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Money Laundering

Anti - Money Laundering

2013

Strategy for Anti-Money Laundering and Combating Terrorist Financing, 2013

The United Republic of Tanzania

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UNITED REPUBLIC OF TANZANIA

**STRATEGY FOR ANTI-MONEY LAUNDERING AND COMBATING TERRORIST
FINANCING**

JULY 2010- JUNE 2013

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LIST OF ABBREVIATIONS

AGC	Attorney General's Chamber
AML	Anti-Money Laundering
BOT	Bank of Tanzania
CFT	Combating Financing of Terrorism
DNFBPs	Designated Non Financial Businesses and Professions
FDIs	Foreign Direct Investments
FIU	Financial Intelligence Unit
MDGs	Millennium Development Goals
MER	Mutual Evaluation Report
ML	Money Laundering
MOCAJ	Ministry of Constitution Affairs and Justice
MOFAIC	Ministry of Foreign Affairs and International Cooperation
MOFEA	Ministry of Finance and Economic Affairs
MOHA	Ministry of Home Affairs
MOU	Memorandum of Understanding
NBAA	National Board of Accountants and Auditors
NICs	National Identity Cards
NSGRP	National Strategy for Growth and Reduction of Poverty
PCCB	Prevention and Combating of Corruption Bureau
TF	Terrorists financing
TISS	Tanzania Intelligence and Security Services
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
ZICs	Zanzibar Identification Cards.
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty

INTERPRETATION

Cooperating Partners	Countries and institutions supporting Tanzania technically and financially in AML/CFT efforts.
Egmont Group	Group of Financial Intelligence Units in the World.
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group; It is one of the FATF Style Regional Bodies spearheading AML/CFT efforts in the Eastern and Southern Africa region.
FATF	Financial Action Task Force; an international AML/CFT standards setting body.
Mainland Tanzania	The whole of the territory of the URT which was formerly the territory of the Republic of Tanganyika.
National Committee	National Multidisciplinary Committee on AML established by section 8 of the Anti-Money Laundering Act, Cap 423
Tanzania Zanzibar	The whole of the territory of the URT which was formerly the territory of the People's Republic of Zanzibar and which was previously referred to as Tanzania Visiwani.
Zanzibar	Has the same meaning as Tanzania Zanzibar.

CHAPTER 1 EXECUTIVE SUMMARY

1.0 EXECUTIVE SUMMARY

According to the Constitution, Tanzania is one state and is a sovereign United Republic. The Territory of the United Republic consists of the whole area of Mainland Tanzania and the whole area of Tanzania Zanzibar and includes the territorial waters.

The United Republic of Tanzania (URT) was formed out of the union of two sovereign states, namely, the Republic of Tanganyika and the People's Republic of Zanzibar.

All state authority in the United Republic is exercised and controlled by two organs vested with executive powers, two organs vested with judiciary powers and two organs vested with legislative and supervisory powers over the conduct of public affairs.

The organ vested with the executive powers is the Government of the United Republic and the Revolutionary Government of Zanzibar. The

Organ vested with Judiciary powers is the Judiciary of the United Republic and the Judiciary of Tanzania Zanzibar. The organ vested with the legislative and supervisory powers over public affairs is the Parliament of the United Republic of Tanzania and the House of Representatives of Zanzibar.

Article 4 (3) of the Constitution of the URT provides for the allocation of powers among organs for the purpose of conduct of public affairs. There are matters listed in Schedule No 1 as Union matters and there are non union matters which are not listed in Schedule no 1.

The Government of the United Republic has powers over Union matters and non union matters in Tanzania Mainland.

According to Article 102, the Revolutionary Government of Zanzibar has authority in Zanzibar over all matters which are not Union matters.

Tanzania has National Development Visions which guide economic and social development efforts.

The National Vision 2025 which was established in 1999 lays out long-term national social and economic development goals. It envisages that by the year 2025, Tanzania will have graduated from a least developed country to a middle income country with a competitive economy capable of producing sustainable growth and shared benefits, a high quality livelihood, a well educated and learning society, peace, stability and unity, as well as good governance.

The Zanzibar Vision 2020 is a long term plan for eradicating absolute poverty and attaining overall sustainable human development in Zanzibar by year 2020.

The objective of the Development Visions is to awaken, co-ordinate and direct people's efforts, minds and national resources towards those core sectors that will facilitate the attainment of development goals and cope with the expected intensive economic competition ahead. To implement the national development visions, Tanzania developed the National Strategy for Growth and Reduction of Poverty (NSGRP) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP).

