



Financial Intelligence Centre

# The 8th Money Laundering and Terrorist Financing

2022

Trends Report

**Use of Corporate Vehicles for  
Illicit Activities**



2022

ESAA  
MLG  
Disseminations

CBCDRs  
CBCDRs  
CBCDRs  
DNFBPs  
DNFBPs  
DNFBPs

FINANCIAL  
CRIMES  
DNFBPs  
CTRs  
Cash Galore  
Cash Galore  
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Cash Galore

INSPECTIONS  
Inspections  
Inspections  
Law Enforcement Agencies  
AML/CTPF  
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# REPORT

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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
LEAs	Law Enforcement Agencies
ML	Money Laundering
ML/TF/PF	Money Laundering/Terrorism Financing/ Proliferation Financing
MVTS	Money or Value Transfer Services
OFAC	Office of Foreign Asset Control
PIPs	Prominent Influential Persons
PF	Proliferation Financing
SDR	Spontaneous Disclosure Report
STR	Suspicious Transaction Report
TF	Terrorism Financing
VASPs	Virtual Asset Service Providers

# TRENDS REPORT

## MESSAGE FROM THE DIRECTOR GENERAL

The Financial Intelligence Centre (FIC) continues to see the value in sharing the trends, methods and risks relating to money laundering, terrorism financing and proliferation financing (ML/TF/PF). The 2022 Trends Report outlines the ML/TF trends observed by the FIC in the course of its operations. This report serves to educate reporting entities, the public and other stakeholders on the nature, methods and techniques employed by perpetrators of money laundering, its predicate offences, and terrorism financing.

The major trend highlighted based on analysed cases during the period under review was the use of corporate vehicles for illegal activities. It was noted that this resulted in illicit financial flows. The use of corporate vehicles for illegal activities is perpetuated through schemes that begin from how company shareholding and beneficial ownership is devised, to how financial transactions are controlled and effected. The main drivers/sources of the illicit flows remain largely commercial activities including trade based money laundering, tax crime, procurement related corruption, cyber fraud and circumvention of transaction thresholds in specified sectors.

The period under review marked the conclusion of the FIC's 2020-2022 Strategic Plan whose theme was "Enhanced Collaboration and Cooperation". The objectives of the plan were largely met as can be evidenced by the FIC's continued collaborative efforts with its stakeholders. In this regard, the FIC assisted in a number of joint investigations with other competent authorities and disseminated 129 reports to law enforcement agencies estimated at ZMW 5.8 billion in 2022. The input from the FIC led to arrests and forfeiture of assets.



# TRENDS REPORT

## MESSAGE FROM THE DIRECTOR GENERAL ...Cont.

Despite the gains made, there is still a lot to be done in the fight against financial crimes in Zambia to ensure that the progressive gains made by the Government are not eroded. We believe that the curbing of illicit financial flows is core in actualizing Government efforts towards the achievement of our developmental goals as encapsulated in the 2023 Vision and the 8th National Development Plan. This requires continued resolve by all citizens and stakeholders to do their part. The FIC is resolved to fully maximize its support from the Government and relevant stakeholders in the fulfillment of its mandate.



Liya B. Tembo (Mrs.)  
Acting Director General



# 1 THE TRENDS REPORT

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- I. OBJECTIVES OF THE TRENDS REPORT
- II. FUNCTIONS OF THE FINANCIAL INTELLIGENCE CENTRE





## 1. THE TRENDS REPORT

### I. OBJECTIVES OF THE TRENDS REPORT

The Trends Report is issued pursuant to section 5(2)(d) of the Financial Intelligence Centre (FIC) Act, No. 46 of 2010 (as amended) with the following objectives:

#### A. Awareness

Provide awareness by educating the public and reporting entities of their obligations and informing them of measures to detect, prevent and deter ML/TF/PF or any other serious offences relating to ML/TF/PF.

#### B. Policy Formulation

Inform government policy formulation.

#### C. Supervision

Facilitate effective risk-based supervision and enforcement of anti-money laundering, countering of terrorism or proliferation financing (AML/CTPF).

### II. 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. Receipt and Analysis

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. Dissemination

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. Spontaneous Disclosure

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.

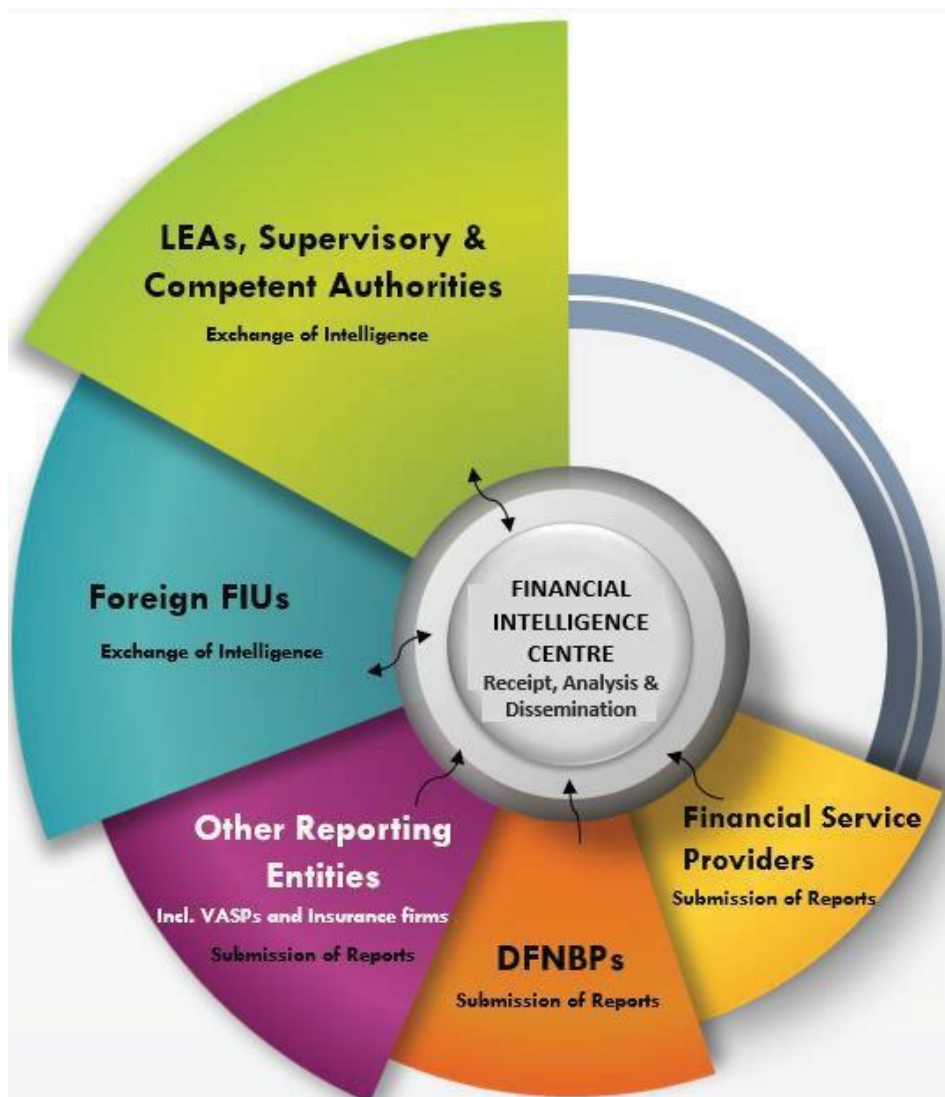
#### D. Strategic Analysis

Conduct strategic analysis to identify trends and patterns relating to ML/TF/PF or any other serious offence related to Money Laundering/Terrorism Financing/Proliferation Financing (ML/TF/PF).



### III. THE ANTI-MONEY LAUNDERING AND COUNTERING TERRORISM AND PROLIFERATION FINANCING VALUE CHAIN

Chart 1: AML / CTPF VALUE CHAIN



# 2

## TRENDS & CASE STUDIES

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## 2. TRENDS AND CASE STUDIES

### TRENDS OBSERVED

#### A. Abuse of Corporate Vehicles

The FIC has continued to observe the incorporation of companies where the identity of beneficial owners is obscured, with the sole purpose of using the companies for suspected illegal activities and externalising of funds. A common scheme observed was the use of Zambian nationals registered as shareholders/directors and beneficial owners who were not involved in the running of the companies. Analysis of financial transactions revealed that the individuals were not signatories to the bank accounts and had no control over the company funds. It was further observed that the said companies had multiple bank accounts and recorded huge cash US Dollar deposits which were later externalized to various foreign jurisdictions mostly in East Asia.

