



Anti-money laundering and counter-terrorist financing measures

Mozambique

Mutual Evaluation Report

May 2021





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MUTUAL EVALUATION REPORT

of

Republic of Mozambique

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Glossary of Acronyms¹

ACB	Anti-Corruption Bureau
AFRU	Asset Forfeiture Recovery Unit
AGO	Attorney General's Office
AML/CFT	Anti-Money Laundering/Combating the Financing Terrorism
ANAC	National Administration of Conservation Areas
ARINSA	Asset Recovery Inter-Agency Network of Southern Africa
Art	Article
ASEL	Lusophone Insurance Supervisors' Association
BNI	Bearer Negotiable Instrument
BO	Beneficial Ownership
BoM	Bank of Mozambique
CBR	Correspondent Banking Relationship
CDD	Customer Due Diligence
CISNA	Committee of Insurance, Securities and Non-Bank Financial Supervisors
CTR	Cash Transaction Report
DG	Director General
DNFBPs	Designated Non-Financial Business and Professions
EDD	Enhanced Due Diligence
EFTR	Electronic Funds Transfer Report
FIs	Financial Institutions
GDP	Gross Domestic Product
GIG	General Inspector of Gaming
GIFiM-FIU	Gabinete de Informacao Financiem de Mozambique-Financial Intelligence Unit
IAIS	International Association of Insurance Supervisors
IFTR	International Funds Transfer Report
INAMI	National Mining Institute
IO	Immediate Outcome
IOPS	International Organisation of Pension Supervisors
ISSM	Insurance Supervision Institute of Mozambique
KYC	Know Your Customer
LE	Law Enforcement
LEA	Law Enforcement Agent
MDART	Multi-Disciplinary Asset Recovery Team
MER	Mutual Evaluation Report
MFI	Micro-Finance Institution
ML	Money Laundering
MLA	Mutual Legal Assistance
MLRO	Money Laundering Report Officer
ML/TF	Money Laundering/Terrorist Financing

¹ Acronyms already defined in the FATF 40 Recommendations are not included into this Glossary.

MVTS	Money or Value Transfer Services
MoE&F	Ministry of Economy and Finance
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MRA	Mozambique Revenue Authority
NBFI	Non-Bank Financial Institution
MRP	Mozambique Republic Police
NIS	National Immigration Service
NPO	Non-Profit Organisation
NRA	National Risk Assessment
NTF	National Task Force
NBFIs	Non-Bank Financial Institutions
OCAM	Organization of Chartered Accountants and Auditors of Mozambique
PEPs	Politically Exposed Person
PF	Proliferation Financing
PPO	Public Prosecutor's Office
PSMD	Precious Stones and Metal Dealers
RBA	Risk Based Approach
RBS	Risk Based Supervision
SADC	Southern Africa Development Community
SARPCCO	Southern African Regional Police Chiefs Cooperation
SAR	Suspicious Activity Report
SERNIC	National Criminal Investigation Service
SISE	State Intelligence and Security Service
SRB	Self-Regulatory Body
STR	Suspicious Transaction Report
TCSPs	Trust and Company Service Providers
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
UBO	Ultimate Beneficial Ownership
UNSCRs	United National Security Council Resolutions
USA	United States of America
VAs	Virtual Assets
VASPs	Virtual Assets Service Providers

Executive Summary

1. This report summarises the AML/CFT measures in place in Mozambique as at the date of the on-site visit from 25 November to 6 December 2019. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Mozambique's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

- a) Mozambique has had legal and institutional frameworks on AML since 2002 and CFT since 2013. These have been strengthened over the years through amendments and enactment of new laws and restructuring of the AML/CFT institutions. Much has been done to improve the AML/CFT regime of Mozambique, however, there are still important technical compliance gaps which would require further actions by the authorities.
- b) Despite its exposure to a range of proceeds-generating crimes (such as corruption and drug trafficking) and potential terrorist financing, Mozambique has not yet assessed its ML/TF risks. Preparations are underway for it to carry out its first National Risk Assessment (NRA). Although, there is relatively a common understanding cutting across institutions of most frequently occurring crimes, the understanding of how these crimes pose ML threats or generate proceeds which can be laundered is still quite basic. The absence of a NRA or any other forms of risk assessment could be limiting the identification, assessment and mitigation of the ML risks. National coordination and cooperation among agencies is still quite low. Mozambique has not developed a national AML/CFT policy or strategy.
- c) The GIFiM (FIU) produces reasonably good financial intelligence which could effectively support the operational needs of LEAs (AGO, SERNIC, ANAC, ACB and MRA) but it could not be demonstrated that the LEAs effectively use the financial intelligence to initiate or support ML investigations or to trace proceeds of crime. GIFiM could not adequately demonstrate that it was doing enough analysis work on TF to support the investigations by LEAs. Its resources and capacity were still limited to enable it to fully perform its core functions, particularly in the area of analysis.
- d) Mozambique has an adequate legal and institutional framework for investigation and prosecution of ML offences, whilst the legal and institutional framework pertaining to TF requires significant improvement. However, due to a general lack of capacity (human, technical and financial) of SERNIC to identify and investigate ML and TF and poor coordination amongst stakeholder institutions, with the exception of corruption associated ML, there has been ineffective identification and prosecution of ML/TF offences. Despite the possibility of the risk of TF, the authorities could not demonstrate that adequate efforts are being made to address the risk.
- e) Mozambique does not pursue provisional or confiscation measures as a policy objective. Financial investigations are not routinely used to trace proceeds of crime. Most confiscations done are on contraband. The risk of cross-border transportation of cash, BNIs and other contraband on identified entry and exit points with high traffic of passengers remains unassessed which undermines confiscations made.
- f) The understanding of ML/TF risks and AML/CFT obligations across FIs and DNFBPs sectors varies. Large and International banks as well as MVTs have a fair

understanding of ML/TF risks and AML/CFT obligations. Majority of the DNFBPs do not understand the ML/TF risks associated with their sectors and a few had been made aware of their obligations just before the on-site visit whilst the rest were still unaware.

- g) Of the supervisory authorities, only BoM has commenced AML/CFT supervision but only limited to commercial banks and one large mobile money service provider, it is still to extend it to the rest of the institutions under its purview. None of the supervisory authorities is conducting AML/CFT risk based approach (RBA) supervision and neither has any of them developed any risk based supervisory tools. Financial sector and DNFBP supervisors have a low level of understanding of the ML/TF risks in their sectors. All the supervisory authorities have inadequate resources to effectively supervise their sectors. Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs) are still unregulated in Mozambique, therefore not supervised for AML/CFT.
- h) Mozambique has not assessed risks associated with legal persons. While some basic information is available in a public registry, this information is not properly verified or maintained up-to-date. For legal persons which have a business relationship with a reporting entity, BO information is held with the reporting entity as per its CDD obligations, however lack of understanding of the BO concept affects the availability and accuracy of this information. Mozambique does not recognize trusts and has not regulated trustees.
- i) Mozambique has recently provided legal and institutional frameworks to implement Targeted Financial Sanctions relating to TF. However, the legal framework does not provide for the implementation to be done without delay and in a systematic manner. The coordination of the implementation is still not effective, with the majority of the reporting entities not having been provided with adequate guidance on the implementation. There is no framework or mechanism to implement TFS relating to Proliferation Financing (PF).
- j) A review of the NPO sector to identify those NPOs that are vulnerable to TF abuse has not been done hence no focused and proportionate measures have been applied.
- k) The legal framework to facilitate international cooperation only came into effect and in force soon after the on-site visit and therefore, could not be considered. Mozambique has inadequate capacity, both human and structural to properly administer MLA, extradition and other forms of international cooperation relating to ML, TF and associated predicate crimes. The case management system is inadequate to enable a determination to be made on how timely the authorities have been able to provide MLA and extradition. There is insufficient information or data available in respect of handling of requests for MLA and extradition to enable a determination on the effectiveness of the system. Regarding other forms of international cooperation, Mozambique has a strong framework to exchange information with Portuguese speaking countries compared to the other jurisdictions.

Risks and General Situation

2. Mozambique has introduced a raft of new laws to strengthen its AML/CFT regime, with some of the laws having been just enacted or introduced as recent as at the time of the on-site visit. Mozambique is in the process of strengthening its institutional structures to implement

the laws. Where institutions had already been established to implement the new laws, their understanding of ML and effective implementation of such laws was still quite low.

3. In general Mozambique has not assessed its ML/TF risks as it had just started preparing to carry out its NRA. However, it is exposed to numerous ML and TF risks. A number of crimes pose high ML/TF risks to the country, these include: corruption; drug trafficking; trafficking in persons; wildlife trafficking; unlawful dealing in precious stones and metals; and tax evasion. Most of the crimes generating the most proceeds are of an extra-territorial nature with Mozambique reported as a transit route for drugs into the neighbouring South Africa. Mozambique is also at risk of being used as a transit route for the offences of trafficking in persons and wildlife. Precious stones and wildlife are also smuggled out of Mozambique with some of the proceeds laundered back into Mozambique. The porous borders of Mozambique, particularly with Zimbabwe, Zambia, Tanzania, Malawi and Eswatini increase the risk of transnational crimes taking place. Although most sectors are aware of the serious crimes frequently committed in Mozambique, not all of them have an understanding of how these crimes can generate proceeds which can be laundered. Hence, the level of understanding the scale of threats, vulnerabilities and risks of ML is still low. The authorities identified the sectors of real estate, precious metals and stones, motor vehicle dealers, money value transfer services, foreign currency exchange dealers and wildlife as the areas through which laundering could be taking place but this view was supported by very few ML cases.

4. The northern part of Mozambique, which is the Region of Cabo Delgado based on information from both the authorities and open sources, is flanked with a lot of unrest linked to terror related activities. The area is also prone to illegal precious stone dealers with indications that some of it is smuggled out of Mozambique. The authorities could not provide clear information as to the extent of TF risk associated with this Region of Mozambique. Again, although the TF risk was perceived to be low in Mozambique, the basis for this understanding was not clearly explained. Mozambique has not developed any policies or strategies guided by identified ML/TF risks. The absence of such policies and strategies has also negatively affected prioritisation in the mitigation of ML/TF risks and made Mozambique remain vulnerable to such risks.

5. Although interventions, such as the use of mobile money platforms have been introduced to bring on-board the non-banked, a large population still remains unbanked. Efforts to increase the banked population are on-going. The DNFBP sector is not supervised for AML/CFT making the sector highly vulnerable for ML/TF. No measures are in place to identify the extent of the ML/TF risks associated with the sector. Other than banks, the BoM has not yet started AML/CFT supervision on some of the sectors identified to be high risk under its purview, e.g. MVTS. Mozambique's economy is cash based, which inherently poses high ML/TF risks.

6. Mozambique has set up a National Task Force but it does not include all stakeholders². There is no coordinated approach yet to identification of ML/TF/PF risks at national level. Coordination of Law Enforcement Agencies (LEAs) is not effectively used at national level as a means to fight high risk crimes. Cooperation and coordination amongst AML/CFT supervisors is still low.

Overall Level of Compliance and Effectiveness

7. Mozambique's AML/CFT system, despite having improved since the last assessment, is still weak. Although financial intelligence has been disseminated, there is low

² National Administration of Conservation Area – in charge of wildlife

indication that this is being used to successfully investigate ML cases. Capacity to effectively investigate and prosecute cases of ML is still low. Still next to nil suspicious transactions relating to TF are reported by reporting entities leading to no financial intelligence being generated, which has affected investigation and prosecution of TF cases. The supervision of reporting entities is still very weak with no meaningful supervision of the DNFBPs having started. Further, fundamental improvements are needed in the implementation of preventive measures by the reporting entities.

8. In addition to the new laws recently enacted in Mozambique, there is still need for strengthening some of these laws to fully empower LEAs to effectively investigate ML/TF cases as well as being able to immediately trace and identify proceeds of crime. Commensurate to the new laws being enacted, the institutional framework to implement these laws needs to be expanded and strengthened.

Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

9. Mozambique has a low understanding of its ML/TF risks, which is compounded by the country not having undertaken any kind of risk assessment. The country is yet to come up with AML/CFT policies and strategies. The changes to the legal and institutional frameworks have somewhat strengthened the AML/CFT regime. A new law enforcement body to replace the police criminal investigations department, the National Criminal Investigation Service (SERNIC) (Law 2/2017) has been created to investigate ML, TF and other crimes; the GIFiM (FIU) has been provided with more operational independence and a formal National Task Force (NTF) created (Law 2/2018); and an administrative Asset Forfeiture Unit (MDART) has been set up under the Public Prosecutor's Office (PPO)(2018). These developments had just taken place and still had limited effectiveness.

10. Coordination and cooperation of AML/CFT matters at national level, particularly operational level is still quite limited. The creation of the NTF reporting to the Coordination Council at policy level, might improve the situation but with these structural changes being new, effectiveness could not be demonstrated.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)

11. The GIFiM (Mozambique FIU) is responsible for receipt and analysis of reports, and dissemination of financial intelligence and other relevant information. GIFiM has adequate legal powers to receive STRs as well as to access administrative and other financial information to augment its analysis. The main challenge is that information held by most institutions which is accessible to GIFiM is not of good quality. For instance, the quality of information held by the Registrar of Companies is less comprehensive to verify the identity of ultimate beneficial ownership of legal persons. Moreover, almost all of transaction reports analysed by the GIFiM are from commercial banks and there is little to no filing of transaction reports by other reporting entities including the high risk sectors such as real estate and precious stone and metal dealers (PSMDs). Thus, the diversity of the STRs filed and other relevant information necessary to produce quality information are not sufficiently broad. The GIFiM has also not received cross-border currency or BNI reports from the Mozambique Revenue Authority (MRA) which has limited its sources of information.

12. The GIFiM has legal autonomy and operational independence to perform its core functions. However, the information being disseminated by the GIFiM, in most cases, passes through the PPO and passed on to the relevant LEAs once the PPO is satisfied that the report is useful for carrying out further investigations. This, to some extent, affected the operational

independence of the GIFiM in its ability to disseminate information to the other LEAs spontaneously and upon request leading to unreasonable delay in the identification and investigation of ML and associated predicate offences. The FIU has also not received cross-border currency/BNI information collected by the Tax Authority of Mozambique (MRA) due to lack of coordination between the two authorities.

13. The GIFiM has a secured environment to safeguard its operations. Samples of reports examined during the onsite indicate that GIFiM has managed to produce and provide reasonably good financial intelligence enabling investigation of ML and some predicate offences. However, it does not have adequate human resources to exercise its core functions and assist LEAs to effectively identify ML, TF and other predicate offences based on Mozambique's risk profile. GIFiM had managed to issue only one strategic analysis report at the time of the onsite. Generally, the lack of adequate skilled resources in the GIFiM, limited STR reporting and non-targeted GIFiM analysis products, all contribute to the negligible use of the GIFiM's intelligence products in the context of the most significant ML/TF risks faced by Mozambique

14. Mozambique has established an adequate legal and institutional framework for the investigation and prosecution of ML. Whilst the PPO, which is the sole prosecutorial authority, has been capacitated with financial and human resources, SERNIC, which is the primary investigative agency, has significant capacity challenges that compromise its ability to identify and investigate cases of ML.

15. Mozambique focuses on the investigation of predicate offences, rather than ML. Whilst PPO may instruct SERNIC to carry out parallel financial investigations in certain cases, this is not done routinely. A fair number of self-laundering cases have been investigated and prosecuted compared to other types of ML. PPO, through ACB, predominantly investigates and prosecutes corruption associated ML, although such prosecutions are relatively inconsistent. However ML is not routinely pursued in most of the criminal investigations as they are more targeted at predicate offences and PPO prosecutors are unable to routinely identify ML.

16. There are significant challenges in the coordination between criminal justice sector actors. LEAs generally do not utilise GIFiM financial intelligence reports, nor do they demonstrate an understanding of the utility of GIFiM as an investigation tool. In addition, GIFiM is also supposed to act as the national repository of statistics from all competent authorities in Mozambique, a function which it is not effectively implementing nor are the other competent authorities complying with the requirement. This has adversely affected maintenance of reliable statistics.

17. Mozambique does not consistently pursue confiscation as a policy objective. LEAs routinely confiscate contraband; however more complex financial investigations are generally only undertaken in respect to corruption offences. Provisional confiscation measures are not extensively used and the authorities have a mixed understanding of the function and purpose of provisional confiscation measures.

18. Mozambique has established a Multi-Disciplinary Asset Recovery Taskforce (MDART) in the PPO in 2019 to carry out asset tracing and recovery in complex matters. Whilst the effectiveness of this arrangement could not be assessed as no cases had been completed due to the recentness of the development at the time of onsite, this is a commendable effort.

19. Mozambique's confiscation legal framework could be enhanced by the establishment of a non-conviction based forfeiture regime.

20. Confiscation of falsely declared currency is pursued by the authorities, with BNIs generally not being a primary focus. The current sanction regime has not been sufficiently utilised to dissuade the movement of false or undeclared cross border movement of currency.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39.)

21. Mozambique's legal and institutional framework for combatting TF requires significant improvement. This is further hampered by, the authorities' understanding of the definition of terrorism as acts committed with a political ideology which has significantly compromised the implementation of the framework in question. It effectively incapacitates the authorities' ability to identify, investigate or prosecute a wide scope of the TF risks which might be present within Mozambique.

22. In general, both supervisors and LEAs are not informed of the vulnerabilities and risks of TF in Mozambique. Aided by the limited understanding of terrorism in the country, identification and investigation of matters of terrorism and terrorist financing are not a priority in Mozambique.

23. Mozambique has not yet conducted a review of its NPO sector with the intention to identify NPOs that might be vulnerable to TF abuse and use the results to apply focused and proportionate measures to mitigate the risks identified. The NPOs are still unaware of any TF risks they might be vulnerable to and the authorities have not carried out outreach to any of the NPOs, their donors and other stakeholders to raise awareness on identified TF risks.

24. There is limited coordination and cooperation between LEAs in respect to TF. SERNIC, as the sole institution with mandate to investigate TF, lacks the capacity (human, technical or financial) to identify or address TF. No demonstrable coordination on TF matters was shown by the authorities.

25. Mozambique does not have a legal or institutional framework for the implementation of UNSCRs 1718 and its successive resolutions and UNSCR 1737/2231 on PF.

Preventive measures (Chapter 5; IO.4; R.9–23)

26. The understanding of ML/TF risks across FIs and DNFBPs sectors varies. Notwithstanding the absence of the NRA or sectoral risk assessment, FIs, in particular, large domestic and foreign owned banks and large MVTS demonstrated a fair level of understanding of ML/TF risk applicable to their operations. These institutions have implemented AML/CFT preventive measures to mitigate against the identified risks including but not limited to application of EDD measures and monitoring requirements leveraging on their group-wide systems or systems of their parent companies abroad. The rest of the FIs and DNFBPs could not effectively demonstrate that they do understand the ML/TF risks and the AML/CFT obligations relating to them. As a result, they do not have effective mitigating controls in place, neither do they apply EDD measures on high risk customers and products.

