achieved.

I wish to thank the FIC Board, Ministry of Finance and Ministry of Justice for the guidance and support rendered in 2020.

**Mary Chirwa (Ms)**  
**Director General**

## 1.0 GOVERNANCE AND ORGANIZATION STRUCTURE

### 1.1 The Board of Directors

The Board of Directors of the Financial Intelligence Centre is appointed by the President of the Republic of Zambia in accordance with section 7 of the Financial Intelligence Centre Act No. 46 of 2010 (as amended). Pursuant to section 8 of the Financial Intelligence Centre Act No. 46 of 2010 (as amended) the functions of the Board of Directors are to:

- (a) Monitor and review the administrative performance of the Centre in the carrying out of its functions under this Financial Intelligence Centre Act No. 46 of 2010 (as amended);
- (b) Approve policies for the proper administration and management of the Centre;
- (c) review the implementation of cooperation agreements established between the Centre and domestic or foreign designated authorities;
- (d) consider and approve the proposed budget of the Centre.

The Board comprises the following members:

- |      |                                       |                        |
|------|---------------------------------------|------------------------|
| i.   | Ms. Irene Lombe Chibesakunda          | Board Chairperson      |
| ii.  | Mrs. Regina Kasonde Mulenga           | Vice Board Chairperson |
| iii. | Judge Prisca Matimba Nyambe, SC (Rtd) | Board Member           |
| iv.  | Dr. Mike Boniface Goma                | Board Member           |
| v.   | Ms. Pelagia Kanuma Kalunga            | Board Member           |
| vi.  | Ms. Mary Chirwa                       | Board Secretary        |