The FIC also observed the abuse of corporate vehicles in public procurement. A scheme was observed where multiple companies were incorporated specifically to obtain government contracts. Most of these companies did not meet the criteria for the award of contracts and in most cases the contracts were being fraudulently awarded.

The red flags associated with this trend include the following:

#### RED FLAGS:

- Companies with no independent operations, significant assets, ongoing business activity or employees.
- Use of third-parties for shareholding only with no controlling interest.
- Listing of persons as shareholders/directors without their consent.
- Same individuals appearing as shareholders/directors for a number of companies.
- Registering nonfactual information on beneficial owners and business addresses.
- Company Bank Accounts denominated by unusually large USD cash deposits.
- Cash deposits made by the same individuals to various companies.
- Externalization of funds for purported purchase of goods with no corresponding imports.
- Use of multiple accounts to create complex transaction trails.

## TRENDS OBSERVED (Cont'd)

The case studies below further illustrate how these activities were executed:

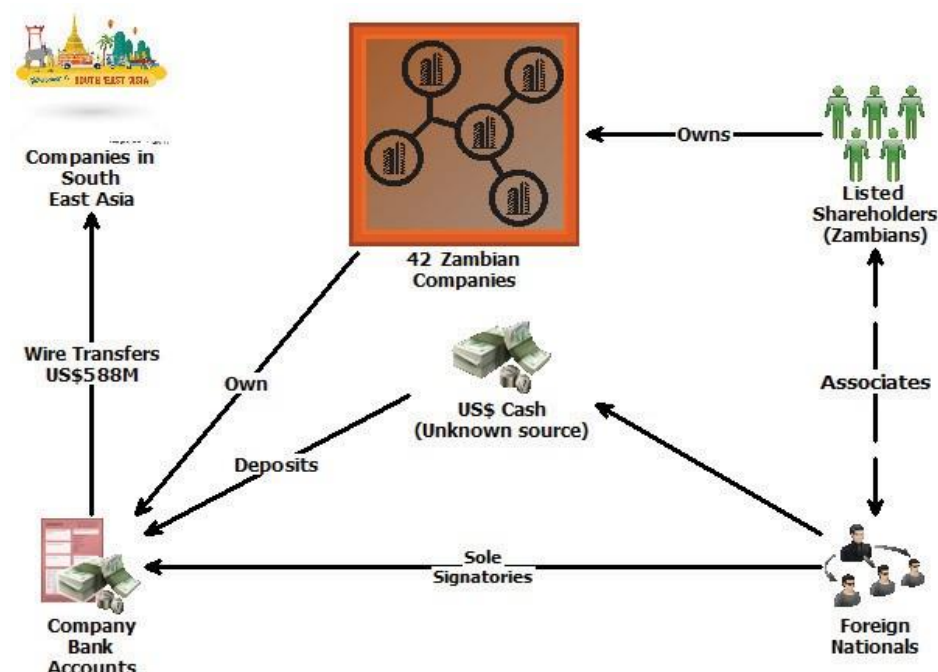
### Case Study I: Use of Corporate Vehicles in Suspected Trade Based Money Laundering and Tax Crimes

The FIC noted a rise in the number of individuals and companies purporting to be conducting trade with a view of moving or obscuring suspected illicit funds. This was mainly done through externalization of funds justified by false invoices. Analysis revealed that there were no corresponding imports into Zambia as per invoice narrations. In addition, there were suspected illicit inflows of funds with narrations such as payments for consultancy services and loans from companies in foreign jurisdictions.

In 2022, the FIC analysed a total of 64 reports bordering on suspected tax crimes, of which 52 were disseminated to LEAs. It was established that 42 out of the 52 reports involved foreign nationals who incorporated companies in the names of Zambian nationals. The Zambian nationals were indicated as directors, shareholders and beneficial owners on the company registry. However, the 42 companies were all controlled by different individuals from those submitted as shareholders/directors/and beneficial owners. In all the cases the ultimate beneficial owners were foreign nationals who were the sole signatories to the companies' bank accounts. The foreign nationals were further observed to be conducting all transactions. Further analysis revealed that the named signatories were the beneficial owners or acting on behalf of the 'True' beneficial owners to the subject companies. The companies were not found to be engaged in any business ventures that warranted the level of cash deposits and outflows observed through wire transfers. Some of the companies were indicating the same business addresses and contact details. Further, analysis revealed that these companies had developed elaborate tax evading schemes.

The foreign nationals were found to be linked to various companies as evidenced by financial transactions on the companies' accounts. Despite the huge outflow of funds to East Asia under the guise that they were paying for equipment, seafood, blankets etc., there were no corresponding imports into Zambia by the same companies. It was further established that the companies had remitted funds in excess of **USD 588 million** (Equivalent to **ZMW 9.93 billion** at average exchange rate of **USD 1: ZMW 16.9** in 2022). These companies were created solely to facilitate the movement of funds to a country in East Asia and trade was merely used as a justification for the suspected illicit financial flows.

The cases were disseminated to law enforcement agencies on suspected tax crimes and money laundering activities.



## TRENDS OBSERVED (Cont'd)

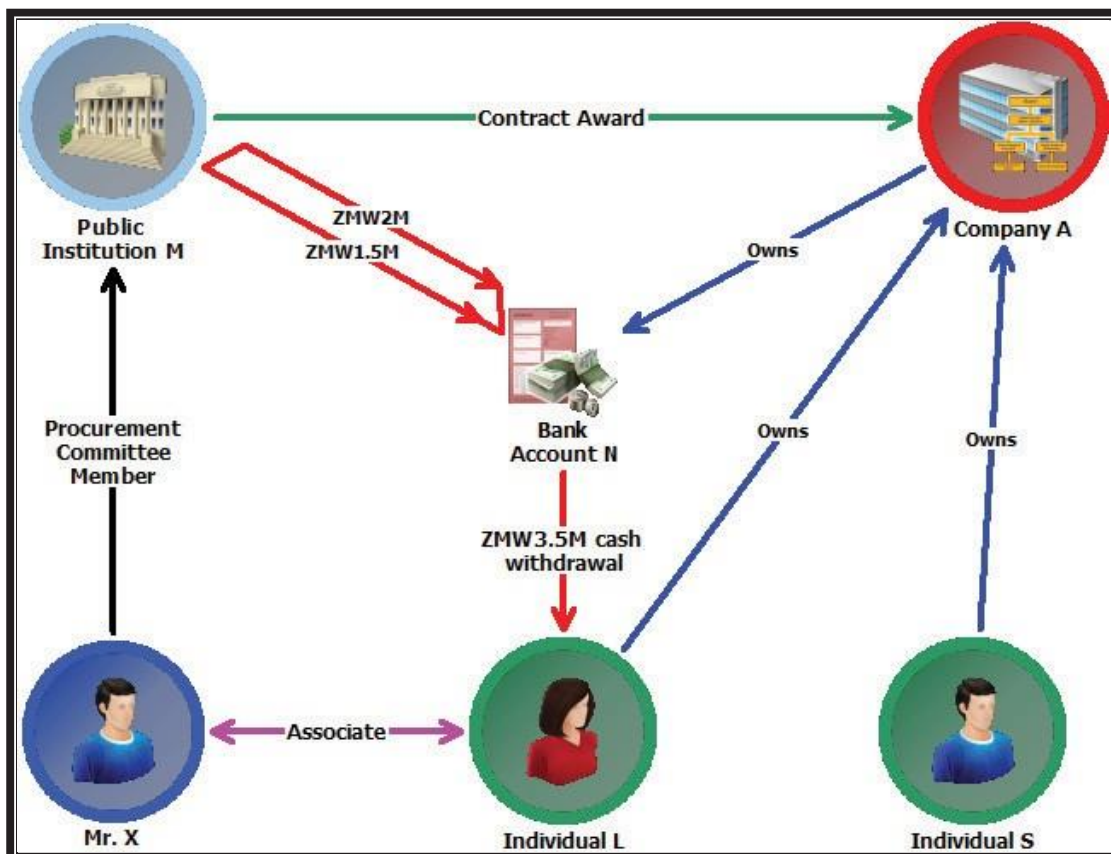
### Case Study II: Use of Corporate Vehicles in Suspected Theft of Public Funds & Money Laundering

The FIC analysed a case of suspected misappropriation of public funds by **Company A** involving a contract to Supply valued at a sum of ZMW 2 million. **Company A** was awarded the contract by **Public Institution M** in June 2021.

