



Advisory Note Number 1 of 2016: Key Requirements of the Financial Intelligence Centre (FIC) Act No. 46 of 2010

Introduction

The purpose of this Advisory Note is to provide supplementary guidance on Key Requirements of Reporting Entities (Accountants in Public Practice and in Business) by the Financial Intelligence Centre (FIC) as promulgated by the FIC Act No. 46 of 2010, as amended in 2016, in relation to compliance with Anti Money Laundering and Combating Terrorism Financing (AML/CTF).

Background

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-styled regional body. FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. FATF recommendations are recognized as the global anti-money laundering (AML) and countering the financing (CFT) standards.

In recent years, there has been an increase in the complexity and sophistication of financial crimes. As a result, governments around the world are now recognizing the corrosive dangers that unchecked financial crimes pose to their economic and political systems. One of these crimes is money laundering, which has been defined as the process of converting or transferring criminal proceeds with the intention of disguising their illicit origin. Money laundering has also been described as a necessary component in the system of international crime, and there could not be narcotics trafficking or international terrorism without it. Money laundering is necessary as almost all illegal transactions are done by cash, and all the more so because cash leaves no mark on information carriers such as documents and evidence.

Zambia, like many other developing countries, has suffered the devastating consequences of money laundering. The East and Southern Africa Anti-Money Laundering Group (ESAAMLG) revealed that in Zambia, illicitly gained proceeds are laundered in various ways. Money launderers have used structuring, currency exchanges, money instruments, gambling, undervaluing of assets, front businesses, physical transfer of cash, false currency reporting, and off-shore corporations and non-financial institutions to launder their proceeds.

The marked increase in money laundering cases in Zambia and many other developing countries has been attributed to a number of factors all centred around the dependent nature of their economies. These factors range from being cash-strapped to deregulation.

To combat this, after the Narcotic Drugs and Psychotropic Substances Act No. 37 of 1993 and the PPMLA No. 14 of 2001, was found to be ineffective, the FIC Act was enacted in

2010 and its purpose was to establish the FIC and provide for its functions and powers; provide for the duties of supervisory authorities and reporting entities; and provide for matters connected with, or incidental to, the foregoing. The Act comprises 58 Sections and makes important provisions relating to the FIC and AML/CFT in Zambia.

ZiCA, having been identified as one of the Supervisory Authorities under Section 2 of the FIC Act of 2010, has recognized the importance of the provisions of the Act which requires its members to ensure compliance by:

- Submitting suspicious transactions reports (STRs) identified in the course of work to the Institute and/or the Centre as the case maybe.
- Focus on strengthening the tripartite relationship comprising of the FIC, the Institute and the Reporting Entities.
- Provide the FIC with information as and when it is required as mandated by the Act. The members should bear in mind that in providing the said information to the FIC, they are protected by both the Accountants Act and the FIC Act.
- Understanding that noncompliance to the requirements of the FIC Act constitutes an offence and such a member may be liable to sanctions as prescribed by the Act.

Obligations of Reporting Entities

The obligations of reporting entities are the following:

- Identifying suspicious transactions and filing Suspicious Transaction Reports (STRs) bordering on financial crimes to the Centre
- The Centre has issued suspicious transaction reporting guidelines for accounting and audit firms (find them on the FIC website: www.fic.gov.zm)
- STR Guidelines provide useful information on red flags and how to administer STRs

Additional Guidance by ZiCA

Considering the significance of regulated organisations and Public Interest Entities in contributing to the national economy and their responsibility for maintaining and providing important functions that affect citizens, it is mandatory for all accountants in business and in practice, to report any suspicious transactions they may encounter in the conduct of their work as required by the FIC Act.

You may contact the undersigned to clarify any matters related to the foregoing.

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