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ACRONYMS

AML/CTPF	Anti-Money Laundering/Countering Terrorism and Proliferation Financing
AML	Anti-Money Laundering
BO	Beneficial Ownership
CBCDRs	Cross Border Currency Declaration Reports
CTR	Currency Transaction Report
DNFBPs	Designated Non-Financial Businesses and Professions
ESAAMLG	Eastern and Southern Africa Anti Money Laundering Group
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
iTHE CIA	Integrity, Transparency, Honesty, Excellence, Courageous, Confidentiality, Impartiality, Accountability
LEAs	Law Enforcement Agencies
ML	Money Laundering
ML/TF/PF	Money Laundering/Terrorism Financing/ Proliferation Financing
MVTS	Money or Value Transfer Services
PIPs	Prominent Influential Persons
PF	Proliferation Financing
SDR	Spontaneous Disclosure Report
STR	Suspicious Transaction Report
TF	Terrorism Financing
VASPs	Virtual Asset Service Providers
WT	Wire Transfer



MESSAGE FROM THE OFFICE OF THE DIRECTOR GENERAL

It is with great pleasure that I present the 2021 Trends Report!

This report outlines the trends observed by the Financial Intelligence Centre (the FIC) in the period under review. The trends observed during the year suggest that the country remains susceptible to money laundering and other associated financial crimes.

In 2021, the FIC analysed 211 Suspicious Transactions Reports (STRs) out of which 44 intelligence reports were disseminated to Law Enforcement Agencies (LEAs). The value of disseminated intelligence reports was ZMW3.56 billion compared to ZMW3.14 billion in 2020 representing a 13% increase. The majority of intelligence reports disseminated were on suspected money laundering, corruption and tax evasion as was the trend in previous years. Feedback on disseminated reports from LEAs indicates that the majority of the cases are still under investigations.

During the period under review, the number of Currency Transaction Reports (CTRs) received was 145,852 compared to 129,826 in 2020 representing a 12% increase. This was partly attributed to the unusual volume of cash transactions conducted before and during the August 2021 General Elections. The FIC further noted the use of gatekeepers to conceal beneficial ownership and the investment of laundered funds in construction, real estate and offshore centers. The main perpetrators were

Prominent Influential Persons (PIPs), private individuals and legal persons.

From the overall analysis during the period under review, the FIC observed that the main drivers for these vices remains weak institutional arrangements in the value chain for oversight institutions and the large dependence on the usage of cash in transactions.

The FIC continued to collaborate with competent authorities and other cooperating partners. To this end, FIC participated in a number of joint operations and was incorporated in the Joint Investigations Team (JIT) to provide assistance in furtherance of investigations.

The FIC collaborated with various competent authorities in the delivery of supervision and outreach activities. Notable among these was the training provided for members of the Judiciary in collaboration with the European Union AML/CFT Global Facility.

In 2021, the FIC began the implementation of the Administrative Sanctions Framework and considered cases on suspected violations relating to AML/CFT obligations.

Despite the challenges brought on by the Covid-19 pandemic, the FIC continued to perform its mandate whilst adapting to the effects of the pandemic by employing new ways of working and interacting with its stakeholders.

The FIC continues to remain resolute in carrying out its mandate in line with its core principles and values encapsulated in the acronym – **“I THE COURAGEOUS CIA”**.



I wish to thank the Government and other stakeholders for the support and cooperation provided to the FIC during the year under review.



Liya B. Tembo (Mrs)
Acting Director General



1.0 OBJECTIVE OF THE TRENDS REPORT

The Money Laundering/Terrorism Financing/Proliferation Financing (ML/TF/PF) Trends Report is issued pursuant to section 5(2)(d) of the Financial Intelligence Centre (FIC) Act, No. 46 of 2010 (as amended), which mandates the FIC to conduct strategic analysis to identify trends and patterns relating to ML/TF/PF or any other serious offence. Section 5(2)(f) of the FIC Act further mandates the FIC to educate the public and reporting entities of their obligations and inform them of measures to detect, prevent and deter money laundering, financing of terrorism or proliferation or any other serious offence relating to ML/TF/PF.

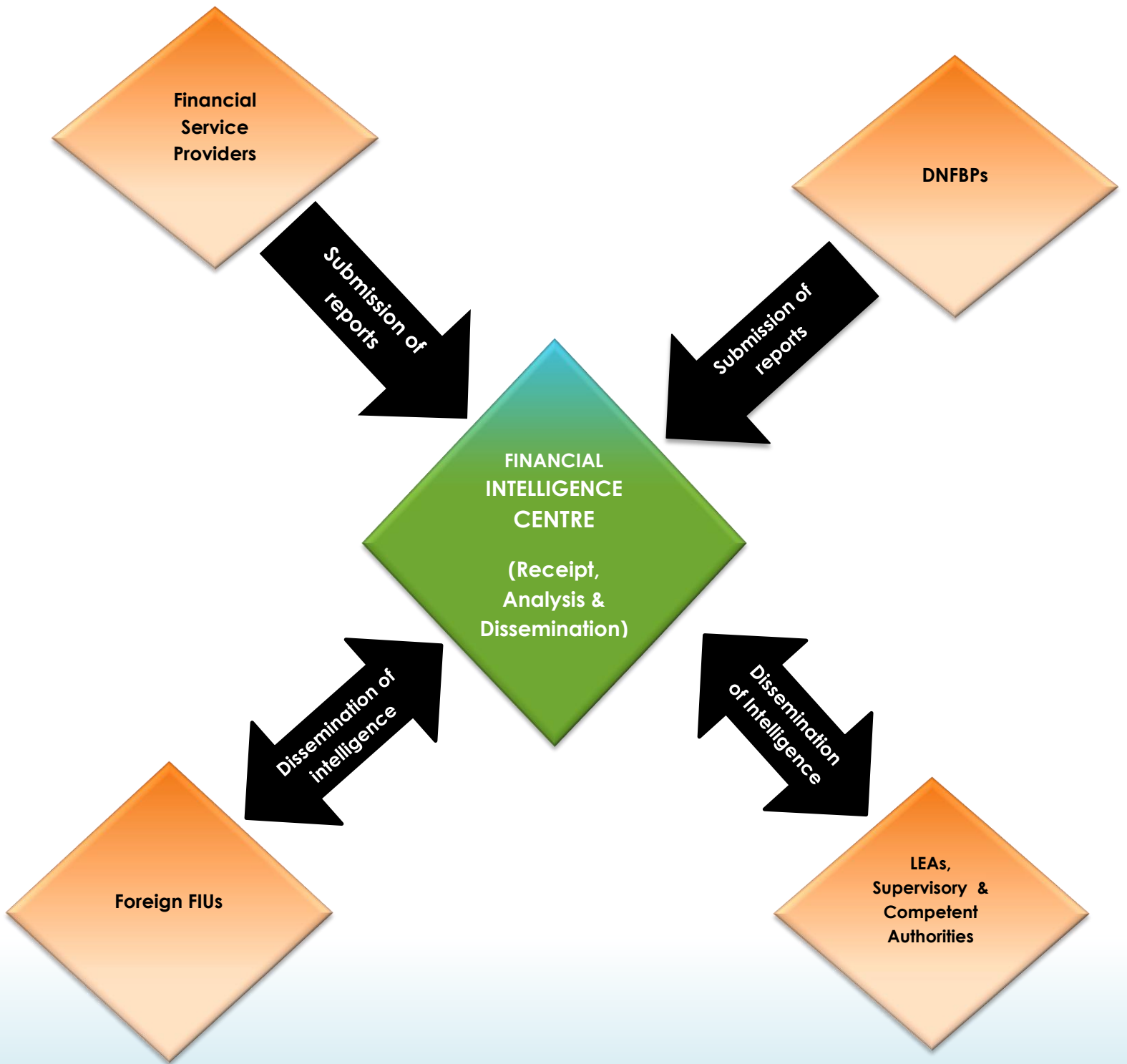
2.0 FUNCTIONS OF THE FINANCIAL INTELLIGENCE CENTRE

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 the FIC Act.