27. Mozambique has no legal and institutional framework to enable VAs and activities of VASPs to take place. Resultantly, all FIs have no understanding and have not started applying AML/CFT obligations relating to VAs and on VASPs. As regards requirements to identify and verify BO of legal entities, reporting entities have varying understanding of the concept of BO and most of them tend to equate it to legal ownership.

28. Reporting entities generally lack knowledge of their obligations on TFS relating to TF and PF. As regards reporting obligations, only banks are reporting STRs and thresholds

reports to the FIU. At the time of the onsite visit, other FIs and DNFBPs had not reported any STRs or other threshold reports to the FIU in spite of a high ML/TF risk profile in their sectors. Although banks and large MVTS have fairly adequate compliance programmes, the rest of the FIs and DNFBPs have not effectively developed such programmes and this is mainly due to absence of supervision and guidance from the relevant supervisory authorities.

Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)

29. Financial sector supervisors have adequate market entry controls in place to prevent criminals and their associates from owning or controlling interest in financial institutions. The fit and proper tests conducted, do not include identification of BO. Mozambique has just started the procedures for carrying out its first NRA exercise, which impedes on the understanding by supervisory authorities of the ML/TF risks prevalent in their sectors. The financial sector supervisors have not yet developed and implemented AML/CFT risk-based supervision and monitoring of FIs and do not have adequate resources for supervision of the sector. Although the AML/CFT legal framework in Mozambique has a broad range of sanctions, only the BoM and the GIFiM have applied sanctions to a certain extent on entities they supervise. Only the BoM has conducted awareness and outreach to some of its licensees. Although financial supervisors have issued guidance to banks and insurance companies, they are still to do so to the rest of the FIs. Financial supervisors cooperate and exchange information with other competent authorities, mainly on an informal basis.

30. DNFBP supervisors have varying levels of market entry requirements. These are mostly categorised by different licensing and registration controls to prevent any kind of association with criminals and their associates. The DNFBP supervisors have not started identifying the ML/TF risks of the entities they supervise resulting with them having a low understanding of the risks. Supervisory activities are non-existent among the DNFBP supervisors resulting with the low levels of monitoring or supervision for compliance with AML/CFT requirements and breaches being rarely detected, and no remedial actions and sanctions being applied. The majority of the DNFBPs are not aware of their AML/CFT obligations due to the fact that they have rarely interacted with their supervisory authorities. GIFiM, in particular, lacks resources in carrying out any outreach to the entities under its supervision.

31. There is no VAs and VASPs regulatory framework, and as such, they are not supervised for AML/CFT compliance. However, the BoM has warned the public of the risks of engaging in virtual assets trading.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

32. Basic information on the creation and types of legal entities is publicly available if requested from CREL. However, there has been no ML/TF risk assessment done for any of the types of legal persons existent in Mozambique. There is a very limited understanding of the ML/TF risks associated with legal entities, and, as there was no risk assessment, the types of legal entities likely to be abused for ML/TF have not been identified.

33. Although Mozambique in practice obtains basic information on formation of companies, it could not adequately demonstrate the legal framework which enables CREL to gather such information. Further, the country has not yet applied sanctions for non-compliance with the information and transparency requirements related to legal persons. The non-application of sanctions for non-compliance with the requirements limits the accuracy and reliability of the information which can be obtained and maintained by the CREL resulting with the system being ineffective.

34. The concept of BO is not widely known nor is it understood by the majority of the AML/CFT stakeholders, including some of the reporting entities.

International cooperation (Chapter 8; IO.2; R.36–40)

35. The competent judicial authorities have some powers and mechanisms to cooperate with their counterparts, however, the powers or mechanisms are not used as often for ML / TF exchange of information.

36. In general, the country does not have comprehensive data on international cooperation actions requested and received in the field of ML and associated underlying infractions, as well as for TF. The authorities did not provide information on the use of complementary channels for obtaining and exchanging information. Mozambique does not also have a proper case management system and prioritization mechanisms of MLA requests consistent with the risk profile of the country.

37. The new international judicial cooperation law which is envisaged to strengthen MLA was gazetted when the assessors were on -site but was only to be in force and effect 30 days after the date of gazetting, therefore, could not be considered for purposes of this assessment.

38. Other forms of international cooperation between supervisory authorities and foreign counterparts are to some extent proactive and collaborative, and are provided upon request and spontaneously. In general, information exchange mainly with Portugal, other Portuguese speaking countries and SADC member countries, is to some extent developed, considering that the majority of commercial banks in Mozambique have foreign ownership. The BoM and ISSM had cooperated in a few occasions with foreign counterparts in conducting joint or consolidated group supervision of subsidiaries in Mozambique. The GIFiM has entered into several MoUs with counterpart FIUs in the ESAAMLG Region and beyond to facilitate exchange of information. However, it is not still a member of the EGMONT which limits its exchange of information with FIUs which are EGMONT members. SERNIC mainly uses the INTERPOL to share and make requests for information at international level and SARPPCO for regional information needs.

Priority Actions

- a) Mozambique should carry out a ML/TF risk assessment and use the process and the results to create a broad based awareness and understanding of ML/TF as well as the associated risks. The authorities should use the results to develop informed AML/CFT national policies and strategies to be used in framing and implementing ML/TF mitigating measures.
- b) Mozambique should prioritise provision of adequate resources to the competent authorities across the board to enable effective implementation of the AML/CFT measures to achieve the desired outcomes.
- c) The GIFiM should have more capacity (including human and IT) to exercise its core functions and engage with the reporting entities and AML/CFT supervisors to improve on the understanding of ML/TF. GIFiM and the other competent authorities should maintain comprehensive statistics on the effective use of the financial intelligence and other information disseminated. GIFiM should effectively maintain a national statistics base and enhance its analysis requirements.
- d) The authorities should enhance the capacity of law enforcement agencies to identify, investigate and prosecute TF, ML and associated predicate offences. Particular emphasis should be placed on enhancing SERNIC's and PPO's capacity and also, ensuring that investigations, including the use of provisional confiscation measures and prosecutions which should also prioritise confiscations, are aligned with the risk profile of Mozambique, including the risk of TF which is of high concern. Mozambique should establish

and strengthen cooperation and coordination mechanisms to improve on domestic exchange of information on AML/CFT among all LEAs as well as with other relevant competent authorities.

- e) Mozambique should use the process of carrying out a risk assessment and the results, thereafter, to create a broad based awareness and understanding of ML/TF risks posed by each of the types of legal persons created in the country. The authorities should engage more with the reporting entities to improve on their understanding of BO and BO risks, enhance the collection of BO information and take measures to ensure the BO information is made available to competent authorities when needed. The ability of the CREL to obtain and maintain accurate legal persons information should be enhanced through provision of more resources. Although domestic trusts are not recognised, the country should have a mechanism enabling identification of foreign trusts or persons in Mozambique acting as trustees or providing services to foreign trust.
- f) Mozambique should develop and operationalise sufficient mechanisms and coordination to enable implementation of UNSCRs relating to TF and PF
- g) Mozambique should conduct an assessment of the NPO sector to better understand the threats, and vulnerabilities faced by the sector and target NPOs that are exposed to TF abuse. The authorities should initiate outreach to NPOs and their donors to raise awareness of identified TF risks.
- h) Reporting entities (other than large domestic and foreign banks and large MVTs) should conduct ML/TF institutional risk assessments to assist them understand their ML/TF risks and apply commensurate mitigating controls to identified risks and improve on their compliance with AML/CFT obligations. If Mozambique is to allow dealing in VAs and have VASPs operating, then it should have a legal framework to regulate and supervise the sector.
- i) Supervisory authorities should carry out ML/TF risk assessments of their respective sectors and use the results to carry out RBA supervision and develop risk based supervisory tools.
- j) Mozambique should introduce a case management framework and prioritisation mechanisms to enable handling of international cooperation matters in a timely manner consistent with the risk profile of the jurisdiction which would enable monitoring and accounting of requests handled.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings³

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Risk, policy and coordination	International cooperation	Supervision	Preventive measures	Legal persons and arrangements	Financial intelligence	ML investigation & prosecution	Confiscation	TF investigation & prosecution	TF preventive measures & financial sanctions	PF financial sanctions
Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low

Technical Compliance Ratings⁴

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	PC	PC	PC	PC	NC	NC	NC	C	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	LC	LC	NC	NC	PC	C	LC	NC	PC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	PC	PC	NC	NC	NC	PC	PC	LC	PC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
PC	PC	PC	PC	PC	PC	PC	PC	LC	LC

³ Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

⁴ Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

MUTUAL EVALUATION REPORT

Preface

39. This report summarises the AML/CFT measures in place as at the date of the on-site visit. It analyses Mozambique's level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system, and recommends how the system could be strengthened.

40. This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from 25 November to 6 December 2019. The team visited Maputo during the on-site visit.

41. The evaluation was conducted by an assessment team consisting of:

ESAAMLG Secretariat

- Joseph Jagada, Principal Expert (Co-Team Leader)
- Muluken Yirga Dubale, Senior Legal Expert (Co-Team Leader)
- John Muvavarirwa, Senior Financial Sector Expert (financial expert)
- Chris Likomwa, Law Enforcement Expert (law enforcement)
- Bhushan Jomadar, Financial Sector Expert (financial expert)

Assessment Team

- Manuel Almeida, Legal Advisor, Bank of Portugal, (legal expert)
- Liness Chikankheni, Principal State Advocate, Malawi (law enforcement)
- Minervina Lopes, Expert at the Monitoring and Legal Department, FIU, Angola (FIU expert)
- Diphat Tembo, Compliance and Prevention Director, FIC, Zambia (financial expert)
- Kenneth Ngwarai, Head Compliance, FIU, Zimbabwe (financial expert)

Observers

- Walter Mukanyangi, Junior Manager, Counter Terrorism Analysis, Ministry of Home Affairs, Zimbabwe (law enforcement)
- Nicodemos Pinto, Customs Risk Manager, Angola Revenue Administration, Ministry of Finance, Angola (law enforcement)

The report was reviewed by Yotsna Lalji-Venketasawmy - AML/CFT Adviser, Ministry of Financial Services and Good Governance, Mauritius; Kennedy Mwai – Manager-External Relations, FIU, Kenya and FATF Secretariat,

42. Mozambique previously underwent a FATF Mutual Evaluation in 2009, conducted according to the *2004 FATF Methodology*. That Mutual Evaluation concluded that the country was largely compliant with 1 Recommendation, partially compliant with 11; and non-compliant with 35. Mozambique was rated compliant or largely compliant with none of the 16 Core and

Key Recommendations and was placed under enhanced follow-up process. The 2009 MER has been published and is available at <http://www.esaamlg.org>. Mozambique was removed from the follow-up process in September 2019.

1. ML/TF RISKS AND CONTEXT

43. Mozambique borders Tanzania (North), Malawi and Zambia (North West), Zimbabwe (West), South Africa and Eswatini (South West) and a huge coastline (2,500km) along the Indian Ocean to the East. Mozambique has a total area of 801 509km and is located in the southern part of Africa. It has 11 Provinces composed of Niassa, Cabo Delgado, Nampula, Zambezia, Tete, Manica, Sofala, Inhambane, Gaza, Maputo and the City of Maputo, which serves as the 11th province. The provinces are further divided into 148 Districts, 53 Municipalities of which 25 are Cities and 28 are Towns. Maputo is both the capital and largest city of Mozambique with it mainly being a port city. The main spoken language is Portuguese.

44. Mozambique has an estimated population of 28 million (2017) with 66% of the population working and living in the rural areas⁵. Mozambique has abundant arable land, water, mineral resources and recent discoveries of natural gas. To support its economy and that of its four neighbouring countries which are landlocked, Mozambique has developed three deep seaports which makes it important to the Southern African Development Community (SADC)⁶.

45. Mozambique adopted a new Constitution to move from being a mono party since gaining independence in June 1975, to a multi-party system in 1990. A further review of the Constitution was done in 2004. The Constitution enshrines separation of powers between the four of the Republic's organs of President, Parliament, Government and the Courts. The President is the Head of State and Government and he leads the Council of Ministers (Cabinet) which is composed of the President, the Prime Minister and ministers. Election of the President and members of the Assembly is for five years and is done through a direct universal suffrage and secret ballot.

46. Mozambique's political stability still faces challenges. After a long time of persistent flare-ups of armed confrontations with the Mozambican National Resistance (RENAMO), which ended after the Government entered into a new peace accord with RENAMO in August 2019, the authorities now face insurgencies in the Cabo Delgado Province.

47. Mozambique is a low income country with a Gross Net Income (GNI) per capita of around \$1,025. Whilst Mozambique's real gross domestic product (GDP) had been growing steadily with an average of 3.7% between 2016 – 2018, the impact of the on-going hidden debt case (see Box 6, pg. 123) and the tropical cyclones Idai and Kenneth on the agricultural production in 2019, have retarded that growth. A GDP growth of 2% is expected for 2019 – 2020 with a possibility of the economic growth improving to about 4% around 2021⁷, also influenced by growth in the exploitation of natural gas. The national currency used is the Metical (Mt).

48. Mozambique's legal system is based on civil law, where legislation is the primary source of law flowing from the Roman- German law. Courts, in terms of the Constitution, function as independent sovereign bodies, whose main objective is to ensure compliance with the Constitution, laws, decrees and other legal directives. The Constitution is the supreme law of the

⁵ <https://www.worldbank.org/en/country/mozambique/overview>

⁶ Made up of Angola, Botswana, Comoros, DRC, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe

⁷ <https://www.worldbank.org/en/country/mozambique/overview>

Republic followed by laws and decrees. The Constitution provides for four categories of courts, which are the Judicial, Administrative, Community Courts and Constitutional Council.

- Constitutional Council has broad powers ranging from determining the constitutionality of all legislation to be enacted before it is effective and in force, and presiding over constitutional appeal matters. Its decisions are not subject to appeal, they are final and have to be implemented.
- Judicial Courts preside on both civil and criminal cases and exercises jurisdiction in all other matters not assigned to other jurisdictional courts. The Organic Law of the Judicial Courts provides four main courts under the judicial courts: the Supreme Court, Court of Appeal, Provincial Courts, District Courts and Labour Courts (still to be set up). The Supreme Court is both a court of first instance and appellate court. Court of Appeal has jurisdiction to hear appeal cases from Provincial Courts thus reducing the Supreme Court's appeals workload. The other courts have jurisdiction to preside over criminal and civil matters. The Supreme Court is the highest court under the Judicial Courts hierarchy.
- Administrative Court is the superior court in the hierarchy of administrative, fiscal and customs courts. It also oversees the constitutionality and legitimacy of administrative decisions issued by the public administration, administrative contracts and enforces administrative decisions.
- Community Courts are more widespread and have functioned traditionally for years before being formalised into the legal system. The courts administer traditional and religious customary law dealing with minor civil disputes and small crimes.

1.1. ML/TF Risks and Scoping of Higher Risk Issues

1.1.1. Overview of ML/TF Risks

49. The predicate crimes identified to be high proceed generating in Mozambique are: corruption; drug trafficking; illegal dealing in precious metals and stones, wildlife trafficking, human trafficking and tax evasion. Corruption poses the highest ML risk as it affects all sectors and is the most reported offence generating proceeds. Mozambique is mostly a transit for trafficking humans and drugs, both mostly influenced by it being a neighbour to South Africa, which provides for further transit or serve as end destination of both⁸.

50. The mining sector is weakened by inadequate controls. Although, the authorities had introduced a Kimberly Process Unit, there were reports of precious stones still being smuggled and the proceeds from the sales being brought back to Mozambique and laundered. The predominant use of cash and a high unbanked population⁹ makes tracing of most transactions impossible providing an opportunity for the laundering of proceeds of crime. Most foreign proceeds derived from corruption and smuggling also end up in the informal sector which is still quite large and plays a huge role in the country's economy.

⁸ The Heroin Coast – (Issue 4 June 2018), pages 2, 10, 11, 12, 13; 2018 Trafficking in Persons Report -Mozambique

⁹ 58% had no access to financial services until 2018 [World Bank Mozambique: Financial Inclusion and Stability Project (P166107)]

51. The risks on the DNFBP sector have not been identified and the sector is not yet being supervised for AML/CFT. This makes the sector vulnerable and increases the risk of it being abused for ML/TF. The sectors of real estate, second hand motor vehicle dealers and dealers in precious stones, which in the view of the authorities, are vulnerable to both ML and TF, form a large part of the DNFBP sector increasing the ML risks. AML/CFT preventive measures are still to be diligently applied to the whole DNFBP sector.

52. The extent to which Mozambique is exposed to the risk of TF is not determined as the risk has not been fully assessed. Although there are violent activities taking place in Cabo Delgado, north of the country, the authorities have not categorised these to be acts of terror but describe them as acts committed by insurgencies and cannot be defined as acts of terror as these in Mozambique are only confined to acts based on a political ideology. However, the terror is being driven by a militant group called Ansar al-Sunna which is an extremist faction attempting to establish an Islamic State in Cabo Delgado. The group has often been associated with violent recruitment of locals with recent reputable public sources, such as reports of the UN raising alerts of the acts of terror escalating. The authorities could not clearly explain how this group is being funded (also see IO. 1,4,9). With the uncertainty expressed by the authorities, Mozambique might be much vulnerable and have more cases of TF than accounted for or identified.

1.1.2. Country's Risk Assessment & Scoping of Higher Risk Issues

53. At the time of the on-site visit, Mozambique was in the process of preparing for its first National Risk Assessment, assisted by the World Bank. No sectoral or thematic risk assessment has been done. In the absence of such assessments, the assessors in determining the areas of higher and lower risks relied on the TC responses provided by the authorities, first round post evaluation progress reports, reports on Mozambique prepared by reputable organisations¹⁰ and other reliable public sources of information.

54. The LEA, DNFBP and banking sectors provided invaluable information on areas of high risk in Mozambique. The crimes of corruption¹¹, trafficking related crimes commonly transcending across borders (in particular human trafficking, wildlife trafficking¹², motor vehicle smuggling¹³, illegal dealing in precious stones and metals), and tax evasion are described from both the authorities and other reliable sources to be of frequent occurrence and likely to be of high risk to ML. The main conduits for laundering proceeds of crime appear to be through banks, bureau de changes, cash couriers and hawala systems¹⁴. Mozambique has six neighbouring countries with relatively porous borders as well as a coastal border which is equally vulnerable. This poses Mozambique as a route for transnational crimes into other countries in Africa and to jurisdictions outside the African continent, especially trafficking related crimes.