NSGRP is Tanzania's poverty reduction strategy. It sets out and adopts an outcome-based rather than a sector-oriented approach. The strategy is based on three broad clusters- growth and reduction of income poverty, improvement of the quality of life and social well-being, governance and accountability. NSGRP was a five years plan from 2005 to 2009, it has been reviewed and a revised NSGRP II will be launched in July 2010.

ZSGRP is Zanzibar's poverty reduction plan, aiming at enhancing economic growth and reducing poverty. It is a results-based strategy, emphasizing cross-sectoral linkages and focusing on attaining outcomes in three broad clusters, namely –growth and reduction of income poverty, social services and well being, good governance and national unity. Like NSGRP, ZSGRP has been reviewed to ZSGRP II.

Tanzania's Development Vision is in line with the United Nation's sponsored Millennium Development Goals (MDGs), which are;

- a) eradication of extreme poverty and hunger,
- b) achievement of universal primary education,
- c) promotion of gender equality and empowerment of women,
- d) reduction of child mortality and improvement of maternal health,
- e) combating of HIV and AIDS, malaria and other diseases,
- f) ensuring environmental sustainability and
- g) developing global partnership for development.

Tanzania is committed to the MDGs, as internationally agreed targets for reducing poverty. NSGRP and ZSGRP are in line with the National motto of "prosperous and better life for all Tanzanians". Prosperous and better life for all Tanzanians hinges on effective legal system, a robust financial system that facilitates growth and development, effective law enforcement and good governance.

The attainment of National Development goals requires good governance, a stable political environment, a stable financial system and a rule based trading system, among other things. Tanzania acknowledges that money laundering, terrorist financing, corruption and other serious crimes remain serious impediments to the attainment of national development objectives.

In recognition of the effects that money laundering and terrorist financing can have in achieving national goals and cognizant of international efforts in this important area,

Tanzania is determined and committed to combat money laundering and terrorist financing and understands that to be focused in combating these vices there is a need for a comprehensive National AML/CFT Strategy.

This National Strategy has been prepared against the backdrop of a need to implement AML/CFT standards as set out in the Anti-Money Laundering Act, Cap 423, Prevention of Terrorism Act, Cap 19, the FATF 40 + 9 Recommendations and UN Conventions.

The National Strategy is based on Tanzania's self assessment of gaps existing in its legal, law enforcement, financial sector and corporate governance frameworks. The self assessment has further been informed by the recommendations of MER on URT which was undertaken by ESAAMLG in January/February 2009. Annex 1 summarises the Action Plans, responsible parties and the timeframe for the implementation of the plans.

For effective implementation of the strategy, it is important for each responsible party to prepare implementation plans for activities which they are responsible for. Responsible parties will report periodically to the National Multi-disciplinary Committee on AML/CFT (National Committee) for monitoring and evaluation.

The strategy reflects a national commitment to a coordinated and effective fight against ML and TF. Action plans set out cannot be accomplished all at once. Some are underway and others will take place over the medium and long term horizons. The action plans will be reviewed every year for implementation purposes.

The strategy recognises that combating money laundering and terrorist financing needs full involvement of the Government, Parliament, civil societies, media, academia and research institutions, private sector, regulators, cooperating partners. and the general public.

The strategy is organised around five broad areas which are Legal, Law Enforcement, Financial Sector, Governance and Regional and International co-operation.

The Ministry of Finance and Economic Affairs will be responsible for coordinating and overseeing the implementation of the National Strategy in line with the set timeframes.

CHAPTER 2

BACKGROUND

2.1 *THE CONCEPT OF MONEY LAUNDERING AND TERRORIST FINANCING*

Money laundering is the engagement of a person or persons, directly or indirectly in conversion, transfer, concealment, disguising, use or acquisition of money or property known to be of illicit origin and in which such engagement intends to avoid the legal consequence of such action. It is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the proceeds of crime. In essence money laundering seeks to achieve two basic goals: the first one is to separate the perpetrator and the proceeds from the underlying crime/predicate offence while the second is to disguise the proceeds as legitimate funds or assets and hence allow the criminal to enjoy the benefits of criminal activities.

Terrorist financing is the provision of, or making available such financial or other related services to a terrorist, group or entity which is concerned with terrorist act. It includes also the entering into or facilitation, directly or indirectly, of any financial transaction related to dealing in property owned or controlled by or on behalf of any terrorist or any entity owned or controlled by a terrorist.

Money laundering and terrorist financing are linked because the techniques used to launder money are essentially the same as those employed to conceal the sources and uses of terrorist financing.

Money laundering has become a major problem worldwide. Countries in the world have decided to cooperate in the fight against an increasingly sophisticated combination of techniques, use of experts and professionals to disguise the true origin, ownership and control of proceeds of crime. In that respect, the United Republic of Tanzania decided to join efforts of the international community by taking a number of measures including criminalizing money laundering and terrorist financing. This strategy lays out a systematic approach for the implementation of the Anti Money Laundering Act, Cap 423.