CHART 1: THE ANTI-MONEY LAUNDERING VALUE CHAIN



3.0 TYPE OF REPORTS SUBMITTED TO THE FINANCIAL INTELLIGENCE CENTRE

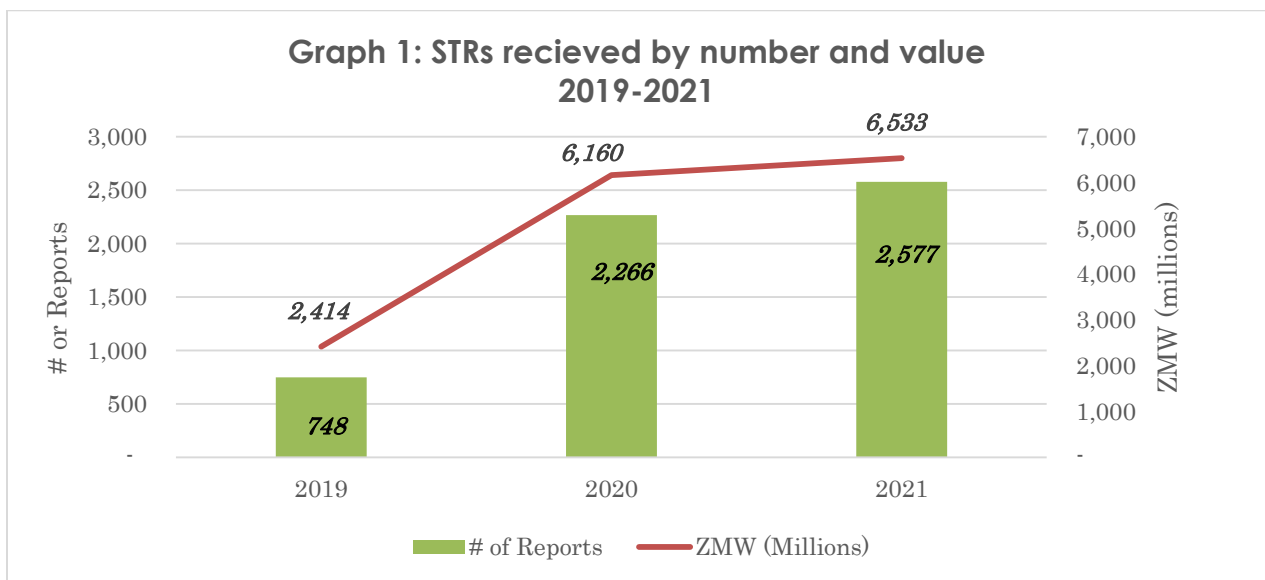


Section 29 and 30 of the FIC Act mandates Reporting Entities (REs) to submit Suspicious Transaction Reports (STRs) and Currency Transactions Reports (CTRs) respectively. In addition, pursuant to section 38 of the FIC Act as read with Regulation 8 of the FIC (Prescribed Threshold) Regulations,

Statutory Instrument (SI) No. 52 of 2016, the FIC receives Cross Border Currency Declaration Reports (CBCDRs) from Zambia Revenue Authority (ZRA).

3.1 Suspicious Transaction Reports

During the period under review, a total of 2,577 STRs were received from REs. This represents an increase of 13.7% compared to the year 2020. The value of the STRs received in 2021 was ZMW 6,533 million representing an increase of 6% compared to the year 2020 (ZMW 6,160). This is depicted in graph 1 below.



Graph 1 above shows a steady increase in the number and value of STRs reported over a period of three years (2019 to 2021).

The majority of STRs received were on suspicion of “large or unusual cash deposits”, “large or unusual cash withdrawals” and “large or unusual inward remittances”. The continued trend of large cash deposits and withdrawals can be attributed to

Zambia being mainly a cash economy. Additionally, 2021 being an election year triggered an unusual volume of cash transactions. Key to note, the bulk of the large or unusual inward remittances related to STRs involving transactions by government entities and individuals or companies that were awarded government contracts. The FIC observed the use of corporate vehicles namely gatekeepers to



facilitate huge cash withdrawals by PIPs and their associates.

Further, it was noted that some reporting entities both in the financial sector and Designated Non - Financial Businesses and Professions (DNFBPs) compromised on their reporting obligations because of heavy dependence on some PIPs for business. This resulted in some reportable transactions involving PIPs not being reported.

3.1.1 Suspicious Transaction Reports received by Sector

During the period under review a total number of 2,577 STRs were received

from the financial sector. Other sectors did not file STRs to the FIC in the period under review.

The higher number of reported STRs by the financial sector in comparison to other sectors could be attributed to the relatively developed institutional AML/CFT systems. Table 1 below shows the number of STRs that were submitted to the FIC by the sectors.

Table 1: Suspicious Transaction Reports submitted by Sector/ Service providers

Sector/Services	Number of reports received by year		
	2021	2020	2019
Banks	2,522	2,185	713
MVTS Providers	42	41	23
Microfinance	13	31	10
DNFBPs*	0	0	1
Insurance	0	4	0
Bureau de Change	0	5	1
Capital markets	0	0	0
VASPs**	0	0	0
Total	2,577	2,266	748

* DNFBPs comprises; law firms, accounting firms, dealers in precious stones and metals, casinos, real estate agents and trust and company service providers (TCSPs)

3.1.2 Suspicious Transaction Reports on Terrorism Financing

The FIC analysed and disseminated four (4) intelligence reports on suspected terrorism financing to the National Anti-

Terrorism Centre (NATC). The common indicator in these cases was that amounts involved were insignificant compared to the perceived market value of the invoiced products. This



suggests existence of trade based terrorism financing schemes. The analysis established that funds were being transferred to high risk jurisdictions (Middle East) in relation to terrorism or TF activities. The sharp rise in the number of STRs related to TF suggests an increase in threats associated with TF activities in Zambia and the region at large. This calls for stakeholders in the fight against

TF to collaborate and share information associated with such vices. Table 2 below shows the number of cases disseminated on suspected terrorism financing.

Table 2: Disseminated Reports on Terrorism Financing

Year	No. of TF Reports Disseminated
2019	1
2020	1
2021	4

3.1.3 Suspicious Transaction Reports Analysed

In 2021, the FIC analysed 211 STRs out of which 44 intelligence reports were generated leaving a total of 167 which were closed. There was a 42% decrease in the analysed STRs during the period compared to 2020 (364:STRs). The decrease could mainly be attributed to

inadequate human resource and adverse effects of the Covid-19 pandemic which impacted the normal operations of the FIC. The STRs analysed related to a number of predicate offences such as tax evasion, money laundering, corruption and fraud.

Despite a decrease in the number of STRs analysed, there was a 19.5% increase in value in 2021 compared to 2020. This is depicted in table 3 below:

Table 3: Analysed Reports by value and number

Suspected Offence	2021		2020		2019	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	89	1,067	41	719	27	1,889
Corruption	22	1,286	18	2,232	7	332
Fraud	55	302	12	26	21	1,113
Money Laundering	34	1,628	7	466	6	450
Terrorist Financing	4	0.33	1	0.16	1	2
Other offences	7	91	285	218	39	3
Totals	211	4,374	364	3,661	101	3,789



Generally, the analysis revealed that there was an increase in the use of cash in transactions despite the growing ease of transacting through electronic payment systems across the financial sector. The majority of STRs received were on suspicion of “large or unusual cash deposits”, “large or unusual cash withdrawals” and “large or unusual inward remittances.” The main businesses or services where this trend was observed are banking, construction, agriculture, new motor vehicle dealers and precious stones and metals. The main individuals involved were PIPs with their associates, foreign nationals, legal persons and private individuals.

3.1.4 Intelligence Reports Disseminated

A total number of 44 intelligence reports were disseminated in 2021 compared to 61 in 2020, representing a 27.9% decrease. Though the number of disseminated intelligence reports reduced in 2021, the value increased by ZMW418 million from ZMW3.142 billion in 2020 to ZMW3.56 billion in 2021 representing a 13.3% increase. The increase in the value of disseminated intelligence reports can be attributed to the high amounts involved in the transactions during 2021. Table 4 below shows the number of intelligence reports disseminated to LEAs.

Table 4: Disseminated Reports by value and number

Suspected Offence	2021		2020		2019	
	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)	No. of reports	ZMW (Millions)
Tax Evasion	17	722	24	717	17	144
Corruption	4	1,276	14	2,228	4	332
Fraud	3	20	6	26	8	53
Money Laundering	16	1,543	3	4	6	450
Terrorist Financing	4	0.33	1	0.16	1	2
Others	0	0	13	166.84	8	3
Total	44	3,560	61	3,142	44	984

Most of the intelligence reports were disseminated on reasonable grounds of violations of the following laws:

- *Income Tax Act chapter 323 and Customs and Excise Act chapter 322.*
- *Penal Code chapter 87.*
- *Forfeiture of Proceeds of Crime Act No. 19 of 2010.*
- *Prohibition and Prevention of Money Laundering Act No. 44 of 2010 (as Amended)*
- *Anti-Corruption Act No. 3 of 2012*
- *The Anti-Terrorism and Non Proliferation Act No.6 of 2018*



3.1.5 Feedback on Disseminated Intelligence Reports

During the period under review, competent authorities indicated that most of the intelligence reports disseminated were at investigations and prosecution stage. In 2021, Zambia Revenue Authority (ZRA) assessed ZMW 47.8 million as a result of the disseminations made by the FIC compared to ZMW 63.3 million assessed in 2020.

3.2 Currency Transaction Reports

The Currency Transaction Reports (CTRs) are threshold reports received by the FIC from reporting entities pursuant to section 30 of the FIC Act as read with Regulation 7 of the FIC (Prescribed Threshold) Regulations, Statutory Instrument No.52 of 2016.

Trending Pictures on social media in 2021



Source: Facebook

3.2.1 Receipt

Table 5 below shows the CTRs received in the last three years.