¹⁰ UNHCR, IMF, WB, Basel, OSAC; <http://www.worldbank.org/en/country/mozambique/overview>

¹¹ <https://www.ganintegrity.com/portal/country-profiles/mozambique/IMF> Report, U4 Mozambique: Overview of corruption and anti-corruption

¹² <https://www.traffic.org/news/lam-to-help-curb-wildlife-trafficking-in-mozambique/>

¹³ Mozambique Interpol assessment, <https://www.unodc.org/unodc/en/frontpage/2019/September/unodc-and-mozambique-discuss-a-comprehensive-strategic-roadmap-against-transnational-organized-crime--drugs-and-terrorism.html>, OSAC Mozambique 2019 Crime & Safety Report and <https://www.u4.no/publications/illicit-financial-flows-in-mozambique>

¹⁴ <https://www.u4.no/publications/illicit-financial-flows-in-mozambique>

55. Mozambique has existing incidences and threats of terrorism which pose a significant risk of TF¹⁵. Reports from reputable organisations of increasing terror attacks by insurgent groups in Northern Mozambique alleged to be based on Islamic ideologies have become frequent¹⁶.

56. Therefore, in coming up with the areas of higher focus, the assessors considered the crimes committed in the country, kinds of risks associated with the country, sectors affected by the risks, adequacy of the institutional framework and the geographical positioning of Mozambique. After a review of all these factors, the assessors prioritised the following areas as of high focus:

- a) In the absence of a NRA or any sectoral risk assessments, the assessors focused on the understanding of ML/TF risk by the authorities; the risks created by the inadequate criminalisation of ML/TF offences and the impact on prioritisation of resources; and how threats posed by high proceed generating crimes, such as corruption, trafficking related offences, illegal dealing in precious stones, were being addressed. Assessors, also focused on whether the authorities adequately understood the threat of TF and extent of efforts being made to ensure that the TF and terrorism exposure has been mitigated and effectively managed. The risks that financial institutions and DNFBPs were exposed to was another area examined as no appropriate measures were being implemented to ensure that DNFBPs and some of the financial institutions are aware of the risks. Understanding by the authorities of risks caused by high movement of cash in the informal sector as most transactions are carried out in cash, including cross-border, was also an area of focus by the assessors. The team considered the effect of porous borders on the AML/CFT measures and how effective the kind of measures implemented were addressing the risks.
- b) Assessors examined the financial activities requiring STR reporting and the extent of compliance with the reporting requirements and awareness of reporting obligations by the reporting entities, in particular DNFBPs. Effect of sanctions imposed for non-compliance with reporting obligations by the reporting entities was also looked at.
- c) The extent to which the financial sector supervisory authorities applied risk based supervision and take appropriate measures where established risks were not being adequately addressed, was explored. The assessors also focused on measures put in place to ensure that DNFBPs are effectively supervised for compliance with AML/CFT requirements.
- d) Assessors considered whether the STRs filed with GIFiM were consistent with Mozambique's risk profile. Determined whether GIFiM was disseminating financial intelligence and other reports relevant to the operational needs of LEAs in terms of quality and risk profile of the country. Further determination was made whether institutional arrangements in place were adequate to efficiently utilise the financial intelligence provided and the outputs of such use. To determine the results, the assessors looked at the effective execution of parallel financial investigations, investigations and prosecutions, and whether sanctions eventually applied by the courts are proportionate, effective and dissuasive. Another area of focus by the assessors, was the capacity of LEAs to trace proceeds of crime given that a large sector uses cash, is still informal and that DNFBPs such as real estate are still unsupervised.
- e) The assessors focused on the capacity of the AML/CFT regime to identify BO, the risks associated with BO and to what extent the concept of BO was understood by all AML/CFT stakeholders. In conjunction with obtaining of BO information, the assessors wanted to ascertain how ML/TF risks

¹⁵ Basel AML Index 2018 ranks Mozambique 2/129 with a risk of 8.28 and Transparency perception index ranks the index 23/100

¹⁶ OSAC Mozambique 2019 Crime & Safety Report, <https://www.hrw.org/world-report/2019/country-chapters/mozambique>, <https://www.voanews.com/extremism-watch/recent-terror-attacks-expands-presence-mozambique>,

relating to legal persons were being minimised by obtaining adequate, reliable and accurate basic information.

- f) Focus was also made on the efforts which the authorities have made in addressing extra-territorial predicate offences (trafficking, smuggling) and extent to which the authorities engage other foreign authorities to cooperate and exchange information.

57. Domestic trusts are not recognised in Mozambique, therefore, the assessors did not apply a lot of focus on these. However, the assessors explored the possibility of foreign trusts, or a legal or natural person in Mozambique providing services to a foreign trust or acting as a trustee for a foreign trust.

1.2. Materiality

58. Mozambique is a diversified economy, with its anchor in agriculture, mining, manufacturing, trade and transport industries. The banking industry in Mozambique accounts for 90% of the total market share of the financial sector, with the remainder in insurance companies and securities firms. Financial and insurance activities contribute to around 5% of the country's GDP (Bank of Mozambique). The Mozambique financial system consists of seventeen (17) commercial banks, among which 15 are foreign majority-owned and two (2) locally owned. The banking sector is the most significant sector with a total asset value of USD9.54 billion as of December 2018, and makes it most vulnerable for ML/TF risks due to the large volumes and values of transactions (some cross-border) conducted through the banking system.

59. All categories of DNFBPs as defined by the FATF operate in Mozambique, and are subject to AML/CFT requirements and monitoring as prescribed under the AML Law 14/2013. The DNFBP sector has a significant number of informal participants (sector) and a dominance of cash-intensive businesses which makes it vulnerable to ML/TF risks. The real estate sector has twenty-one (21) registered agents, but the sector has a large number of unregistered players. Accountants, auditors (5000) and lawyers (2000) are the largest groups among independent accounting and legal professionals. Some big law firms represent international customers. There are 306 license holders dealing in precious stones and precious metals. However, the sector has a large number of unregistered/unlicensed dealers. There are five (5) casinos operating in Mozambique and online gaming is also permissible. TCSPs are also designated to provide services under the Mozambican law but these are not monitored and the authorities could not provide information on whether they exist or not. VASPs are not yet regulated in Mozambique.

1.3. Structural Elements

60. Mozambique is strengthening its AML/CFT system, complemented by the recent establishment of a formal National Task Force¹⁷ to coordinate AML/CFT work and other structures such as the GIFiM Coordination Council (to provide coordination of AML/CFT matters at Ministerial level and make subsequent proposals to Cabinet, see paragraphs 89, 99) have also been put in place. Through the introduction of new laws, Mozambique has demonstrated a political commitment to comply with AML/CFT requirements but more still needs to be done in terms of their effective implementation. Government operations are still affected by a high level of corruption, particularly pertaining to public sector procurement and projects, the *hidden debt* scandal is one of the closest examples (see Box 6, pg. 123). The World Bank's Worldwide Governance Indicators site corruption as a serious problem in Mozambique cutting across all organs of government, often accompanied by weak enforcement of the anti-

¹⁷ Art. 8 of Decree No. 49/2018

corruption law. There have been calls for enhancement of the judiciary to promote transparency in court processes and access to judgments and strengthening the integrity of the prosecution services¹⁸. The authorities have taken steps to strengthening the latter by enacting Law No. 4/2017, which among other things sets up an autonomous administrative Public Prosecutor's Office headed by the Attorney General but more still needs to be done in terms of effective implementation of the law. The setting up of the SERNIC based on Law No 2/2017 is another step to improve the integrity of LEAs in Mozambique. However, there is still need to do more streamlining of the functions of SERNIC from those of PPO or to integrate them in a more efficient way (see IO 7). Mozambique's political stability is dogged with unpredictableness. After a successful signing of a peace accord in 2019¹⁹ to stop a recurring civil war, political instability has now increased in Northern Mozambique. Corruption in institutions of government is still a major concern.

1.4. Background and Other Contextual Factors

61. As part of an effort to address the deficiencies identified during its last mutual evaluation Mozambique has recently come up with new laws and amendments to existing laws. Institutional changes have been made to bodies responsible for investigation, prosecution and an administrative asset recovery unit set. Effectiveness of the AML/CFT regime based on the changes to the legal and institutional frameworks is still low as the changes are too recent and ongoing.

62. Mozambique still faces a number of challenges in implementing a full functioning AML/CFT regime. It has a high occurrence of predicate offences which are proceed generating crimes, a situation which is further affected by inadequate AML/CFT supervision in most of the sectors. This has had a negative impact on formal businesses as there is often pilferage of precious stones and metals which are smuggled and sold extraterritorial, unlawful dealing in foreign currency and facilitation of trafficking pertaining to different contraband (drugs, human beings, wildlife, high value timber, etc).

63. The informal sector and cash transactions still pose major difficulties for effective implementation of AML/CFT requirements. Government's efforts to introduce other forms of payments, like mobile money, although acknowledged, still do not mitigate much of the ML risks as majority of the population of Mozambique still remain unbanked and with no access to banks. Only about 42% of adult Mozambicans have bank accounts,²⁰ rising with a small percentage (+ - 5%) when figures of mobile money are included. The Bank of Mozambique has embarked on a financial inclusion programme, which is an ongoing exercise to provide financial services to the broader population of Mozambique covering from 2016 – 2022²¹. The quick progress of this exercise is still affected by a strong appetite to use cash by the majority of Mozambicans.

¹⁸ Pg 10, UNODC Country Review Report of Mozambique file:///E:/ProliferationFinWrkshp/2019/MEofMozambique/Literature/Mozambique_Final_Country_Report(onU

¹⁹ Peace and National Reconciliation Agreement signed between President Filipe Nyusi and Ossufo Momade, the leader of Renamo rebel group, 1st August 2019

²⁰ Mozambique: Financial Inclusion and Stability Project (P166107) – World Bank, pg. 3

²¹ National Financial Inclusion Strategy/2016 - 2022

1.4.1. AML/CFT strategy

64. The introduction of new laws by Mozambique to strengthen its legal and institutional framework on AML/CFT, if effectively implemented can mitigate some of the identified risks. However, the lack of clear policies and strategies which are guided by identified ML/TF risks, again with no timelines on when such policies and strategies will be developed, seriously affects prioritisation in addressing the risks and general effective implementation of any measures currently in place. It is envisaged that with the planning of its NRA underway, Mozambique will immediately after finalising the NRA be able to address this area.

1.4.2. Legal & institutional framework

65. From the time of the adoption of its first MER in August 2011, Mozambique has been taking steps to address the legal and institutional deficiencies identified in the report. The enactment of AML Law No 14/2013 improved the criminalisation of ML and TF offences as it provides for identification and verification of BO, widens the scope of sanctions, among other requirements. In August 2014, Decree No. 66/2014 was introduced to provide for implementation of Law No. 14/2013. Guidelines, Notice 4/GBM/2015 issued by the Bank of Mozambique, Law No. 2/2018 (which repealed Law No 14/2007) provides more operational independence to the *Gabinete de Informacao Financieira de Mozambique* (GIFiM – FIU of Mozambique) and establishes a National Task Force, among other reforms, Law No. 21/2019 which provides for international cooperation, Law No. 5/2018 which provides for implementation of UNSCRs with the exception of targeted financial sanctions related to proliferation, are all laws complementing the AML Law No. 14/2013 in creating a stronger AML/CFT legal regime.

66. A number of institutions make up the AML/CFT institutional framework of Mozambique. At the centre of these institutions is the Ministry of Economy and Finance and the GIFiM which, direct and coordinate the AML/CFT activities. Mainly, the institutions involved in the AML/CFT implementation are ministries and different agencies which are as follows:

Ministries

- a) **Ministry of Economy and Finance (MoE&F)** - directs and coordinates the planning process and guides the integrated and balanced economic and social development of the country. It plans all economic and social activities and targets the allocation of financial resources at sectoral and territorial levels, in accordance with national objectives and priorities of the Government.
- b) **Ministry of Justice (MoJ)**– It is responsible for legislative drafting of laws, and decrees. The Ministry is also responsible for administration of justice and coordinates legal affairs concerning Government.
- c) **Ministry of Interior (MoI)** – The Ministry is responsible for administering the Mozambique Republic Police (PRM) and the National Criminal Investigation Service (SERNIC).
- d) **Ministry of Foreign Affairs (MoFA)** - The Ministry is responsible for planning, directing and coordinating implementation and execution of foreign policies and international cooperation. It facilitates processing of in-bound and out going requests for mutual legal assistance and extradition. It is the custodian of all international conventions to which Mozambique is a party.
- e) **Ministry of Mineral Resources and Energy** – The Ministry is responsible for licensing dealers in precious stones and metals.

- f) **Ministry of Public Works, Housing and Water Resources** – Is responsible for registering real estate agents.

Criminal Justice and Operational Agencies

- g) **Public Prosecutor’s Office (PPO)** – Represents the State, directs criminal investigations and criminal proceedings, controls detentions, conducts the defence of underage and disabled people. It is composed of the bench, subordinate bodies and falls under the Attorney General’s Office (AGO).
- h) **Attorney General’s Office (AGO)** which is responsible for protecting the rights of minors, citizens and legal entities and prosecutions under the PPO. It is also responsible for MLA.²²
- i) **Multi-Disciplinary Asset Recovery Team (MDART)(Asset Forfeiture Recovery Unit (AFRU))** – Is composed of officers from SERNIC, GIFiM, MRA, Ministry of Justice which through a signed MoU (2018) have been seconded to the PPO to form the administrative AFRU. The AFRU is responsible for tracing, identification, freezing and seizing of tainted assets.
- j) **Financial Intelligence Unit (Gabinete de Informacao Financieira de Mozambique – GIFiM)** – The functions of the GIFiM which was formed in 2007 in terms of Law 14/2007, are mainly to receive and analyse suspicious transaction reports from reporting entities and disseminate financial intelligence and other related information to competent authorities and other Government Agencies for use. The GIFiM is headed by a Director General, who also chairs the National Task Force and attends Coordination Council meetings, which are bodies which deliberate on different AML/CFT matters. The Law 14/2007 was amended in 2018 (Law 2/2018) to provide more operational independence to the GIFiM.
- k) **Mozambique Republic Police (MRP)** – Is responsible for public order, protection of people and property, providing emergency services and national security.
- l) **National Criminal Investigation Service (SERNIC)** – Formed in terms of Law No. 2/2017, is responsible for investigating serious organised crime, including ML and TF. It has specialised units which deal with forensics, ballistics, drugs and diamond investigations, crime analysis and international police cooperation. It regularly participates in strategic operations involving INTERPOL global initiatives in fighting transnational organised crime.
- m) **Anti-Corruption Bureau (ACB)** – It was formed in 2003 (Law 6/2004) as the Central Office for Combating Corruption (GCCC) but the law was amended in 2012 to form the ACB as a stand-alone unit and in 2017, under Art 2 of Law 4/2017, it was made one of the bodies reporting to the PPO in the Attorney General’s Office. The scope of its main functions was increased in 2012 to add investigation of ML arising from corruption cases investigated by ACB and also to carry out prosecution of corruption related cases. It also carries out awareness on corruption prevention.

²² It was formerly designated as a Central Authority after the on-site visit.

- n) **National Administration of Conservation Areas (ANAC)** – Is a government public institution created to administer national parks, reserves and other conservancy areas. In conjunction with the PPO, it is responsible for investigating poaching, trafficking in wildlife and wild life products.
- o) **Mozambique Revenue Authority (MRA)** – It is a government institution under the purview of the Ministry of Finance mandated to collect tax and control movement of goods. As a Customs Authority, it controls goods moved over land, sea and air, including goods carried by travellers, send through the post office and courier services. It also investigates violations of customs laws and in the event of a criminal offence being committed, after carrying out the initial inquiries, it hands over such cases to SERNIC for full investigations. At entry and exit points the Customs Authority works together with the Immigration Directorate, Postal Services and SERNIC to control movement of people and goods across the borders.
- p) **State Intelligence and Security Service (SISE)**– It is responsible for intelligence operations in defence and protection of the State. SISE provides counter measures on threats to the government and shares intelligence information with other agencies of the State, including with the Ministries of Defence, Justice, Interior, and the office of the Attorney General and GIFiM. The intelligence information shared varies and includes on crimes against the State which can also relate to ML and terrorism.

Financial Sector

- q) **Bank of Mozambique (BoM)** - Under the umbrella of the Ministry of Economy and Finance, is responsible for planning and implementing the monetary policy of Mozambique. It licenses, regulates and supervises AML/CFT and prudential activities undertaken by banks and other reporting entities under its purview. BoM is also responsible for driving financial inclusion in Mozambique.
- r) **Insurance Supervision Institute of Mozambique (ISSM)** – It falls under the Ministry of Economy and Finance. It is responsible for licensing and supervising the insurance sector for AML/CFT.

DNFBPs

- s) **Bar Association of Mozambique** – It has been in existence since 1994. It is responsible for licensing, registering and supervising lawyers for AML/CFT. It also receives all STRs filed by lawyers before submitting them to the GIFiM. Its members consist of lawyers in private practice, those working as civil servants and in an advisory capacity, and notary practitioners.
- t) **Gaming Body** – It reports to the Ministries of Economy and Finance regarding gaming activities and that of Tourism which is in charge of licensing casinos. The Body is responsible for regulating the sector to ensure that licensees are complying with the terms of their licensing and for supervising the sector for AML/CFT.
- u) **Ministry of Commerce and Trade** – It licenses car dealers, which are supervised for AML/CFT by the GIFiM.

- v) **Organisation of Accountants and Auditors of Mozambique (OCAM)** – It is responsible for registering accountants and auditors and also supervising them for AML/CFT.

1.4.3. Financial sector and DNFBBs

67. Mozambican financial sector has evolved over time. The Financial sector in Mozambique comprises: (i) credit institutions (including banks and electronic money transfer institutions); (ii) financial companies (e.g. brokers), (iii) insurers; (iv) pension funds; and (v) capital markets institutions. The financial sector provides a wide variety of services to the public and constitutes the regulated formal financial system.

68. Based on their materiality and risk in the context of Mozambique, the implementation issues were weighted **most heavily** for the banking sector, **heavily** for the micro-financial institutions, real estate agents, dealers in precious stones and metals, and second hand motor vehicle dealers, **moderately heavily** for the insurance, casinos, lawyers and accountants and **less heavily** for the securities sector.

69. **The Banking Sector**, with a total asset base of USD 9.54 billion, constitutes 5.2 %²³ of GDP and is the largest sub-sector of the financial sector and is weighted as being the most important in the context of Mozambique, based on its materiality and risk. It consists of 17 banks which are predominantly foreign majority controlled as most of them are subsidiaries and branches of international banks primarily from Portugal and South Africa. The sector is highly concentrated with three largest banks controlling 72% of banking assets. The total number of bank branches across the country stood at 683 of which 71% are mainly concentrated in urban areas. In terms of the clientele, 42 %²⁴ (constitute about 5.4 million accounts) of the population are banked.