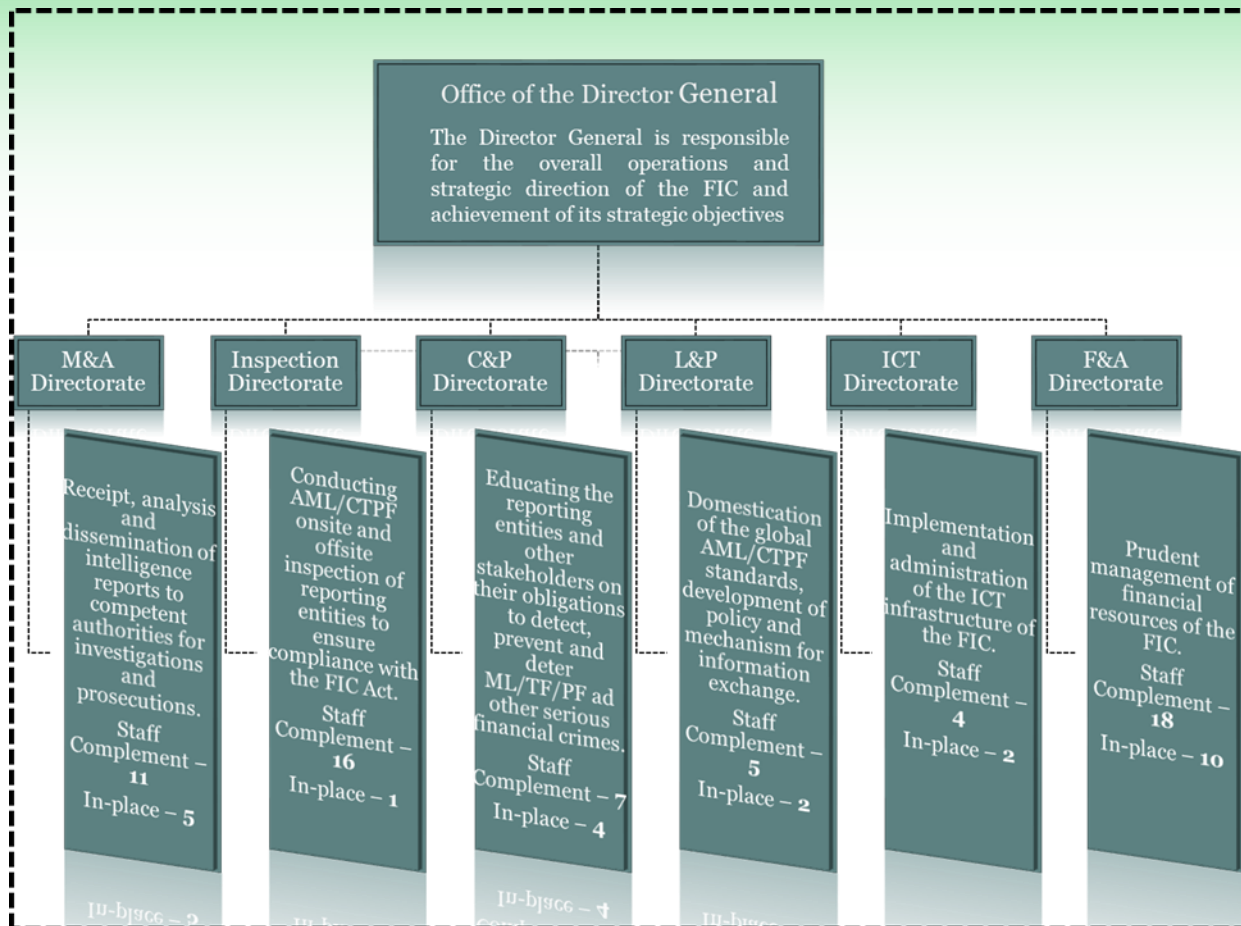
### 1.2 Organisation structure

The Director General is the Chief Executive Officer of the institution appointed by the Board subject to the Minister's approval pursuant to section 7 of the FIC Act. The FIC comprises the following departments:

- i) Monitoring and Analysis
- ii) Inspections
- iii) Compliance & Prevention
- iv) Legal & Policy
- v) Information Communications Technology
- vi) Finance



## CHART 1: ORGANISATION STRUCTURE



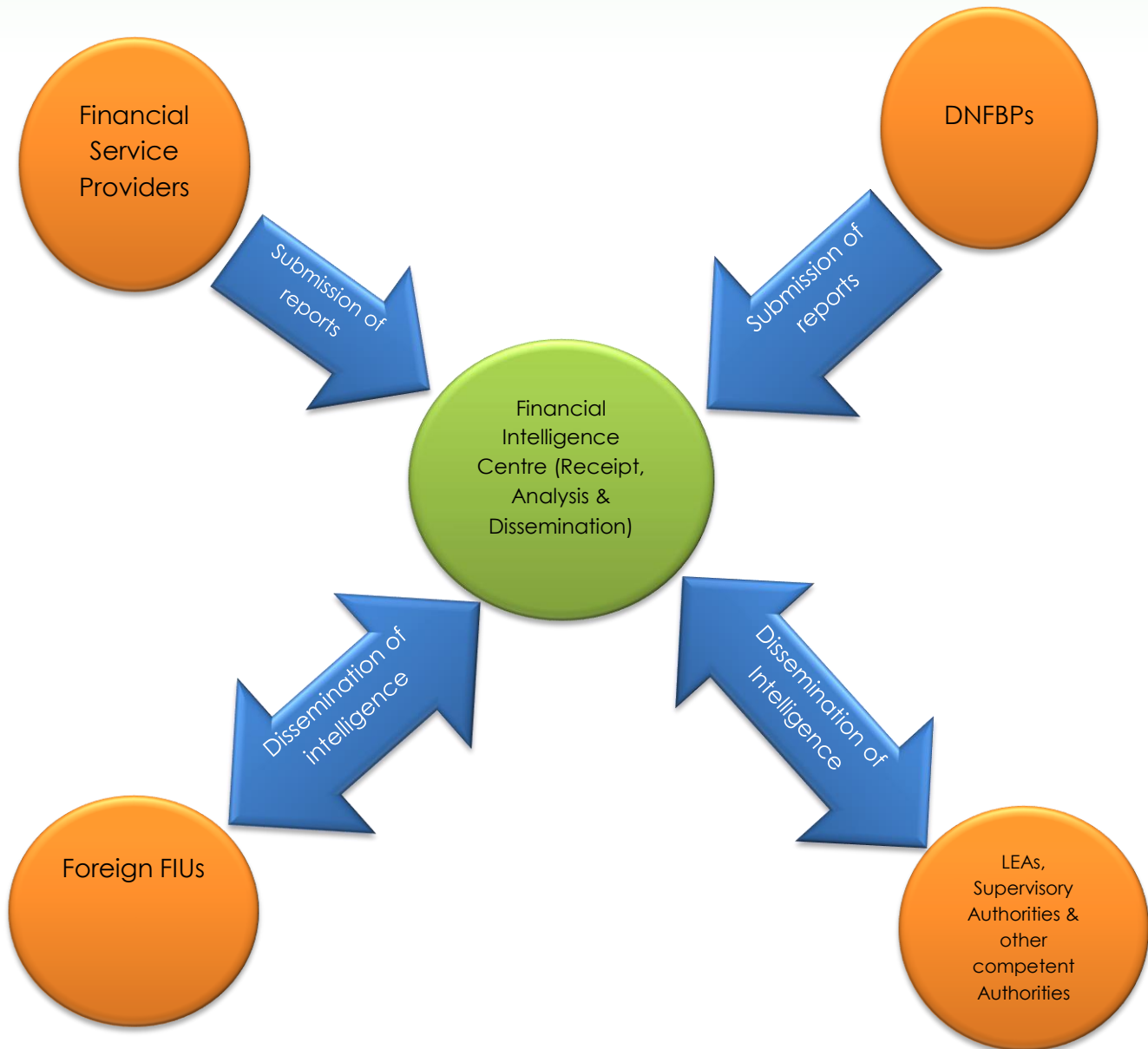
Source: Financial Intelligence Centre, Zambia. 2020