Table 5: CTRs by number

Year	Number of CTRs
2021	145,852
2020	129,826
2019	149,625

A total number of 145,852 CTRs were received in the period under review compared to 129,826 in 2020 representing a 12% increase. This can be attributed to increased cash transactions leading up to the August 2021 General Elections.

Table 5 (i): 2021 CTRs per quarter

Period	Type of CTRs		
	Individuals	Corporates	Total
Quarter 1	10,526.00	17,962.00	28,488.00
Quarter 2	6,903.00	14,797.00	21,700.00
Quarter 3	18,716.00	28,129.00	46,845.00
Quarter 4	17,103.00	31,716.00	48,819.00
Total	53,248.00	92,604.00	145,852.00

3.2.2 Individual Currency Transaction Reports

During the period under review, the FIC received 53,248 individual CTRs. The majority of transactions were in Zambian Kwacha followed by the US Dollar. This is depicted in table 6 below that shows the value and number of individual CTRs received.



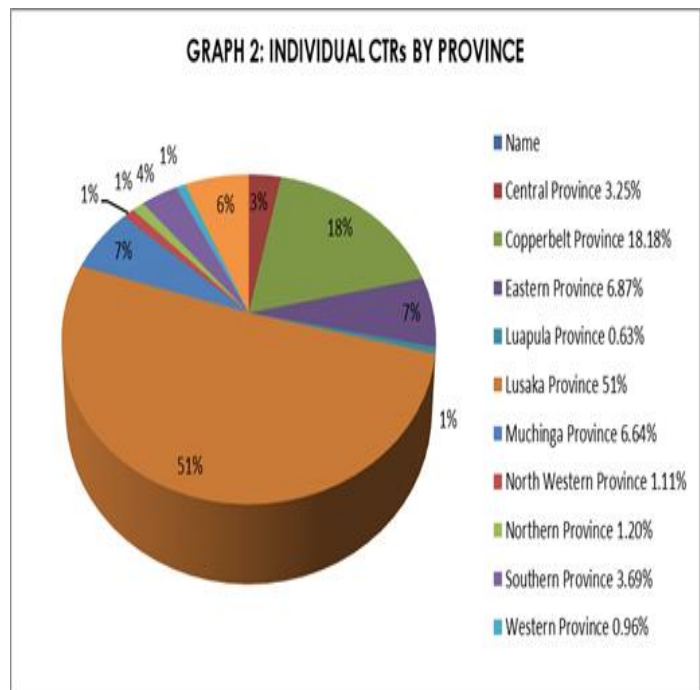
Table 6: Individual CTRs by Number and Value

Currency	No. of transactions	Amount (million)
Zambian Kwacha	36,395	11,288.0
US Dollar	16,392	2,917.0
British Pound	205	15.0
Euro	137	4.0
Australian Dollar	51	1.0
Canadian Dollar	65	3.0
South African Rand	3	0.6

3.2.2.1 Individual Currency Transaction Reports by Province

Lusaka being a hive of most commercial activities in the country had the most transactions reported followed by Copperbelt, Eastern and Muchinga provinces. Table 7 and graph 2 below shows the number of Individual CTRs per province.

Table 7: CTRs per No. of Transactions Reported by province	
Name	Number of transactions
Lusaka Province	27,154
Copperbelt Province	9,679
Eastern Province	3,659
Muchinga Province	3,538
Southern Province	1,963
Central Province	1,731
Northern Province	638
North Western Province	593
Luapula Province	333
Western Province	511
Unclassified	3,449
Total	53,248



3.2.3 Corporate Currency Transaction Reports.

In 2021, the FIC received 92,604 Corporate CTR's. The majority of transactions reported were in Zambian

Kwacha followed by the US Dollar. Table 8 below shows the number of corporate CTRs received by FIC.



Table 8: Corporate CTRs per number and value

Currency	Number of transactions	Amount(million)
Zambian Kwacha	68,911	29,429.0
US Dollar	23,638	10,328.1
South African Rand	28	15.4
British Pound	17	0.2
Euro	7	0.5
Australian Dollar	3	0.05

The majority of the Corporate CTRs were received from the financial sector. Some notable banks, MVTs, Casinos, Real Estate, Building Societies, and other DNFBP's did not file CTRs with the FIC in

the period under review. The FIC has increased enforcement activities on sectors that are none compliant with the FIC Act.

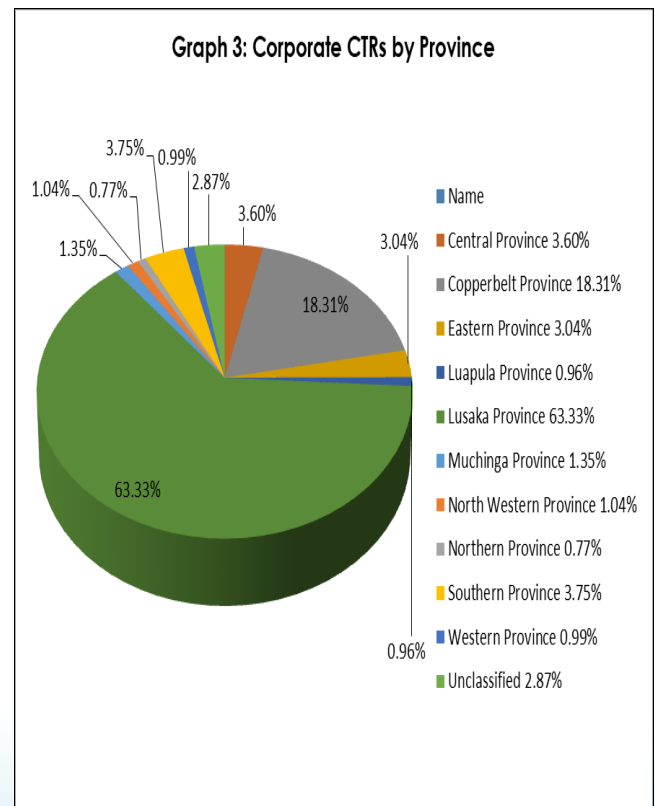
3.2.3.1 Corporate Currency Transaction Reports by Province.

Lusaka province had the highest number of reported transactions followed by the Copperbelt, with Eastern having the third highest reported transactions. This can be attributed to increased economic activities in the three provinces linked to agriculture, trading, real estate and construction compared to the other provinces. Table 9 and graph 3 below shows the number of CTRs per province.

Table 9: Corporate CTRs per No. of Transactions by province

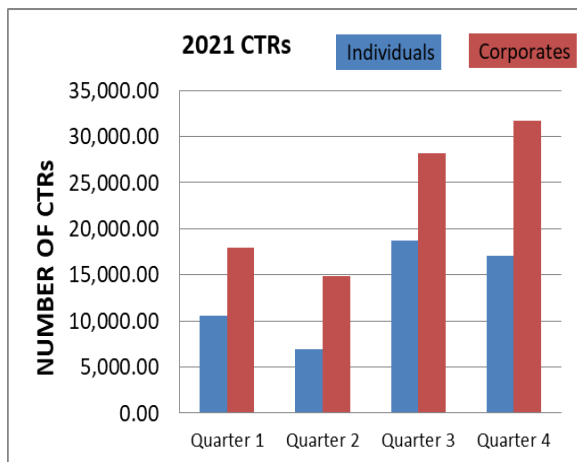
Name	Number of transactions
Lusaka Province	58,648
Copperbelt Province	16,952
Southern Province	3,469
Central Province	3,335
Eastern Province	2,813
Muchinga Province	1,250
North Western Province	963
Western Province	917
Luapula Province	890
Northern Province	712
Unclassified	2,655
Total	92,604

Graph 3: Corporate CTRs by Province



3.2.4 Currency Transaction Reports Analysis

A decrease in both Corporate and Individual CTRs were observed in the second quarter of 2021 compared to the first quarter in 2021. However, in the third quarter, the number of CTRs received by the FIC doubled.



CTRs analysed revealed that individuals were using personal accounts for business transactions. In the third and fourth quarters of 2021, the FIC observed a general increase in the number of CTRs received for individuals from 6,903 in the second quarter to 18,716 and 17,103 in the third and fourth quarters

respectively. The low number of CTRs reported in quarter two could partly be attributed to people holding on to cash for activities in the run up to the 2021 August elections. The increase in CTRs reported for quarter three and four could be attributed to speculations by the public on the change of currency as a result of change of government.

The high usage of cash in sectors and businesses such as the construction, manufacturing, agriculture, legal services and real estate continues to make them vulnerable to money laundering and other financial crimes. In particular, companies in the construction sector that undertake large projects on behalf of government or private companies had a number of cash deposits of over ZMW 7.7 billion during the period under review.

It was observed that a number of foreign nationals not linked to any commercial activities conducted large cash transactions. Further analysis showed that these foreign nationals were actually beneficial owners of companies registered under individuals that are fronts used to disguise the real identity of the beneficial owners.