70. **The insurance sector:** The insurance market, which consists of 21 players offers life and general insurance products (8 life & 13 non-life). There are also 795 insurance brokers and agents and six (6) pensions fund management companies. In terms of the size, the general insurance companies dominate the market, controlling about 97% of the market distantly followed by life insurance which manages a negligible share (3 %). As at December, 2019, the total assets in the insurance businesses stood at USD0.5 billion .

Other Financial Institutions and VASPs

71. (a) **Foreign Exchange Bureaus and MVTS** – In Mozambique, MVTS products (Western Union/Mukuru) are offered under payment operation activities authorised under the FIs' banking licence. While mobile money operators (Emola, Mpesa and mKesh) are categorised as electronic currency institutions and hence are financial institutions under the AML/CFT Law. However, the legal provisions providing for the services which can be provided by banks do not list MVTS as one of the activities which can be carried out by banks in Mozambique (see R. 14 and IOs 3 & 4). As at end of 2019, there were 11 standalone foreign exchange bureaus (forex bureaus). MVTS is mainly offered through banks and forex bureaus do not provide such services. Mobile money financial services exist in Mozambique and

²³ Source: Bank of Mozambique. The figure represents the whole financial sector GDP figure. Authorities did not provide the breakdown, showing the banking sector contribution

²⁴ Source : Bank of Mozambique

consist of three (3) mobile money service provider. A market share of 90% is controlled by one foreign owned mobile money service provider. The forex bureaus, and mobile money service providers are supervised by BoM for AML/CFT purposes.

- (b) **Micro Finance Institutions (MFI) and Securities Market** - There are 1,123 MFIs which include credit cooperatives (all locally majority owned) with a total asset size of USD173.9 million. The securities market in Mozambique is very small, underdeveloped and contributes about 10% of the financial sector assets. The sector players comprise 50²⁵ institutions, 70% of which are domestic owned. At the time of onsite visit there was only one registered stockbroker. In addition to licensing, the BoM is also the supervisor for securities and brokers.
- (c) **VASPs:** Mozambique does not have a legal framework in place to supervise VASPs. As such, although the BoM issued a notice in January 2018, warning the public of the risks of investing in virtual assets, the extent of operation of VASPs in Mozambique is not known.

Table 1: Types of financial institutions in Mozambique as at Dec 2019

STRUCTURE AND SIZE OF THE FINANCIAL SECTOR AS AT DECEMBER 2018					
Type of FIs	No. of FIs	Total Assets (USD million)	Locally Majority Owned	Foreign Majority Owned	Supervisor
Banks	17	9,539,232,783.55	2	15	BoM
Microbanks	11	132,710,000.00	9	2	BoM
Credit Cooperatives/Unions	5	41,200,000.00	5	-	BoM
Microfinance Institutions (credit only)	1,118	Not available	1,118	4	BoM
Savings and Loan Organizations	13	Not available	13	-	BoM
Leasing Companies	-	-	-	-	
Investment Companies	2	34,750,000.00	1	1	BoM
Life Insurance	8	17, 535,600,43	-	-	ISSM
General Insurance	13	500,664,300.00			ISSM
Insurance Brokers	98	0	-	-	ISSM
Insurance Agents	697	0			ISSM
Pensions Funds	6	119.851.357,63			ISSM
Stockbrokers	13	Not available	5	8	BoM
Forex bureaus i.e. exchange houses	11	2.520.000.00	11	-	BoM
Mobile Money Operators	3	127.030.000.00	1	2	BoM

Source: Information provided by the Authorities(BoM and ISSM).

²⁵ Source: Bank of Mozambique

72. **Overview of the DNFBP Sector:** The Designated Non-Financial Businesses and Professions (DNFBPs) which operate in Mozambique are casinos, dealers in precious stones and metals, real estate agents, lawyers, accountants and car dealers, and are subject to AML/CFT supervision and monitoring as prescribed under the AML Law. They are licensed or registered by their respective supervisory authorities. Where there is no direct supervisory authority for a particular sector, this would automatically fall under the supervision of GIFiM, until such time that a supervisor has been appointed. However, despite the AML Law No 14/2014 providing for TCSPs, the authorities were not clear on whether these were in existence in Mozambique or not.

- **Casinos and Gaming activities:** These are licenced by the Ministry of Tourism in consultation with General Inspectorate of Games. The Gaming Board is the AML/CFT supervisor for both casinos and gaming activities. The sector comprises five (5) casinos and nine (9) sport betting operators. The authorities generally consider casinos as vulnerable to abuse by criminals.
- **Dealers in Precious Metals and Precious Stones:** are regulated by the National Mining Institute (INAMI), which was under the Ministry of Mineral Resources and Energy at the time of on-site visit. There are 306 mineral license holders (the number is only of dealers) registered with the INAMI, while traders (jewellers) are registered by the Ministry of Industry and Trade. While the authorities informed the assessors of the high number of illegal dealing in precious stones and precious metals, in its extraction and trading, they also alluded to the fact that the sector is highly cash intensive, making it highly vulnerable to ML/TF risks.
- **Legal Practitioners** - The legal profession consists of admitted attorneys, notaries, persons authorised to provide legal advice and lawyers. It is supervised by the Bar Association of Mozambique (BAM) and comprises of 2100 licensed lawyers, from both the private and public sector. Under the AML law, lawyers are designated as reporting institutions for AML/CFT purposes and engage in business activities (e.g. real estate and company formation, etc) falling under the scope of the activities subject to AML/CFT obligations under the FATF Standards. There are only public notaries in Mozambique.
- **Real Estate Sector-** The real estate agents are licenced by the Ministry of Industry and Trade under Decree 94/2013 and supervised for AML/CFT compliance by the GIFiM. There are 21 registered real estate agents. The sector is considered high risk mainly due to high participation of unregistered players and its cash intensity nature which provides high levels of informality.
- **Accountants-** Fall under the oversight role of the Organisation of Auditors and Accountants in Mozambique (OCAM), which is a self-regulatory body (SRB). However, membership is not compulsory. There are 5,000 accountants operating in the private sector, 132 accounting firms with partnerships, and 100 auditing firms.
- **Trusts and Company Services Providers (TCSPs)** – Fall under the Ministry of Justice and the services of public trusts and company formations are offered by the legal practitioners and accountants. Other public sources of information indicate that there are other company service providers existing in Mozambique other than lawyers and accountants²⁶
- **Car dealers** are supervised for AML/CFT compliance by GIFiM. Although no risk assessment has been carried out for this category, the authorities view car dealers as inherently high risk warranting them to be designated under the scope of DNFBPs. There are 1,414 (16 are new motor vehicle dealers and the rest, are second hand dealers) registered car dealers in Mozambique.

²⁶ Healy Consultants Group PLC which operates as a CSP in Mozambique

Table 2: Structure and Size of the DNFBP Sector:

Type of DNFBP	Legislation under which entity is licensed/registered	Licensing/ Registering authority	No. of Institutions	AML/CFT supervisor/Regulator	Additional Information on the sector
Casinos and institutions engaged in games of fortune or chance	Decree Law 64/2010 Decree Law 9/2012	Ministry of Tourism in consultation with General Inspectorate of Games,	5 Casinos and 9 Sport Betting Operators	GIFiM +Gaming Board	Designated as reporting entities in Mozambique.
Real Estate Agents	Decree 94/2013,	Ministry of Industry and Trade	21	GIFiM	Designated as reporting entities in Mozambique. GIFiM supervises the sector.
Vendors and resellers of motor vehicles;	AML Law 14/2013	Ministry of Industry and Trade	1 414	GIFiM	Designated as reporting entities in Mozambique.
Agents or dealers in precious stones	Decree Law 25/2015.	National Mining Institute (INAMI).	306	GIFiM	Designated as reporting entities in Mozambique The number of dealers provided is for both in precious metals and stones. The number is only of dealers.
Lawyers, notaries and independent legal professionals	Decree 28/2009, of 28 September,	Bar Association of Mozambique (BAM)	2100 licensed lawyers, and these are both in private and public sector	Bar Association of Mozambique	Designated as reporting entities in Mozambique but their STRs have to be reported to the BAM which in turn submits the same to the FIU.

Accountants and independent Auditors	Decree Law 80/2012, of 8th February, and Decree Law 15/2017	Organisation of Auditors and Accountants in Mozambique (OCAM)	5,000 accountants operating in the private sector), 132 accounting firms with partnership and 100 auditing firms	OCAM	Designated as reporting entities in Mozambique
Postal companies, if involved in financial activities	No information provided	No information provided	No information provided	No information provided	Designated as reporting entities as per Law No.14/2013 August, 12
Trust & Company Service Providers	Art. 3(3)(g) of AML Law 14/2013	Ministry of Justice	Not provided	None	Designated as reporting entities but there is no record of the number of TCSPs registered and operating in Mozambique.

Source: Mozambican Authorities;

1.4.4. Preventive measures

73. Generally, the AML/CFT legal framework cover requirements relating to preventive measures specified in the FATF Standards for FIs and DNFBPs except for VASPs. The preventive measures provided include but not limited to obligations of reporting entities to undertake risk assessment, CDD, STR reporting obligations, tipping off and record retention.

74. The BoM has issued guidelines on the prevention and suppression of ML/TF to the financial sector under its purview, to assist the sector with the implementation of preventive measures. Another set of guidelines, establish rules and procedures to be complied with in foreign exchange operations. The Insurance Supervision Institute of Mozambique (ISSM), in order to assist insurance companies with the implementation of preventive and control measures mitigating their risk exposure to involvement in criminal activities, has also issued guidelines to the sector. At the time of the on-site visit, no AML/CFT guidelines had been issued to the DNFBPs sector apart from gaming sector.

75. Review of the AML/CFT laws and regulations shows that generally, they are in line with the requirements of the AML/CFT international standards save to say that there remain some technical deficiencies (see Recs 10 – 23)

76. The scope of AML/CFT legal framework in relation to FIs and DNFBPs that exist in Mozambique are as per the ones designated under the FATF Glossary. In addition, the AML/CFT law covers vendors and motor vehicle dealers under the category of DNFBPs as reporting persons, it is noted these are outside the scope of the FATF Standards. However, the

designation of vendors and motor vehicle dealers as reporting entities was not based on any ML/TF risk assessment

1.4.5. Legal persons and arrangements

77. The Commercial Registry Law govern the creation of legal persons and legal arrangements in Mozambique. The most common types of companies are partnerships (*sociedades em nome colectivo*), limited liability companies (*sociedades por quotas*), and cooperative companies (*sociedades cooperativas*). The companies must be registered in the commercial registry to obtain legal personality. The authorities could not provide a description of the specific types of companies created in Mozambique, the number of companies registered and the current number of each of the types of the companies registered²⁷.

78. Foreign companies must comply with one of the types of entities set-out in the company code and register the company in the commercial registry. The Conservator verifies compliance of an application to register a company under the Companies Registry Law.

79. The law in Mozambique does not recognise the legal concept of trusts and similar legal arrangements, and therefore express trusts and legal arrangements cannot be created or recognized as such.

1.4.6. Supervisory arrangements

80. The AML/CFT supervisors of FIs are BoM and ISSM, and each DNFBP is under a separate supervisor, with GIFiM supervising any sector which does not have a specific supervisor. The GIFiM is the lead AML/CFT supervisor under the AML Law. The financial sector supervisors do not have sufficient resources and supervision tools to properly supervise and monitor all FIs, on a risk-sensitive basis, for compliance with AML/CFT requirements. In line with the AML Law, the AML/CFT supervisory powers are given to various supervisors for the different sectors. Thus, the BoM is responsible for supervision of commercial banks, microfinance institutions, capital market players, bureau de change and money remitters, and ISSM is responsible for the insurance sector. The GIG is responsible for AML/CFT supervision of the casinos and gaming activities. The rest of the DNFBPs are under the following supervisors; real estate and car dealers – GIFiM; lawyers – BAM; accountants – OCAM, and dealers in precious stones/precious metals – INAMI. There was no supervisory regime on AML/CFT for TCSPs as the authorities were of the view that these did not exist in Mozambique, although no evidence of this could be produced by them (refer to IO 5) . FIs and DNFBP supervisors in Mozambique lack understanding of the ML/TF risks in their sectors, and most of the DNFBP supervisors were not aware of their obligation to supervise their sectors for AML/CFT compliance, as a result most of the FIs and all DNFBPs have not been supervised for compliance with their AML/CFT obligations. Both FIs and DNFBP supervisors have powers to issue sanctions under the AML Law. The MoUs with foreign counterparts enable BoM and ISSM to conduct joint AML/CFT inspections of foreign entities operating in Mozambique. VASPs are not regulated, hence there is no supervision.

1.4.7. International cooperation

81. Considering the geographic location of Mozambique and its historical ties with other Portuguese-speaking countries, the country maintains close socio-economic relations with

²⁷ A template table was provided to the authorities to insert the information requested but it was never completed and had to be eventually deleted.

many countries but in particular with Portugal, Angola, Brazil, including countries in the SADC region as well as with China and USA.

82. The Attorney General is the main agency for mutual legal assistance for both incoming and outgoing requests. However, it was designated as a Central Authority for handling MLA through a law which came into effect after the onsite visit. Also, the FIU and other competent authorities have international cooperation arrangements with foreign counterparts.

2. NATIONAL AML/CFT POLICIES AND COORDINATION

2.1. Key Findings and Recommendations

Key Findings

- a) Mozambique has recently introduced a number of measures and institutional changes to pave the way for a more effective AML/CFT system. While this is a positive sign moving the country in the right direction, the lack of nationally coordinated efforts to understand ML and TF risks still undermines Mozambique's broader AML/CFT system.
- b) Mozambique has just commenced preparations to carry out its first NRA. Although there is consistent understanding/identification of frequently committed serious crimes across most competent authorities, the understanding is not in the context of the crimes being potential proceed generating for ML. The understanding of crimes posing threats and vulnerabilities of ML is still low. There has been minimum effort by the authorities to understand the TF risk.
- c) Mozambique has not identified its ML/TF risks and has not developed national policies to address identified ML/TF risks. However, the authorities have introduced measures to strengthen most of the country's AML/CFT legal and institutional needs. The Coordination Council and NTF have been set up to promote initiation of policies and other measures. The SERNIC has been set up as a special investigative LEA to investigate ML, TF and other crimes. An administrative asset forfeiture unit has been set up in the PPO. All these measures being mostly new are still to impact in effectively addressing identified ML/TF risks.
- d) Mozambique requires adequate demonstrable risk assessments to have been undertaken when exemptions or simplified measures are to be implemented by reporting entities. As most of the reporting entities have not carried out any institutional risk assessments with the exception of large domestic and foreign banks as well as large MVTS, they have not implemented any exemptions or simplified measures on transactions.
- e) More still needs to be done in equipping the competent authorities (BoM, PPO, SERNIC, ACB, ISSM) with adequate capacities to be able to identify ML and TF cases and the risks associated with both crimes and the authorities coming up with relevant AML/CFT policies informed by the identified risks.
- f) Mozambique has strengthened its structures in national coordination and cooperation by establishing a policy organ, the Coordination Council to channel decisions from the NTF to the Council of Ministers for decision making. The bodies due to their recent nature, have not yet achieved much success. The NTF has only began preparing for the NRA. The other areas of coordination and cooperation between LEAs, and between the AML/CFT supervisors are not effective as they have not yet coordinated any activities together in their own sectors.
- g) Financial Institutions, DNFBPs and other relevant sectors under the AML/CFT regime of Mozambique are not aware of any results of the ML/TF risk assessment as none has taken place yet.

Recommended Actions

- a) Mozambique should conduct its first NRA as soon as possible and its findings should be shared with all relevant sectors soon after. The NRA should be robust enough to include all the relevant stakeholders' inputs and be regularly reviewed to ensure consistency with

the evolving ML/TF risks. Mozambique should further assess and understand the extent to which the identified serious crimes pose ML/TF threats and vulnerabilities

- b) Once the results of the NRA are out, the authorities should develop national AML/CFT policies and strategies informed by identified ML/TF risks from the exercise.
- c) The authorities should put in place adequate measures to enable them to understand and broaden awareness on the TF risk and put in place appropriate structures which will enable proper monitoring and addressing of the risk.
- d) Different competent authorities responsible for implementing AML/CFT requirements (investigating, prosecuting and supervisory authorities) need to be adequately trained and resourced to enable them to identify ML and TF cases.
- e) There should be more interagency coordination and cooperation among competent authorities, including law enforcement, FIs supervisory and self-regulatory bodies to enable uniform across the board identification and understanding of ML/TF risks. The NTF should be provided with adequate resources and powers to effectively carry out its coordination function and properly drive the risk assessment process and subsequent reviews.
- f) The authorities and supervisory bodies should engage more frequently with FIs and the DNFBP sectors to build awareness on the identified ML/TF risks once the National Risk Assessment results are out. The NTF and the other relevant authorities should additionally engage in education and awareness raising on AML/CFT for the generality of the authorities, including FIs and DNFBPs.
- g) The authorities should encourage financial inclusion as a strategy to reduce ML/TF risks in the informal sector, including through the use of simplified customer due diligence measures for financial inclusion products that are exposed to low ML/TF risk as informed by adequate risk assessments.

2.2. d Actions

83. The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34.

2.3. Immediate Outcome 1 (Risk, Policy and Coordination)

2.3.1. Country's understanding of its ML/TF risks

84. Mozambique has not yet identified, assessed and understood its ML/TF risks. The authorities are preparing to carry out their first national risk assessment (NRA) and none of the other forms of risk assessment (sector specific, thematic) have been done. The level of understanding ML/TF risks is still low. The overall determination on the extent of understanding of ML/TF risks was reached through the views contributed by the different competent authorities, financial sector and DNFBP entities.

85. The absence of any kind of risk assessment has significantly undermined efforts by the authorities and the private sector to develop and promote adequate understanding of ML/TF risks. The understanding of threats and vulnerabilities that contribute to ML varied from one institution to another and was in most cases quite basic. Although, the identification of most frequently committed crimes seemed to be consistent among most of the institutions, the identification of the crimes by the majority of the institutions was not supported by an understanding of the crimes being a ML threat. Some of the financial sector (forex bureaus) and

DNFBPs (dealers in precious stones) identified the illegal activities taking place in their sectors only to the extent that they were a threat to their businesses but not in the context of ML.

86. The FIU, LEAs, Public Prosecutor's Office (PPO), some of the FIs, DNFBPs supervisors, all described the crimes of corruption, trafficking (in persons, drugs, wildlife), smuggling of precious minerals and tax evasion as most frequently committed offences. Given the types of the crimes and the transnational nature of trafficking offences, the authorities agreed that these would be the high proceed generating offences aiding the commission of ML from both domestic and foreign proceeds. The Bank of Mozambique (BoM), being the AML/CFT supervisor for the largest financial sector (banking sector), some sectors of the DNFBPs, LEAs, FIU and PPO highlighted the possibility of banks, real estate, second hand motor vehicle dealers, mobile money operators, foreign currency exchange, and casinos being the sectors through which the proceeds are laundered. However, the authorities could not demonstrate the extent to which these sectors were actually vulnerable as no proper assessment of the risks has been done. The low understanding of the risks is exacerbated by the high levels of informality as most transactions are carried out in cash and are not recorded. The understanding of these risks by the authorities could not be fully assessed as there has not been a clear process of identifying the risks as well as the extent of proceeds generated.