The functions of the FIC as provided under Section 5 of the Financial Intelligence Centre Act No. 46 of 2010 (as amended) are inter alia to:

- (a) receive, request, analyse and evaluate suspicious transaction reports and information from any other source authorised under any written law to make a suspicious transaction report including a designated foreign authority to determine whether there are reasonable grounds to transmit reports for investigation by law enforcement agencies or designated foreign authorities;
- (b) disseminate information, spontaneously or on request, to law enforcement agencies and other competent authorities, where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation;
- (c) provide information relating to suspicious transactions to any designated foreign authority, subject to conditions that the Director-General may determine, in accordance with this FIC Act.

## 2.0 CORE FUNCTIONS OF THE FINANCIAL INTELLIGENCE CENTRE

The Core functions of the FIC are receipt, analysis of suspicious transaction reports and dissemination of intelligence reports.



*Source: Financial Intelligence Centre, Zambia 2020*

### 3.0 REPORTS RECEIVED BY THE FIC

The FIC Act obligates reporting entities to submit suspicious transaction reports (STRs) and currency transactions reports (CTRs). Further, the FIC receives cross border currency declaration reports (CBCDRs) from Zambia Revenue Authority.

- i. Suspicious Transaction Reports are submitted on suspected or attempted money laundering, financing of terrorism or proliferation or any other serious offence whether in form of a data message or otherwise
- ii. Currency Transaction Reports are reports filed by reporting entities to the FIC in relation to any currency transaction in an amount equal to or above USD10,000 or kwacha equivalent whether conducted as a single transaction or several transactions that appear to be linked.
- iii. Cross Border Currency Declaration Reports are reports declared to Zambia Revenue Authority by an individual entering or leaving Zambia with an amount in cash, negotiable bearer instruments or both, exceeding USD 5000 or kwacha equivalent, whether denominated in kwacha or any foreign currency. These reports are transmitted to the FIC by Zambia Revenue Authority.

### 3.1 Suspicious Transaction Reports

#### 3.1.1 Received

In the year ending 31<sup>st</sup> December 2020, two thousand two hundred and sixty six (2,266) STRs were received compared to seven hundred and forty-eight (748) in 2019, representing an increase of 203%.

**Table 1: STRs received by number**

Type of Report by number	Years		
	2020	2019	2018
STRs	2,266	748	724

*Source: Financial Intelligence Centre, Zambia-2020*

There was a steady increase of 3.2% in the number of STRs received from 2018 to 2019, while the FIC noted a sharp increase in the receipt of STRs between 2020 and 2019. This can be attributed to the COVID-19 pandemic as most transactions which would be carried out in person were done through the digital platforms to avoid the use of cash thus prompting the bank to increase their surveillance. Accordingly the FIC during the year issued a guidance note urging reporting entities to monitor new

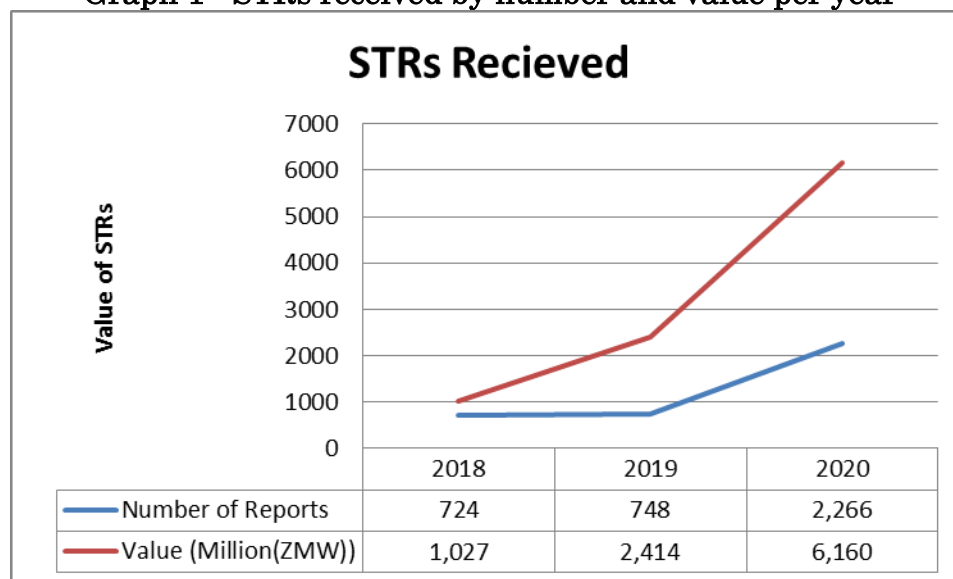
and emerging ML/TF/PF threats associated with COVID-19. Reporting entities were urged to continue monitoring transactions and pay particular attention to unusual and suspicious patterns in customer’s behavior and financial flows, identifying risk indicators and implementing processes and controls to prevent suspected ML/TF/PF. However, it was noted that the DNFBBPs in the period under review did not submit STRs.