Analysis revealed that **Company A** was incorporated in February 2021 with **Individuals L** and **S** listed as shareholders and beneficial owners respectively. It was noted that **Individual L** was the majority shareholder and the only signatory to **Account N** held by **Company A** at a local bank.

Further analysis revealed that one of the procurement committee members, **Mr. X** who participated in the award of the contract was an associate of **Individual L**. It was noted that **Public Institution M** made unknown payments to **Company A** amounting to ZMW 1.5 million prior to the payment of the contract sum. It was further observed that payment for the contract sum was made in August 2021. However, supply for this contract was never fulfilled.

The case was disseminated to law enforcement agencies for investigation, possible prosecution and forfeiture of assets suspected to be proceeds of crime.



## TRENDS OBSERVED (Cont'd)

### Case Study III: Use of Corporate Vehicles in Suspected Investment Fraud

The FIC analysed a case in which **Company B** a Zambian incorporated company owned by **Mr. X** and **Mr. Y** was operating a suspected Ponzi scheme. **Mr. X** was the sole signatory of all the company accounts.

**Company B** was advertising various investment products for a certain minimum amount with a promise of a high return depending on the initial investment.

Analysis of **Company B's** bank statements revealed that the company received multiple cash deposits and transfers from several members of the public who invested in the scheme. The funds received amounted to over **ZMW 16.5 million**, of which **ZMW 6 million** was channeled to **Mr. X's** personal accounts which was drawn in cash.

Verifications revealed that **Company B** was offering financial services and collecting deposits from members of the public without a valid operating license as a financial service provider. Further, other sources of information revealed that the ultimate beneficial owner is a PIP.

The matter was disseminated to law enforcement agencies for investigation and possible prosecution and forfeiture of suspected proceeds of crime.

### Case Study IV: Use of Corporate Vehicles in Suspected Procurement Corruption, Fraud and Money Laundering

The FIC analyzed a case of suspected corrupt practices, fraud and money laundering in which **Ministry XYZ** awarded an inflated US Dollar denominated supply contract in February 2021 worth over **ZMW 343.5 million** to shell **Company X**. Shell **Company X** was registered in a foreign country by Zambian **PIP A1** through an online company registration agency, with no physical presence in that country. The contract was awarded without required due diligence regarding **Company X's** physical existence, supply history and capacity.

The analysis established that **PIP A1** later registered a local **Company X2** with the same ownership structure and instructed **Ministry XYZ** to make all payments to **Company X2's** account at a local bank. A falsified Advance Payment Bond was presented to **Ministry XYZ** from a local Insurance company, which at the time was under suspension from conducting business. Further, review of **Company X2's** bank statements established that a payment of over **ZMW 120,000** suspected to be gratification was made to one of the directors of the suspended insurance company, who signed the false Bond.

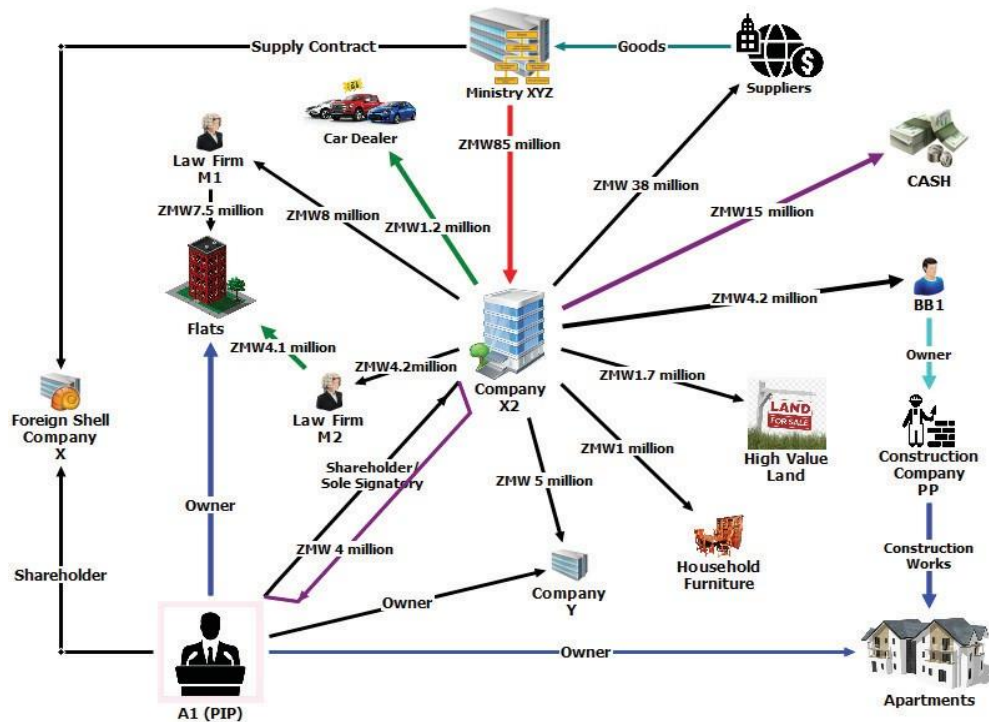
Further analysis established that **Ministry XYZ** made a part payment of over **ZMW 85 million** advance payment to **Company X2's** account of which **ZMW 38 million** was spent on contracted supplies through transfers to several foreign jurisdictions.

Further, **PIP A1** utilized the balance of **ZMW 47 million** as follows:

- Approximately **ZMW 12 million** was transferred to two law firms, **M1** and **M2** to procure a block of flats.
- Approximately **ZMW 4 million** was transferred to **Individual BB1**, for the construction of apartments.
- Approximately **ZMW 1.7 million** was transferred for the purchase of high value land.
- Approximately **ZMW 1.2 million** was transferred to a motor vehicle dealer.
- Approximately **ZMW 15 million** was withdrawn as cash.
- Approximately **ZMW 13.1 million** was transferred to another company owned by **PIP A1** and other personal accounts.

The case was disseminated to law enforcement agencies in 2022 for investigation, possible prosecution and forfeiture of assets suspected to be proceeds of crime.

## TRENDS OBSERVED (Cont'd)



### Case Study V: Use of Corporate Vehicles in Suspected **Corrupt Practices, Fraud, Tax Evasion and Money Laundering**

The FIC analysed a matter bordering on suspected corrupt practices regarding the award of a USD 215 million (Equivalent to ZMW 2.14 billion at average exchange rate of USD1: ZMW 9.95 in 2017) contract which was awarded in 2017 by Ministry LM to an international Company VX to build a government facility.

The analysis revealed that the award was made using direct bidding without the following documents being submitted at the time of the award as was the requirement in the solicitation document:

- Incorporation documents from the Company Registration office
- Audited financial statements
- Tax Clearance Certificate from the Revenue Authority
- Certification from National Council Construction
- Documents to demonstrate the technical capacity

Further, analysis revealed that Company VX only met some requirements after the award of the contract including obtaining certification from the National Council for Construction and opening of bank accounts. It was further observed that the physical address provided by Company VX did not exist.

From the contract sum of USD 215 million, approximately USD 32 million (ZMW 318.4 million) was paid to Company VX by Ministry MZ. Out of the USD 32 million payment to Company VX, approximately USD 29.7 million (ZMW 295.5 million) was transferred to Company CB in Asia for import of construction materials. However, the ZRA records revealed that Company VX did not import anything. It was further observed that Company CB started wiring funds to various Zambian entities (Companies 1 to 7) and law firms (Law Firm 1 to 6).