2.2 ***EFFECTS OF MONEY LAUNDERING AND TERRORIST FINANCING***

Money laundering and terrorist financing have significant effects in attainment of a country's national goals since money laundering and terrorism financing activities pose the following problems, among others:-

a. Erodes the integrity of the financial system and harms a country's reputation.

Funds from criminal activity can be easily laundered through a particular institution either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds. The institution can be drawn into active complicity with criminals and become part of the criminal network itself. Further more, Money laundering results in increased movement of funds and currency in circulation, which results in increased prudential risks to banks' soundness, contamination effects of legal financial transactions and increased volatility in international capital flows and exchange rates due to cross border assets transfers.

Unchecked use of the financial system for money laundering and terrorist financing has the potential of undermining individual financial institutions' integrity and ultimately that of the entire financial system and hence lead to erosion of the International confidence to invest in the country. Money laundering can distort business decisions, increase the risk of bank failures, take control of economic policy away from the Government and harm a country's reputation and scare away honest investors.

b. Threaten Economic, Political and Social Stability

Through Money laundering, organized crime can infiltrate institutions, seize control of large sectors of the economy through significant investment or through bribes to public officials and this, in turn, may lead to control of the Government by criminals. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards and ultimately the democratic institutions of the society. Money laundering can create economic instability and distort Government's ability to make appropriate economic and fiscal decisions. Failure to prevent money laundering allows criminal organizations to accumulate considerable economic and financial power, which can ultimately undermine national peace, security and stability.

Failure to combat money laundering and terrorist financing facilitates corruption. This can lead to the accumulation of economic and financial power by unscrupulous people or criminal organisations and therefore undermine governance, democratic systems and public confidence in the financial and legal system.

Money laundering perpetrates crime since it enables the criminal activity that generates it to continue. The laundered funds provide financial support for drug dealers, terrorists, arms dealers and other criminals to operate and expand their criminal empires. This threatens economic, social and political stability.

2.3 NEED TO FIGHT MONEY LAUNDERING AND TERRORIST FINANCING

As outlined under 2.2 above, Money laundering and terrorist financing activities have significant effects on the attainment of a country's national goals. Efforts being undertaken by the Government to alleviate poverty and to raise living standards will not succeed if money laundering and terrorist financing are not fought effectively. In recognition of these facts, Tanzania has joined the international community in fighting money laundering and combating terrorist financing.

The Government is committed to the protection of the reputation of the financial sector and other sectors by doing all that is possible to combat money laundering and terrorist financing. This commitment is due to the fact that if the URT does not do enough to combat money laundering and terrorist financing it will increasingly find its economic development hampered by lack of international acceptance, recognition and cooperation to mention a few.

CHAPTER 3

AML/CFT MEASURES TAKEN BY THE GOVERNMENT

3.1 *A Record of a Strong Political Will and Commitment*

Tanzania has a strong political will and is fully committed to combating money laundering and terrorists financing. The efforts started as early as 1991 by the enactment of the Proceeds of Crime Act, Cap 256 and Mutual Assistance in Criminal Matters Act, Cap 254, which criminalized some of the predicate offences of money laundering and provided a room for cooperation with other countries in criminal matters. In 1995, Tanzania enacted the Drugs and Prevention of Illicit Traffic in Drugs Act, Cap 95 in line with the Vienna Convention (1988). In 1997, the Banking and Financial Institutions Regulations, were promulgated with a view to ensuring that proper due diligence was undertaken in assessing owners of banks. In 2000 the Bank of Tanzania issued the Bank of Tanzania Circular No. 8 on Money Laundering Control. This circular prescribed money laundering control requirements for banks. In 2002, the Prevention of Terrorism Act, Cap 19 was enacted. The Act criminalizes terrorism and prohibits persons to engage in acts of terrorism and related acts. In 2003, the Drugs and Prevention of Illicit Traffic in Drugs Act No 16 of 2003 was enacted.

Tanzania enacted the Anti-Money Laundering Act, Cap 423 in 2006. The AML Act criminalizes money laundering in a manner that is largely consistent with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the 2000 United Nations Convention against Transnational Organised Crime (Palermo Convention). The Act provides for the establishment of the FIU and the National Committee. It also provides for sanctions, obligations for reporting persons to report

suspicious transactions and physical cross border transportation of cash or bearer negotiable instruments and the protection of reporting persons. The Revolutionary Government of Zanzibar enacted the Anti- Money Laundering and Proceeds of Crime Act in January 2010 which is largely in line with the provisions of the AML Act, Cap 423.