**Table 2: STRs received by number and value per year**

Year	Number of Reports	ZMW (Millions)
2020	2,266	6,160
2019	748	2,414
2018	724	1,027

*Source: Financial Intelligence Centre, Zambia-2020*

**Graph 1: STRs received by number and value per year**



*Source: Financial Intelligence Centre, Zambia-2020*

### 3.1.2 Suspicious Transaction Reports by Sector

Reporting entities comprise financial service providers and Designated Non-Financial Businesses and Professions (DNFBPs). DNFBPs include Real Estate agents, Law firms, Accounting firms, Casinos, Trust and Dealers in precious metals and stones.

**Table 3: Suspicious Transaction Reports by Sector**

Sector	Number of reports received by year		
	2020	2019	2018
Banks	2,185	713	648
MVTS Providers	41	23	58
Microfinance	31	10	12
Casinos	0	1	1
Insurance	4	0	2
Real Estate	0	0	1
Building Societies	0	0	1
Bureaus	5	1	1
<b>Total</b>	<b>2,266</b>	<b>748</b>	<b>724</b>

*Source: Financial Intelligence Centre, Zambia-2020*

The banking sector continues to report most STRs due to their strong controls coupled with their commitment in the fight against AML/CFT and their investment in the transaction monitoring tools.

In the period under review 96.4% of STRs originated from the banking sector compared to 95% received from the same sector in 2019. Other sectors accounted for 5% in 2019 compared to 3.6% in 2020.

**Table 4: Nature of suspicion for STRs received**

Reason for Suspicion	2020		2019		2018	
	No. of Reports	ZMW (Millions)	No. of Reports	ZMW (Millions)	No. of Reports	ZMW (Millions)
Large or unusual cash deposit	403	1181.9	196	534	186	103
Activity inconsistent with customer profile	321	996.5	108	104	162	143
Large or unusual inward remittance	254	831.6	91	205	48	165
Person - Suspicious Behavior	196	450.4	59	47	146	85
Large or unusual cash withdrawals	212	571.4	50	25	9	3
Unusual business practices	73	154.2	32	57	26	40.4
Fraud	58	122	31	625	31	7
Many third parties making deposits into the account	128	166.66	31	9	11	3.4
Irregular or Unusual international banking activity	76	203	30	174	15	14.3
Unusually large foreign currency transaction	88	572	28	11.1	11	72
Large or unusual outward remittance	247	624.7	24	187.1	27	131
Avoiding reporting obligations	114	201.6	23	16	14	259.1
Sudden unexpected activity on previous dormant	18	12.6	16	417.4	0	0
Phishing (Electronic Fraud)	8	14.5	9	1	11	0
Watch listed individual/organization	16	0.5	8	0	10	0
Other	54	56.1	12	2.5	17	1
<b>Totals</b>	<b>2,266</b>	<b>6,160</b>	<b>748</b>	<b>2,415</b>	<b>724</b>	<b>1027</b>

*Source: Financial Intelligence Centre, Zambia-2020*

### 3.1.3 Analysis

In the year ending 31<sup>st</sup> December 2020, the FIC analysed a total of three hundred and sixty four (364) reports bordering on suspected ML/TF/PF. This is compared to one hundred and one (101) reports analysed in 2019. The table below illustrates the STRs analysed in the last three (3) years.

**Table 5: Analysed Reports by value and number**

Suspected Offence	2020		2019		2018	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	41	719	27	1,889	102	1,037
Corruption	18	2,232	7	332	11	4,796
Fraud	12	26	21	1,113	26	112
Money Laundering	7	466	6	450	26	197
Illegal mining in precious metals and stones	7	165	0	0	0	0
Other offences	279	54	40	5	11	0
<b>Totals</b>	<b>364</b>	<b>3,661</b>	<b>101</b>	<b>3,789</b>	<b>176</b>	<b>6,142</b>

*Source: Financial Intelligence Centre, Zambia-2020*

A special exercise was undertaken in 2020 to reduce the backlog of STRs. This resulted in an increase in the number of reports analysed under the categorized as ‘Other offences’ (279) compared to 2018 and 2019. The 11 reports categorized under ‘Other offences’ in 2018 had no monetary value.

### 3.1.4 Disseminated

In the year ending 31<sup>st</sup> December 2020, the FIC disseminated a total of sixty one (61) intelligence reports bordering on suspected ML/TF/PF. This is compared to forty four (44) reports analysed in 2019. The table below illustrates the STRs disseminated in the last three (3) years.