3.3 Cross Border Currency Declaration Reports

3.3.1 Receipt

The FIC received 1,720 Cross Border Currency Declaration Reports (CBCDRs) from ZRA in 2021 compared to 672 in 2020. The reports were from 4 border posts namely; Kasumbalesa, Kenneth Kaunda International Airport, Kazungula

and Chirundu. Reports from Kasumbalesa accounted for 98% of the total reports received. Table 8 below shows CBCDRs by number and value received by the FIC.



Table 8: Cross Border Currency Declaration Reports by value and number

Year	No. of reports	USD (Millions)
2019	1,126	72.00
2020	672	99.95
2021	1,720	219.17

3.3.2 Analysis of Cross Border Currency Declaration Reports

There was an increase in both the number and value of the CBCDRs in the period under review. Table 9 below shows the number of CBCDRs by border station.

Table 9: Cross border Currency Declaration Reports by border station

Station	Number
Kasumbalesa	1,693
Kenneth Kaunda	25
Kazungula	1
Chirundu	1
Total	1,720

It was however noted that no CBCDRs were received from border posts assessed to be porous such as Nakonde. However, STRs and CTRs received from Nakonde showed that traders conducted a high volume of cross border transactions in cash.

4.0 FREEZING OF BANK ACCOUNTS

During the period under review, a total of 55 bank accounts held with eight (8) commercial banks were frozen by the FIC to allow for further verification and analysis. The amounts frozen were **US\$ 30.3 million, ZMW 292.9 million** and **Euro 1,685.31**. The majority of accounts frozen were on grounds of suspected theft, corrupt activities, tax evasion and money laundering.

5.0 TRENDS OBSERVED

5.1 Unusual surge in Use of cash

In 2021, the FIC observed an unusual increase in the use of cash in transactions despite the growing ease of transacting through electronic payment systems across the financial sector. This trend was observed in several sectors of the economy, notably

the banking, construction, manufacturing, agriculture and in businesses such as legal services and real estate. In the construction sector, a series of large cash deposits and withdrawals by contractors especially those engaged with public works were observed. A similar trend was observed with suppliers engaged in public procurement, especially during the first, second and third quarters of 2021. The PIPs and their associates facilitated the awarding of contracts and were mostly beneficiaries of these contracts.

In the period under review, the majority of STRs submitted related to the use of cash by foreign nationals that had incorporated companies using Zambian nationals as proxies. The foreign nationals who were identified as beneficial owners would transact on the accounts with different banks with the sole purpose of externalizing funds, in the guise of importing goods from foreign jurisdictions. Deposits would be made into different accounts by related



parties and immediately the funds would be transferred to a foreign country, Asia being the main destination. This trend was observed in the analysis of STRs.

Another trend observed from the analysis of STRs involved account holders receiving several large deposits from third parties located in different parts of the country inconsistent with customer profile. The account holder would immediately withdraw cash equivalent to the amounts deposited.

Another trend observed involved suspicious high value transfers or cash deposits into lawyer client accounts and the law firms would in turn transact on behalf of their clients.

In some instances, a trend was observed in which bank officials were noted to have assisted PIPs to transact through the financial system using bank officials' accounts.

Furthermore, in the period preceding the 2021 General Elections, incidences of individuals publicly displaying huge piles of cash were noted. The individuals were suspected to have been associated to or seen wearing particular political party regalia who in most cases were close associates with PIPs. Below are examples of pictures of cash displayed by individuals suspected to be political cadres that were trending on social media in 2021.



Source: Facebook





Source: Facebook



Source: Facebook



5.2 Purchase of real estate and high value motor vehicles

During the period under review, it was noted that a number of high value properties were purchased by PIPs and their associates using cash or transfers. The funds were suspected to be proceeds of corrupt activities. The use of proceeds of crime to acquire property led to price distortion in the property market especially in relation to undeveloped land. In one of the cases handled in the period under review, an individual made a cash part payment in excess of ZMW 7,000,000 towards acquisition of a property with a purchase consideration in excess of ZMW11,000,000. Upon further verification it was established that the money was kept at the home of the purchaser.



5.3 Cyber fraud

Internet fraud was also prominent in the period under review with several cases of money circulation schemes and online investment scams being reported. Perpetrators of these scams received deposits from unsuspecting members of the public through bank accounts and mobile money platforms.



6.0 CONTINUING TRENDS

- Externalisation of funds to tax havens by individuals and corporates continued in the period under review. From the STRs, CTRs and Wire transfers analysed, some Zambian nationals were made to register businesses and open bank accounts by foreign nationals that were used to externalize funds. Most of these individuals were not signatories to the bank accounts in question.
- The trend in which account holders received huge cash deposits and wire transfers from various third parties continued. The transactions were inconsistent with account holders' profiles.
- Use of personal accounts to conduct business transactions continued.
- Use of law firms to disguise beneficial owners and facilitation of illicit financial flows continued.
- Investing suspected laundered funds in high value assets such as real estate, motor vehicles and financial instruments continued. The FIC observed that a number of investments were made in these sectors or products and payments were mostly in cash. The purchase of high value assets using cash has made these products to be attractive to criminals.



- Misuse of Money Value Transfer Services (MVTs): During the period under review, 42 STRs were received from this sector involving people who were defrauded. Analysis of the STRs revealed that a number of fraudsters were purporting to be selling goods via social platforms. They would lure unsuspecting members of the public to send the funds, once the funds were received, the fraudsters would change their profiles or stop responding.



7.0 COLLABORATION WITH LOCAL AND INTERNATIONAL COMPETENT AUTHORITIES

During the period under review, the FIC collaborated with 11 Egmont

members and 4 non Egmont Member Financial Intelligence Units (FIUs) on exchange of financial intelligence. Out of the 15 collaborations, 10 were requests made by the FIC while 5 were requests received from the foreign FIUs.

Locally, 43 collaborative meetings were held with the LEAs in furtherance of their investigations on matters disseminated by the FIC. Twenty five requests for information were made to the competent authorities. Further, the FIC received 33 requests for information from competent authorities and undertook 4 joint operations with LEAs during the period under review.

8.0 INSPECTIONS

In accordance with Section 11A and 11B of the FIC Act No. 46 of 2010 (as amended), the FIC undertook supervision activities to enable the administering, monitoring and enforcing of measures to detect, prevent and deter ML/TF/PF. During the period under review the FIC conducted supervision activities that included those outlined in table 10 below.

Table 10: Supervision Activities

Sector	Supervisory Tool	No. of Reporting Entities Supervised
Money or Value Transfer Services (MVTs)	Post Monitoring Review	4
Real Estate Sector	Post Monitoring Review	21
Accounting and Audit Sector	Post Monitoring Review	70
Banking	On-site and Off-site Inspection	2
Money or Value Transfer Services (MVTs)	Off-site Monitoring	13
Banking	Post Monitoring Review	16
Casino	Off-site Monitoring	20



In the period under review, the FIC developed and implemented the administrative sanctions framework to operationalise the administrative sanction regime. This was in line with Section 49C of the FIC Act. Cases involving suspected breach of the FIC Act from the reporting entities were considered for possible sanctioning.

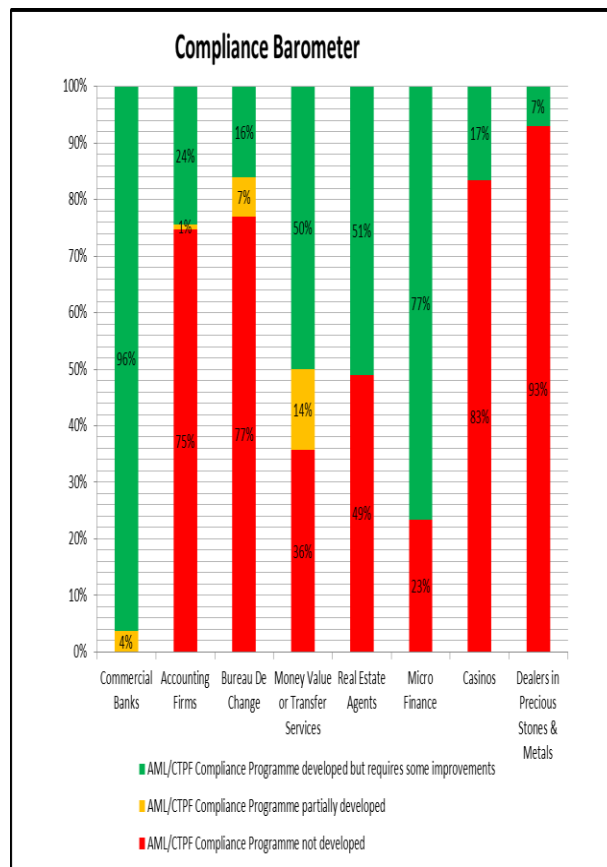
8.1 COMPLIANCE BAROMETER

The compliance barometer provides a snap-shot of the status of AML/CTPF compliance programmes in the sectors supervised by the FIC.