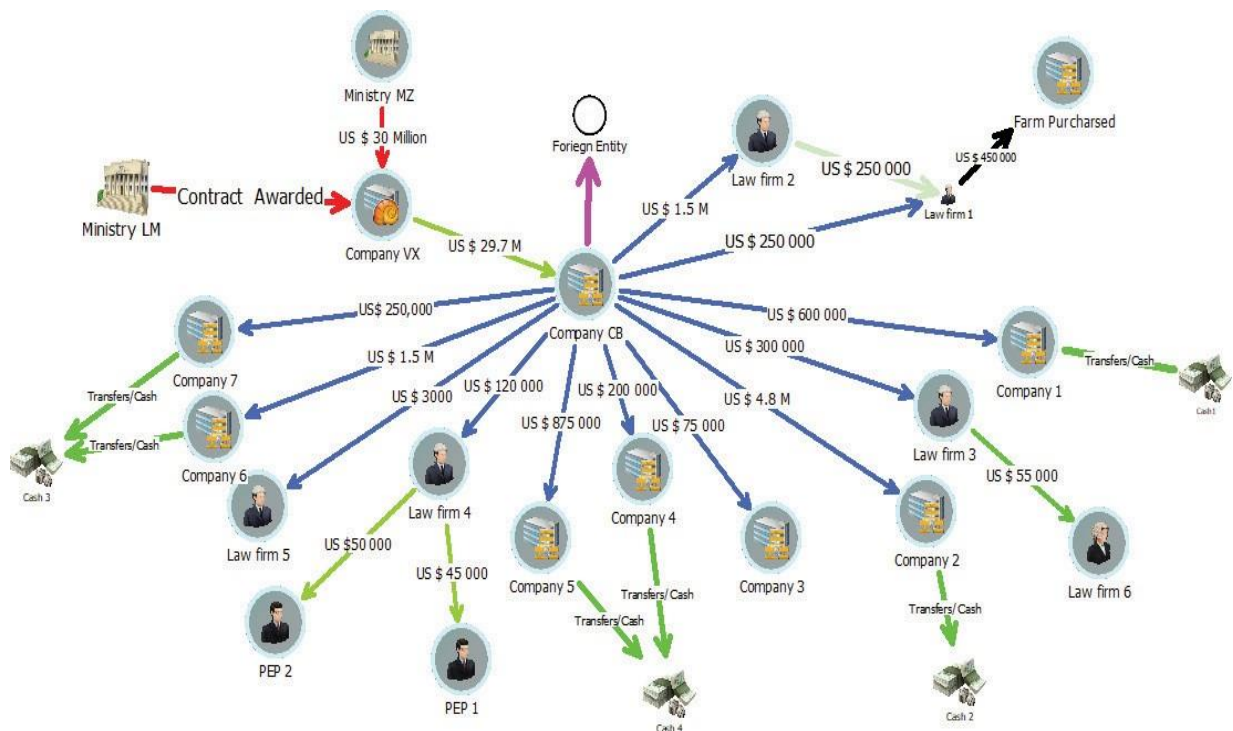


## TRENDS OBSERVED (Cont'd)

Analysis further revealed that some of the wire transfers were made to domestic PEPs who were unrelated parties to the contract. Verifications conducted revealed that **Company VX** did not carry out works for the contract.

In addition, it was determined that the **Company CB** address was non-existent in the target country. The information on the invoices submitted to the bank by **Company VX** to import the goods were not authentic. The inquiry further noted that **Company VX** appeared on the list of World Bank debarred institutions.

The case was disseminated to law enforcement agencies in 2022 to address possible corruption, fraud, tax evasion and money laundering.



## Case Study VI: Use of Corporate Vehicles in Suspected **Illegal Wildlife Trade** and **Money Laundering**

The FIC analysed a case in which **Company Z**, a Zambian incorporated company was suspected to be trading in prohibited wildlife trophies. **Civil Servant P**, a majority shareholder in **Company Z** was the sole signatory on all company bank accounts.

According to analysis, **Company Z** received more than **USD 600,000** from two Asian companies that are known for importing illegal wildlife items from African nations. It was established that the two companies are manufacturers of jewelry and furniture.

Upon receipt of the funds from the two Asian companies, **Civil Servant P** transferred over **ZMW800,000** to his personal account from the company account. **Civil Servant P** further transferred over **ZMW 500,000** from the **Company Z** account to another **Company G**, which is an associate of **Company Z**.

Verification showed that the money sent by the two Asian companies to **Company Z** were generated from the sale of prohibited wildlife items.

The FIC placed a freezing order on the company bank accounts and disseminated the matter to the relevant law enforcement agencies for investigation.

## TRENDS OBSERVED (Cont'd)

### B. Corruption

The FIC analysed 13 reports on suspected corruption valued at approximately **ZMW 1.6 billion**. These reports mainly bordered on abuse of office and procurement corruption. The FIC noted the continued trend of fraudulently awarded public procurement contracts. Most of these contracts were awarded to companies and individuals who were associated with PIPs.

#### RED FLAGS:

- Overpricing of contract sum.
- Non-delivery of contract obligation.
- Failure to follow procurement procedure.
- Failure to disclose conflict of interest.
- Facilitation payments.
- Quick processing of tender and payments.
- Award of contracts to newly incorporated entities.

#### Case Study VII: Suspected Abuse of Office and Money Laundering

The FIC analysed a case in which an institution headed by a PIP awarded contracts in 2019 to a company controlled by associates of the PIP. It was revealed that the PIP and his associates profited from the awarding of the contracts worth **USD 4 million** (Equivalent to **ZMW 51.6 million** at average exchange rate of **USD 1: ZMW 12.9** in 2019) and **ZMW 90 million**, respectively.

Our findings were as follows:

- I. The Procurement Committee of the Institution headed by the **PIP** awarded the contract to a public **Institution** without following the procurement procedures. The Institution awarded had neither the capacity nor experience to execute the contract.
- II. It was noted that the contract was signed by an individual who was a close associate to the **PIP**. On payment of **USD 4 Million** by institution headed by the **PIP**, several transfers were made to unrelated parties to the contract who were close associates of the **PIP**.

The matter was disseminated on the grounds of suspected corrupt practices, abuse of office, willful failure to follow procedure at public institutions, fraud and money laundering.

### C. Irregularities in Forex Trading: A Case of Bureaux De Change

During the period under review, the FIC received 30 STRs involving individuals working for Bureaux De Change. The individuals linked were using their personal accounts to conduct currency purchases on behalf of the said institutions and had higher transaction volumes compared to the Bureaux De Change's accounts. Transactions on the individual accounts were associated with frequent Kwacha cash deposits which were immediately followed by dollar withdrawals ranging between USD 5,000 and USD 10,000. Further, we observed that these individuals had accounts with multiple banks and transaction patterns were similar.

The use of personal accounts by individuals linked to Bureaux De Change was a way to avoid some transactions reflecting in the Bureaux's bank accounts hence no transaction trail was created. Further, the use of personal accounts was a way of circumventing the controls with regards to foreign currency trading.

## TRENDS OBSERVED (Cont'd)

### RED FLAGS:

- Declared income at account opening by individuals different from transactions observed on the accounts.
- Large number of transactions on individual accounts made from border towns.
- Use of personal accounts for business transactions.
- Transactions linking associates and family members connected to bureau.
- The individuals/bureaux were not compliant with forex controls.
- Large cash deposits immediately followed by purchases of US Dollars.

### D. Irregularities in Agriculture Procurement

During the period under review, the FIC analysed and disseminated 6 reports to LEAs on suspected procurement corruption, theft, fraud and money laundering in the agricultural sector. The Farmer Input Support Programme (FISP) was established in 2002 to increase access to inputs for small-scale producers and promote parity among market participants. It aims to ensure timely delivery of agricultural inputs. However, the FISP has continued to face challenges including procurement irregularities which have impacted its effective implementation, resulting in late delivery of farming inputs to the farmers.

### RED FLAGS:

- The continued abuse of direct and limited bidding methods in procurement of farming inputs.
- Awarding of contracts to non-tax compliant companies.
- Non-fulfilment of contractual obligations despite full payment.
- Collusion in the contract awarding process through the use of multiple companies to bid for contracts.
- Masking of beneficial owners of bidding companies.
- Awarding of contracts to shell companies leading to non-fulfilment of contractual obligations.
- Funds intended for implementation of FISP contracts are diverted (through externalisation, personal use, and payment of gratification).