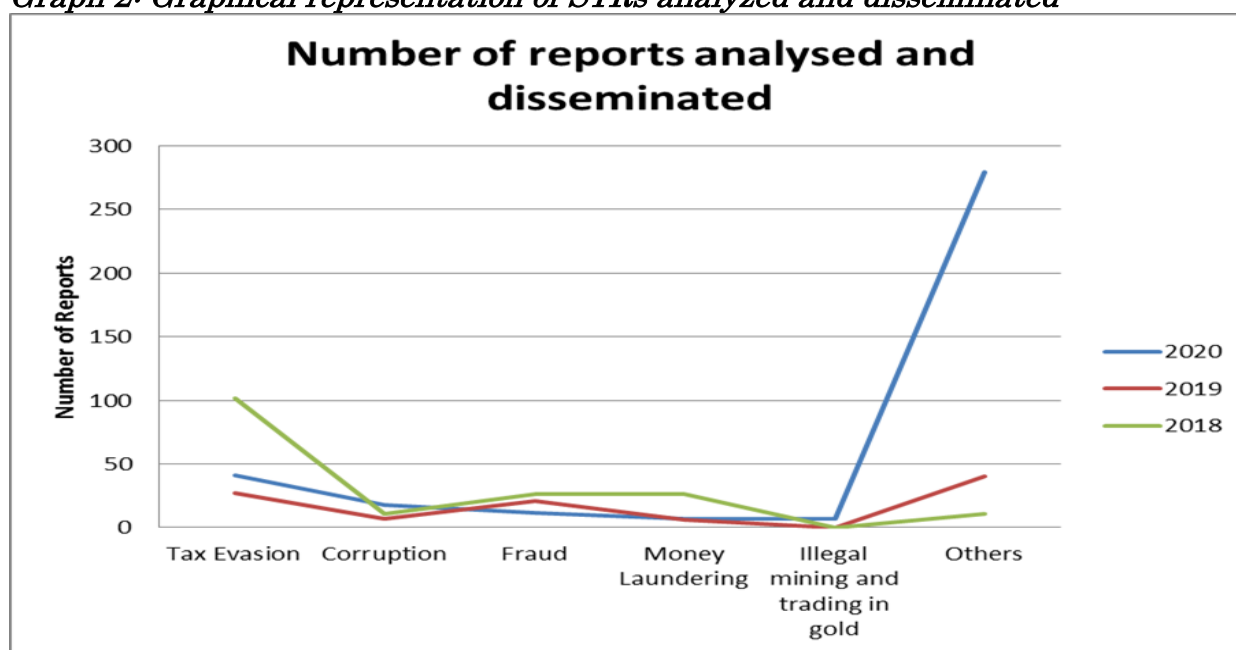
**Table 6: Disseminated Reports by value and number**

Suspected Offence	2020		2019		2018	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	24	717	17	144	51	1,000
Corruption	14	2,228	4	332	7	4,795
Fraud	6	26	8	53	5	110
Money Laundering	3	4	6	450	12	195
Illegal mining in precious metals and stones	7	165	0	0	0	0
Others	7	2	9	5	5	0
<b>Total</b>	<b>61</b>	<b>3,142</b>	<b>44</b>	<b>984</b>	<b>80</b>	<b>6,100</b>

*Source: Financial Intelligence Centre, Zambia-2020*

The prominent predicate offences observed in the intelligence reports disseminated were tax evasion and corruption. The value of disseminated intelligence reports in 2020 increased to ZMW 3.1 billion compared to ZMW 984 million in 2019.

**Graph 2: Graphical representation of STRs analyzed and disseminated**



*Source: Financial Intelligence Centre, Zambia-2020*



### 3.1.5 Feedback on Disseminations

Feedback on disseminated intelligence reports to competent authorities indicates that most of the cases are at investigation and prosecution stage. In 2020, ZRA assessed ZMW 63.3 million as a result of the disseminations made by the FIC compared to ZMW 27.7 million assessed in 2019.

## 3.2 Currency Transaction Reports

### 3.2.1 Receipt

The Currency Transaction Reports are threshold reports received by the FIC from reporting entities pursuant to section 30 of the FIC Act. In accordance with Regulation seven (7) of the FIC (Prescribed Threshold) Regulations, Statutory Instrument No.52 of 2016 the currency transaction threshold in Zambia is USD10,000. This entails that all currency transactions above or equal to USD10,000 should be reported to the FIC by reporting entities. The below shows the CTRs received in the last three years.