ESAAMLG MER recommended amendments to the Anti-Money Laundering Act, Cap 423 for it to be in line with international standards and UN Conventions.

In 2007 the Anti-Money Laundering Regulations were promulgated for implementation of the Anti-Money Laundering Act, Cap 423. The regulations prescribe information to be gathered for customers and verification procedures, provides for procedures for recognizing and reporting of suspicious transactions, type of statistics to be maintained by the FIU and maintenance of customers' records. MER recommended amendments to the regulations for effective implementation of the AML Act.

In February 2007 consequential amendments to various laws were made through the Written Laws (Miscellaneous Amendment) Act No. 15 of 2007. These were to give effectiveness to Anti-Money Laundering Act, Cap 423. The Laws which were amended include;

- i) The Extradition Act, Cap 368 which provides for the law relating to the extradition of criminals and for related matters;
- ii) The Evidence Act, Cap 6 which provided for the law of evidence;
- iii) The Economic and Organized Crime Control Act, Cap 200 which provides for the control and eradication of certain crimes and culpable non-criminal misconduct through the prescription of modified investigation and trial procedures, and new penal prohibitions, the provision of enhanced sanctions and new remedies, and for related matters;

- iv) The Criminal Procedure Act, Cap 20 which provides for the procedure to be followed in the investigation of crimes and the conduct of criminal trials and for other related purposes;
- v) The Proceeds of Crime Act, Cap 256 which provides for dealing with proceeds of crime;
- vi) The Mutual Assistance in Criminal Matters Act, Cap 254 which provide for mutual assistance in criminal matters between Tanzania and foreign countries; to facilitate the provision and obtaining by Tanzania of such assistance and to provide for related matters;
- vii) The Gaming Act, Cap 41 which provides for the regulation of gaming activities; establishment of the Gaming Board of Tanzania; the control and licensing of gaming activities; prohibition of certain transactions and related matters.

Apart from the above mentioned laws, other laws which relate to AML/CFT measures include;

- i) The Banking and Financial Institutions Act, Cap 342 which provides for comprehensive regulation of banks and financial institutions; regulation and supervision of activities of savings and credit co-operative societies and schemes with a view to maintaining the stability, safety and soundness of the financial system aimed at reduction of risk of loss to depositors; repeals of the Banking and Financial Institutions Act, 1991 and other related matters;
- ii) The Prevention and Combating of Corruption Act, which provides for institutional and legal framework for effective prevention, control and combating of corruption in Tanzania.

The Government established the National Committee in 2002, pursuant to the ESAAMLG Memorandum of Understanding. The AML Act Cap 423 provides for the responsibilities of the National Committee which include formulating, assessing and

improving the effectiveness of policies and measures to combat money laundering, advising the Government on legislative, regulatory and policy reforms other issues pertaining to AML/CFT.

Following the enactment of the Anti-Money Laundering Act, Cap 423 the Government established the FIU in July 2007 and promulgated and issued the Anti-Money Laundering Regulations, 2007

URT has ratified most of relevant UN Conventions and Regional Protocols on combating money laundering and terrorist financing including:

- i) Single Convention on Narcotic Drugs (1961)-Acceded in 1993,
- ii) UN Convention on Psychotropic Substances (1971) - Acceded in December 2000,
- iii) International Convention Against the Taking of Hostages (1979) – Acceded on 22nd January 2003,
- iv) UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna 1988) - Acceded in 1996,
- v) International Convention for the Suppression of Terrorist Bombing (1997) – Acceded on 22nd January 2003
- vi) International Convention for Suppression of Financing of Terrorism (1999) – Acceded on 22nd January 2003
- vii) Protocols on Combating Illicit Drug Trafficking in the East African Region (2001), SADC Protocol on Mutual Legal Assistance in Criminal Matters and Extradition (2002) and SADC Protocol on Combating Illicit Drug Trafficking (1996) were Acceded to in 2003. The SADC Protocol on Corruption (2001) was ratified in 2003.
- viii) United Nations Palermo Convention Against Transnational Organized Crime (2000) - Acceded in July 2005.
- ix) UN Convention against Corruption (2003) – signed on 9th December 2003, Ratified on 25th May 2005.

The URT was one of the founding members of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which was established in 1999. The Government is hosting the ESAAMLG Secretariat in Dar es Salaam. Under ESAAMLG's Memorandum of Understanding (MOU) members agreed to adopt and implement the FATF 40 + 9 Recommendations, to apply anti-money laundering measures to all serious crimes, to implement measures to combat the financing of terrorism, and to implement any other measures contained in multilateral agreements and initiatives to which they subscribe for the prevention and control of the laundering of the proceeds of all serious crimes and the financing of terrorist activities.