The ratings in the compliance barometer are explained as follows:

- i. *AML/CTPF compliance Programme developed but requires some improvements (Green)*:- means that reporting entities have developed a compliance Programme but there still remain some gaps that need to be addressed.
- ii. *AML/CTPF compliance Programme partially developed (Orange)*:- means that the reporting entities have largely developed the compliance Programme, but there some key components of the Programme that are yet to be developed.
- iii. *AML/CTPF compliance Programme not developed (Red)*:- means that the reporting entities are yet to develop the compliance Programme as required by the FIC Act.

The compliance barometer measures a sector's technical compliance to the requirements of the FIC Act and is not indicative of the effectiveness of the implementation of the compliance requirements by reporting entities.



The compliance barometer shows that the banking sector has the highest levels of technical compliance with AML/CFT requirements, with only 4% of the sector assessed as having partially developed the compliance Programme. The relatively higher levels of technical compliance in the banking sector are also reflected in the number of STRs (97.9%) that were submitted during the period under review. It was noted that 43% of the value of STRs submitted by the banking sector involved cash transactions. The Dealers in Precious Stones and Metals had the lowest levels of technical compliance with 93% of the sector assessed as having not developed a compliance Programme.

9.0 COMPLIANCE AND AWARENESS ACTIVITIES

9.1 Awareness

During the period under review, the FIC conducted awareness sessions with 291 participants from public institutions including Government Ministries, LEAs and Supervisory Authorities. Further, outreach activities to reporting entities and other stakeholders were conducted to increase awareness of the FIC's mandate and educate reporting entities on their obligations under the FIC Act. The FIC provided training to 1,564 participants from approximately 80 reporting entities in the private sector and Non-Governmental Organisation

(NGO) sector.



9.2 Appointment of Compliance officers by Reporting Entities

As of December 2021, the total number of reporting entities was 683 out of which 235 had appointed compliance officers. There was a notable improvement in the number of reporting entities that appointed compliance officers in the MVTs, Real Estate and Accounting and Audit firms sectors. This can be attributed to the monitoring and outreach activities conducted during the period under review. However, the majority of DNFBPs continued to record low compliance levels in relation to the requirement to appoint compliance officers as shown in Appendix 2.



10.0 CASE STUDIES



Case study 1: Suspected Corruption and Money Laundering

Company B was awarded a government contract five (5) months after its incorporation. **Company B** had three shareholders; **Mr. Q** a foreign national resident in Zambia, **Company Y** a Zambian incorporated company and **Company R** a European based company. **Mr. Q** was also a shareholder in **Company Y**. **Company R** remitted USD 3 million to **Mr. Q's** personal account.

Mr. Q made multiple cash withdrawals amounting to ZMW 4.5 million and further transferred USD 400,000 to two senior public officials, one of them being CEO of a public institution that awarded the contract to **Company B**.

Reasons for dissemination

- *Suspected grand corruption due to the manner the contract was awarded by the public institution. Transfer of funds to senior public officials and multiple cash withdrawals to disguise ultimate beneficiaries.*
- *Suspected abuse of authority by the CEO of the public institution that awarded the contract, being a PIP.*
- *Suspected breach of the Public Procurement Act as the contract was awarded to a newly incorporated company that was single sourced.*

Charge on Indictment

- *Three (3) individuals were arrested and charged for **Corrupt practices and possession of property suspected to be proceeds of crime.***

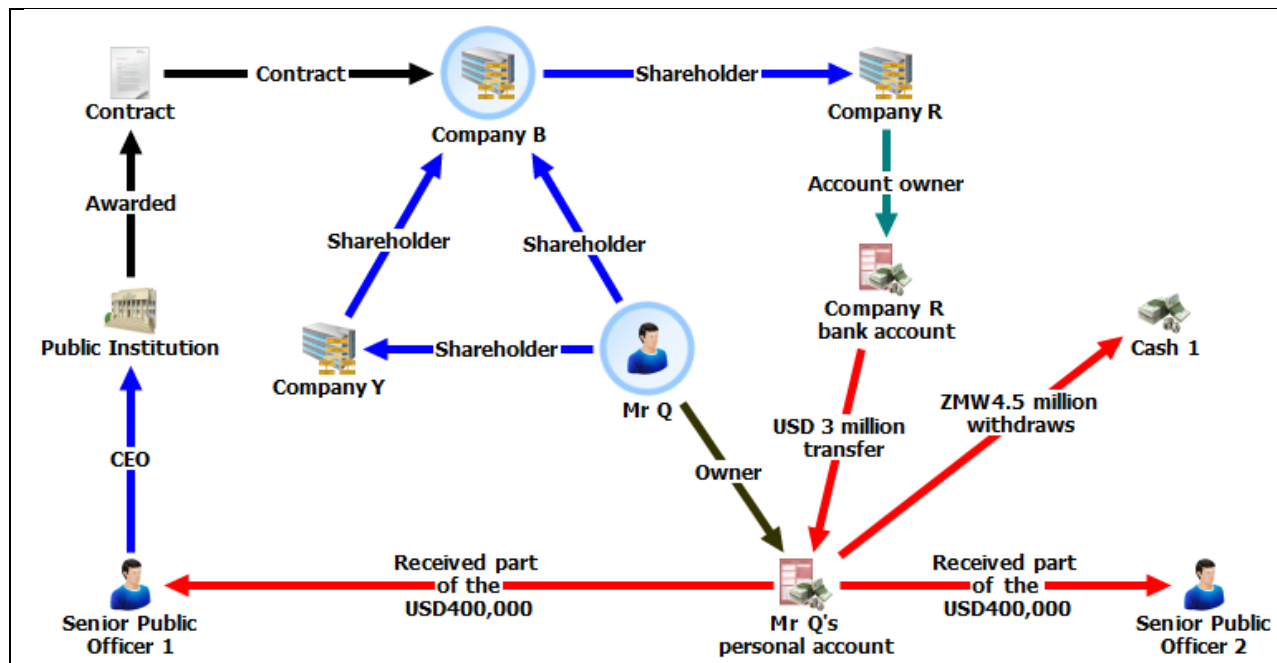


FIC noted that limited charges were preferred compared to the actual offences suspected to have been committed.

Status of case

- Suspects were discharged through a **Nolle prosequi**.

Chart 1: Suspected Corruption and Money Laundering



Case Study 2: Suspected Corruption & Money Laundering

PIP Z who was the head of a government institution (Institution F) influenced the awarding of contracts to Company A. Company A is a Zambian incorporated company in which PIP Z was a major shareholder. PIP Z also facilitated the awarding of contracts to a local company (Company Y). Company Y had foreign nationals as its major shareholders and was funded by two foreign companies (Companies S and T). Company T was blacklisted for engaging in corrupt practices by an international organization based in

Europe. Individual I was a shareholder in both Company T and Company Y.

Company Y made a number of local bank transfers to senior public officials. Companies T and S purchased properties that included five (5) houses for PIP Z. It was observed that PIP Z purchased properties including motor vehicles valued at ZMW 3 million using cash.



Reasons for dissemination

- Suspected Corrupt activities by a public official
- Suspected abuse of office
- Suspected money laundering