87. In as much as precious minerals and real estate sectors have been identified by the authorities as likely areas where proceeds are being channelled, these areas are not yet being supervised for AML/CFT. The lack of supervision also applies to the sectors of foreign currency exchange bureaus and motor vehicle dealers. All these shortcomings create major limitations in the authorities' understanding of ML/TF risks concerned with these sectors. The banking sector is better supervised by the BoM, therefore, they have a fair understanding of ML/TF risks, particularly the larger banks and MVTS.

88. The understanding of TF risk is still quite basic across the board. This was confirmed by the next to none STRs reported on suspected TF to GIFiM, followed by no cases of TF investigated or prosecuted. The authorities were of the view that TF risk is low but the competent authorities could not demonstrate the basis for this view considering that their understanding of TF risks was quite low. The reluctance by the authorities to consider any possible TF which might be associated with insurgencies taking place in Northern Mozambique in Cabo Delgado Province, when they could not explain how the insurgencies are being funded to commit the terror offences to establish what is being reported as an Islamic State, could also be due to the authorities' lack of understanding of TF (also see IO 9).

89. VA and VASPs are unregulated in Mozambique. Although, the BoM has issued a circular warning the public of dealing in VAs, the risks associated with VA and VASPs have not been assessed and are therefore not understood.

2.3.2. National policies to address identified ML/TF risks

90. Mozambique has not yet developed national policies on AML/CFT commensurate to its risk profile. Mozambique has started to implement the recently enacted/laws to change its institutional structures and improve on coordinating AML/CFT activities. A National Task Force (NTF), whose main functions at operational level are to assess ML/TF threats and vulnerabilities, propose changes to laws, write national strategies and action plans on AML/CFT had just been created²⁸. Both, the Coordination Council to which the NTF submits its proposals for consideration into policy and the Council of Ministers (Cabinet) to which the proposals are

²⁸ Art 8 of Decree No, 49/2018

presented by the Coordination Council for possible development into policy, had also just been put in place.

91. The institutional changes had also brought in the setting up of the National Criminal Investigation Services (SERNIC) in 2017, which is provided with powers to investigate ML/TF and when necessary to arrange for multi-disciplinary teams to deal with financial crimes and asset recovery. In order to strengthen asset recovery and forfeiture, the authorities had created an administrative Asset Recovery Unit in 2018 within the Public Prosecutor's Office (PPO).

92. All the above measures and institutional changes were quite recent at the time of the on-site to provide insight into what had been achieved but if fully utilised and supported by identified ML/TF risks and well informed policies, these changes may strengthen the AML/CFT regime of Mozambique.

2.3.3. Exemptions, enhanced and simplified measures

93. Mozambique is only preparing to carry out its first NRA, the country is still to use results of any assessment to come up with exemptions at national level justifying application of enhanced measures for higher risk scenarios or simplified measures for lower risk scenarios. The legal framework of Mozambique allows FIs and DNFBPs to apply simplified measures but only in circumstances where they are able to demonstrate that an adequate risk assessment has been undertaken²⁹. The AML Law further requires FIs and DNFBPs to apply enhanced due diligence (EDD) requirements when dealing with clients which pose inherent higher risk and apply mitigating controls. The AML Law further identifies business transactions which pose inherent higher risk (transactions carried out by PEPs, correspondent banking, cross-border wire transfers, etc) where the FIs and DNFBPs have to apply EDD.

94. However, based on the measures set out under the AML Law, the reporting entities were implementing the requirements differently. Large banks and MVTS were regularly conducting institutional risk assessments to risk profile their clients whilst the rest of the FIs and DNFBPs had not started doing so. Also based on the results of their risk profiling, large mobile money operators were applying simplified measures for certain classes of their clients regarded to be of lower risk as financial inclusion products.

2.3.4. Objectives and activities of competent authorities

95. Supervisory authorities do not have clear set objectives on the approach to AML/CFT supervision. The BoM indicated that it had carried out a survey on commercial banks to inform them of the high risk products in the banking sector (see IO 3). Supervisors for the DNFBP sector, including GIFiM did not share any objectives or activities carried out. Most of the risks attributed to the AML/CFT regime of Mozambique are associated with the DNFBP sector and there is no effective implementation of measures to enable mitigation of the risks in these sectors to be more predictable and enhance supervision.

96. The SERNIC had just been created and most of its work was still in its infancy. From discussions with it and case examples described, there were indications that it still needs capacity building in identifying both ML and TF cases, and where necessary to carry out parallel financial investigations.

²⁹ Art. 13(6 -8) Of Decree No 66/14

97. Following the failure by both SERNIC and the other agencies under the Ministry of Interior to recognise the possibility of TF and associated acts of terrorism occurring in Cabo Delgado and also based on information available from UNHCR and other reliable open sources of the attacks going on in this Region of Mozambique and the catastrophic impact of the activities on civilians³⁰, the impression created was that there was still low appreciation of a high possibility of TF happening in Mozambique but not being reported as such or investigated. This indifferent approach to the TF risk applies to all relevant competent authorities in Mozambique.

98. The enactment of Law No. 5/2018 brought in a limited framework to implement the UNSCRs 1267 and 1373. However, there is need by the authorities to go back to the Act and ensure that it adequately provides for full implementation of the UN Resolutions supported by the necessary institutional structures (see R. 6). The framework also does not provide for implementation of sanctions on proliferation financing. Thus there is need for Mozambique to ensure that the legal and institutional framework is consistent with what is required in order to realize full implementation of those Resolutions.

2.3.5. National coordination and cooperation

99. Cooperation and coordination of exchange of information on activities to combat ML/TF is driven by the Coordination Council (Council) and the NTF. The Council consist of high level appointees composed of the Prime Minister (who chairs the Council), Attorney General, Ministers of Finance, Security and Public Affairs, Justice, the Governor of BoM and the Director General of the GIFiM and his Deputy. The institutions, with other additional agencies are replicated in the NTF to make it a multi-agency forum on AML/CFT. The NTF meetings are chaired by the Director General of GIFiM, who can invite other agencies to participate depending on the expertise required during the discussion. The members to NTF are appointed by the head of their own institutions and approved by the Minister of Finance.

100. The multi-agencies in the NTF, which are the technical people at operational level's functions are to: assess the ML/TF risks, draft and propose changes to legislation and draft national strategies and implementation plans on AML/CFT. Thereafter, the NTF has to provide its proposed actions/decisions to the Coordinating Council which then at policy level considers the submissions before taking them up with the Council of Ministers (Cabinet) for decision making. Any feedback on the decisions made by the Council of Ministers for implementation filter back to the NTF through the Council to the Director General of GIFiM, who as Chair of the NTF will provide the decisions to the NTF. The NTF is seized with the preparation of the NRA which is still to commence. However, note has to be taken that the structural arrangements only came in place sometime in 2018 and therefore, are still quite recent. Again not all relevant AML/CFT stakeholders are represented in the NTF³¹ and coordinated identification of ML/TF risks at national level was still to start and this limited the NTF's overall understanding of such risks.

101. The GIFiM has entered into MoUs with other competent authorities such as the MRA, BoM, GIG, AG's Office, with which it shares information through its goAML Platform. GIFiM has found this to be an effective means of sharing information with other stakeholders. In addition, the GIFiM and BoM meet regularly to discuss AML/CFT strategies and issues raised by FIs.

³⁰ Acts which could well fit into terrorists act covered by the TF offence under the TF Convention.

³¹ The National Administration for Areas of Government (ANAC) important for environmental crimes is not represented

102. Interagency coordination of LEAs at operational level did not come out as a strong factor used by the different agencies to fight ML/TF crimes. SERNIC which is mandated by the law to form multi-agency teams to investigate major crimes, including ML, did not demonstrate that it was effectively using this power and no specific cases were provided where this authority had been successfully used. The cooperation and coordination among SERNIC, ACB, SISE and PPO relating to financial intelligence on ML/TF disseminated by the GIFiM was not clearly explained. There was often conflicting information provided relating to the distribution of the reports by the PPO (which receives the reports from GIFiM) and the relevant LEAs investigating the cases (see IOs 6 & 8). Generally, there is no effective coordination of such reports between PPO and other LEAs which carry out investigations and report to it. The only cooperation which was demonstrated relates to manning of entry and exit points, mostly at major airports where SERNIC, MRA, Postal Services, and Immigration work together to fight entry of contraband.

103. Although, the BoM and GIFiM meet frequently to exchange information pertaining to FIs, there were no indications that this is the case with the GIFiM, ISSM and other DNFBP AML/CFT supervisors.

2.3.6. Private sector's awareness of risks

104. Mozambique had only started preparing for its NRA (see above), therefore no results on the exercise had yet been shared with any of the private sector. The authorities were however encouraged to include all the relevant stakeholders from the private sector in the NRA.

105. The understanding of the ML/TF risks in the absence of awareness created based on the results of a NRA, is varying from banks, non-banks and DNFBPs. Although, the private sector has attended workshops conducted by GIFiM, BoM and other organisations, the understanding of the risks remains concentrated more in large domestic and international banks and large mobile money operators compared to other FIs and DNFBPs. Most of the international banks have been exposed to risk management tools through participation in events organised by their parent companies. DNFBPs remain highly affected as the sector remains mostly unsupervised for AML/CFT with little education and guidance on the risks the sectors are exposed to.

106. Most of the reporting entities are not aware of the risks pertaining to TF and the implications of non-compliance with obligations relating to targeted financial sanctions. The lack of awareness to TF risks by reporting entities is also reflected in the extremely limited STRs reported to GIFiM (see IOs 4 and 6).

107. In the absence of a NRA and sharing of the results identified on risks pertaining to BO, majority of the reporting entities did not demonstrate that they understood the risks relating to BO and dealing with legal persons. LEAs were also not approaching the reporting entities as often for assistance with information on BO reducing their exposure to the risks associated with dealing with legal persons.

Overall conclusions on IO.1

108. Mozambique is preparing to carry out its first NRA and no other sector specific or thematic risk assessments have been done. The understanding of ML/TF risks is low. Mozambique has not come up with any AML/CFT policies or strategies but has been taking measures in strengthening its laws and introducing institutional changes to efficiently deal with crimes, including ML. However, all these changes are quite new to have had any positive impact on AML/CFT. Further, more resources and training are needed for proper implementation of the laws and efficient functioning of the new structures in fighting ML/TF. Mozambique will have

to use the results of the NRA, once it is completed to come up with exemptions justifying application of EDD or simplified measures at national level. Interagency cooperation and coordination between supervisory authorities, LEAs and other stakeholders in the fight against ML and TF need to be greatly improved.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 1.

3. LEGAL SYSTEM AND OPERATIONAL ISSUES

3.1. Key Findings and Recommended Actions

Key Findings

IO. 6

- a) Financial intelligence is being rarely used in Mozambique to initiate ML/TF or predicate crime investigations. The lack of adequate skilled resources, low levels of STRs filed by the DNFBPs and the majority of non-bank FIs, and a lack of targeted GIFiM and other intelligence sources' risk analysis, are all contributing to the very limited use of GIFiM and other Competent Authorities' intelligence products.
- b) The issues of inadequate resources have constrained the amount of operational analysis done by GIFiM and there is limited skills capacity to do TF analysis. GIFiM to a large extent does not carry out strategic analysis and has not disseminated any strategic analysis reports.
- c) The GIFiM and LEAs use secure channels to exchange and protect the confidentiality of the information exchanged or used. However, there is limited coordination between the GIFiM and LEAs and other competent authorities which utilise its information. The information being disseminated by the GIFiM meant for LEAs, in most cases passes through the PPO then to the relevant LEAs once the PPO is satisfied that the report is useful for carrying out further investigations. This is unnecessarily cumbersome and has resulted in unreasonable delays in the initiating of investigations.
- d) Cross-border cash and BNI declaration reports are not filed to GIFiM to enhance its analysis.
- e) The GIFiM does not provide regular feedback to reporting entities apart from acknowledgment of receipt of STRs. The PPO and the other competent authorities do not also provide feedback to GIFiM on the use of its intelligence products. Absence of feedback to reporting entities and GIFiM undermines efforts to improve the quality of STRs of reporting entities and intelligence products of the GIFiM

IO 7

- a. Mozambique has trained specialist financial crime prosecutors that have been deployed to each of Mozambique's 11 provinces, alongside specialised financial crime investigators. The impact of these teams is significantly limited due to the high prevalence of financial crimes in Mozambique and lack of prioritisation of both investigations and prosecutions according to the prevailing risks.
- b. SERNIC has human, technical and financial capacity challenges that impair its ability to identify and investigate ML or associated predicate offences nationwide. As a result SERNIC's ability to identify or investigate ML or associated predicate offences is compromised.

- c. PPO focuses on the investigation and prosecution of predicate offences, rather than ML. With the exception of corruption, other high risk predicate offences are not prioritised. Although PPO may instruct LEAs to conduct parallel financial investigations, these are not routinely carried out due to other LEAs not passing on cases to SERNIC and the lack of capacity on the part of prosecutors to identify ML.
- d. There is limited coordination between criminal justice stakeholder institutions, which impacts the efficacy of Mozambican authorities to identify, investigate and prosecute ML. Of particular note is the limited use and understanding of GIFiM's role in intelligence gathering.
- e. Self-laundering cases are the majority of cases investigated, however, there are few cases of third party and none of stand alone or foreign predicate laundering.
- f. The sanctions imposed by Mozambique are proportionate, but it could not be demonstrated that the sanctions are effective and dissuasive.

IO 8

- a) Mozambique has administratively established the MDART in 2019 to handle complex asset recovery matters. No cases had been completed by the MDART yet.
- b) Although the confiscation legal framework provides for conviction based forfeiture, the lack of mechanisms enabling non-conviction based forfeiture could be limiting the options for Mozambique's confiscation regime and its effectiveness.
- c) Mozambique does not consistently pursue confiscation as a policy objective. LEAs routinely confiscate contraband and not proceeds or instrumentalities of crime with the exception of ANAC and ACB. Parallel financial investigations are not consistently undertaken to identify instrumentalities and other proceeds of crime subject to confiscation.
- d) Provisional confiscation measures are not extensively used and the authorities have a mixed appreciation of the purpose and role of provisional confiscation measures.
- e) Mozambique has pursued assets outside the jurisdiction and successfully obtained interim orders, although no final confiscation orders have been obtained yet.
- f) Mozambique has controls in place to manage cross-border currency and BNI movements; however these are insufficient in view of the increased risk posed by the majority of the population still relying on cash to carry out transactions and the jurisdiction being used as a transit country.

Recommended Actions

IO 6

- a) GIFiM should recruit additional FIU staff, with appropriate skills, and provide ongoing training to GIFiM staff to improve on conducting strategic and operational analysis that is targeted to the operational needs of LEAs and other competent authorities based on the ML/TF risk profile of Mozambique.
- b) GIFiM should provide outreach and further guidance on STR and CTR reporting requirements and continue dialogue and cooperation with the public, private sector,

non-bank financial institutions and DNFBPs, including through informal channels to increase AML/CFT awareness.

- c) Mozambique should enhance (or strengthen) cooperation between GIFiM and LEAs to improve on production of financial intelligence and other information which will enable LEAs to develop evidence necessary to investigate and trace criminal proceeds related to ML, associated predicate offences and TF.
- d) MRA should urgently commence submission of information on cross-border cash declarations to GIFiM to add value to STRs and help with identification of possible ML issues.
- e) Mozambique should significantly increase the use of financial intelligence to identify ML and TF cases, in accordance with its ML/TF risk profile
- f) GIFiM should develop mechanisms to elicit feedback on the usefulness of the financial intelligence and information disseminated to LEAs and other competent authorities, and provide regular feedback to reporting entities on reports filed. -The information generated through the feedback process should be used to improve the financial intelligence and suspicious transaction reports through formalized structures between GIFiM and the law enforcement agencies and other competent authorities, on one hand, and reporting entities, on the other.
- g) The Authorities should review the process through which the PPO screens information from GIFiM to LEAs to ensure that this does not impact on the efficiency and effective use of financial intelligence.

IO 7

- a) Mozambique should capacitate SERNIC so that its able to execute its mandate to identify and investigate ML. SERNIC officers should also be trained on the function and utility of GIFiM financial intelligence reports and other disseminated information in actively pursuing ML/TF and associated predicate offence investigations.
- b) LEAs and prosecutors should prioritise the investigation and prosecution of ML and associated predicate offences in line with the risk profile of Mozambique which should also include investigating the financial aspects of predicate crimes.
- c) Prosecutors and investigators should be trained on the common money laundering trends to ensure that when handling predicate offences they can detect where ML investigations ought to be undertaken. Emphasis should also be given to enhancing their capacity to identify and investigate stand-alone money laundering offences and foreign predicate offences taking into account the prevalence of Mozambique being used as a transit country.
- d) A national policy should be put in place to make parallel financial and ML investigations mandatory at least in all cases related to major proceeds-generating offences. When pursuing the offences of ML as a national policy, cooperation among the various LEAs, in particular the GIFiM, PPO/SERNIC specialist financial crime teams in the eleven provinces should be enhanced to enable sharing and coordinating of information with LEAs that have jurisdiction to investigate limited types of predicate offences to ensure that cases with potential for ML or requiring parallel financial investigations are passed on to SERNIC.
- e) LEAs and the PPO should start keeping comprehensive statistics relating to the number of financial intelligence reports and other information received from GIFiM to enable determination of relevancy of the reports to ML/TF and other predicate offence investigations. Further maintaining of statistics on other ML investigations and

prosecutions should be enhanced in order to assist in determining the areas of ML/TF risks and the progress being made in strengthening the AML/CFT regime of Mozambique.

- f) The sanctions should be reviewed to make them dissuasive and effective.

