



19-20 JULY 2023
Royal Swazi Sun

AML/CFT
INDABA

“Countering illicit financial flows to promote sustainable economic growth”

The National Risk Assessment and Strategy

The Process, Results and Action Plan

Presented by: Calvin Dlamini and Nomfanelo Kunene-Thobela





Presentation Outline

1. Basis for the National Risk Assessment
2. National Risk Assessment Methodology
3. National Risk Assessment Process
4. National Threats
5. National Vulnerabilities
6. Sector Vulnerabilities
7. Strategy and Action Plan



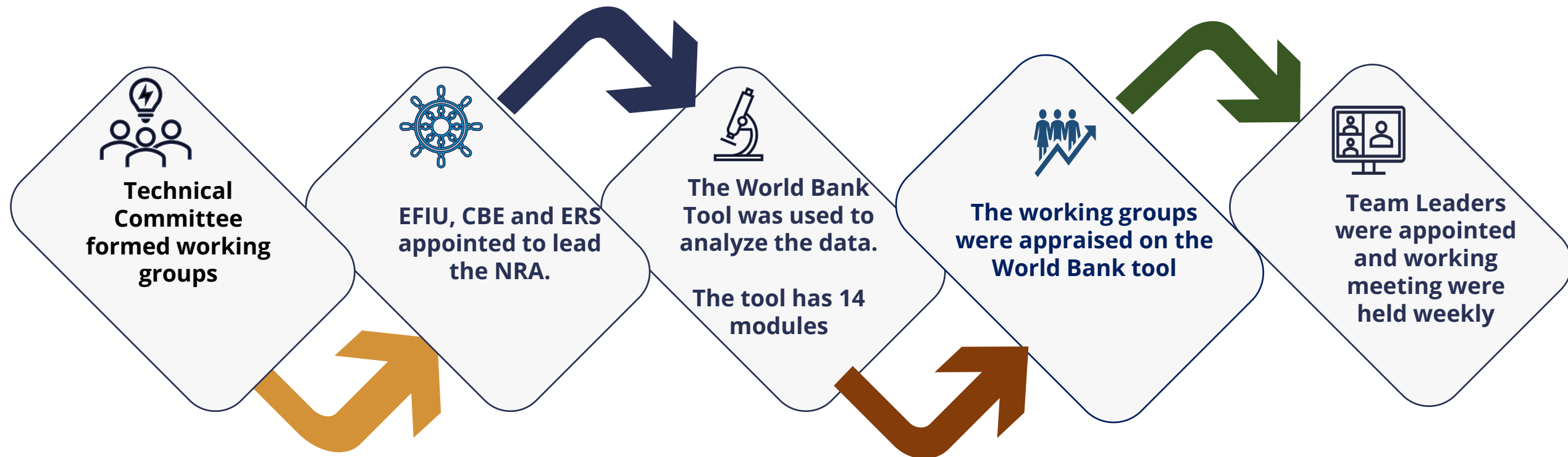
Basis for the National Risk Assessment



Recommendation 1 of the FATF Recommendations

- Countries should identify and assess the ML/TF risks for the country.
- Countries should designate an authority or mechanism to co-ordinate actions to assess risk.
- Countries should keep the risk assessments up-to-date.
- Countries should have mechanisms to provide information on the results of the risk assessment(s) to all relevant competent authorities.
- Supervisors and SRBs should ensure that financial institutions and DNFBPs are implementing their obligations under Recommendation 1

National Risk Assessment Methodology



National Risk Assessment Process



- 1** Data / Statistic Collection by Sub -committees
- 2** Population of World Bank Tool and Data Analysis by Sub-committees
- 3** Drafting and presentation of findings to TC Committee
- 4** World Bank Validation of Draft report (Reviewed by TC)
- 5** Address World Bank Review Comments and Report Consolidation
- 6** Submit and present Final Report for Council Approval
- 7** Cabinet Endorsement and dissemination