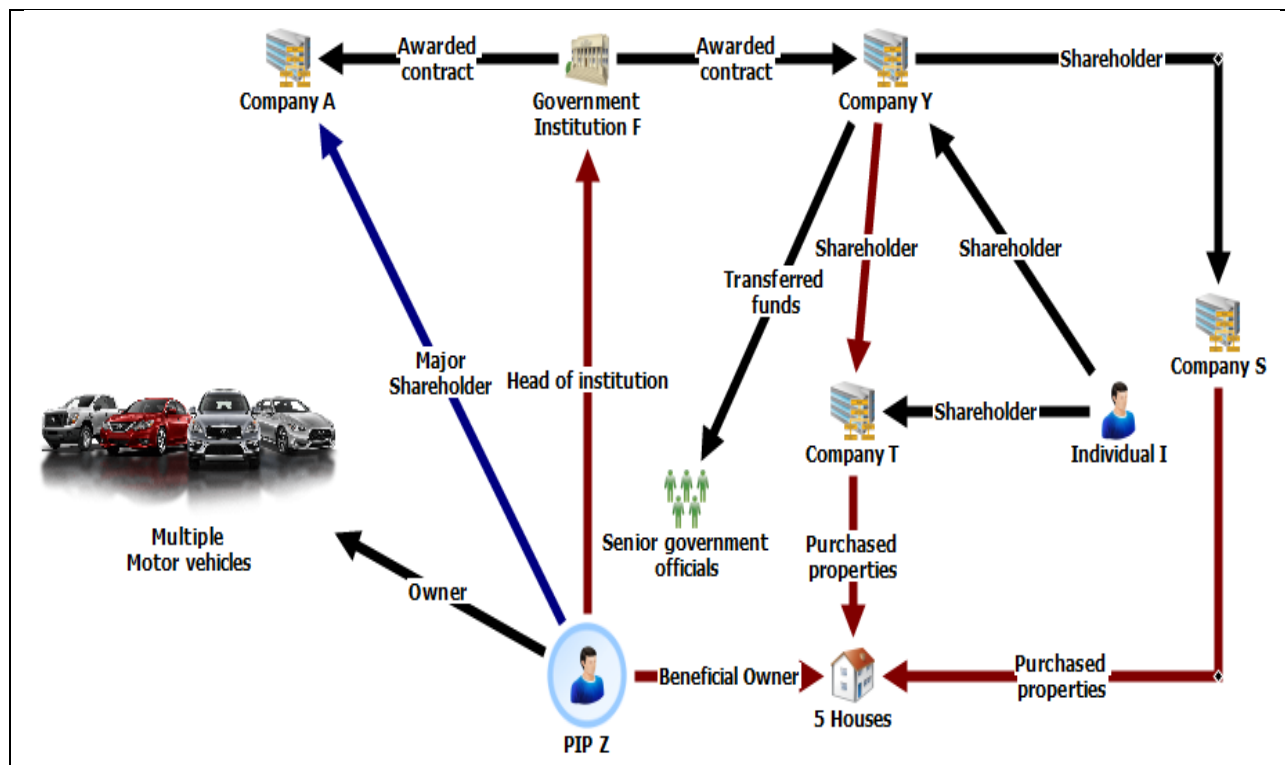
Charge on indictment

- PIP Z was charged with an offence of **concealing property reasonably suspected to be proceeds of Crime**
- FIC noted that **limited charges were preferred compared to the actual offences suspected to have been committed.**

Status of the case

- PIP Z was **acquitted** in courts of law

Chart 2: Suspected Corruption & Money Laundering



Case Study 3: Suspected Abuse of Office, Corruption, Fraud and Money Laundering

A Zambian **company L** received a payment of ZMW 763 million from

Ministry N. **Company L** then transferred the amount to **company O**, a shell



company which later transferred the funds to **Company M**. **Lawyer U**, managing the affairs of **Company M** facilitated the transfer of ZMW 280 million to **Law Firm Q** where Lawyer U is a partner. The ZMW 280 million was placed in a fixed deposit with **Bank B** to accrue interest. However, the interest was never received by **company M**. **Lawyer U** also facilitated a transfer of ZMW 15 million to his personal account held at **Bank B**. **Lawyer U** also made several transfers from company **M** to other law firms **A**, **B** and **C** which received ZMW 650,000.00, ZMW 500,000.00 and ZMW 500,000 respectively. In addition, there was a transfer of ZMW 250,000.00 to a prominent Lawyer **E** who is also a PIP.

In another irregular transaction, involving **Lawyer U**, **Company M** received a payment of over ZMW 750

million from **Ministry N**. **Lawyer U** then transferred ZMW 700 million to **Law Firm Q** where he is a partner. It was then noted that over ZMW 600 million was placed in a fixed deposit for a month at **Bank C** to accrue interest. Interest of over ZMW 10 million was accrued and was withdrawn in cash by **Lawyer U**. Similarly, the latter also transferred over ZMW 100 million to **Bank K** and placed it in a fixed deposit and when it matured with ZMW 2 million in interest, **Lawyer U** withdrew the interest and placed the principle of ZMW 100 million in a fixed deposit. **Lawyer U** also made transfers from **Company M** account of ZMW 28 million to a **company D** which was later transferred to **Law firm Q**. There was also a transfer of ZMW 19 million from **Company M's** account to **Company Y**, an entity with questionable reputation controlled by **PIP Z**.

Reasons for dissemination

- *Suspected Abuse of Office*
- *Suspected Corruption*
- *Suspected Fraud and Money Laundering*

Charge on indictment

Theft and Money Laundering

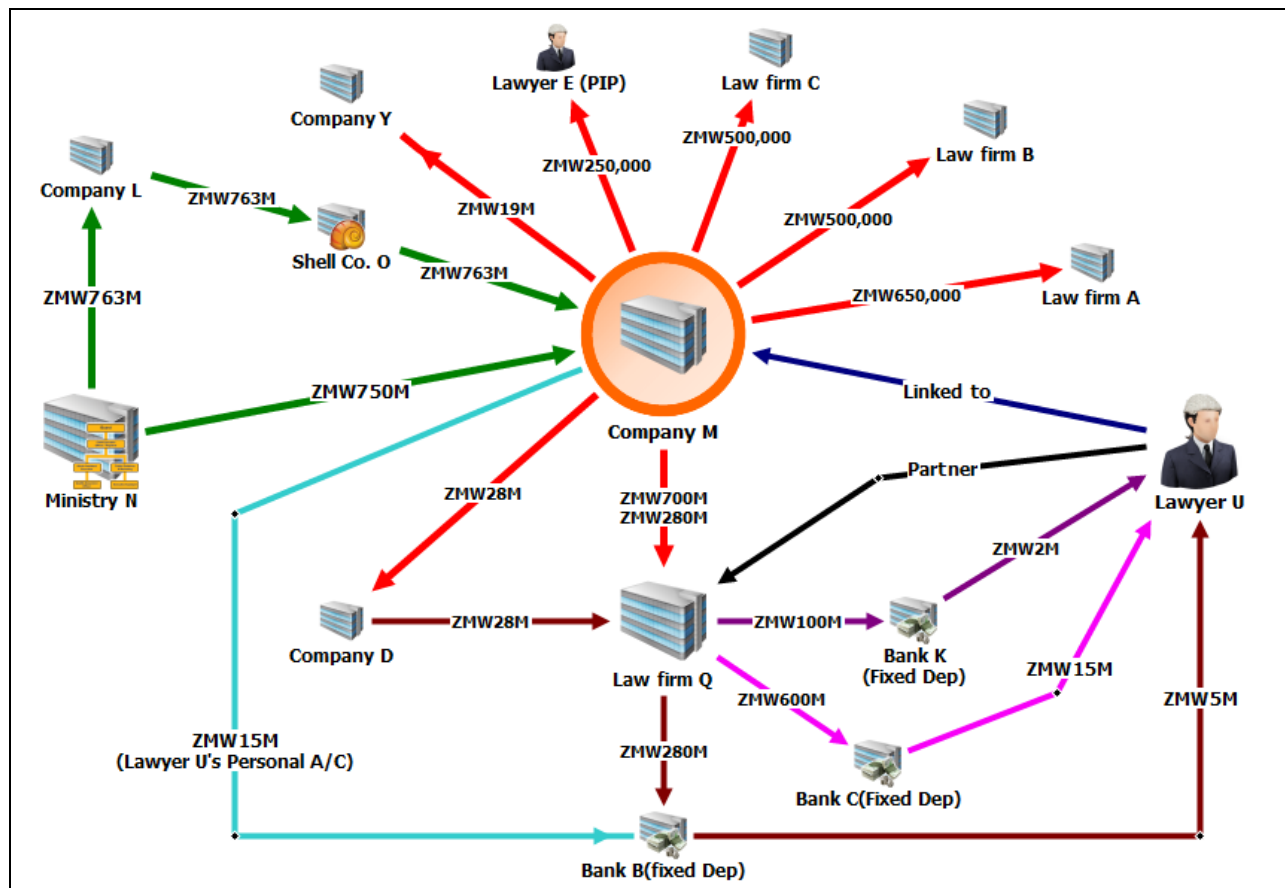
FIC noted that limited charges were preferred compared to the actual offences suspected to have been committed.

Status of the case

*Suspect was discharged through a **Nolle Prosequi**.*



Chart 3: Suspected Abuse of Office, Corruption, Fraud and Money Laundering



Case Study 4: Suspected Fraud and Money Laundering

The Zambian government and **country QQ** had resolved that the Zambian government through **institution X** starts processing payment of benefits of former expatriates from **country QQ** who had worked in Zambia. The payments were to be made to **institution D** based in Zambia which is a representative of **country QQ**. Over a period of two months the Zambian government through **institution X** transferred in excess of ZMW 500 million to **institution D's** two bank accounts, **account A** and **account B** held at the same bank .

Account A received over ZMW 300 million in one month. There were transfers of ZMW 58 million to **Law firm T** based in Zambia and transfers of ZMW

13 million and ZMW 56.5 million to **company Z** and **company Y** respectively also based in Zambia. Law firm **T** received the funds on the premise that they were representing the beneficiaries when in fact not.

There were further debits on the account through cash withdrawals by **individual C** who was neither an employee of **institution D** nor an intended beneficiary of the funds. **Individual C** made cash withdrawals totaling ZMW 18 million over a period of one week.