CHAPTER 4

ASSESSMENT OF VULNERABILITIES

The geographical position of Tanzania makes it a strategic gateway to East and Central Africa for legitimate and illicit trade. Tanzania is also a part of the international financial system. These expose Tanzania to a number of money laundering and terrorist financing vulnerabilities which are attributed to the following;

4.1 CASH BASED ECONOMY

Tanzania is largely a cash-based economy. Most of the business activities are transacted in cash instead of paper or electronic media such as cheque, or e-money. Some parts of the country do not have banking services thereby necessitating cash transactions or direct exchange of goods and services.

Further more, most businesses do not accept personal cheques. High Value assets such as real estate, motor vehicles and jewels worth millions of shillings can be bought in cash. The Government is yet to put a limit on cash transactions.

4.2 BANK SERVICES

Most of the banks are concentrated in major towns leaving the majority of the population in the remote areas without financial services. Poverty has led to low-level usage of bank services and the level of savings is insignificant. According to the Household Budget Survey of 2000/01, the proportion of the population below the national food poverty line is 18.7% and that below the national basic needs poverty line is 35.7%. The rural areas are the most affected ones.

With respect to use of banking services, the results of the above survey

showed that only 6% of households had one or more members with a bank account and only 4% participated in an informal savings group. In simple terms majority of households were un-banked.

4.3 *Lack of regulatory framework for money remittance system*

There is no regulatory framework for alternative money remittance systems. These include expedited mail services, money transfers by bus operators, money transfer by cell phones, hawala and cyber transactions.

4.4 *Open door policy challenge*

The open door policy promulgated by the Government on Foreign Direct Investments (FDI's) whereby the sources of funds brought into the country by investors are not routinely and effectively scrutinized, introduce a major risk that proceeds of crimes or terrorist financing from outside Tanzania may be laundered in the United Republic of Tanzania.

4.5 *Lack of National Identity Cards(NICs)*

Zanzibar introduced Zanzibar Identification Cards since 2005. However the United Republic of Tanzania does not have National Identification Cards yet. This situation poses a big challenge for Know Your Customer (KYC), Customer Due Diligence (CDD) and establishment of audit trail. The Government has commenced the process of implementing the project to issue NICs.

4.6 *Lack of knowledge and awareness of money laundering and its effects*

The prosecution and determination of money laundering and terrorist financing offences require personnel who are well versed in the intricacies of such offences. Currently, there is a general lack of competence in terms of skills and tools to investigate, prosecute and determine such offences.

In addition, many people are unaware of the evils of money laundering. This leads to many Tanzanians wondering why the Government should worry about the matter.

4.7 *Escalation of predicate offences*

There are signs of escalation of predicate offences, which generate dirty money as manifested by increasing incidences of bank robberies, car thefts, prostitution, cell phone thefts, corruption, counterfeits, illicit trafficking of narcotics and psychotropic substances, to mention a few.

4.8 *Porous borders and unstable neighbouring countries*

The United Republic of Tanzania has porous borders with neighbouring countries some of which are economically, socially and politically unstable leading to potential influx of criminals into the United Republic of Tanzania. The absence of NICs compounds the problem.

CHAPTER 5

NATIONAL AML/CFT STRATEGY OBJECTIVES, STRATEGIES AND ACTION PLANS

The National AML/CFT strategy sets out key objectives, strategies and action plans needed to deliver results, building on and taking into account the progress already made over the past few years. The strategy is based on the need to address issues identified during the self assessment and Mutual Evaluation exercise. An implementation plan assigning responsibilities and setting indicative timetable is attached as **Annex 1**.

The development of this national strategy involved wide consultation with stakeholders to ensure that all relevant sectors are covered and taken aboard in efforts to prevent and control money laundering and terrorist financing.

5.1 **OBJECTIVES**

5.1.1 *LEGAL:*

Objective: Implementation of Anti-Money Laundering and Prevention of Terrorism Legislation

The Prevention of Terrorism Act, Cap 19 and the Anti-Money Laundering Act, Cap 423 established the legal framework for fighting money laundering and combating terrorists financing. The laws have to a large extent taken into account international AML/CFT standards and best practices.

Strategies:

- a. Strengthen and refine the AML/CFT regulatory regime;
- b. Improve the effectiveness of Anti-money laundering control through greater communication, guidance and information sharing.