### Case Study VIII: Suspected Procurement corruption, Theft, Fraud and Money Laundering

The FIC received possible cases of procurement corruption, theft, fraud and money laundering on six entities B1, B2, B3, B4, B5 and B6 who were awarded Government contracts for the period 2020 to 2022 in excess of USD 300 million. The companies were awarded contracts of USD 115 million, USD 95 million, USD 8.5 million, USD 13.5 million, 7.5 million and USD 47 million respectively. It was noted that:

- Approximately USD 7.5 million was transferred to B5, which then transferred USD 7 million to B2. The funds were the depleted via cash withdrawals and transfers to tax havens. The inquiry noted that there was no contract held between B2 and B5.
- Approximately USD 14 million was transferred to B4, an entity registered in a tax haven. The payment was made through a Zambian entity that then transferred only USD 250,000 to B4. The rest of the funds were the depleted via cash withdrawals and remittances to tax havens.

We noted that the awarded suppliers did not execute their roles fully despite full payments of contract sums.

## TRENDS OBSERVED (Cont'd)

### E. Purchase of High Value Motor Vehicles

There has been an increase in the number of dealers in second hand high value vehicles. Transactions in this market are mostly in cash form which presents vulnerabilities that can be exploited for money laundering activities.

The FIC noted an increase in money laundering through the purchase of high value motor vehicles. These motor vehicles were registered in third party companies incorporated fraudulently by PIPs without the knowledge of the purported directors/shareholders. In other instances, the directors of established companies were lured by PIPs to register motor vehicles in their company names with a view to disguise true ownership. Furthermore, other PIPs bought or registered high value vehicles in their personal capacities. It was established that the vehicles were acquired using proceeds of crime.

#### RED FLAGS:

- High cash deposits in dealers accounts from unknown sources.
- Registering vehicles in third parties' names with/without their knowledge.
- Income of buyers not supporting the value and number of vehicles purchased.
- Purchase of high value vehicles by PIPs from associate vehicle dealers in cash.
- Individuals colluding with suppliers of vehicles to undervalue purchase amounts with a view to evade tax.

### Case Study VIII: Property Suspected to be Proceeds of Crime and Money Laundering

The FIC analysed a case involving **Civil Servant S** who acquired over 9 high value motor vehicles in a period of 2 to 3 years at a total cost of over **ZMW 27 million**. Analysis of the subjects' bank account revealed that the credit turnover was below the cost of the vehicles. There were reasonable grounds to suspect that the vehicles were procured using proceeds of crime as the subject's known sources of income were not sufficient to cover the cost of the vehicles. The matter was disseminated to law enforcement agencies for investigation and possible prosecution.

### F. Money Value Transfer Services

In the year 2022, the FIC received 144 STRs from Money Value Transfer Services compared to 42 STRs received in 2021, representing a 243% increase. The major suspicious transactions reported were on scams initiated via fraudulent messages and phone calls to individuals and MVTS agents.

### G. Human Trafficking

Human trafficking offences are being perpetrated by foreigners and Zambian nationals. During the period under review the FIC noted a number of incidents of human trafficking for sexual and labour exploitation and other crimes involving Asian and East African nationals. These incidents were prevalent along the line of rail. Most of the East African nationals were in transit to South Africa while the Asian nationals were used as sex workers in casinos around the country. Further, there has been an increase in the number of spas operated by foreign nationals set up within residential areas. Intelligence gathered revealed that some of these spas operate as brothels.

#### RED FLAGS:

- Restricted movements of trafficked individuals.
- Foreign nationals with no valid travel documents.
- Mushrooming of spas and casinos without operating licenses.

## TRENDS OBSERVED (Cont'd).

### H. Excessive use of Cash in Commerce

Currency Transaction Reports (CTRs) analysed revealed that individuals had continued to use personal accounts for business transactions. It was noted that there was a steady increase in the number of both the individual and corporate CTRs in the year under review compared to the previous years. This can be attributed to increased compliance by the reporting entities as well as reinjection of cash into the financial system by individuals suspected to have been hoarding cash. This trend was also observed in the STRs received where it was noted that most of the STRs were reported on reason for suspicion based on cash transactions. The FIC received a total of 1,965 STRs on cash related transactions representing 34% of the total STRs reported. The transactions were categorized as large or unusual cash deposits, large or unusual cash withdrawals and many third parties making deposits in the accounts.

Lusaka Province continued to be the hub of most economic activities in comparison to other provinces. In terms of deposits and withdrawals, analysis revealed that over 80 percent of the cash deposits were utilized through cash withdrawals. This is because Zambia still remains largely a cash-based economy which enables usage of cash in financial transactions and makes it easier for money launderers to move illicit funds without leaving a trail.

In the period under review, the FIC received a total of **239,717** CTRs on individual and corporate accounts compared to **145,852** in 2021 representing an increase of 64%. This is depicted in Chart 3 below:

Chart 3: CTRs Received



Source: Financial Intelligence Centre, Zambia-2022

Tables 1 and 2 below show the distribution in terms of number per province:

Table 1 : Corporate CTRs by Province

Province	Quarter / Number of Transactions			
	Q1	Q2	Q3	Q4
Lusaka	21,459	23,036	26,000	33,381
Copperbelt	5,861	6,119	6,919	8,321
Central	904	953	1,200	1,131
Eastern	779	864	1,004	1,406
Southern	976	762	958	1,038
Muchinga	275	357	310	382
North Western	206	210	334	493
Unclassified	119	213	367	399
Luapula	207	199	258	212
Western	203	165	157	178
Northern	168	130	161	169
<b>Grand total</b>	<b>31,157</b>	<b>33,008</b>	<b>37,668</b>	<b>47,110</b>

Table 2: Individual CTRs by Province

Province	Quarter / Number of Transactions			
	Q1	Q2	Q3	Q4
Lusaka	7,855	8,578	11,054	13,426
Copperbelt	4,222	3,594	3,307	6,919
Unclassified	1,555	1,547	6,101	3,674
Eastern	1,669	1,203	1,559	2,278
Muchinga	538	917	546	1,427
Central	451	619	1,054	991
Southern	421	452	930	1,107
Northern	201	149	217	335
Western	144	124	134	317
North Western	122	148	111	289
Luapula	126	68	124	171
<b>Grand total</b>	<b>17,304</b>	<b>17,399</b>	<b>25,137</b>	<b>30,934</b>

\*\*Unclassified refers to transaction locations not indicated in the CTR form  
Source: Financial Intelligence Centre, Zambia-2022

## TRENDS OBSERVED (Cont'd)

### I. Suspected Terrorism Financing

There was a sharp increase in the number of reports related to suspected terrorism financing which was attributed to the timely identification of indicators by reporting entities and increased collaboration among local and foreign competent authorities. In 2022, the FIC received 11 STRs relating to suspected terrorist financing which were analyzed and disseminated. The STRs related to suspected members of an international network of financial facilitators involving companies and individuals. The subjects of the STRs operated both bank and mobile money accounts.

Further, it was observed that some companies incorporated within Zambia were linked to terrorist organizations in the Middle East. These companies were observed to provide financial support to suspected terrorist organizations in high-risk jurisdictions.

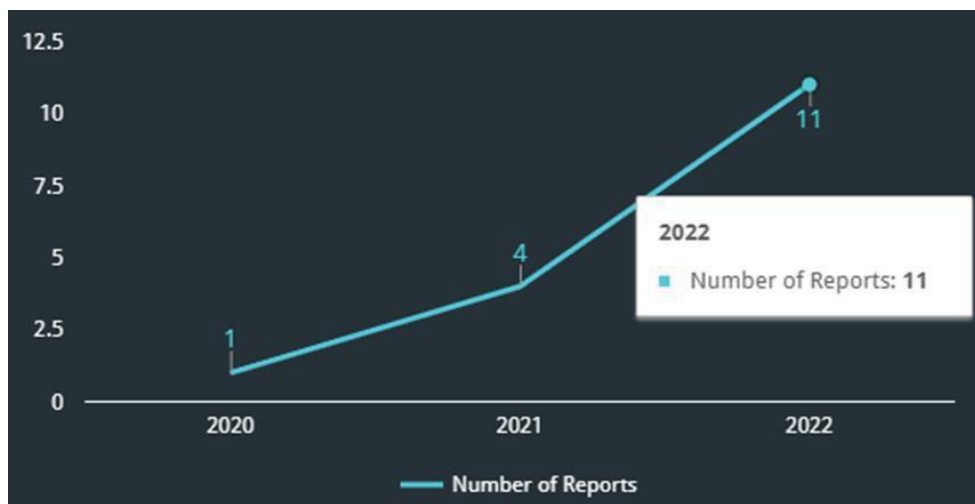
The FIC collaborated with the Financial Crimes Enforcement Network (United States of America's FIU) on individuals and entities that were listed by the Office of Foreign Asset Control (OFAC).