**Table 7: CTRs received**

Type of Report by number	Years		
	2020	2019	2018
CTRs	129,826	149,625	75,592

*Source: Financial Intelligence Centre, Zambia-2020*

The FIC observed an increase of 98% in CTRs received from 2018 to 2019. In 2020, the FIC received a total of 129,826 CTRs as compared to 149,625 CTRs in 2019, representing a decrease of 13.2%. The decrease could be attributed to the use of digital channels as the result of the COVID-19 regulations. Further, the table below shows the number of CTRs received by currency and value in the past three (3) years:

**Table 8: CTRs by currency and value**

Year	Currency (millions)			
	ZMW	USD	EUR	ZAR
2020	38,532	7,229	16.125	56.063
2019	36,410	4,115	13,653	26,896
2018	10,808	1,869	0.28	2,710

*Source: Financial Intelligence Centre, Zambia 2020*

### 3.2.2 CTR Analysis

The analysis of CTRs showed that there had been a continued trend in which individuals deposit and withdraw large cash amounts from businesses into personal accounts. With regards to corporate CTR's, analysis revealed that huge cash deposits were made mostly into construction company accounts. The construction sector in the year 2020 remained active inspite of COVID-19 restrictions.

## 3.3 Cross Border Currency Declaration Reports

### 3.3.1 Receipt

The FIC received six hundred and seventy two (672) Cross Border Currency Declaration Reports (CBCDR) in 2020 compared to one thousand one hundred and twenty six (1126) in 2019. The reduction in the number of CBCDRs can be attributed to the decrease in the number of cross border travelers as most of the border points were not fully operational due to COVID 19 travel restriction measures.

**Table 9: Cross Border Currency Declaration Reports by value and number**

Year	Currency (millions)				
	USD	2019	USD	2018	USD
2020	99.95	1,126	72	2,169	102

*Source: Financial Intelligence Centre, Zambia-2020*

### 3.3.2 Analysis

In the year ending 31st December 2020, the analysis revealed that only Kasumbalesa border post submitted CBCDRs. Other borders in the year 2020 did not submit CBCDRs. This shows that there may be under reporting of CBCDRs.

## 4.0 EXCHANGE OF INFORMATION

The FIC continued to coordinate and collaborate with local competent authorities and foreign FIUs. During the year 2020 the FIC made requests for information as illustrated in table 10.

**Table 10: Request for Information made by the FIC**

Year	Local Competent Authorities	Foreign FIUs
2020	28	20
2019	31	5
2018	71	7

*Source: Financial Intelligence Centre, Zambia 2020*

The FIC made twenty eight (28) local competent authorities and twenty (20) foreign requests for information in 2020 compared to 31 local and five (5) foreign requests made in 2019. The requests for information bordered on financial analysis. In addition, the FIC received requests for information as illustrated in table 10.

**Table 11: Request for Information received by the FIC**

Year	Local Competent Authorities	Foreign FIUs
2020	30	4
2019	5	7
2018	12	0

*Source: Financial Intelligence Centre, Zambia 2020*

In 2020, the FIC received thirty (30) requests for information from local competent authorities and four (4) from foreign FIUs compared to five (5) from local competent authorities and seven (7) from foreign FIUs.

## **5.0 TERRORISM FINANCING**

During the year ending 31<sup>st</sup> December 2020, the FIC analysed a report bordering on suspected terrorism financing as shown below:

**Table 12: Reports on Terrorism Financing**

	Years		
	2020	2019	2018
Reports analysed	01	01	01

*Source: Financial Intelligence Centre, Zambia-2020*

## 6.0 INSPECTIONS

Inspections were introduced through the amendment of the FIC Act in 2016. In accordance with section 11A of the Act, the FIC should administer, monitor and enforce measures to detect, prevent and deter ML/TF/PF. Section 5 of the FIC Act designates the FIC as supervisor of last resort. In this regard the FIC carries out onsite and offsite AML/CTPF inspections. The department was partially operationalized in June 2020.

During the period under review the FIC conducted the following inspections as outlined in table 13 below.

**Table 13: Institutions inspected in 2020**

Sector	Supervisory Tool	No. of Institutions Inspected
Banking	Off-site Inspection	20
Real Estate	On-site Inspection	01
Accounting & Audit	Off-site Inspection	70
Money or Value Transfer Services	Off-site Inspection	04

*Source: Financial Intelligence Centre, Zambia 2020*

Overall the compliance levels in the banking and MVTS sector was found to be better than the rest of the sectors inspected in the period under review. In particular banks have developed and implemented AML/CTPF policies, procedures and controls. The findings in the accounting and audit firms and real estate sector showed that there were a number of strategic deficiencies that require continuous monitoring and supervision.

## 7.0 COMPLIANCE LEVELS IN REPORTING ENTITIES

The table below shows compliance levels of Reporting Entities in relation to the requirement to designate compliance officers pursuant to section 23 of the FIC Act.