Action Plans:

- a. Ratify all the remaining relevant UN Conventions and Protocols relating to money laundering and terrorists financing.
- b. Amend the Anti-Money Laundering and Proceeds of Crime Act No. 10,2009 of Zanzibar and issue implementing regulations in line with AML/CFT standards.
- c. Amend the AML Act, Cap 423 and AML regulations 2007 to take on board MER recommendations and AML/CFT standards.
- d. Resolve the issue of enforceability of POTA to Zanzibar.
- e. Amend the Prevention of Terrorism Act, Cap 19 and issue implementing regulations.
- f. Amend the Proceeds of Crime Act, Cap 256
- g. Amend the Economic and Organized Crime Control Act and the Drugs and Prevention of Illicit Traffic in Drugs Act.
- h. Amend the Extradition Act and Mutual Legal Assistance in Criminal Matters Act
- i. Amend Financial Sector Laws to strengthen AML/CFT supervisory framework
- j. Issue guidelines requiring reporting persons to put in place appropriate policies, procedures and controls.
- k. Establish regulators for DNFBPs;
- l. Put in place a regulatory framework to regulate pension funds/sector;
- m. Promulgate regulations on supervision and monitoring of Non Governmental Organisations (NGOs);

- n. Enact legislation to promote use of banking services and limit cash movements;
- o. Issue National Identity Cards;
- p. Make regulations prescribing the threshold for cash transaction and cross border transportation of cash and bearer negotiable instruments
- q. Issue guidelines to reporting persons in accordance with the Act;
- r. Enact legislation to facilitate bilateral and multilateral agreement to permit equitable sharing of proceeds and assets forfeited as a result of cooperative efforts;
- s. Carry out AML/CFT awareness raising and build capacity for judges, magistrates, prosecutors and other stakeholders.

5.1.2 ENFORCEMENT:

Objective: Enhance regulatory compliance and enforcement efforts

The FIU was established as a unit for receiving and analyzing suspicious transaction reports and disseminating intelligence information concerning suspected money laundering or terrorist financing activities to law enforcement agencies. There is need for concerted efforts of law enforcement agencies to fight money laundering and terrorist financing. Enhancement of regulatory compliance and enforcement efforts is key to success in the fight against ML and TF

Strategies:

- a. Develop capacity of institutions and AML/CFT practitioners;
- b. Strengthen the FIU to carry out its activities;
- c. Increase International cooperation;
- d. Strengthen the capacity to detect bulk currency/cash flows.
- e. Increase cooperation with key stakeholders on AML/CFT in the country.

Action Plans

- a. Police Force to create specialized unit for investigating ML/TF crimes.
- b. Capacity development,
 - i. Carry out capacity building for judges, magistrates and prosecutors
 - ii. Provide specialized AML/CFT training to Investigators and supervisory authorities
 - iii. Recruit and train Human Resources to man and operate FIU
- c. Procure financial investigation computer systems and equipments,
- d. Establish and strengthen border check points and surveillance system
- e. Establish a mechanism for the FIU and law enforcement agencies to use and share financial database and analytical tools and intelligence reports;
- f. Procure equipment for detection of cross border movements of cash, negotiable instruments and other valuables

5.1.3 *FINANCIAL SECTOR*

Objective: Establish a robust financial system, which responds effectively to the risks imposed by money laundering and terrorism financing.

Having a robust financial system depends upon effective legal, regulatory and institutional AML/CFT framework.

Strategies:

- a. Ensure reporting persons put in place appropriate policies, procedures and controls for preventing and deterring money laundering and terrorist financing.
- b. Enhance cooperation between regulators in AML/CFT issues.
- c. Improve coordination between Financial Intelligence Unit, Law enforcement, and Regulators.
- d. Improvement of the banking sector and money transfer services.

Action Plans:

- a. Issue guidelines requiring reporting persons to put in place appropriate policies, procedures and controls.
- b. Regulators to issue clear instructions to branches and majority owned subsidiaries located abroad on AML/CFT requirements.
- c. Issue guidelines on wire transfers and alternative remittance systems.
- d. Establish regulatory authority for pension funds and other designated businesses.
- e. Establish a Regulators' forum.
- f. Commission an in-depth study on money laundering and terrorist financing typologies relating to cyber transactions.
- g. Provide feedback reports to be used by reporting persons in strengthening and improving their AML/CFT strategies in addressing vulnerabilities.
- h. Commission a study on vulnerabilities relating to money services business and put in place regulatory and supervisory framework for money services activities.
- i. Commission a study on trade based money laundering trends.

5.1.4 **GOVERNANCE**

Objective: Improving Governance:

Good governance is an important tool for successful fight against money laundering and terrorists financing. Regulators and reporting persons need to uphold the Principles of Good Governance by ensuring full compliance.

Strategies:

- a. Improve reporting, feedback mechanisms, and transparency,
- b. Enhance accountability,
- c. Ensure on-going engagement with all reporting persons and stakeholders,
- d. Enhance cooperation between stakeholders.