Institution D's account **B** received a total of ZMW 200 million from **institution X**. A total of ZMW 12 million was transferred to **company W** and a further ZMW 58

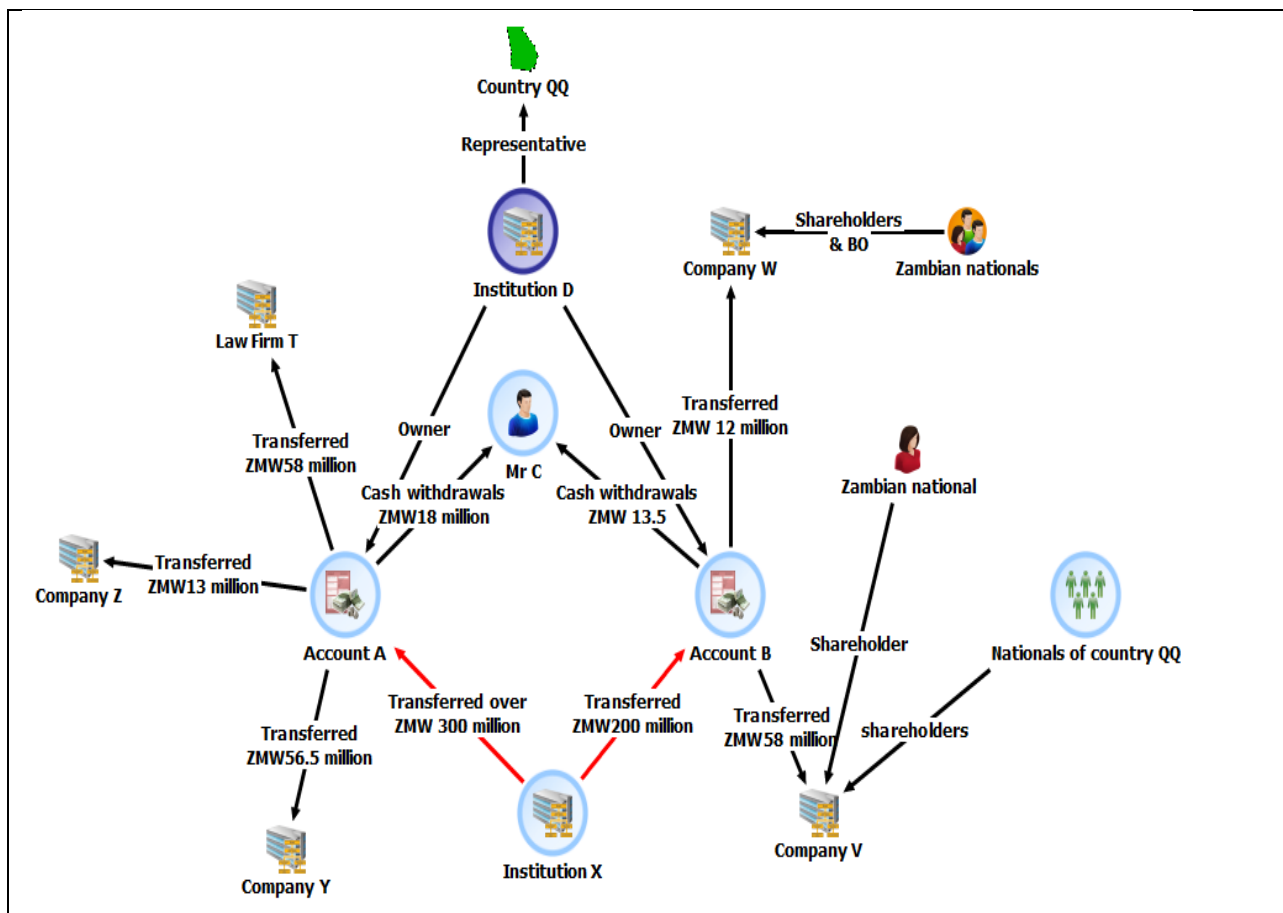


million was transferred to **company V**. **Company W** is a company fully owned by **Zambian nationals** whereas **company V** is owned by both **Zambian and country QQ nationals**. It was unclear what kind of businesses these companies were into and why they were receiving these funds. It was further noted that **Individual C** also made withdrawals totaling ZMW

13.5 million on **account B**. Verifications revealed that few of the companies or individuals who received the funds were the intended beneficiaries. Further, there was no proof to show that these companies and individuals were acting on behalf of the intended beneficiaries.

The chart below illustrates the flow of funds in this case study.

Chart 4: Suspected Fraud and Money Laundering



Case study 5: Suspected Money Laundering

Law Firm R owned by **Lawyer K** received **ZMW100 Million** cash deposits from **political party S** and other PIPs associated to the party a few months prior to the 2021 August General

Elections. Of the ZMW100 million, ZMW85 million was deposited by a senior party **official B** and **ZMW 15 million** was deposited in cash by several other PIPs associated to **party S**. The source of

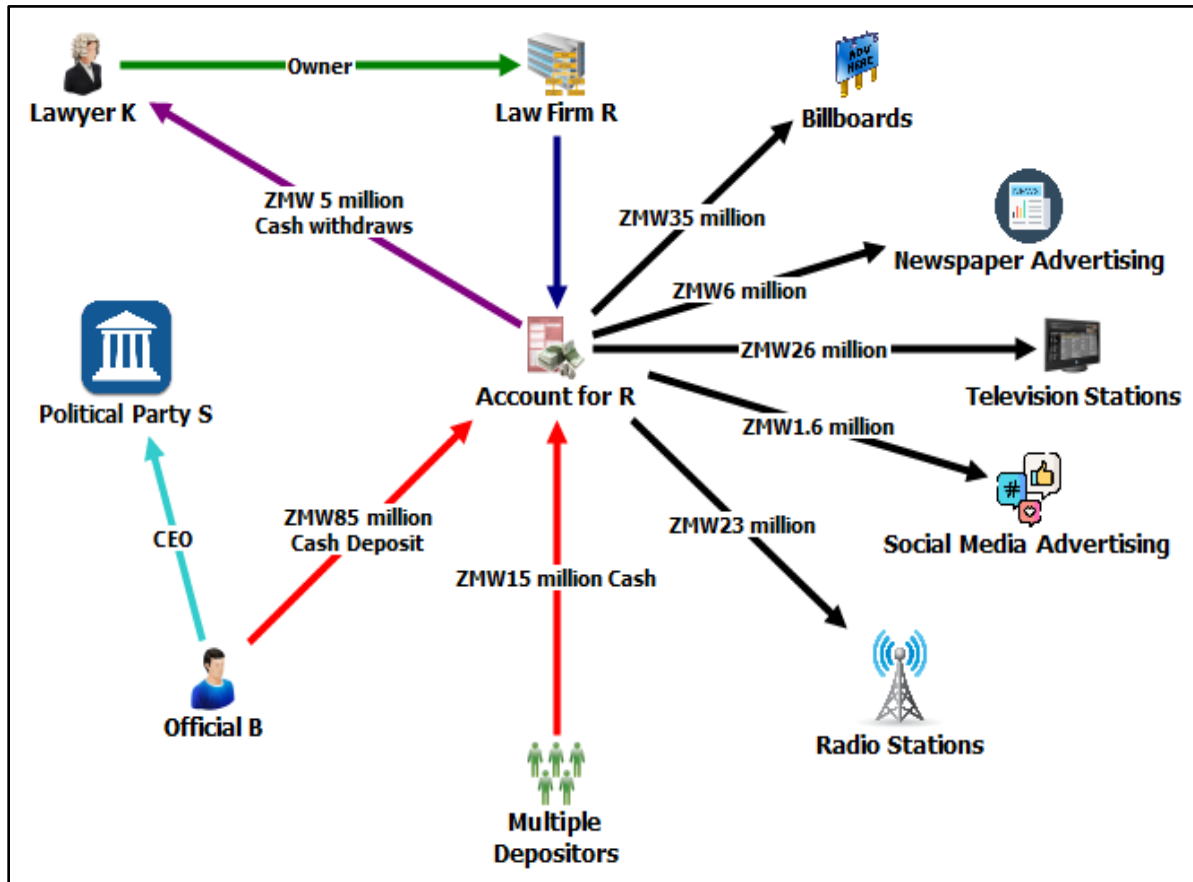


cash was unknown as **political party S** had no known traceable sources of income.

Lawyer K subsequently transferred a total of **ZMW96 million** to several media

houses across the country including radio stations, social media pages, television stations, outdoor advertising companies and newspapers. The rest of the funds were withdrawn as cash by **Lawyer K**.

Chart 5: Suspected Money Laundering



Case Study 6: Suspected Corruption, Abuse of Office and Money Laundering

In this case, over **\$45 million** and **ZMW 500 million** held in public trust was invested in a private **entity X** through purchase of overvalued shares. Payments for these shares were transfers to two Asian **nationals E** and **F** by three public **entities A, B** and **C**.

This investment was in a company that had been in existence for two years, which was against the investment policy for one of the public entities which required the company to have a cash flow analysis of 5 years.