#### RED FLAGS:

- Parties to the transaction (either owner or beneficiary etc.) are from countries known to support terrorist activities and organizations.
- Linked individuals and organizations on sanctions lists.
- Structured low amounts used in transactions to avoid prescribed reporting thresholds.
- Transfers involving high-risk locations.
- Companies involved were in sectors that are high cash generating.
- Individuals involved using the same residential addresses.

The 3-year trend in the number of Terrorism Financing disseminations is shown in Chart 4 below:

Chart 4: Suspected terrorist financing reports



Source: Financial Intelligence Centre, Zambia-2022







### 3 COMPLIANCE BAROMETER & AWARENESS

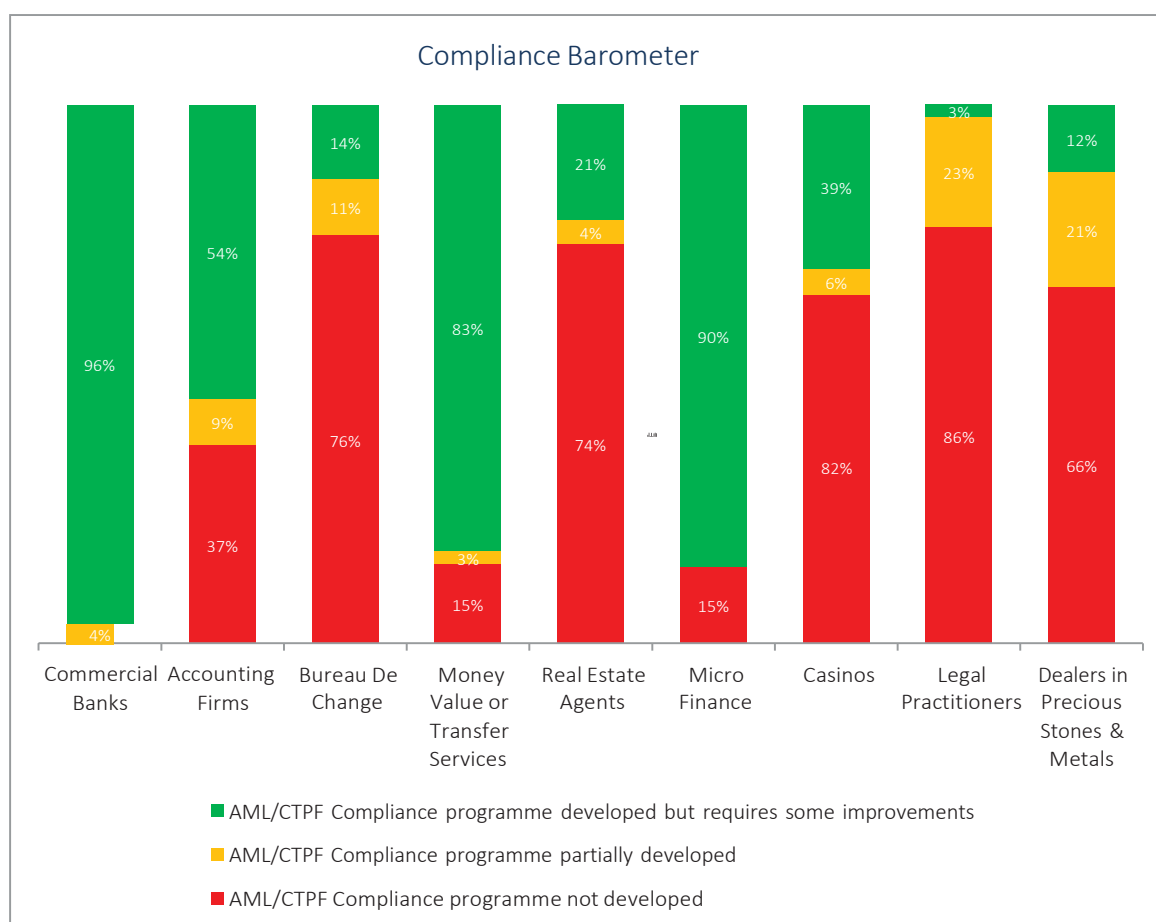
- I. COMPLIANCE BAROMETER
- II. AWARENESS AND TRAINING

### 3. COMPLIANCE BAROMETER AND AWARENESS

#### I. COMPLIANCE BAROMETER

The compliance barometer provides a snap-shot of the status of AML/CTPF compliance programmes in the sectors supervised by the FIC. It further measures the sectors' technical compliance to the requirements of the FIC Act but is not indicative of the effectiveness of the implementation of the compliance requirements by reporting entities.

Chart 5: Compliance Barometer



Source: Financial Intelligence Centre, Zambia-2022

The compliance barometer shows that the banking sector has the highest levels of technical compliance with AML/CTPF 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%) that were submitted during the period under review. Despite the high levels of technical compliance in the banking sector, it was observed that the effectiveness of the reporting systems needed some improvements to meet the regulatory reporting requirements. The FIC noted cases of inadequate analysis of transaction alerts and failure to report reportable transactions by some banks.

In 2022, the FIC monitored the legal firms and there was an indication of very low levels of technical compliance with 86% of the legal firms monitored being assessed as not having developed the compliance programme. Legal firms that remain non-compliant will be prioritized for targeted inspection and enforcement action.

One of the tools that is used to measure compliance is the designation of compliance officer by reporting entities. In the period under review, 279 Compliance officers were designated by reporting entities and approved by the FIC.