**Table 14: Compliance officers of Reporting Entities approved by the Centre**

Name of Sector	2020		2019		2018	
	No. of RE	No. of CO	No. of RE	No. of CO	No. of RE	No. of CO
Pensions and Insurance	80	19	80	15	76	9
Commercial Banks	19	19	19	18	17	17
Payment Systems Business-Money Value Transfers (MVTs) Providers	26	8	25	4	25	2
Non-Bank Financial Institutions (NBFIs)	41	24	41	16	44	11
Securities and Exchange Commission Licensees	31	8	31	3	35	3
Bureau De Change	76	20	76	19	73	0
Casinos	30	8	30	8	46	6
Law Firms	193	18	193	3	193	3
Motor Vehicle Dealers	31	2	31	2	31	1
Dealers in Precious Stones and Metals	1793	0	1793	0	1793	0
Real Estate Agents	41	13	30	10	64	10
Accounting/Audit Firms	120	34	100	2	120	2
<b>Total Number</b>	<b>2481</b>	<b>173</b>	<b>2449</b>	<b>100</b>	<b>2517</b>	<b>65</b>

*Source: Financial Intelligence Centre, Zambia 2020*

As of December 2020, the total number of reporting entities was two thousand four hundred and eighty one (2,481) out of which only 173 have compliance officers approved by the FIC. This shows that the compliance levels by reporting entities in terms of designation of compliance officers are low. The FIC has continued to conduct awareness sessions in reporting entities on the need to designate compliance officers.

## 8.0 EMERGING TRENDS

### 8.1 De-risking

De-risking means termination or restriction of a business relationship with a customer for AML/CTPF purposes. The FIC observed a trend where financial Service Providers (FSPs) especially the banking sector de-risked a number of customers whose risk could not be managed.

It was further noted that the de-risked customer's needs for financial services remained, hence they established business relationships with other FSPs. Additionally, the customers on whom STRs were reported before being de-risked by one FSP continued to be subjects of similar STRs in other FSP.

While de-risking may appear to be an immediate solution to an imminent risk, it does not completely eliminate the risk as it is only transferred to another FSP. An effective alternative to de-risking is the implementation of a risk-based approach to AML/CTPF, which requires FSPs to actively seek and collect information about their customers.

The FIC has had discussions with banks chief executive officers under the auspices of Bankers Association of Zambia and it has been agreed that banks will come up with a solution to address risks associated with those de-risked.

### 8.2 Money or Value Transfer Services

The FIC in 2020 conducted a monitoring exercise of the MVTS providers, to assess the ML/TF risks associated with this sector. While the update to the National Risk Assessment (NRA) of 2018 revealed a medium ML/TF risk in this sector, the 2020 monitoring exercise showed a marked increase in the ML risks as the risk for the majority of MVTS was assessed to be high. The FIC further observed an increase in fraud related STRs filed by the sector. Further, the CDD undertaken by MVTS is not commensurate to the emerging risks.

Following the revision of the transaction/balance limits in March 2020 by the Bank of Zambia<sup>1</sup>, the FIC observed an increase in the inherent ML/TF/PF risks in the MVTS sector. The risks were attributed to various factors such as the availability of international transactions on some platforms and heavy reliance on agents by the sector in general.

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<sup>1</sup> Bank of Zambia Circular No. 01/2020

To effectively address ML/TF/PF risks supervisors (BoZ and FIC) need to enhance supervision of the sector. In addition, MVTs providers should develop and implement preventative measures that are commensurate to the risk exposure.

### **8.3 Cyber Crimes**

During the year 2020, the FIC noted an increase in the use of cloned cards from criminal elements. The debit card details would be sold on the internet by the criminal elements and then used in cloning the debit cards. These cards would then be used for transacting on unsuspecting accounts of members of the public. The criminals would launder their proceeds through virtual platforms. Stakeholders should collaborate to address the emerging threats and effects on the banking sector.

### **8.4 Virtual Assets Services**

The FIC has continued to receive STRs relating to crypto-currencies. This entails they are business entities involved in crypto-currency services which sector had not been regulated until 11th December, 2020. The FIC Act now designates Virtual Asset Service Providers (VASPs) as reporting entities and therefore all preventative measures that apply to other reporting entities will equally apply to VASPs. The requirements include conducting CDD, identifying, assessing and understanding ML/TF risks associated with Virtual Assets (VA) activities and reporting of STRs.

There is need to adequately capacitate competent authorities with skills to effectively supervise VASPs, investigate and prosecute cases associated with VAs and VASPs.

## **9.0 CHALLENGES**

During the period under review, the FIC faced operational challenges as outlined below:

#### **i) Low staffing levels**

The FIC staff establishment has a total of 62 staff members however currently only 25 staff members have been recruited. The low number of staff has negatively affected the effective execution of operations of the FIC. For example, as at 31<sup>st</sup> December 2020, the Monitoring and Analysis Department had five analysts out of a staff compliment of 11. Owing to the lower number of analysts, only 364 STRs were analysed out of 2,266 STRs received. Further, the inspections department had only 1 inspector out of a

staff compliment of 16. This impacted negatively on the number of inspections conducted in the year ending 31<sup>st</sup> December 2020. The department has not been fully operationalised due to limited funding.