Asian **national E** made transfers totaling \$650,000 to **individual K** and **L** who had

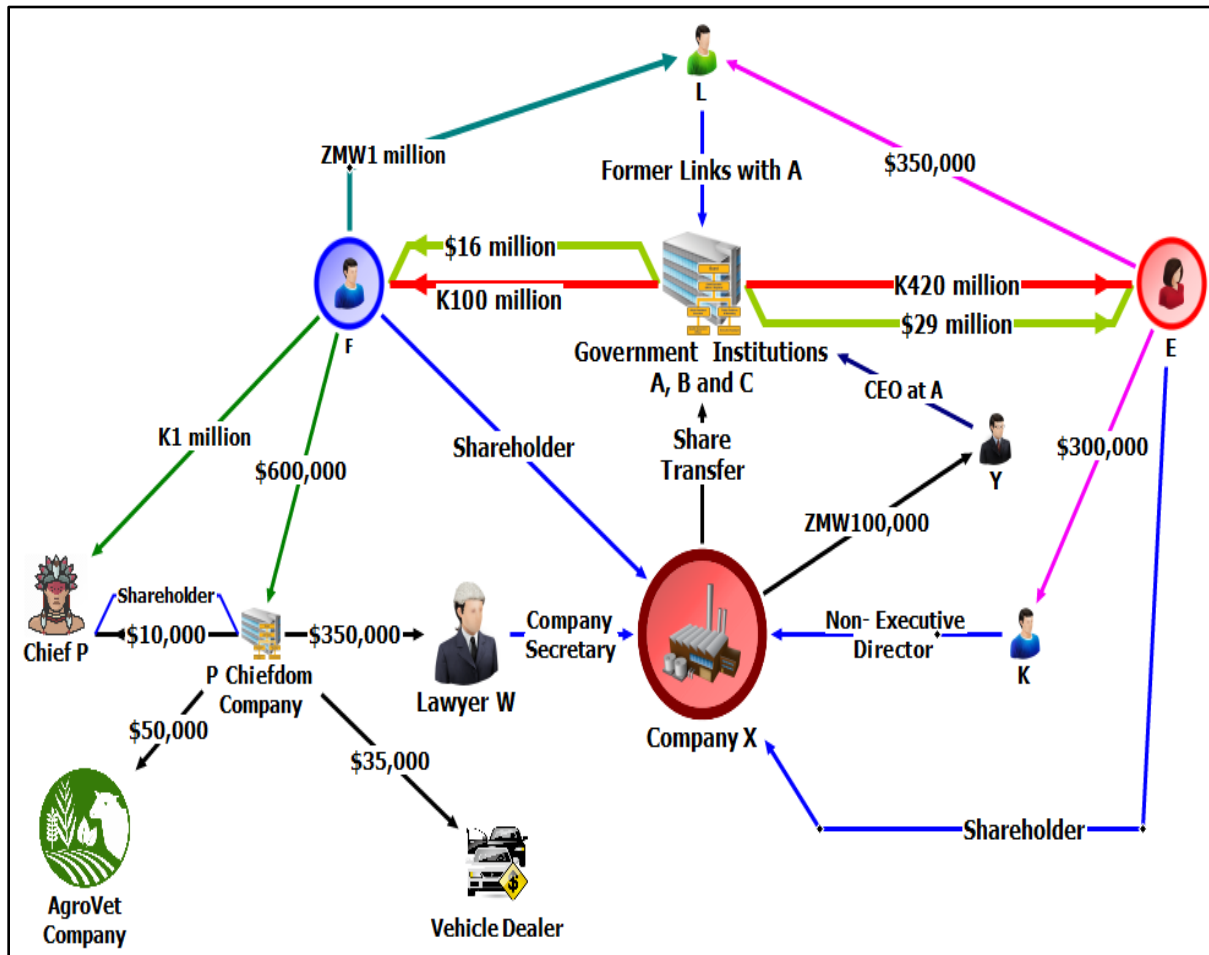


links with public **entity A**. While Asian **national F** made a total transfer of \$600,000 to **P** chieftom development company under the guise that the funds were for the construction of the chiefs palace when in fact the funds were further transferred to **Lawyer W**, **chief P**,

an Agrovvet company and a motor vehicle dealer.

Further, **Asian F** transferred a total ZMW2 million to **individuals L** and **traditional leader P**. The CEO for **entity A** also received a transfer from **entity X** after the transaction.

Chart 6: Suspected Corruption, Abuse of Office and Money Laundering



11.0 CONCLUSION

The year under review was challenging in that the FIC had to continue to conduct its operations in the "new normal" under the Covid 19 pandemic. The FIC was however able to discharge its functions independently in the prevailing environment. With the full operationalization of the Inspectorate Department, a number of onsite and offsite inspections were conducted. The FIC further conducted monitoring activities on a number of Reporting Entities. With the operationalization of the administrative sanctions regime, the FIC commenced considering cases for possible sanctioning. The FIC furthermore continued to collaborate

with both local and international competent authorities by exchanging information. The disseminated intelligence reports resulted in the Zambia Revenue Authority assessing in excess of ZMW 47.8 million in unpaid taxes. Other LEAs reported that some disseminated intelligence reports were under investigations.

The FIC will continue to perform its legislative mandate as promulgated under the FIC Act. Further, in order to achieve a financial system resilient to financial crimes the FIC will need to continue operating independently.

12.0 RECOMMENDATIONS

1. Government should consider introducing a limit or threshold for cash transactions.
2. Government to consider a limit or threshold for payment for public goods and services.
3. Zambia Revenue Authority to consider introducing a tax on cash transactions to encourage the use of other forms of payments.

4. Government to consider reintroducing the measures that existed under SI 55 to monitor the externalization of funds.
5. AML/CFT Supervisors to enhance collaboration and capacity building in the fight against money laundering and terrorism financing.
6. Competent Authorities to enhance collaboration in the value chain of investigating and prosecuting ML/TF and other economic and financial crimes.



APPENDICES

Appendix 1: STRs

Reason for suspicion	Number of reports	ZMW (Million)
Large or unusual cash deposit	458	2,073.00
Large or unusual inward remittance	366	949.00
Large or unusual cash withdrawals	333	749.00
Activity inconsistent with customer profile	305	534.00
Large or unusual outward remittance	302	706.00
Person suspicious behavior	251	316.00
Fraud/ATM Fraud/Credit Card fraud/Internet fraud	116	129.00
Unusual business practices	86	94.00
Avoiding reporting obligations	76	153.00
Irregular or Unusual international banking activity	75	105.00
Unusually large foreign currency transaction	62	482.00
Many third parties making deposits into the account	59	184.00
Other	51	24.00
Sudden unexpected activity on previous dormant/inactive account	31	35.00
Watch listed individual/organization	4	0.34
Corporate Investment Fraud	1	-
Country/jurisdiction risk/National Security concern	1	-
Total	2577	6,533.34



Appendix 2: Compliance Officers

Name of Sector	2021		2020		2019	
	No. of REs	No. of COs	No. of REs	No. of COs	No of REs	No of COs
Pensions and Insurance	80	21	80	19	80	15
Commercial Banks	17	17	19	19	19	18
Money Value Transfers (MVTs) Providers	19	19	26	8	25	4
Non-Bank Financial Institutions (NBFIs)	44	37	41	24	41	16
Capital Market Entities	31	9	31	8	31	3
Bureaux De Change	74	29	76	20	76	19
Casinos	43	8	30	8	30	8
Law firms	193	19	193	18	193	3
Motor Vehicle Dealers	-	-	31	2	31	2
Dealers in Precious Stones and Metals	20	0	1793	0	1793	0
Real Estate Agents	42	27	41	13	30	10
Accounting/ Audit Firms	120	47	120	34	100	2
TOTALS	683	235	2481	173	2449	100



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.

Cross Border Currency Declaration Reports- 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 5,000 or kwacha equivalent, whether denominated in kwacha or any foreign currency. These reports are transmitted to the FIC by Zambia Revenue Authority.

Currency Transaction Report- Reports filed to FIC by reporting entities in relation to any currency transaction in an amount equal to or above USD 10,000 or kwacha equivalent whether conducted as a single transaction or

several transactions that appear to be linked.

Currency- means the coin and paper money of the Republic, or of a foreign country, that is designated as legal tender or is customarily used and accepted as a medium of exchange.

Direct bidding - this is a procurement method where a bid is obtained directly from a single bidder, without competition.

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

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

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, willfully 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;

Gatekeepers- These are professionals (DNFBPs) that provide non-financial services and include lawyers, accountants.



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.

PIP - prominent influential person " means—(a) an individual who is or has, been entrusted with a prominent public function by a State or an international or local body or organisations but is not of middle or junior ranking and includes— (i) a head of State or of Government ;ii) a minister;(iii) a member of an executive organ of a political party;(iv) a magistrate, judge and other senior officials of quasi-judicial bodies; v) a senior military official;(vi) a senior government official; and(vii) a member of the board or an official in senior management of an administrative or supervisory body, or a state owned enterprise or statutory body;

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, trans-shipment, 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;

Suspicious Transaction Report- means 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.

Technical Compliance- Assesses an entity's compliance with laws,

regulations and any other legal instruments it has in place to combat money laundering and the financing of terrorism and proliferation.

Wire Transfer- means any transaction carried out on behalf of an originator through a financial institution or payment system including an institution that originates the wire transfer and an intermediary institution that participates in completion of the transfer by electronic means with a view to making an amount of money available to a beneficiary.