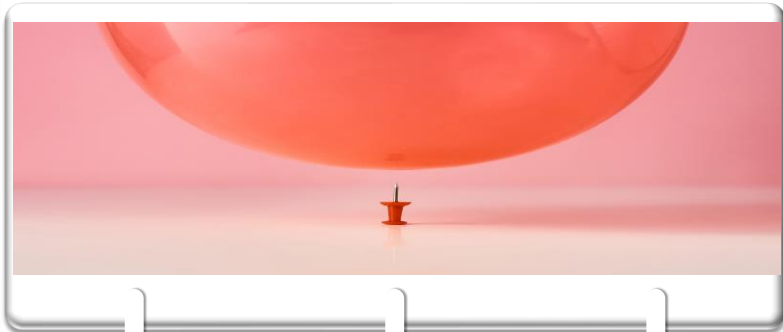
NRA Modules and Participating Agencies

NRA Module	Leading Agencies
National Threats	DPP, REPS, CBE
National Vulnerabilities	ERS, ACC,
Banking Sector	CBE
Insurance Sector	FSRA
Securities Sector	FSRA
DNFBPs	EFIU, Gaming Board, Department of Mines
Legal Persons and Arrangement	Ministry of Commerce, AG
Terrorism Financing	REPS, ACC
Non-Profit Organizations (NPOs)	Ministry of Home Affairs, EFIU, Cango
Financial Inclusion	FSRA and CBE
Virtual Assets Service Providers	FSRA and CBE
Environmental Crimes	EEA
Tax Crimes	ERS

Sources of NRA Data

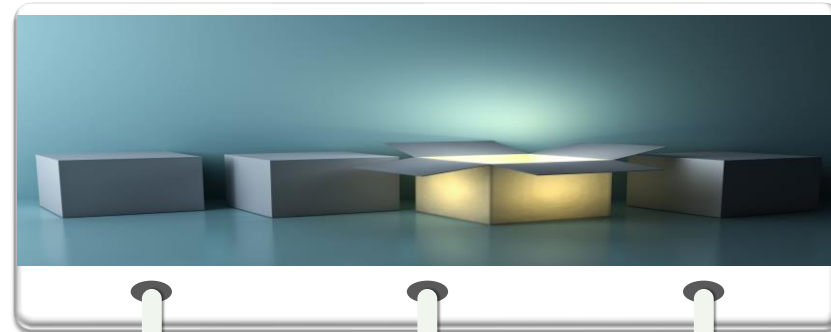
- Databases for Registrar of Companies, DPP, Law Enforcement Agents, EFIU, CBE, FSRA, EEA, Deeds, Law Society, Gaming Board.
- Questionnaires administered to accountable institutions (Banks, Non-Banks and DNFBPs)
- Face to face interviews and meetings with representatives from accountable institutions.
- Public information sources including Eswatini 2022 Mutual evaluation report, previous risk assessment and media publications.
- Review of the relevant legislations: MLTFP Act 2011, Prevention of Organised Crime Act, Financial Institutions Act, Suppression of Terrorist Act.

National Threat and Vulnerability



Threat

- ❖ Drug trafficking
- ❖ Fraud
- ❖ Tax evasion
- ❖ Corruption



Vulnerability

- ❖ Porous borders
- ❖ Insufficient financial investigations
- ❖ Low level of Money laundering investigations
- ❖ Low level of prosecutions



Emerging threats

- ❖ Smuggling of goods
- ❖ The opening of accounts at hardware shops where funds are deposited for purposes of building for both residential and commercial purposes
- ❖ Increasing use of crypto currency exchanges
- ❖ Increased fraud in mobile value transfer services (MVTs). Scammers defrauding unsuspecting members of the public.

Cross Border Threats

- Flows between Eswatini and South Africa make up about 85% of the financial flows.
- There have been 2 investigations involving foreign nationals, but non resulted in an arrest.
- There have been no outgoing MLA requests related to ML.
- No seizure or freezing of assets relating to foreign nationals

Common Money Laundering Types and Typologies

Types of Laundering

- ❑ Five (5) self laundering
- ❑ One (1) self laundering and third-party laundering

Sectors where Funds are Laundered

- Proceeds channeled through the real estate sector
- Some channeled through purchase of motor vehicles (Grey Import Dealers).
- Some channeled through public transport business
- Some co-mingle legitimate funds with illicit proceeds

Major crimes generating high proceeds

Offense	Investigations	Prosecutions	Convictions	Prosecution Rate
Drug Trafficking	10 617	10 617	6 981	100%
Fraud	2 839	1 022	734	36%
Tax Evasion	219	195	195	89%
Corruption	121	2	0	1.70%
Total	13 796	11 836	7 910	86%

