



FINANCIAL INTELLIGENCE CENTRE

GUIDANCE NOTE – REPORTING OF SUSPICIOUS TRANSACTIONS

1. Introduction

This Guidance note provides information to assist reporting entities (Financial Service Providers, Designated Non-Financial Businesses and Professions and Virtual Asset Service Providers) in correctly interpreting the regulations relating to Section 29 of the Financial Intelligence Centre (FIC) Act. No. 46 of 2010 (as amended).

The Financial Intelligence Centre (the FIC) was established to receive suspicious transaction reports bordering on suspected money laundering /terrorist financing /proliferation financing (ML/TF/PF) and other disclosures from reporting entities and other sources. Suspicious transaction reporting, in conjunction with effective implementation of the other elements of the anti-money laundering/countering the financing of terrorism (AML/CFT) compliance program is crucial in the fight against money laundering, terrorist and other financial crimes

2. What is a Suspicious Transaction Report (STR)?

Section 2 of the FIC Act defines a Suspicious Transaction Report as a report 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.

A suspicious transaction is one for which there are reasonable grounds to suspect that a transaction is related to a money laundering offence or a terrorist financing offence.

Whenever a reporting entity processes a transaction to which there are reasonable grounds to suspect that any property is the proceeds of crime, or is related to, or is to be used for, terrorism, terrorist acts or by terrorist organisations or persons who finance terrorism or proliferation, it should take reasonable measures to ascertain the purpose of that transaction and submit a report to the FIC, setting out the suspicion, within three (3) working days of forming that suspicion. Further, a reporting entity is required to exercise caution when carrying out a transaction which it suspects to be related to money laundering or financing of terrorism or proliferation financing.

Failure to submit a suspicious transaction report to the FIC as provided for under Section 45 of the FIC Act is a criminal offence and may lead to imprisonment upon conviction to a term of up to seven years or payment of a fine of seven hundred thousand penalty units or to both.

3. Who Should Report a Suspicious Transaction?

Section 23(3) of the FIC Act requires a reporting entity to designate a compliance officer at senior management level to be responsible for compliance with the Act by the reporting entity. Section 23(5) further provides that the compliance officer shall have access to all books, records and employees necessary for them to fulfill their responsibilities under the FIC Act.

Therefore, Section 29 of the FIC Act, when read with section 23, entails that a reporting entity (or a director, partner, principle officer, professional or employee) should within three working days of forming a suspicion, report it to the FIC through its designated Compliance Officer. To this effect, when employees of a reporting entity form a suspicion bordering on suspected money laundering, terrorist financing or proliferation financing or any other serious offence, they should communicate their findings to the designated Compliance Officer who is supposed to decide whether to file a report with the FIC or not.

Further, vetting requirements for Compliance Officers, entail that only those designated as such should have access to STRs and information relating to STRs.

4. **Prohibition against Tipping Off and Protection of Information Relating to STRs**

Sections 33 and 47 of the Act as read with Recommendation 21 of the FATF Standards prohibit tipping-off and violation of confidentiality requirements.

Section 34(2) of the FIC Act categorically prohibits the disclosure of a suspicious transaction report (STR) or information contained in or relating to the STR.

Providing the Board of Directors with details of STR's that have been reported to the Centre could easily entail the disclosure of a STR which can result in tipping off and violation of the confidentiality requirements. Only aggregated statistical information on the number of STRs submitted to the FIC might be reported to the Board and this will not entail tipping off. The provisions in the FIC Act only apply to the STRs i.e. transaction alerts that after internal analysis have been found to be suspicious and subsequently reported to the FIC as STRs.

It is important to note that the provisions of the FIC Act as read with Recommendation 21 of the Financial Action Task Force (FATF) are not intended to inhibit information sharing as provided for under Recommendation 18 of the FATF . It is therefore possible for the reporting entity to have in place mechanisms for sharing of information relating to unusual or suspicious activity but this will not involve the sharing of the actual STR itself. This can for example be through the sharing of information and analysis of transactions or activities which appear unusual, if such analysis was done. However, such sharing should be subject to adequate controls and monitoring by the reporting entity's Compliance team to protect confidentiality of information and ensure it is used only for Money Laundering, Terrorism Financing and Proliferation Financing risk management.

5. How Should a Suspicious Transaction be Reported?

The completed STR form by confidential cover, must be reported through the following means:

- a) On the FIC e-system (applicable only to reporting institutions with electronic link with the FIC);
- b) By courier or in person to the address indicated below;

You may obtain the STR forms by contacting the FIC office. Further, an electronic copy of the STR form can be accessed on the FIC website (www.fic.gov.zm).

All the completed reports or any queries should be sent to:

The Director General
Financial Intelligence Centre
Plot 51 Kudu Road
LUSAKA

Or

The Financial Intelligence Centre
PO Box 30481
LUSAKA



Liya B. Tembo (Mrs.)
Acting Director General
FINANCIAL INTELLIGENCE CENTRE