IO 8

a) Authorities should come up and implement a system which would enable them to prioritise confiscation in line with the risk profile of the country. The authorities should develop a policy which requires tracing and identification of proceeds or instrumentalities of crime to enable confiscation to be pursued with every investigation of a serious or high risk crime.

b) LEAs and PPO should enhance their staff's knowledge on the use of provisional and final confiscation measures. The current legal framework should be improved on to enable competent authorities to carry out steps that prevent or void actions that prejudice Mozambique's ability to freeze or seize or recover property that is subject to confiscation and take appropriate investigative measures. Emphasis should also be placed on the range of confiscation measures available and their application to ensure that understanding of what constitute instrumentalities and proceeds of crime is enhanced and broadened.

c) Authorities should ensure that all staff allocated to MDART are solely focused on executing MDART functions and that they are well resourced to make it more effective and maintain its integrity.

d) Mozambique should continue pursuing assets outside the jurisdiction with the objective of obtaining final confiscation orders and repatriation of proceeds where possible.

e) Mozambique should consider enacting non-conviction based confiscation legislation to enhance the efficiency and effectiveness of its confiscation regime.

f) MRA should enhance its cross border currency and BNI monitoring systems, with a particular focus on measures to identify cross border BNI movements. Consideration should also be given to extending the focus to other key entry/exit points in areas where high proceed generating offences are being committed, including where precious stones are being smuggled with suspicion of the proceeds coming inward posing both ML/TF risks. Such checks should also be manned for leads by GIFiM to generate financial intelligence and SERNIC to potentially pursue financial investigations of the cases and where possible disrupt such activities.

g) LEAs and the PPO should start keeping comprehensive statistics relating to confiscations to enable adequate accounting of assets recovered and determining areas under the AML/CFT confiscation regime requiring further strengthening.

109. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.1, R. 3, R.4 and R.29-32.

3.2. Immediate Outcome 6 (Financial Intelligence ML/TF)

Background and Context

110. Mozambique has an administrative financial intelligence unit (FIU) known as *Gabinete de Informação Financeira de Moçambique* (GIFiM) established in 2007, under Law 14/2007 repealed by Law No. 2/2018 which broadened the power of GIFiM and introduced security of tenor for the Director and Deputy Director by setting out grounds for their dismissal.

111. The GIFiM is housed in a stand-alone building with adequate physical structure and security. GIFiM comprises a total of 20 staff with a Directorate and 5 Departments. The total number of staff according to the current structure was supposed to be 36 and thus, more than 44% of the posts were not filled at the time of the onsite (see Table 3, below). Whilst GIFiM was established in 2007 and became operational in 2011, as a central agency for the receipt, analysis and dissemination of financial intelligence and other information to Competent Authorities to enable identification of ML, TF and associated predicate offences, it does not have adequate staff to cover all these areas of the FIU operations. In addition it is also an AML/CFT supervisor for DNFBPs not having a designated AML/CFT supervisor under the AML Law. There are only 4 staff members dedicated to analysis. The funding allocated to GIFiM is also insufficient to enable it to perform its core mandate, in addition to exercising the additional supervisory powers (see IO 3). Overall, there are considerable resource and capacity issues on TF analysis which significantly impact the core functions of the Unit and ultimately, the types of financial intelligence reports disseminated to competent authorities which are still not consistent with the ML/TF risk profile of Mozambique.

Table 3 – GIFiM Staff Establishment

Departments	Posts Available	Posts filled
Director General and Deputy Director	2	2
Director of Services	3	3
Heads of department	4	1
Executive Secretary	2	1
Analysis and Information Department	8	4
Information Technology Department	3	3
Compliance Department	2	1
Legal, Research and Liaison	2	1
Finance and Human Resource Department	10	4
Total	36	20

3.2.1. Use of financial intelligence and other information

112. GIFiM and LEAs to some extent exercise their statutory powers to access and obtain information held by, inter alia, reporting entities, as well as public and private databases. There is a limited access to financial intelligence and other information from other FIUs through signing of MoUs. GIFiM is not yet a member of the Egmont Group of FIUs which also limits its sources of information (see IO 2).

113. GIFiM has access to protected databases which information it uses to enhance the quality of financial intelligence and other information it produces and provides to LEAs based on the 2018 law and other arrangements including the MoUs it has signed with the domestic LEAs and other foreign counterparts. GIFiM has direct online access to the National Public Payments System. It also accesses manually, information from the National Immigration Service (NIS), Registrar of Companies, Registrar of Vehicles, Registrar of Properties, MRA, and BoM. In addition, GIFiM also receives information from Western Union Financial Intelligence Unit, and ARINSA. Though the authorities indicated that the GIFiM has direct access to information on BO from an electronic private database, this could not be confirmed during onsite as most of the reporting entities indicated that they were having serious challenges in obtaining BO information. Further, cross-border currency reports are still not provided to GIFiM.

114. From the cases provided by the authorities, it was determined that the financial intelligence reports by GIFiM partly contributed to ACB's ability to initiate and conduct further investigations or collect evidence to enable prosecution as well as to trace assets related to corruption and ML linked to corrupt activities. Disclosures from the GIFiM are provided to the contact person within SERNIC electronically via goAML. MRA receives information to initiate investigations related to tax evasion, smuggling and forwards criminal cases to the PPO.

115. Despite the above efforts, there is very low usage of financial intelligence by the LEAs (AGO, SERNIC, ANAC and MRA) and SISE to initiate or support ML/TF and other predicate offence investigations and trace criminal proceeds. This is largely due to a number of factors: LEAs' preference to pursue predicate offences which still is not done according to the risk profile of Mozambique, inadequate expertise and resources to conduct ML and TF investigations as well as tracing of illegitimate property; the limited use of information from GIFiM by competent authorities is likely being impacted by the types of STRs received and analyzed by GIFiM; the ultimate number of financial intelligence reports produced by GIFiM is reduced due to its limited resources to perform its core responsibilities of carrying out operational analysis of STRs; and despite the provisions of the law (see R. 29), LEAs have no direct access to most of the financial intelligence reports results from the GIFiM as in practice, they are first channeled to and assessed by the PPO. Even in instances when the GIFiM would have directly sent the financial intelligence reports to SERNIC and the other LEAs, the LEAs indicated that the reports were supposed to be referred to the PPO first for assessment before they would start carrying out investigations.

3.2.2. STRs received and requested by competent authorities

116. The GIFiM has a goAML system through which it receives CTRs, STRs, EFTRs, IFTRs and SARs. The difference between STRs and SARs is that in the case of STRs, the suspicion arises from a completed transaction, while in the case of SARs, a suspicion arises from an incomplete transaction. However, for consistency purposes, the term "STR" will be used throughout the report to indicate both STRs and SARs.

117. The reporting entities use the GIFiM goAML platform to submit STRs. GIFiM uses XML schemes for CTRs, EFTRs and IFTRs which are also embedded in the goAML. Where a

reporting entity submits an STR with incomplete information, or any other reports, depending on the type of information that is lacking, the report can be rejected automatically or it can be rejected by the senior analyst after checking the quality of the information. At the time of the onsite visit, all banks were using the goAML platform to submit STRs. The insurance and MVTS providers had been provisioned on the goAML. The other reporting entities are not yet part of the goAML platform and the GIFiM has not put in place provisional measures to receive information manually from those reporting entities. Though the feedback on the usefulness of information received is not regular and structured, GIFiM makes requests for additional information in relation to a report filed with it, which should be responded to in no later than seven days.

118. At the time of the onsite visit, only banks had filed STRs and CTRs. There were no EFTRs filed. Though the GIFiM indicated that some of the CTRs were useful to enhance the cases built from the STRs, the extent to which the intelligence reports developed based on STRs and CTRs were useful for the other competent authorities to perform their duties could not be determined due to lack of statistical evidence. The NBFIs and DNFBPs had not reported any STRs or any other reports such as CTRs to the GIFiM. One of the major reasons for the non-filing of STRs by the NBFIs and DNFBPs is that they were yet to be supervised for implementation of AML/CFT obligations including transactions monitoring and reporting (see IO.3 for details). GIFiM had also not received information on STRs discovered during inspections by supervisors. Table 4, below indicates the number of STRs filed by the commercial banks to the GIFiM from 2015-2019. Most of the STRs filed relate to suspected tax crimes, drug trafficking and corruption which are to some extent consistent with the ML risk profile of Mozambique. Among these STRs, GIFiM has received 4 STRs and 1 Suspicious Activity Report related to terrorism financing. Given the TF risk profile of Mozambique, the number of STRs received on TF over a period of five years is quite low and does not reflect the extent of the risk.

Table 4: Number of STRs received by the GIFiM

Source of Information	STRS received over the years					Total
	2015	2016	2017	2018	2019	
Commercial Banks	236	536	1267	1988	1848 ³²	5,875

119. Though feedback to reporting entities on the usefulness of the STRs filed and analysed by the GIFiM is less regular and unstructured to effectively impact on the behaviour of the reporting entities in respect of discharging their reporting obligations, the authorities indicated that the quality of STRs from commercial banks has been improving with time. However, there were still instances where STRs are submitted to GIFiM with incomplete information (see IO4). So in other cases, the quality of the STR is not always satisfactory. GIFiM indicated that its STR operational analysis process included seeking additional information from the bank that reported the STR and also approaching other banks for additional information, where necessary.

120. There is no adequate coordination and cooperation between the GIFiM and MRA. Between 2015 and 2019, Mozambique had 9 cases of currency seizures arising from undeclared or falsely declared cash amounting to USD **791, 980.00**. However, none of these cases were referred to the GIFiM. Although the MRA has a legal obligation to submit cross-border cash declaration reports

³² Information from January 2019 to 31 July 2019.

to GIFiM, it was not doing so (see R.32 and IO 8). Moreover, the customs division of the MRA does not obtain information on BNIs limiting the information GIFiM can use for its analysis .

121. The absence of STRs and other accurate and relevant information from the DNFBPs (with some of them carrying out activities which are high risk like in the real estate, and precious stones and metals sectors) and the NBFIs, as well as absence of reports from the MRA on cross-border declaration filed with the GIFiM has a negative impact on the GIFiM's efforts to produce quality financial intelligence and other information necessary for the competent authorities to perform their duties in terms of detecting and combatting ML/TF and associated predicate offenses as per the risk profile of Mozambique.

3.2.3. Operational needs supported by FIU analysis and dissemination

122. The operational analysis conducted by FIU incorporates reports received depending on the relevance and complexity of the subject matter. In order to further enrich the analysis, the GIFiM supplements information from STRs by different kinds of information obtained through a variety of privately and publicly-owned databases to produce intelligence reports for use by LEAs and other Competent Authorities. The FIU uses its tools to prioritise reports for analysis and dissemination. However, the operational tools are to a less extent aligned with the ML/TF risks in Mozambique

123. Although GIFiM has only four analysts, the information accessed has been used to produce and provide reasonably good financial intelligence on some of the ML and predicate offence cases. All the analysts have undergone training on goAML, financial analysis, tactical analysis and strategic analysis. When carrying out analysis, the analysts use goAML analytical software. However, the information being disseminated by GIFiM, in most cases, passes through the PPO and is only directed to the relevant LEAs once the PPO is satisfied that the report is useful to commence an investigation. This has negatively affected the ability of the FIU to disseminate to LEA spontaneously and upon request leading to unreasonable delay in identifying and investigating related ML and associated predicate offences. The GIFiM has not also received cross-border currency/BNI information collected by the Tax Authority of Mozambique (MRA) due to lack of coordination between the two authorities. In very few cases where TF suspicion has been determined, GIFiM has analysed the reports in consultation with the National Intelligence and Security Service (SISE). The bringing in of SISE indicated limited capacity skills at GIFiM in analysing TF related STRs.

124. GIFiM's disseminations to the LEAs have to a lesser extent assisted them to initiate investigations, conduct further investigations and investigate assets linked to ML and predicate offences. Some of the LEAs regarded the financial intelligence reports from the GIFiM to be of good quality and helpful in identifying and investigating potential cases of ML and associated predicate offences. For instance, the financial intelligence reports had resulted in the successful investigation of PEPs in 2017, 2018 and 2019. Box 1, below shows two of the cases disseminated in relation to PEPs.

Box 1: Corruption, Tax Crimes and Money Laundering involving PEPs:

Case-1

In 2016, GIFiM received a request for information from the Anti-Corruption Unit in the Public Prosecution Office (PPO) concerning two individuals and one legal person.

The Anti-Corruption Unit sought assistance from the GIFiM to monitor the financial transactions carried out by the suspects, since these people were under investigation on allegation of demanding bribes from a foreign entity during the launching of an international Public Tender for the acquisition of some equipment by a public entity.

*As a result of the work carried out by the GIFiM it was found that during the period between January 2008 and January 2016 the involved entities carried out some suspicious transactions, amounting to **952,186,943.53 MT** (nine-hundred and fifty-two million, one hundred and eighty-six thousand, nine-hundred and forty-three meticaïs and fifty-three cents) equivalent to **USD15,869,782.00** (fifteen million, eight hundred and sixty-nine thousand, seven hundred eighty-two united states dollars).*

During the analysis, it was discovered that apart from the individuals referred to above, there was a Politically Exposed Person (PEP) who also benefited from these illicit funds. However, this PEP was not part of the request made by the ACU.

The suspects were presented before the Judge. Out of four suspects, three had been detained, however the judge ordered their release on bail with terms.

Case-2

*As a result of the preceding case, in which a PEP was also involved, after discovering that the PEP had received a transfer of **10.000.000, MT** (ten million meticaïs) from one of the legal entities involved in the scheme, the GIFiM saw it fit to pursue a separate investigation/analysis on other transactions involving this PEP.*

*The investigation revealed that the PEP had received in her personal bank account about **102.000.000,00 MT** (One hundred and Two million meticaïs) equivalent to **USD 3.400.00,00** (three million, four-hundred thousand united states dollars).*

It was also observed that the amounts were mainly from a scheme which involved over invoicing done by the constructing entities which had been awarded tenders to do construction work on public entities.

The amounts resulting from the over invoicing were then transferred from the personal bank account of the PEP to the accounts of her relatives from where the amounts would then be invested in the real estate sector and acquisition of luxury vehicles.

It was noted that, this scheme involved about 12 entities, namely six legal persons and six natural persons including the PEP, who was one of the two PEPs involved.

As a result of the dissemination made by the GIFiM to the Anti-Corruption Unit, investigations were carried out which culminated in the detention of the PEPs as well as other people involved in the scheme, assets composed of 15 houses, 27 vehicles were seized and their bank accounts were frozen.

125. Further, GIFiM has provided information requested by LEAs to help them in their investigations and prosecution of the so called “hidden debt”. The number of disseminations made by GIFiM totalling 378, since 2015, is shown under Table 5, below. During the period under review, GIFiM made 4 disseminations related to TF to the SISE. Despite the above few cases, the financial intelligence disseminated by the GIFiM was not being used regularly to fulfil the operational needs of the other competent authorities. Moreover, the extent to which the disseminations were useful for the SISE to identify potential TF cases could not be determined as the information was not later provided to the LEAs to carry out further TF investigations.

Table 5: Disseminations made by GIFiM since 2015

AGENCY	2015	2016	2017	2018	2019 ³³	TOTAL
Anti-Corruption Unit	3	4	9	9	0	25
Bank of Mozambique	2	5	17	8	1	33
Revenue Authority	6	10	101	33	1	151
National Criminal Investigation Service (SERNIC)	1	0	3	3	2	9
Public Prosecutors Office	4	0	96	37	3	140
Intelligence and Security Service	1	0	7	3	2	13
General Finance Inspectorate	4	0	3		0	7

126. Most cases disseminated to MRA included: the use of personal accounts instead of corporate bank accounts when carrying out business activities; failure to declare the total amount of tax payable; invoicing lower tariffs on goods and the difference realized laundered through illegal externalization and illegal tax benefits. For instance, during the period under review, as a result of the disseminations made by GIFiM, the MRA carried out audit assignments on individuals and businesses and determined prejudice of **13,335,069,340.09MT (USD187,138,362.34)** arising from tax evasion out of which **10,703,493.66 MT(USD150,208.01)** was recovered. The MRA after picking these cases, it sent them to the Tax Administrative Courts, and the PPO for criminal prosecution. However, the authorities could not provide specific details of the cases sent to the courts and other agencies for further actioning. Therefore, only partial effectiveness could be determined.

127. The LEAs request information from GIFiM to help in their investigations. This information comes through an IT platform. However, there are also a few cases of requests received physically. LEAs make requests to the GIFiM for information to support on-going cases including tracing the proceeds of crime. Table 6, below shows the requests made by LEAs to the GIFiM since 2015. On average, it takes 1-4 weeks for the GIFiM to handle the requests. During the period under review, there were 84 such requests from Competent Authorities to the GIFiM. LEAs contributed 72, out of which 33 requests were from PPO and only 4 from SERNIC. On the other hand, the MRA had made 13 requests. Requests by SERNIC and MRA to GIFiM for information are still quite low. However, the LEAs do not keep records of the requests they make to the GIFiM and feedback received. As such, a categorisation of which requests were made by which institution and for what purpose to determine the extent to which such requests supported their operational needs was not possible.

Table 6: Requests made by LEAs to the GIFiM since 2015

LEA	2015	2016	2017	2018	2019 ³⁴	TOTAL	AVERAGE RESPONSE TIME
Anti-Corruption Unit	3	3	4	3	2	15	4 weeks
Bank of Mozambique	0	0	0	2	8	10	48 hours
Revenue Authority	2	4	1	3	3	13	3 weeks
General Finance Inspectorate	0	1	0	0	1	2	1 week
National Criminal Investigation Service	0	1	3	0	0	4	2 weeks
Intelligence and Security	3	1	2	1	0	7	1 week

³³ Information from January 2019 to 31 July 2019

³⁴ Information from January 2019 to 31 July 2019

<i>Service</i>							
Public Prosecution Service	6	10	11	3	3	33	4 weeks
YEARLY TOTAL	14	20	21	12	17	84	

128. From 2015 to 2019, a total of 380 disseminations were made by GIFiM by type of predicate crimes, as shown in the Table 7, below. However, there is a discrepancy between Tables 5 and 7 on the total number of disseminations made by GIFiM to the authorities (378) and by type of predicate offence (380). Despite such discrepancies, overall, the disseminations made by GIFiM are not consistent with the risk profile of Mozambique. This has a negative impact on the operational needs of competent authorities, particularly on investigations carried out by LEAs on ML/TF as they are not prioritised according to the risk profile of the country (IO7 &9).

Table 7: Disseminations by type of Predicate offenses by the GIFiM

Type of Predicate including Money Laundering	Years of dissemination				
	2015	2016	2017	2018	2019 ³⁵
Suspected Corruption	3	4	8	8	
Suspected Drug Trafficking	0	0	29	19	4
Suspected Tax Crime	6	7	51	33	1
Suspected Terrorist Financing			0	4	
Suspected Banking Fraud	2	5	17	8	1
Forgery/Falsification	1		17	2	
Embezzlement	2		23	11	
Money Laundering	7	3	90	10	1
Environmental crimes			1		2
Illegal exploitation of Precious metals and Stones			1		
Total	21	19	237	95	9

129. GIFiM has conducted one strategic analyses on ML and it is yet to share the findings of the analyses with the relevant authorities. Thus the usefulness of the analysis to the other competent authorities to identify emerging risks and pursue potential ML investigations and contribution to broader AML initiatives in the country could not be determined. GIFiM is yet to conduct other strategic analysis including on TF and on other prevailing predicate offences in order to contribute to the broader CFT and other initiatives in the country.

