



Financial Intelligence Centre Republic of Zambia

NOTICE AND EXPLANATORY NOTE ON THE REGULATIONS PRESCRIBING THRESHOLDS FOR SPECIFIC TRANSACTIONS

The Financial Intelligence Centre (Prescribed Thresholds) Regulations, S.I No. 52 of 2016 has been issued. The S.I which was published on 8th July, 2016 takes effect one hundred and eighty days from the date of its publication. The S.I will therefore come into effect on 8th January, 2017.

Rationale

The Financial Intelligence Centre Act, No. 46 of 2010 (the Act) requires thresholds to be prescribed for specific transactions or circumstances in the normal course of business. This is in line with the Financial Action Task Force (FATF) Standards for combating money laundering and financing of terrorism (AML/CFT).

FATF Recommendation 10 provides for thresholds in relation to customer due diligence for specific transactions.

Recommendation 16 requires countries to have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including through a declaration system and/or disclosure system.

Thresholds for Occasional (once-off transactions)

The Act in 16(1)(b) requires a reporting entity to undertake Customer Due Diligence (CDD) measures when a customer who is neither an account holder

nor in an established business relationship with the financial institution, wishes to carry out a transaction above a designated threshold.

The **threshold is set at zero** under Regulation 5 of S.I No. 52 of 2016, as a financial institution is required to conduct CDD when a customer wishes to carry out a transaction for **any amount** under the above circumstances highlighted above.

There is no reporting requirement for this threshold.

Wire Transfer Thresholds

The Act under section 26 requires the prescription of thresholds for which customer due diligence will be conducted when a financial institution conducts wire transfers on behalf of a customer in monetary amounts equal to or above, the prescribed threshold

The specific obligations are that where a financial institution undertakes any wire transfers equal to or above, the prescribed amount, the financial institution should:

1. Identity and verify the identity of the originator;
2. Obtain and maintain the account number of the originator, or in the absence of an account number, a unique reference number;
3. Obtain and maintain the originator's address or, in the absence of address, the national identity number, or date and place of birth; and
4. Include information from paragraphs (a) to (c) in the message or payment form accompanying the transfer.

The above obligations will not apply to a financial institution conducts a wire transfer on behalf of a customer with which it has an existing business relationship where it is satisfied that it already knows and has verified the true identity of the customer.

The obligations will also not apply to transfers executed as a result of credit card or debit card transactions or to transfers between financial institutions acting for their own account.

The prescribed threshold for a wire transfer transaction is provided under Regulation 6 of S.I No. 52 of 2016 as:

- (a) An amount equal to or above Kwacha Equivalent of **USD10,000.00** (whether denominated in Zambian Kwacha or a foreign currency in relation to a **legal person or legal arrangement**;

- (b) An amount equal to, or above the Kwacha equivalent of USD5,000.00 (whether denominated in Zambian Kwacha or a foreign currency in relation to **an individual**;

There is no reporting requirement for this threshold unless the financial institution fails to get any missing information from a reporting entity in which case a report must be made to the Centre.

Currency Transaction Threshold

In accordance with section 30 of the Act, a threshold relating to currency transactions is required. In particular, section 30 provides that "***A reporting entity shall, promptly but not later than three working days, submit a report to the Centre on any currency transaction in an amount equal to or above the prescribed amount, whether conducted as a single transaction or several transactions that appear to be linked***".

The prescribed threshold for a currency transaction as provided under Regulation 7 of S.I No. 52 of 2016 is one equal to or above the kwacha equivalent of **USD10,000.00** (whether denominated in Zambian kwacha or a foreign currency).

As indicated earlier this threshold has a reporting requirement.

Cross-Border Reporting Thresholds

Section 38 of the Act provides that a person leaving or entering Zambia with an amount in cash, negotiable bearer instruments or both exceeding an amount or its equivalent in any other currency as prescribed by the Minister, shall declare to a customs officer. The section further provides that any declaration under this section shall be deemed to be a declaration under the Customs and Excise Act, Cap 322 of the Laws of Zambia.

The prescribed threshold for cross border reporting as provided under Regulation 8 of S.I No. 52 of 2016 is an amount in cash, negotiable bearer instruments or both, exceeding the kwacha equivalent of **USD5,000.00** (whether denominated in Zambian kwacha or a foreign currency).

Penalty for Non-Compliance

Regulation 9(1) of S.I No. 52 of 2016 provides for the following penalties for violating any provision thereof:

- (a) In relation to a **person** - a fine not exceeding two thousand five hundred penalty units or to imprisonment for a period not exceeding one year, or to both, upon conviction;

- (b) In relation to a **body corporate** or an **unincorporate body** – every director or manager of the corporate or unincorporated body is liable, upon conviction, as if the director or manager had personally committed the offence, unless the director or manager proves to the satisfaction of the court that the act constituting the offence was done without the knowledge, consent or connivance of the director or manager or that the director or manager took reasonable steps to prevent the commission of the offence.



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FINANCIAL INTELLIGENCE CENTRE