- ii) Limited specialised skills in areas such as virtual assets services, detecting and analysing TF and proliferation financing.

The AML/CTPF regime is ever evolving. The development in the financial technology space has introduced services that may be susceptible to ML/TF/PF abuse. There is need to capacitate staff with skills to detect and analyse reports arising from emerging technologies.

- iii) Insufficient real time interconnectivity with data bases of some Law Enforcement Agencies and Supervisory Authorities.

The lack of interconnectivity with data bases of LEAs has continued to affect the turn-around time of analysis and conclusion of intelligence reports.

- iv) Limited scope of offences to which administrative sanctions may be applied under the Act.

The offences in the FIC Act were criminal in nature. This made it difficult to mete out administrative sanctions.

## 10.0 OUTLOOK 2021

- i. Engagement with the Judiciary on AML/CTPF matters.
- ii. Issuance of guidance note to virtual assets service providers on AML/CTPF requirements.
- iii. Development of the electronic platform for disseminations of intelligence reports.
- iv. Development and implementation of the administrative sanctions framework.
- v. Focus supervision (inspection), training and awareness on high risk institutions.
- vi. Undertake a typology study on Trade Based Money Laundering (TBML).
- vii. Undertake joint operations with law enforcement agencies.
- viii. Amendment of the General and Prescribed Thresholds Regulations following the amendment to the FIC Act.
- ix. Develop and implement the administrative sanction framework to operationalise the sanctions regime.



## WORKING DEFINITIONS

**Competent Authority**- refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the FIU; the authorities that have the function of investigating and/or prosecuting money laundering, associated predicate offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency & BNIs; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements.

**Corruption**- According to section (2) of the Anti-Corruption Act No.3 of 2012, 'corrupt' means the soliciting, accepting, obtaining, giving, promising or offering of a gratification by way of a bribe or other personal temptation or inducement or the misuse or abuse of public office for advantage or benefit for oneself or another person, and "corruption" shall be construed accordingly.

**ESAAMLG**- one of the styled regional bodies under the Financial Action Task Force.

**FATF**- FATF is an inter-governmental body which sets standards and develops and promotes policies to combat money laundering and terrorist financing.

**Gatekeepers**- Professionals such as lawyers, notaries, accountants, investment advisors, and trust and company service providers who assist in transactions involving the movement of money, and are deemed to have a particular role in identifying, preventing and reporting money laundering. Some countries impose due diligence requirements on gatekeepers that are similar to those of financial institutions.

**Money Laundering**- According to section 2 of the Prohibition and Prevention of Money Laundering Act No.14 of 2001 (as amended), *Money Laundering* means where a reasonable inference may be drawn, having regard to the objective factual circumstances, any activity by a person -

- a) who knows or has reason to believe that the property is the proceeds of a crime; or
- b) without reasonable excuse, fails to take reasonable steps to ascertain whether or not the property is proceeds of a crime; where the person-
  - (i) engages, directly or indirectly, in a transaction that involves proceeds of a crime;
  - (ii) acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Zambia proceeds of a crime; or

(iii) conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of crime";

**Mutual Evaluation** - mutual evaluation is an assessment of a country's measures undertaken to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. This includes an assessment of a country's actions to address the risks emanating from designated terrorists or terrorist organisations.

**MVTS**- Money or value transfer services (MVTS) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTS provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods. Sometimes these services have ties to particular geographic regions and are described using a variety of specific terms, including hawala, hundi, and fei-chen.

**Predicate offences**- According to FATF, predicate offences are specified "unlawful activities" whose proceeds, if involved in the subject transaction, can give rise to prosecution for money laundering.

**Proliferation Financing**- Section 2 of the National Anti-Terrorism and Proliferation Act No.6 of 2018 act defines Proliferation Financing as an act by any person who by any means, directly or indirectly, willfully or negligently provides funds or financial services to be used or knowing that they are to be used in whole or in part for proliferation, the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling, supply, sale or use of nuclear, ballistic, chemical, radiological or biological weapons or any other weapon capable of causing mass destruction and their means of delivery and related materials including both technologies and dual-use goods used for non-legitimate purposes, including technology, goods, software, services or expertise, in contravention of this Act or, where applicable, international obligations derived from relevant Security Council Resolutions;

**Financing of Terrorism** - Section 2 of the National Anti-Terrorism and Proliferation Act No.6 of 2018 act defines Financing of Terrorism an act by any person who, irrespective of whether a terrorist act occurs, by any means, directly or indirectly, wilfully provides or collects funds or attempts to do so with the intention that the

funds should be used or knowing that the funds are to be used in full or in part— (i) to carry out a terrorist act; (ii) by a terrorist; (iii) by a terrorist organisation; or (iv) for the travel of a person to a State other than the person's State of residence or nationality for the purpose of perpetration, planning or preparation of, or participation in, terrorist act or the providing or receiving of terrorist training.