3.2.4. Cooperation and exchange of information/financial intelligence

130. GIFiM and other competent authorities to some extent cooperate and exchange information and financial intelligence to pursue financial analysis, initiate ML and predicate offences investigations and investigate assets linked to ML and predicate offences but more still needs to be done, particularly on the side of LEAs requesting information from GIFiM (see IO

³⁵ Information from January 2019 to 31 July 2019.

7). GIFiM has signed MoUs with the following institutions: (i) Bank of Mozambique, (ii) Anti-Corruption Unit, (iii) Mozambique Revenue Authority, (iv) Anti-Drug Unit, (v) AG's Office, (vi) National Criminal Investigation Service. The MoUs help GIFiM and the other competent authorities to exchange information. GIFiM is also part of a newly established task force to deal with asset recovery and expedite ML investigations (see IO 8). Feedback from LEAs to the FIU on the usefulness of the financial intelligence is not regular.

131. The GIFiM and the LEAs use secure channels for exchanging information, and protect the confidentiality of information exchanged or used. The Director General of the GIFiM is responsible for dissemination of financial intelligence to LEAs and other competent authorities. A senior officer in the analysis and intelligence department is responsible for maintaining a register of disseminations made to, and requests from and to the competent authorities. The disseminations are made electronically but at times may be delivered by hand. The GIFiM has in place an ICT Policy and ICT Security, the Analysis Department follows Standard Operating Procedures (SOPs), which among other requirements guide staff on STR analysis and dissemination, handling of incoming and outgoing mail, and handling of requests from competent authorities. However, the SOPs do not have clear prioritisation mechanisms to identify critical cases which require urgent action based on the risk profile of Mozambique. The envelopes of the disseminations are sealed by GIFiM. The competent authorities, in particular LEAs have dedicated officers who receive and administer requests. The cooperation and exchange of information on TF is quite low.

Overall conclusions on IO.6

132. The GIFiM receives STRs and other reports, and has access to information obtained through reporting entities, open sources, domestic competent authorities and foreign counterparts through signing of MoUs, which is used to carry out analysis and produce financial intelligence and information for dissemination to LEAs. Samples of reports examined during the onsite indicate that the Unit has managed to produce and provide reasonably good financial intelligence on some ML and predicate offence cases. However, it does not have adequate human resources to exercise its core functions and assist the LEAs in a more effective manner to identify potential criminal proceeds and TF cases based on the risk profile of Mozambique. The lack of adequate analysts has also affected its ability to conduct strategic analysis which could inform LEAs and other competent authorities of ML/TF patterns and trends in a more systematic manner. The non-filing of STRs from DNFBPs and NBFIs raises serious concern as some of the ML/TF high risk sectors (real estate and precious stones and metals) are concentrated in the DNFBP sector, and also limits the scope of financial intelligence and other information shared by GIFiM with LEAs and other competent authorities. It has not been demonstrated that competent authorities receive and request reports or information from GIFiM to add value to their on-going work. Moreover, the competent authorities' use of financial intelligence and other relevant information for ML and TF investigations is very limited. GIFiM and other competent authorities, to some extent cooperate and exchange information and financial intelligence to pursue financial analysis, initiate ML and predicate offence investigations as well as investigate assets linked to ML and predicate offences. However, more still needs to be done, particularly on the side of LEAs requesting information from GIFiM to assist with their work..

Mozambique has achieved a low level of effectiveness for Immediate Outcome 6.

3.3. Immediate Outcome 7 (ML investigation and prosecution)

Background and context

133. Mozambique's ML legal and institutional framework is fairly adequate to enable handling of ML cases. However, Mozambique's investigation and prosecution of ML is neither prioritized nor consistent with the crimes identified as high risk for proceeds generation in the country. The authorities have limitations in their capacity to identify ML or determine when parallel financial investigations should be carried out.

3.3.1. ML identification and investigation

134. Mozambique has a fairly adequate legal and institutional framework to address the investigation and prosecution of ML. However, the investigations and prosecutions of ML conducted have not been in line with the risk profile of the country. Further, Mozambique does not have a national policy mandating the investigation of ML whenever there is an investigation of a predicate offence. The scope of ML identification and investigation is also limited by the non-criminalisation of offences relating to migrant smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation.

135. Investigations undertaken by LEAs are initiated based on reports received from members of the public, referrals from other institutions of government, whistle blowers and to a very limited extent from financial intelligence reports disseminated by GIFiM. LEAs are able to commence investigations from information from any source, including foreign counterparts or entities (e.g INTERPOL). Once evidence is obtained to support an offence having been committed, the matter is reported by the LEA to the PPO for further action. The assigned PPO prosecutor will then instruct SERNIC or the respective LEA on the next steps to be taken and in the event of a further investigation being required, obtain any necessary court orders and decide whether the matter should proceed to court. This process provides an opportunity for either LEA or PPO officers to identify ML in the course of an investigation, or where necessary determine that a parallel financial investigation should be undertaken.

SERNIC

136. SERNIC was established in 2017 and is the only LEA with a statutory mandate to investigate ML, as such where ML is discovered by another LEA they are required to transfer the investigation to SERNIC. Prior to the establishment of SERNIC the mandate for ML/TF investigations was that of the Criminal Investigations Police, a unit within the Mozambique Republic Police (MRP) which now has the mandate to ensure public order and the protection of people and property. Once SERNIC determines that an offence has been committed, it then informs PPO. The subsequent investigations undertaken by SERNIC occur under the instructions and guidance of officers from the PPO. Notably, PPO may also instruct SERNIC to investigate specific matters right from the on-set.

137. SERNIC is organised into 6 directorates, specifically the directorates of: i) the national inspectorate, ii) criminal investigation and proceedings, iii) operative investigations, iv) criminalist techniques, v) identification and vi) INTERPOL. The directorate of criminal investigation and proceedings is the one responsible for undertaking investigations. It is comprised of specialised brigades (units) namely: the drug trafficking; economic crime; human and organ trafficking; environmental crime and the motor vehicle theft. Based on the institutional framework, the brigades are represented at national, provincial and district levels. SERNIC has

no brigade that specialises in ML investigations. However, 11 SERNIC officers have been trained specifically on financial crimes and work jointly with 11 financial crime prosecutors in the PPO as financial crime investigators. One financial crime investigator is deployed in each of the 11 provinces of Mozambique, where they work with the assigned specialised financial crime PPO officer to investigate financial crimes. The financial crime investigators investigate all financial crimes, including ML and also supposed to carry out parallel financial investigations.

138. SERNIC is still being capacitated with recruitment of staff still ongoing, thus adequate staffing at both national and provincial levels is still a significant challenge. Whilst the authorities could not provide the exact statistics on the number of SERNIC investigators currently employed, it was clear that there was lack of adequate trained investigators to investigate ML and predicate offences. Further, although the authorities indicated that most of the SERNIC officers had undergone ML training in the SERNIC training institute, evidence of only a select number of SERNIC officers having undergone 3 trainings on trafficking and economic crimes with a ML component was provided for the period under assessment.

139. During the onsite, SERNIC authorities indicated that they had not undertaken any investigation of ML since its establishment. This contrasts with the statistics provided by PPO that indicate several cases of ML being investigated by SERNIC officers. Interaction with some of the SERNIC investigators demonstrated that they are unable to identify when ML is present without the assistance of the PPO and have institutional capacity limitations to investigate ML offences. Coordination of investigations, including those of ML between SERNIC and PPO is still not properly monitored. SERNIC had investigated predicate offences prosecuted by the PPO, whose end result it did not know and PPO had not provided feedback to it. In some cases SERNIC had investigated serious crimes relating to dealing with drugs/human trafficking which had clear elements of ML but had not pursued the ML investigation as no instruction or guidance to that end had been provided by PPO. Further, SERNIC was not initiating parallel financial investigations nor was it receiving such cases passed on from the other LEAs. As a result, SERNIC could not provide any cases of parallel financial investigations it had pursued or any ML cases identified through such investigations.

OTHER LEAs

140. In addition to SERNIC, there are several other LEAs tasked with the investigation of specific predicate offences. These include the: National Migration Service (SERNAME) which manages breaches of immigration laws; Mozambique Revenue Authority (MRA) which investigates tax crimes and smuggling offences; National Administration for Areas of Conservation (ANAC) which handles environmental crimes.

SENAMI

141. SENAMI has the mandate to investigate and address all breaches of Mozambique's immigration laws. During the onsite, it was apparent that the authorities had limited awareness of the ML risk presented by human trafficking. The authorities indicated that SENAMI had participated in the identification of human trafficking cases as illustrated by the case in Box 2, below .

Box 2: SENAMI's role in a Human Trafficking investigation

In September 2017 SENAMI participated in an investigation of human trafficking for forced labour in respect of Passenger X from Country Z which ended up involving SERNIC as ML was also investigated. SENAMI had undertaken passenger screening utilizing advanced passenger information prior to the arrival of Flight 123 and had noted that Passenger X had an itinerary that originated from Country A, but transited through Country B before landing in Mozambique, where she was to transit through to Country C, raising a red flag. Thus prior to her arrival SENAMI was able to identify the subject as high risk and on her disembarkation she was approached by the Migration inspectors and questioned. Based on her responses, demeanor and conduct SENAMI alerted SERNIC with a view to escalate the investigation. SERNIC established the residency of the suspect under investigation and the manner in which the suspect had entered and stayed in Mozambique. After the investigation, the accused's trial commenced in October 2017. She was convicted for the offences of human trafficking, illegal entry and ML and sentenced to a total term of 16 years imprisonment.

MRA

142. MRA has mandate to investigate all breaches of revenue and customs related laws, including tax crimes and smuggling offences, among others. MRA to some extent demonstrated awareness of the ML risk presented by smuggling offences in Mozambique. However, the authorities' appreciation of the seriousness of the risk posed was mixed as demonstrated by the institutions' focus on recovery of the value of tax crimes and not passing on such cases to SERNIC to also investigate the possibility of ML relating to the tax crimes.

143. Whilst MRA has shown a concerted effort to address tax crimes which involved quite significant amounts (see Table 8) and to a more limited extent other predicate offences, it has not yet identified ML in any of its investigations thereby necessitating submission of the case file to SERNIC for a ML investigation. In view of the risk posed by human trafficking and drug smuggling, this gap is concerning as the monetary value of tax crimes identified and investigated would indicate that there ought to have been ML suspected in some of the cases given the huge amounts involved and realisation that most were investigated as tax crimes by MRA and not mere tax evasion. It is only in one case where GIFiM had provided financial intelligence information (Case 2 in Box 3), that PPO teamed up with MRA to investigate ML but MRA has not identified a ML case on its own and initiated investigation of the case by SERNIC.

ANAC

144. ANAC is the designated authority with the mandate to investigate environmental crimes, including wildlife trafficking. The mandate of ANAC in investigating such cases is strictly restricted to the physical locations of designated conservation areas with SERNIC taking over such investigations if they involve jurisdiction outside the designated conservation areas (see Case 1 in Box 3, below). ANAC utilises a wide variety of investigative techniques and demonstrated a well-developed understanding of the ML risks presented by environmental crimes within Mozambique. PPO has specialised officers who prosecute wildlife offences in coordination with ANAC. 57 officers have been trained on wildlife prosecution, although not all have been deployed. Whilst wildlife investigators demonstrated an understanding of ML typologies within their area, wildlife prosecutors demonstrated limited understanding of how to identify related ML and were unable to provide statistics on any ML cases prosecuted in respect of wildlife offences.

Box 3 : Joint Investigations between LEAs**Case 1**

In November 2018 an environmental protection officer was shot in a conservation area. Subsequent investigations demonstrated that Person A was involved in the offences. However, he could not be approached as he lived outside ANAC's investigation jurisdiction. A joint investigation with SERNIC and PPO was launched. During the investigation there were cross border inquiries made to South Africa. Investigations uncovered that Person A was a wildlife trafficker and that he had a significant number of properties, although predominantly registered in 3rd parties' names. Person A was arrested but his trial has not yet been concluded. No provisional confiscation measures were instituted by PPO on any of the assets of Person A during the investigation despite ANAC having associated Person A with a number of unexplained assets.

Case 2

In September 2014, GIFiM generated an STR in respect of multiple companies owned by Person X on suspicion of tax crimes and ML. A joint investigation by MRA and PPO identified that the companies had committed tax crimes quantified at MZN10, 584, 218, 538.22 which amount is still being collected by the authorities. Person X was arrested and tried for ML but was acquitted.

PPO

145. The PPO is established in terms of Art. 234 of the Constitution and Law 4/2017 as the sole prosecutorial body in Mozambique, with the primary mandate over criminal actions in Mozambique. The PPO is headed by the Attorney General of Mozambique and has staff deployed in all provinces and districts. The PPO has 2089 staff, including 451 magistrates and 637 assistant judicial officers and in 2019, they were funded USD31,980,333 to support the office's activities nationwide. The PPO appeared well resourced to enable it to perform its mandate. There are several bodies that exist within the PPO, including the Anti-Corruption Bureau. Prosecutors from the PPO are tasked with guiding/leading investigations undertaken by any LEA in Mozambique and conducting the subsequent prosecution.

146. The PPO has trained 11 prosecutors on financial crimes. One of these prosecutors is deployed to each of the 11 provinces, alongside a specialised financial crime SERNIC investigating officer. These two person teams operate as specialist focal points on financial crime investigations and prosecutions. Within the ambit of these prosecutors lies the specialisation to prosecute ML. Despite comprehensive statistics of the work done by the financial prosecutors not being provided, the initiative is a good start. However, it was apparent that a significant number of prosecutors were allocated to specialisations dealing in predicate offences, such as wildlife and drug crimes, with little effort being made in pursuing investigations into what happened to proceeds generated from those predicate offences. The officers/prosecutors specialising in predicate offences were unclear on how to identify ML flowing from the predicate offences they were handling but focused more on the prosecution of the predicate offences. The concentration on predicate offences has greatly limited the development of skills to identify and investigate cases of ML, hence the identification and investigation of such cases remains quite negligible. Similarly, the PPO had not identified any cases where it had instructed the SERNIC investigators to carry out parallel financial investigations and through such cases identify cases of ML.

ACB

147. In accordance with Art. 9 (1) (a) of Law 4/2017, the ACB is a subordinate body of the PPO, although it has operational independence from the PPO. The ACB's mandate is limited

to the investigation and prosecution of corruption, embezzlement and theft cases. The authorities demonstrated that where ACB is carrying out an investigation related to any of the predicate offences it is designated to investigate and it identifies ML, it carries out the investigation as well as prosecution of the case. ACB's mandate to investigate ML is strictly limited to ML cases arising from corruption, embezzlement and theft offences. It is notable that of the limited statistics provided by the authorities, the majority of ML investigations and prosecutions undertaken in Mozambique emanate from cases identified by the ACB in the course of investigating corruption offences.

Domestic coordination of ML investigations amongst LEAs

148. Mozambique has recently enacted new legislation to restructure and update the AML/CFT institutional framework by passing Law 2/2017 which establishes SERNIC, the review of the PPO structure through Law 4/2017 and the passing of the new FIU law through Law 2/2018. Whilst these are important initiatives that must be recognised as a key move in the right direction, there still remains significant lack of coordination in the criminal justice sector.

149. PPO hosts SERNIC officers who are permanently stationed at PPO offices and do not report to SERNIC management but rather to PPO officers. This set-up has a direct effect on the total statistics of the number of cases investigated by SERNIC as those reported to PPO officers fall on the way side. The significant discrepancies in the statistics on ML cases investigated by SERNIC as indicated by SERNIC compared to those reported by PPO, as highlighted above, is attributed to this reporting arrangement. The authorities indicated that as SERNIC is an auxiliary arm of PPO, it is only appropriate that attached SERNIC officers report directly to PPO. Whilst this conclusion might be appropriate, it significantly undermines the ability of SERNIC to monitor the performance of its whole establishment and account for all cases handled by it involving ML and associated predicate offences.

150. From the explanation provided by the LEAs during the onsite, it demonstrated that they generally do not utilize intelligence from GIFiM, nor do they fully appreciate the utility of the GIFiM as an intelligence gathering tool complementing their identification and investigation of ML.

151. Overall, whilst on one hand there is still a clear need for SERNIC, PPO and MRA to develop their capacity to identify ML cases, the coordination of investigations of the identified ML cases among the investigative agencies require to be done more systematically to improve accountability on ML cases identified and investigated.

3.3.2. Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

152. Mozambique has no national AML policy in place, as such the investigations and prosecutions undertaken by authorities are not prioritised and guided by the ML threats and risks. None of the institutions have any policies mandating the investigation or prosecution of ML. As indicated above, SERNIC and PPO have trained and deployed teams, composed of one SERNIC and PPO officer, specialised in financial crimes investigation and prosecution to each province. In view of the complexity of investigations and prosecutions into money laundering, this number of officers appears insufficient, particularly as they are not solely focused on ML investigation and prosecution alone but rather financial crimes in general.

153. SERNIC did not demonstrate a consistent understanding of what are the high proceed generating offences. PPO demonstrated knowledge of the prevalent crimes and inherently high proceed generating but with no consistency of being able to identify ML at all times, when it is involved. PPO did not demonstrate a developed understanding of why the high

proceed generating offences were a ML threat, nor the risks associated with such offences. With the exception of corruption offences, there has been no systematic pursuit of ML in the context of any other predicate offences.

154. During the onsite, it was clear that, with the exception of ACB and ANAC, LEAs were focused on the investigation of predicate offences and were not investigating ML let alone prioritising the investigations according to risk. This gap is ascribed to the inability of LEAs and the PPO to consistently identify the existence of ML where relevant compounded by SERNIC's lack of capacity to investigate ML. For example, no ML investigations had been undertaken on the high risk crimes of drug and wildlife trafficking, illegal logging investigated during the period under consideration. Although drug trafficking is high risk, during the period under review, there had not been any such cases identified by the canine unit at Maputo International Airport, highlighting the inadequacy created by the lack of operational capacity to identify such cases.

155. As investigations are conducted under the oversight of PPO, the failure by LEAs to investigate ML demonstrates that PPO in assessing the cases is not guided by whether the possibility of a ML case exist and where it is present, prioritising the ML investigation according to the risk profile.

156. The assessors were provided with very limited statistics on the investigations and prosecutions undertaken on predicate or ML cases, the conclusion was that both LEAs and PPO were not effectively pursuing such cases, including where the cases posed a high risk.

157. Mozambique is not investigating or prosecuting ML or associated predicate offences in a manner that is consistent with the threat and risk profile of the country.

3.3.3. Types of ML cases pursued

158. The authorities indicated that the predominant type of ML in Mozambique is self-laundering and there have been no cases of foreign predicate offences identified or investigated by the authorities. The prevalence of self-laundering cases is consistent with the authorities' capacity limitations in identifying the other types of ML cases. The cases provided by the authorities, even in the absence of comprehensive statistics, indicate that the majority of the ML investigations flow from a determinable predicate offence. The ML investigations and prosecutions are mostly focused on the primary offender as the perpetrator of the ML. Third party and stand-alone laundering which require more developed financial investigation capabilities to identify the laundering in the absence of a closely associated predicate offence are not pursued (see cases in Box 4, below).