Action plans:

- a. National Committee to assess adequacy of financial training and technical needs in the AML/CFT.
- b. AML/CFT authorities to work closely with Prevention and Combating of Corruption Bureau and the Anti-Corruption Bureau of Zanzibar to stem roots of corruption.
- c. Devise a framework for protection of whistle blowers,
- d. Establish modalities for international co-operation,
- e. Assess and put in place modalities for effective domestic co-operation between all regulators,
- f. Implement decisions made,
- g. Ensure compliance of reporting persons with obligations to report to FIU,

- h. Publicize arrests, prosecutions and convictions of all those involved in ML/FT cases.

5.1.5 *DOMESTIC, REGIONAL AND INTERNATIONAL CO-OPERATION AND PARTNERSHIPS*

Objective: Forging effective domestic, regional and international co-operation and partnership

Fighting money laundering and combating terrorist financing needs concerted efforts since money launderers and terrorists use sophisticated methods which most of the time are spread across countries. In order to be able to deal with them effectively, there is need for regional and international cooperation and partnerships.

Strategies:

- a. Deploy efforts to enter into bilateral and multilateral agreements; for sharing information on AML/CFT matters, sharing recoveries from proceeds of crime and extradition of offenders.
- b. Build stronger partnerships with Governments and bolster international co-operation.

Action plans:

- a. Enter into MOUs with other FIUs and domestic agencies to facilitate the exchange and sharing of information
- b. Assess and devise appropriate mechanisms to enhance domestic cooperation;

- c. Propose amendments to a legal framework that will enhance international cooperation,
- d. Seek membership of Egmont Group;

- e. Continue working closely with ESAAMLG Secretariat and member countries.
- f. Continue cooperating with the World Bank, International Monetary Fund, Commonwealth Secretariat, United Nations and other Cooperating partners.

**ANNEX 1
NATIONAL ANTI-MONEY LAUNDERING / CFT STRATEGY
IMPLEMENTATION PLANS**

1. LEGAL Implementation plan

Task	Responsibility	Status reported periodically	Timetable (year and quarter)															
			2010/11				2011/12				2012/2013							
			1	2	3	4	1	2	3	4	1	2	3	4				
a. Ratify all the remaining relevant UN Conventions and Protocols relating to money laundering and terrorists financing.	MOFEA , MOHA, National Committee MOFAIC																	
b. Amend the Anti-Money Laundering and Proceeds of Crime Act for Zanzibar and issue implementing regulations in line with AML/CFT standards.	MOFEA, MOFEA –ZANZIBAR, MOHA, MOCAJ, MINISTRY OF CONSTITUTIONAL LEGAL AND GOOD GOVERNANCE, National Committee																	
c. Amend the AML Act, Cap 423 and AML regulations 2007 to take on board MER recommendations and AML/CFT standards.	MOFEA, MOFEA ZANZIBAR, MOCAJ National Committee																	

j. Issue guidelines requiring reporting persons to put in place appropriate policies, procedures and controls.	MOFEA AGCs FIU, REGULATORS										
k. Establish regulators for DNFBPs;	MOFEA, NBAA Gaming Board Law Society										
l. Put in place a regulatory framework to regulate pension funds/sector;	MOFEA , MINISTRY OF LABOUR AND YOUTH DEVELOPMENT, BOT AGCs										
m. Promulgate regulations on supervision and monitoring of Non-Governmental Organisations (NGOs);	MOFEA MOHA, MOCAJ AGCs										
n. Enact legislation to promote use of banking services and limit cash movements;	MOFEA, MOCAJ, AGCs FIU BOT										
o. Issue National Identity Cards;	MOHA, National Identification Authority										

<p>p. Make regulations prescribing the threshold for cash transaction and cross border transportation of cash and bearer negotiable instruments</p>	<p>MOFEA MOHA MOCAJ AGCs TRA National Committee</p>										
<p>q. Issue guidelines to reporting persons in accordance with the Act;</p>	<p>MOFEA FIU Regulators</p>										
<p>r. Enact legislation to facilitate bilateral and multilateral agreement to permit equitable sharing of proceeds and assets forfeited as a result of cooperative efforts;</p>	<p>MOHA, MOCAJ MOFEA</p>										
<p>s. Carry out AML/CFT awareness raising and build capacity for judges, magistrates, prosecutors and other stakeholders</p>	<p>MOFEA FIU AGCs REGULATORS</p>										