## II. AWARENESS AND TRAINING

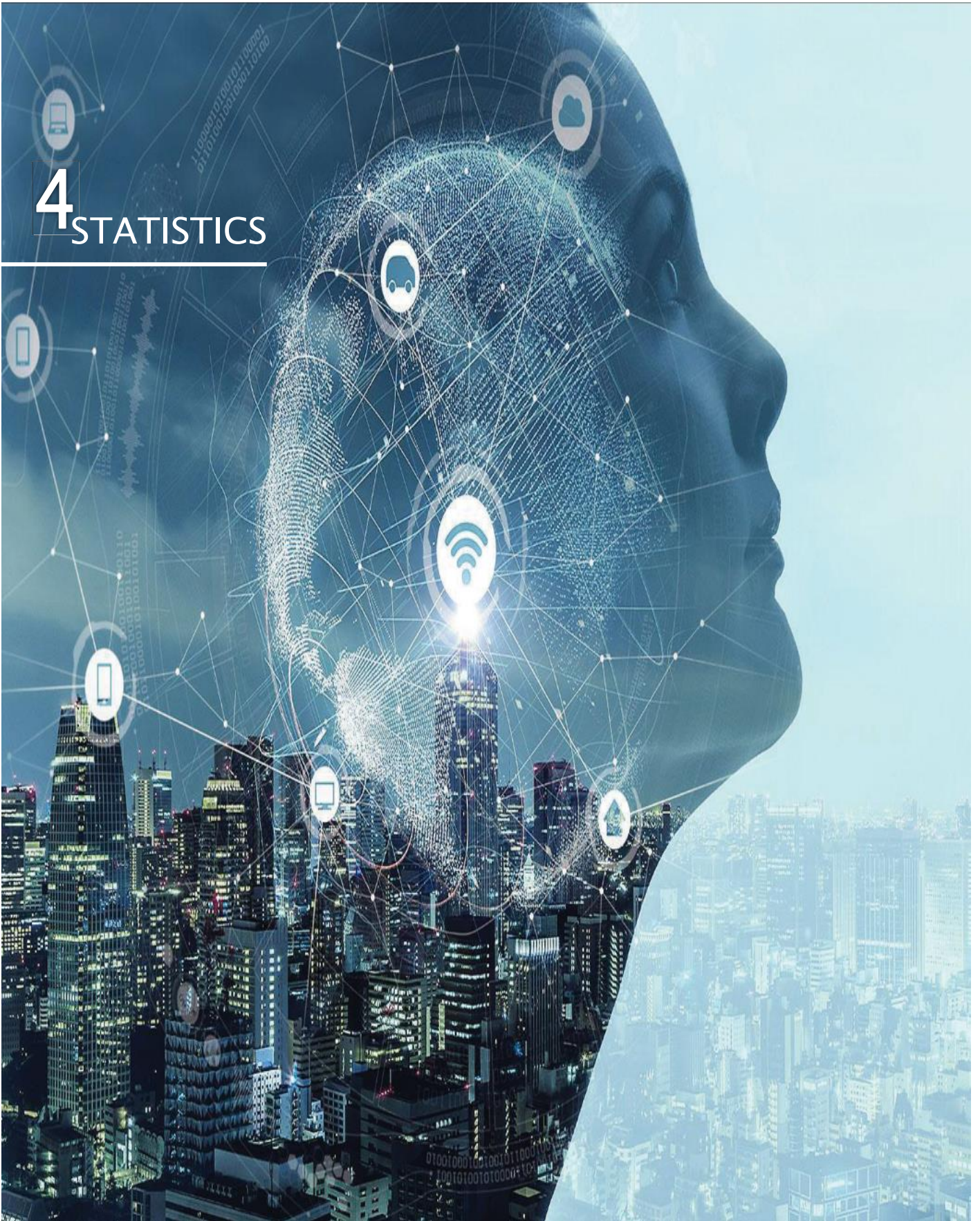
During the period under review, the FIC conducted outreach activities to various stakeholders in the private, public and Non- Governmental Organizations (NGOs) sectors to increase awareness on the FIC's mandate and to educate reporting entities and accountable institutions on their obligations under the FIC Act. The FIC provided training to 17 Members of Parliament (MPs) and 5 committee clerks representing the Public Account, National Economy, Trade and Labour and National Security and Foreign Affairs Committees. In addition, the Centre engaged a team of 8 members of parliament from Uganda on the role of the FIC in promoting accountability and prudent management of public resources. Further, the FIC conducted awareness sessions with LEAs and competent authorities such as: Ministry of Defense, Ministry of Justice, Ministry of Finance and National Planning, National Anti-Terrorism Centre (NATC), National Prosecution Authority (NPA), Law Association of Zambia (LAZ) and the Bank of Zambia (BoZ). The Media, reporting entities and accountable institutions were also engaged throughout the year.

The FIC developed and published sector specific guidelines for the Virtual Asset Service Providers (VASPS) and NGOs sectors.

Further, in raising public awareness on ML/TF/PF trends, methods and activities in Zambia, the FIC published a typology report on Trade Based Money Laundering in Zambia (TBML) with the theme: *The Dark-Side of International Trade* which focused on identifying TBML risk indicators and providing a basis for authorities to formulate strategies to combat TBML in Zambia. The report further provided recommendations to enhance Zambia's capacity to combat TBML.



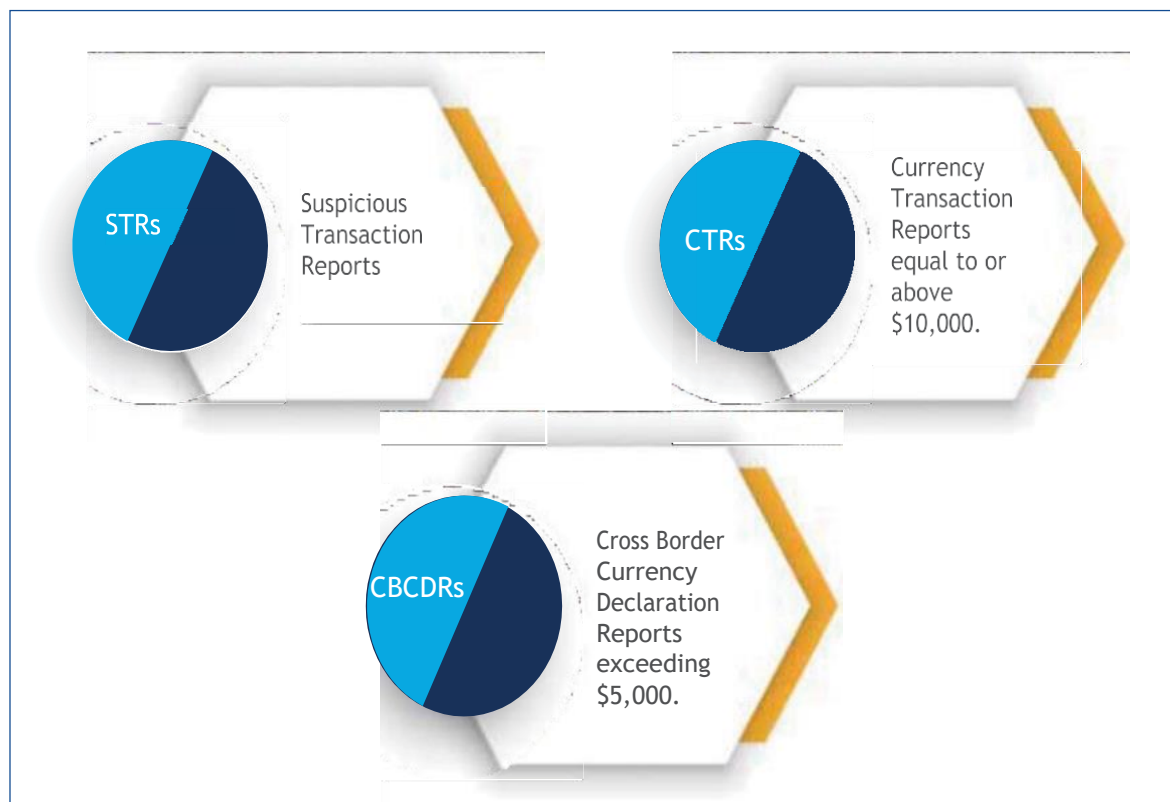
# 4 STATISTICS



#### 4. STATISTICS

Pursuant to sections 29 and 30 of the FIC Act No. 46 of 2010 (as amended) require reporting entities to submit Suspicious Transaction Reports (STRs) and Currency Transactions Reports (CTRs) respectively. In addition, section 38 of the FIC Act as read with regulation 8 of the FIC (Prescribed Threshold) Regulations, 2022; the FIC receives Cross Border Currency Declaration Reports (CBCDRs) from the Zambia Revenue Authority.

Chart 5: Reports Received by the FIC



Source: Financial Intelligence Centre, Zambia-2022

**Suspicious Transaction Reports (STRs)** - STRs are submitted on suspected or attempted money laundering, financing of terrorism or proliferation financing or any other serious offence.

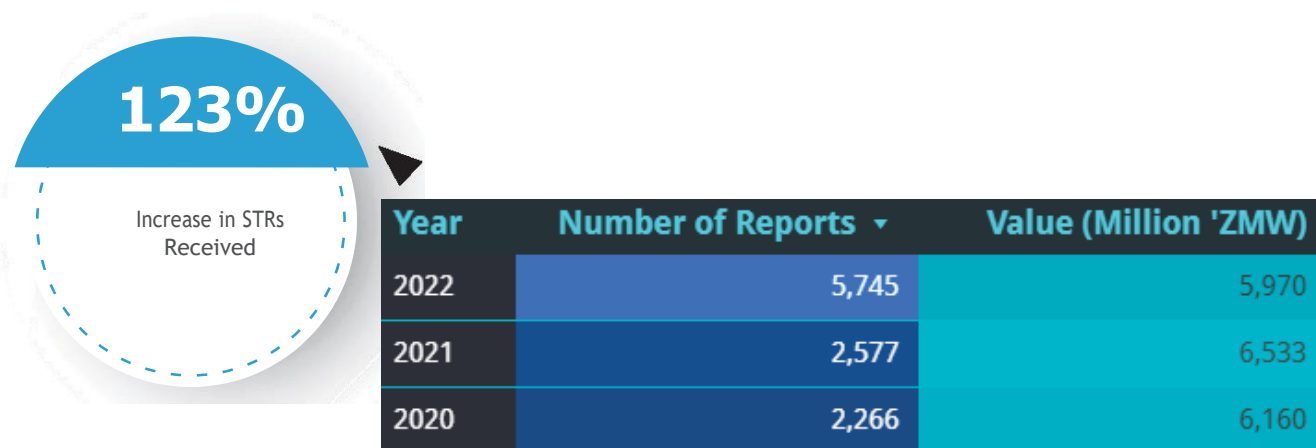
**Currency Transaction Reports (CTRs)** - CTRs are reports filed by reporting entities to the FIC in relation to any currency transaction in an amount equal to or above USD10,000 or kwacha equivalent.