Money Laundering Investigations per sector

Sector /Offense	Number of ML Investigations	Sector Contribution
Drug Trafficking	73	50%
Banking	26	18%
Exchange Offices	12	8%
Insurance	6	4%
Securities	5	3%
Remittances	4	2.7%
Real Estate	4	2.7%
Lawyers	1	0.7%
Public Sector	6	4%
Micro Loans Providers	1	0.7%
Public Sector	6	4%
Health Care	1	0.7%
Leisure	1	0.7%
Revenue Services	5	3%
Total	146	

Money Laundering Prosecutions

In the past five (5) years, there were only 6 ML prosecutions from the 146 ML Investigations. The predicate offenses are below:

- Four (4) fraud cases
- One (1) robbery case
- One (1) Tax Evasion Case

Prosecuted	Pending	Acquittal	Convictions
6	5	1	0

Seized and Confiscated Proceeds

Seizure / Confiscations	Amounts
Seized / frozen without ML Charges	15.5M
Confiscated without ML Charges	E 2.2M
Seized / frozen with ML Charges	E 9.5M
Forfeited through Civil forfeiture	E2.2M
Proceeds Total	E29.4M

National AML Vulnerabilities

Variable	Vulnerability
Quality of AML Policy and Strategy	<ul style="list-style-type: none">• Current AML Strategic Plan not informed by national risks• AML Policy developed
Quality of Border and Customs Controls on Cash and Similar Instruments	<ul style="list-style-type: none">• Porous Borders• Known illegal crossings• Illegal crossings used to smuggle cash, goods, drugs, cars etc• Declaration of cash movement above E15000 threshold
Quality of CDD Framework	<ul style="list-style-type: none">• Issues of Identity verification by Accountable Institutions• No beneficial ownership information by Legal persons
Quality of criminal investigations and prosecutions	<ul style="list-style-type: none">• Law Enforcement Authorities (LEAs) not fully utilizing Intelligence from FIU• Lack of Financial investigation training for LEAs• Inadequate human resources (LEAs and DPP).
Effectiveness of International Cooperation	<ul style="list-style-type: none">• Our legislation framework designate Jurisdictions for Mutual Legal Assistance.• Designated South Africa only• No Mutual Legal Assistance request done by the country

Sector Population

Banking Sector

- Commercial Banks
- One Building Society

Non-Bank Financial Services

- Insurance Sector
- Securities Sector
- Other Financial Institutions (Micro Lenders, Building Societies)

Designated Non- Financial Businesses and Professions (DNFBPs)

- Legal Practitioners
- Real Estate Agencies
- Casinos and Gaming Houses
- Dealers in precious stones & metals
- Motor Vehicle Dealers

Sector Vulnerabilities

Quality of CDD Framework

- Banking and non-banking sector identify Customer due diligence information. The verification of information through the national system has recently commenced in the banking sector and not in the other sector.
- Access to beneficial ownership varies with banking sector having established access.
- Availability of independent sources is present in banking and some non-banking sectors.

Quality of AML Supervision

- Banking and Non-bank under risk-based AML/CFT Supervision. DNFBPs sector supervision has not commenced.
- Enforcement of sanctions in all sector has been low.
- All sector regulators conduct have conducted training and provide feedback to the institution.

Quality of Internal AML Policies and Procedures

- Adequately guided by supervisors and legislation framework. Compliance function effective
- Commitment and leadership of management
- Banking sector has relatively adequate internal controls

Compliance of Staff

- Some cases of fraud noted in banking sector but generally staff integrity has been good.
- Staff in banking sector has knowledge of AML/CFT
- Banking and non-banking sector has supervisory support and guidance from Supervisors to enhance their compliance functions. DNFBP sector does not have compliance functions and supervisory support has not commenced.



Cont.

Effective reporting of suspicious transactions

- Banking sector reports the majority of suspicious transactions. Non-banking sector is reporting suspicious transactions as a low rate. DNBFPs have not commenced reporting suspicious transactions.
 - The quality of reported suspicious transactions has been improving over the years.
-



Strategy and Action Plan

1

AML/CFT interventions are collaborative

2

AML/CFT interventions are based on current and emerging risks

3

Money laundering is detected and disrupted, and proceeds are forfeited

4

Terrorism and proliferation financing are detected and disrupted, and terrorists are deprived of resources



19-20 JULY 2023
Royal Swazi Sun

AML/CFT INDABA

“Countering illicit financial flows to promote sustainable economic growth”