2. ENFORCEMENT Implementation plan

Task	Responsibility	Status reported periodically	Timetable (year and quarter)															
			2010/11				2011/12				2012/2013							
			1	2	3	4	1	2	3	4	1	2	3	4				
a. Police Force to create a specialized unit for investigating ML/FT crimes	MOFEA MOHA																	
b. Capacity Building i. Specific AML/CFT training for prosecutors ii. Awareness raising for judges and magistrates.	MOFEA, FIU, AGCs MOHA, MOCAJ																	
c. Procure financial investigation computer systems and equipment	MOFEA, FIU, MOHA																	

d. Establish and strengthen border check points and surveillance system	MOFEA, TRA, MOHA																	
e. Establish a mechanism for the FIU and law enforcement agencies to use and share financial database and analytical tools and intelligence reports	FIU, MOHA, TRA, PCCB TISS																	
f. Procure equipment for detection of cross border movements of cash, negotiable instruments and other valuables	MOHA MOFEA, BOT TRA																	

3. FINANCIAL SECTOR Implementation plan

Task	Responsibility	Status reported periodically	Timetable (year and quarter)														
			2010/11				2011/12				2012/2013						
			1	2	3	4	1	2	3	4	1	2	3	4			
a. Issue guidelines requiring reporting persons to put in place appropriate policies, procedures and controls.	FIU, Regulators																
b. Regulators to issue clear instructions to branches and majority owned subsidiaries located abroad on AML/CFT requirements.	MOFEA, FIU, Regulators																

c. Issue guidelines on wire transfers and alternative remittance systems.	MOFEA, Regulators													
d. Establish regulatory authority for pension funds and other designated businesses.	MOFEA, FIU, MOHA, TCRA MINISTRY OF LABOUR AND YOUTH DEVELOPMENT													
e. Establish a Regulators' forum.	FIU, MOHA, PCCB Anti Corruption Bureau of Zanzibar.													
f. Commission an in-depth study on money laundering and terrorist financing typologies relating to cyber transactions.	FIU, MOFEA , MOHA BOT													

<p>g. Provide feedback reports to be used by reporting persons in strengthening and improving their AML/CFT strategies in addressing vulnerabilities.</p>	<p>FIU, MOFEA, Regulators MOHA</p>													
<p>h. Commission a study on vulnerabilities relating to money services business and put in place regulatory and supervisory framework for money services activities.</p>	<p>MOFEA FIU BOT TCRA</p>													
<p>i. Commission a study on trade based money laundering trends.</p>	<p>MOFEA FIU Regulators</p>													

4. GOOD GOVERNANCE Implementation plan

Task	Responsibility	Status reported periodically	Timetable (year and quarter)											
			2010/2011				2011/2012				2012/2013			
			1	2	3	4	1	2	3	4	1	2	3	4
a. National Committee to assess adequacy of financial training and technical needs in the AML/CFT.	MOFEA, National Committee, FIU,													
b. AML/CFT authorities to work closely with Prevention and Combating of Corruption Bureau and the Anti-Corruption Bureau of Zanzibar to stem roots of corruption.	MOFEA, MOHA, MOCAJ National Committee, TISS, FIU, PCCB													

c. Devise a framework for protection of whistle blowers,	MOFEA, MOHA, MOCAJ, REGULATORS																		
d. Establish modalities for international co-operation,	MOFEA, MOFAIC, FIU, Regulators																		
e. Assess and put in place modalities for effective domestic co-operation between all regulators,	MOFEA, , MOHA FIU REGULATORS																		
f. Implement decisions made	All stakeholders																		
g. Ensure compliance of reporting persons with obligations to report to FIU,	MOFEA, MOFAIC, MOCAJ, MOHA, REGULATORS, FIU,																		

<p>h. Publicize arrests, prosecutions and convictions of all those involved in ML/FT cases.</p>	<p>MEDIA, MOHA, MOCAJ AGCs</p>													
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5. REGIONAL AND INTERNATIONAL CO-OPERATION AND PARTNERSHIPS
Implementation plan

Task	Responsibility	Status reported periodically	Timetable (year and quarter)											
			2010/2011				2011/2012				2012/2013			
			1	2	3	4	1	2	3	4	1	2	3	4
a. Enter into MOUs with other FIUs and domestic agencies to facilitate the exchange and sharing of information	MOFEA, FIU, REGULATORS													
b. Assess and devise appropriate mechanisms to enhance domestic cooperation;	MOFEA, NATIONAL COMMITTEE, FIU, Regulators, Reporting persons													
c. Propose amendments to a legal framework that will enhance international cooperation,	MOFEA, Ministry of FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION MOCAJ, National Committee, FIU													
d. Seek membership of Egmont Group;	MOFEA, FIU, National Committee													

<p>e. Continue working closely with ESAAMLG Secretariat and member countries.</p>	<p>MOFEA FIU National Committee</p>															
<p>f. Continue cooperating with the World Bank, International Monetary Fund, Commonwealth Secretariat, United Nations and other Cooperating partners.</p>	<p>MOFEA FIU National Committee REGULATORS</p>															