**Cross Border Currency Declaration Reports (CBCDRs)** - CBCDRs are reports declared to the Zambia Revenue Authority by an individual entering or leaving Zambia with an amount in cash, bearer negotiable instruments or both, exceeding the Kwacha equivalent of USD 5,000, whether denominated in Kwacha or any foreign currency.

### Suspicious Transactions Reports Received

During the period under review, a total of five thousand seven hundred and forty-five (5,745) STRs were received from reporting entities. This represents an increase of 123% compared to the year 2021. The value of the reports received in 2022 was ZMW 5.97 billion representing a decrease of 8.6% compared to the year 2021 (ZMW 6.53 billion). This is depicted in Table 3 and Chart 6 below:

Table 3 and Chart 6: Reports received by number and value



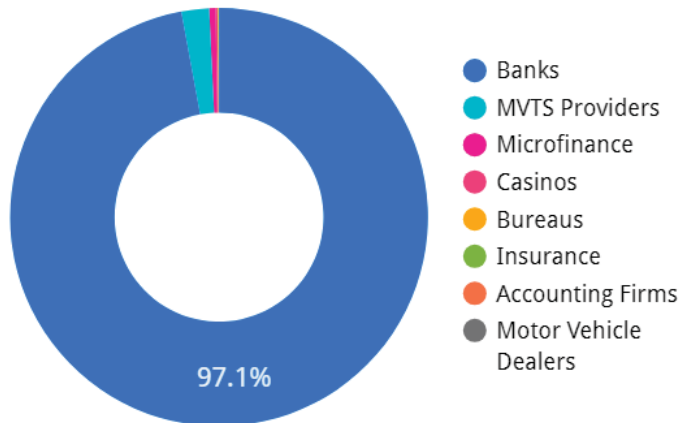
Source: Financial Intelligence Centre, Zambia-2022

STRs received in 2022, were mostly on suspicion of large or unusual cash deposits and withdrawals, large inward and outward remittances, activity inconsistent with customer profile and unusually large foreign currency transactions. Some of these trends were also observed in 2021.

### Suspicious Transaction Reports received by Sector

During the period under review, the banking sector submitted 97% of the total reports received by the FIC. There was a 121% increase of STRs received in 2022 (5,574) compared to STRs received in 2021 (2,522). The FIC further noted an increase in the number of STRs submitted by the Designated Non-Financial Businesses and Professions (DNFBPs) sector from 0 in 2021 to 17 reports in 2022. The 17 reports were received from the Casinos (15) and Accounting Firms (2).

Table 4 and Chart 7: STRs submitted by sector



Sector	Year / Number of Reports		
	2022	2021	2020
Banks	5,574	2,522	2,185
MVTS Providers	144	42	41
Microfinance	8	13	31
Casinos	15	0	0
Bureaus	0	0	5
Insurance	0	0	4
Motor Vehicle Dealers	2	0	0
Accounting Firms	2	0	0
<b>Grand total</b>	<b>5,745</b>	<b>2,577</b>	<b>2,266</b>

Source: Financial Intelligence Centre, Zambia-2022



## Suspicious Transaction Reports Analysed

A total number of 155 reports were analysed in 2022 compared to 211 STRs analysed in 2021, representing a 26.5% decrease. Despite a decrease in the number of reports analysed, there was a 40% increase in value of the analysed reports in 2022 compared to 2021. The STRs analysed relate to suspected predicate offences depicted in Table 5 below:

Table 5: Suspicious Transaction Reports Analysed

Suspected Offence	2022		2021		2020	
	Number	Value (Millions)	Number	Value (Millions)	Number	Value (Millions)
Corruption	13	1,664	22	1,286	18	2,232
Fraud	6	21	55	302	12	26
Illegal mining	0	0	0	0	7	165
Money Laundering	45	3,031	34	1,628	7	466
Other offences	8	1	7	91	278	53
Tax Evasion	64	1,342	89	1,067	41	719
Terrorist Financing*	11	2	4	0	1	0
Violations (BFSI SI No. 38 2003)	8	53	0	0	0	0
<b>Grand total</b>	<b>155</b>	<b>6,113</b>	<b>211</b>	<b>4,374</b>	<b>364</b>	<b>3,661</b>

Increase in Value of  
Analysed Reports

40%

Source:

Financial Intelligence Centre, Zambia-2022

## Intelligence Reports Disseminated

During the period under review, the FIC disseminated a total number of 129 reports to Law Enforcement Agencies (LEAs) compared to 44 in 2021, representing a 193% increase while the values attributed to the disseminations also increased to ZMW 5.83 billion in 2022 from ZMW 3.56 billion in 2021. The increase in the number of disseminations is as a result of enhanced risk-based approach which ensured that almost all the STRs analysed resulted in intelligence reports that were disseminated. This is illustrated in Table 6 below:

Table 6: Suspicious Transaction Reports Disseminated

Suspected Offence	2022		2021		2020	
	Number	Value (Millions)	Number	Value (Millions)	Number	Value (Millions)
Corruption	10	1,643	4	1,276	14	2,228
Fraud	4	17	3	20	6	26
Illegal mining	0	0	0	0	7	165
Money Laundering	44	2,783	16	1,543	3	4
Other offences	0	0	0	0	6	2
Tax Evasion	52	1,330	17	722	24	717
Terrorist Financing*	11	2	4	0	1	0
Violations (BFSI SI No. 38 2003)	8	53	0	0	0	0
<b>Grand total</b>	<b>129</b>	<b>5,828</b>	<b>44</b>	<b>3,561</b>	<b>61</b>	<b>3,142</b>

Source: Financial Intelligence Centre, Zambia-2022

### **Feedback on Disseminated Intelligence Reports**

During the period under review, the FIC received feedback from Competent Authorities on the intelligence reports that were disseminated. Most of the cases were under investigations, while others had proceeded to court and some cases were reported as closed for various reasons. In addition, convictions and forfeitures were recorded in some cases.



## 5 CONCLUSION & RECOMMENDATIONS

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- I CONCLUSION
- II RECOMMENDATIONS

## 5. CONCLUSION AND RECOMMENDATIONS

### I. CONCLUSION

The key trend observed in the STRs analysed was the upswing in the use of corporate vehicles specifically to facilitate suspected illicit financial flows. Such financial flows have adverse effects on the economy such as loss of Government revenue and weakening of the financial system by eroding transparency, distorting market signals and facilitating criminal activity. This remains a big problem which requires formulation of government policy in addressing the vice.

It was further noted that there has been a rise in the number of cyber-attacks on financial institutions. This calls for institutions that provide financial services to ensure that their systems are robust and well-resourced to manage the attacks and risks that may present themselves in this space.

### II. RECOMMENDATIONS

The FIC wishes to make the following recommendations:

- i. Government should adequately resource PACRA to fully operationalise the Beneficial Ownership register to enable the availability of up to date, accurate and accessible information by competent authorities and other stakeholders.
- ii. Government to consider introducing a limit for the use of cash in commerce in high value transactions in high-risk sectors.
- iii. Competent authorities to interrogate the existing gaps in the legal framework relating to onboarding of foreign clients/customers that facilitate illicit financial flows.
- iv. Government should build capacity in competent authorities to monitor and quantify illicit financial flows.
- v. Competent authorities to enhance collaboration in investigating and prosecuting ML/TF/PF and other economic and financial crimes as guided by the National AML/CFT Policy.
- vi. Competent authorities and private sector to enhance collaboration as guided by the National AML/CFT Policy.

## 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 organization; 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.

Impartiality

Courageous

Transparency

Integrity

Confidentiality

Honesty

Accountability

Excellence