159. The ML risk profile of Mozambique indicates that there is a significant risk posed by proceeds from foreign predicate offences being laundered within the jurisdiction, particularly in the context of drug, and human trafficking, dealing in precious stones and logging offences and these are not being investigated according to the expected risk levels. The failure by the authorities to detect and accordingly investigate those offences indicates a gap in the ability of LEAs to identify and detect associated ML.

Box 4 : Examples of ML and predicate offences

Case 1

In 2016, the PPO, through the ACB prosecuted 3 individuals, including a PEP, on charges of bribery, corruption and ML. Convictions were secured and the accused persons sentenced, although the judgment of the court did not delineate the specific terms of sanctions for each indictment. The PEP was sentenced to 18 years and the 2nd and 3rd accused persons to sentences of 8 and 12 years, respectively.

The case involved a sum prejudice of USD2, 654, 898, 839.46 and a total of USD167, 108, 717.89 cash was recovered in addition to 10 properties, 7 vehicles and cattle. The valuation of the property was not provided.

Case 2

In 2016, the PPO, through the ACB prosecuted X, a former Ambassador for Mozambique, on charges of embezzlement and money laundering. X was convicted in 2019 and sentenced to 10 years imprisonment. The value of the money embezzled was USD496, 945.03 and the authorities recovered the said amount through confiscation of cash and property.

Case 3

In 2017, a collaboration between SERNIC drug unit, Police, MRA and Immigration detected 5377kg of concealed cocaine at Maputo International Airport which was being brought into the country. The individual transporting the drugs was arrested. An investigation of the ML aspects of the offence were not considered and no ML investigation was pursued.

3.3.4. Effectiveness, proportionality and dissuasiveness of sanctions

160. The legal sanction regime for ML ranges between 2 – 12 years, depending on the methodology of laundering, i.e. whether the act of laundering was done by disguise, concealment or acquisition, with acquisition attracting the lowest sanctions. When contrasted with the sentencing regimes for offences such as drug trafficking which has a maximum of 12 years (when not aggravated) and corruption offences (which range between 1 – 16 years) the sanction regime is not disproportionate. The authorities were unable to provide court imposed sanctions for associated predicate offences, such as drug trafficking and corruption, to enable an assessment of the proportionality of the sanctions.

161. Mozambique was not able to demonstrate that the sanctions imposed are effective and dissuasive as there were no statistics of sanctions imposed by the courts on ML as standalone cases. In a few cases where sanctions were provided, they were aggregated combining sanctions for the predicate offence with that for the offence of ML, making it impossible to determine the effectiveness and dissuasiveness of the sanctions per each crime committed.

3.3.5. Use of alternative measures

162. In the event that the authorities are unable to obtain evidence supporting a ML charge, they proceed with the predicate offence. Although, the prosecutors can suspend proceeding with a case waiting for further evidence, due to the inability of PPO and SERNIC officers to identify ML in all cases where relevant, it was unlikely that the prosecutors would be able to determine which cases should be suspended waiting for further evidence for the purposes of pursuing a ML charge.

Overall conclusions on IO.7

163. Mozambican authorities in overall are unable to identify or investigate ML, which has resulted in a few ML cases being investigated and prosecuted but more preference is being given to predicate offences which some are not criminalised. Mozambique is currently not investigating or prosecuting ML in a manner that is consistent with the country's ML threats and

risk profile. The LEAs do not initiate parallel financial investigations and no ML cases have been identified through carrying out of such investigations. There is limited understanding of the utility of GIFiM as a source of financial intelligence and other information which has also affected the scope, quality and depth of ML investigations. There is lack of adequate human and technical capacity of LEAs and PPOs to ensure that investigators and prosecutors are able in all relevant cases to identify, investigate and prosecute the different types of ML. Coordination of ML investigations between PPO and SERNIC is not effective affecting accountability of cases handled by SERNIC.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 7.

3.4. Immediate Outcome 8 (Confiscation)

Background and context

164. Mozambique has a reasonably developed legal framework for confiscation that consists primarily of Law 14/2013 (the AML Law) and Law 5/2018 (The Terrorism Law) which only provide for conviction based forfeiture and there is currently no law that empowers authorities to carry out non-conviction based forfeiture. Based on the offences prevalent in Mozambique, such as corruption and trafficking whose indications of illicit enrichment are in most cases difficult to associate with the offence and prove to the standard of beyond a reasonable doubt required under Mozambican criminal law, it would have been desirable for the authorities to have non-conviction based forfeiture system as well.

165. Confiscation is carried out by PPO officers as part of their duties in prosecuting criminal matters, but there is no national or institutional policy guiding the exercise of this discretion. LEAs, generally have powers to effect seizure and other provisional confiscation measures but there are still critical deficiencies (see c. 4.2). In February 2019, Mozambique made an administrative arrangement to set-up a Multi-Disciplinary Asset Recovery Team (MDART) under the management of the PPO. MDART is composed of criminal justice officers from different institutions to assist in asset identification, tracing and recovery of proceeds involving complex crimes.

3.4.1. Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective

166. Confiscation of criminal proceeds and property of equivalent value is only pursued as a policy objective by Mozambican authorities to a very limited extent, although there are steps being taken to address this gap.

167. In February 2019, Mozambique established the MDART that is composed of 9 seconded officers, drawn from SERNIC, GIFiM, MRA, Ministry of Justice and PPO with the leader being the assigned PPO officer. MDART is an administrative arrangement made by the institutions, through Memoranda of Understanding entered into by the Attorney General and each respective institution in compliance with Order No. 2/GAB-PGR/001.1/2019³⁶. MDART is tasked with carrying out the entire financial and asset recovery investigations in highly complex cases for purposes of confiscation, on behalf of the PPO. The seconded officers carry out and coordinate the investigations as a team. MDART's mandate is enlivened by a request made to the Attorney General by prosecutors in the PPO and once a matter is assigned to MDART, the team leader reports to the AG on progress. Further, the prosecutor in charge of the criminal proceedings

³⁶ An Order that was entered into pursuant to Article 16 (1) (d) and Article 16 (4) of Law 4/2017

may not instruct MDART on how to proceed in relation to the asset recovery investigations. At the time of onsite, MDART had just started operating and had commenced 3 investigations that were still on-going. The authorities also indicated that MDART is intended to be a temporary arrangement pending the entering into force of legislation establishing an Asset Recovery Office.

168. Mozambique has obtained technical assistance to assist with capacitating MDART. However, the number of officers currently assigned are not sufficient to ensure that a significant number of financial investigations are undertaken and confiscation proceedings concluded. This is particularly so in view of the size of the jurisdiction and range of proceeds generating activities in the country. The arrangement is further undermined by some of the seconded officers who still carry out functions from their seconding institutions, meaning that they are not exclusively focused on implementing the confiscation measures. The establishment of MDART indicates a policy shift to prioritise confiscation of proceeds of crime. However, due to the limited period it has been operating it has not produced any results to positively impact on effectiveness.

169. The authorities indicated that prior to the introduction of MDART, prosecutors personally determined when parallel financial investigations and/or confiscation should be undertaken in respect of their cases. Mozambique has no national or institutional policy guiding the exercise of this discretion. Discussions held with LEAs showed that they were fairly conversant with effecting provisional confiscation through seizure. PPO officers were similarly conversant with their power to carry out confiscation. However, other than seizure there was a limited understanding when it came to application of the other provisional confiscation measures and their effective use. The lack of application of appropriate provisional measures meant that dissipation of assets which are proceeds of crime is not prevented in all cases and poses challenges in building an efficient functioning asset recovery regime. These challenges are exacerbated by the deficiencies in LEAs' provisional confiscation powers (see c.4.2).

170. The authorities indicated that they utilize various investigative tools and mechanisms to identify proceeds or property of corresponding value. However, it was acknowledged that Mozambique being largely a cash economy, with financial inclusion still not adequately achieved as well as the transnational nature of some of the crimes, full asset tracing remained a challenge as individuals could launder proceeds extensively outside the formal financial system of Mozambique and beyond, thereby obscuring the money trail.

171. During the onsite, authorities indicated that they rely on Art 23 of AML Law No. 14/2013, which confers an obligation on FIs and DNFBPs not to carry out transactions deemed suspicious, as a mechanism to ensure that assets are not dissipated where no freezing order is obtained. Whilst this does ensure that proceeds identified as suspicious at the discretion of the FI and DNFBPs will not be dissipated, this description may not apply to all transactions being carried out in relation to ML/TF. Further, from the description provided by the authorities as a case example relating to a wildlife case which was on-going at the time of the on-site, this approach is not effective, as the PPO has better and more direct provisional confiscation measures available, that would be more effective than placing reliance on FIs and DNFBPs to identify suspicious transactions. The ACB demonstrated understanding of the option of pursuing property of corresponding value when recovering proceeds of crime, although it had not yet had a case of such a nature. The other LEAs demonstrated limited understanding of this means of recovering proceeds of crime and they had not implemented it in practice.

172. With regard to asset management, whilst there is no institution established with the mandate to manage assets that are the subject of provisional or final confiscation measures, Mozambique does have some few measures in place for asset management. With respect to cash seizures, involving foreign or local currency, BoM is the custodian. However, there were no clear designations of who manages other types of seized assets.

173. At the time of the onsite visit the authorities had not shared confiscated assets domestically or internationally and had not set up mechanisms for doing so.

3.4.2. Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

174. Mozambique has confiscated proceeds of domestic predicate offences, although these are predominantly in the context of corruption related offences. During the onsite, it was demonstrated that in relation to drug and wildlife offences, contraband is routinely confiscated; however instrumentalities and proceeds of the crimes are often not proceeded against, with the exception of vehicles used to transport contraband. The authorities were in the majority unable to provide data on confiscations with the only exception being for corruption offences. In general, they had demonstrable statistics on seizures relating to drug and wildlife crimes.

175. The authorities provided several examples of situations where assets were frozen abroad. However, all the requests provided involved corruption as a predicate offence and were limited to the period of 2018 and 2019.

Box 5 – Examples of domestic provisional confiscation measures

Case 1

Mozambique is currently handling a public fraud scandal commonly referred to as the “hidden debt” (see Box 6). In this fraud, which predominantly involved public officials and other third parties, loan agreements were entered into by public officials without the consent or knowledge of their principal, the Mozambican Parliament.

The PPO has indicted 20 individuals with respect to this case and has seized properties and frozen accounts located inside and outside Mozambique. During 2018 and 2019, the PPO has effected provisional confiscation measures in respect of 28 residential properties, 23 personal vehicles, 2 bulldozers and multiple accounts.

Case 2

In 2017, the PPO, through the ACB indicted 4 accused persons on charges of corruption and ML. Although the case is not yet concluded, provisional confiscation measures were ordered and 15 properties, 6 luxury vehicles, bulldozers and 31 accounts were seized and frozen.

176. As indicated under IO.7, the authorities indicated that they had not dealt with any foreign predicate offences. As such Mozambican authorities have not attempted to recover proceeds of a foreign predicate offence. As the ML risk profile of Mozambique indicates that there is a significant risk posed by ML associated with foreign predicate offences, the lack of any data pertaining to foreign predicate offences suggests that there is need for enhancement of the authorities’ ML identification given the risk profile of the country.

177. Based on the discussions with the authorities during the on-site, the absence of confiscation on foreign predicates could be due to a combination of factors. Among these factors is that the authorities do not put the necessary efforts into identifying foreign predicate offences which in addition to limited skills could also be due to the absence of full complementing special investigative techniques that LEAs can use (see R. 31 and IO 7). When LEAs identify contraband,

very limited effort is made to follow the proceeds out of such crimes, in fact no cases were provided to the assessors where the investigations had gone beyond seizing the contraband to follow the proceeds or instrumentalities involved from the crime other than the vehicles used to carry the contraband in drug cases. There was no clear demonstration that there is adequate coordination and cooperation among the LEAs themselves, and also with PPO when it comes to pursuing proceeds subject to confiscation of the crimes identified, rather preferring to deal with and dispose of the predicate offence (see IO 7). Other than with the ACB, other LEAs did not demonstrate that they have the capacity to retain proper records/statistics of cases of foreign or domestic predicates where confiscations of proceeds or instrumentalities relating to these cases could have been pursued other than those relating to contraband. All the above factors contributed to the weaknesses of confiscation of proceeds from domestic and foreign predicates and proceeds located abroad in Mozambique.

178. The tax authorities to some extent also showed that they do make administrative recoveries of significant amounts of money involving tax crimes (see Table 8, below). However, although the amounts are quite high and according to the tax authorities, the amounts involved tax crimes, they could not demonstrate that the offences were further investigated as criminal offences with the objective of recovering any proceeds which might have been generated upon conviction, which would have also included pursuing the criminal aspects of the crimes.

Table 8: Tax Values

	2015	2016	2017
<i>Type of Crime</i>	<i>Tax Crimes</i>	<i>Tax Crimes</i>	<i>Tax Crimes</i>
<i>Amount recovered in MZN</i>	1,842,772,094.42	925,244,209.96	1,396,158,524,70

3.4.3. Confiscation of falsely or undeclared cross-border transaction of currency/BNI

179. In Mozambique, all currency or BNIs being taken in or out of the country over \$10,000, must be declared to the MRA through a mandatory declaration form. A lower threshold equivalent to USD151 applies in respect of cross border movements of local currency. The failure to declare is a criminal offence which results in falsely or undeclared foreign currency or BNIs and instrumentalities used in the commission of the offences being confiscated. The authorities place more emphasis on detecting and preventing couriership of cash and much less on BNIs. The authorities indicated that even the declaration form is intended more for purposes of cash declarations than BNIs. However, the authorities have not yet assessed the risk of people failing to declare or falsely declaring BNIs to enable them to determine how frequently it happens and whether the current measures need to be improved to mitigate the risks encountered.

180. MRA is responsible for investigating violations of the declaration requirements and its officers are stationed at all formal entry/exit points of Mozambique. The deployment of the officers is based on an analysis of volume of the traffic passing through the points, with more officers being deployed to high traffic exit/entry points. The deployment is therefore not based on increased risks encountered. MRA has also developed and implemented a risk profiling system

that, based on the explanations provided, does not fully cover the principles of Customs Risk Management³⁷.

181. Between 2015 and 2019, Mozambique had 9 cases (Table 9, below) of currency seizures arising from undeclared or falsely declared cash.

Table 9: Summary of currency seizures 2014 - 2019

Year	Number of Seizures	Amount (USD)
2014	1	59,738.00
2015	0	0
2016	0	0
2017	4	113,700
2018	0	0
2019	3	183,000.00
Total	8	356,438.00

182. As demonstrated in Table 9, above, the authorities have endeavored to recover currency entering and exiting the borders of Mozambique, although it is notable that for three years there were no currency seizures by MRA. It must also be highlighted that no BNIs were seized by MRA throughout the period under assessment.

183. The annual figures of seized amounts, shown in Table 9, above, do not indicate that confiscation of falsely declared or undeclared cash is effectively implemented to serve as a deterrent to would be offenders as in three of the years, no confiscation was done. In addition, no BNIs were recovered or confiscated by the authorities during the period under review, indicating that less emphasis is placed on such recoveries hence no confiscation has been applied as an effective, proportionate and dissuasive sanction. On the whole, it cannot be said the authorities have used confiscation of falsely or undeclared cross-border movement of currency or BNIs as an effective means of sanctioning the offenders.

184. In view of the risk profile of Mozambique, the assessors found it concerning that no ML has been suspected or identified by MRA in respect of carried out seizures as to necessitate the submission of a case to SERNIC for further investigations.

Domestic coordination of falsely/undeclared cross-border movement of currency/BNIs

185. MRA, Postal Authority, SERNIC and ANAC have a joint cooperation plan at Mavalene International Airport (Maputo) to exchange information and coordinate the addressing of any breaches, including currency smuggling. Authorities also have broader coordination networks with international partners, that have resulted in seizures.

186. The effectiveness of the domestic coordination among LEAs to address currency, BNI and other types of smuggling was difficult to assess in the absence of statistics. The coordination structure between MRA and Postal Authority is effective, the two authorities have a relatively well developed and coordinated level of cooperation. The officers from MRA and

³⁷ The overwhelming focus on nationality and country of origin may lead to other factors resulting in ML/TF being overlooked, especially in the context of a country located in a region where there are known TF risks and ongoing insurgency activities (creates doubt that it would detect foreign fighters or couriers of ML).

Postal Authority consistently work together and they had a clear understanding of their roles and responsibilities relating to parcel deliveries. The major limitation to this coordination is that Postal Authority is predominantly represented at airports and not most land or marine exit/entry points.

187. The coordination between MRA and GIFiM has significant issues. Despite a legal obligation on MRA to inform GIFiM of all cross-border currency seizures, this has never been done. During the onsite, MRA indicated that they had sent raw data to GIFiM once, very close to the onsite. However, GIFiM indicated that they had never received any information from MRA highlighting poor level of coordination between the two entities. This has negative implications for the country's ability to identify ML, in respect of both cash and BNI seizures, as MRA's focus, as demonstrated by the statistics, is in pursuit of the predicate offence and not ML.

188. The tools and techniques utilized by the authorities to detect currency and BNIs are limited, with the most notable being the lack of a canine unit trained to detect cash. Further, despite the purchase of body scanning machines, the authorities have not been able to commence using them, due to legal challenges associated with the use of the body scanning equipment. There are specific magistrates allocated by the PPO to handle prosecution of customs and excise offences in the Customs Court. This ensures that coordination between investigative and prosecutorial officers is streamlined and handled by specialized prosecutors. However, the efficacy of this as an AML/CFT tool is still limited as no ML cases or confiscations have been identified by the said prosecutors.

3.4.4. Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

189. Overall, confiscation in Mozambique appears predominantly focused on recovering proceeds of corruption. This is consistent with the over-representation of corruption as a predicate offence in ML prosecution (see IO.7). Other high risk offences are not prioritised which leads to less attention being given to understanding of asset identification and tracing in respect of such other high risk offences .

190. As demonstrated in Table 10, SERNIC has consistently undertaken drug seizures throughout the period under assessment. During the onsite, authorities indicated that confiscation was focused on contraband and vehicles associated with the transportation of the said drugs. However, with the exception of one case (where LEA stumbled on a drug laboratory in the course of another investigation), the authorities indicated that they had not confiscated any drug processing sites or pursued proceeds arising from these drug crimes.

Table 10 – Drug seizures

Drug type	Seizures in kgs (unless otherwise stated)			
	2016	2017	2018	2019
Cannabis Sativa	1 460.5	7 614.8	5 293.8	2 728.6
Cocaine	824g	21.8	155.1	19.83
Ecstasy	0		13 tablets	12tablets
Ephedrine	122g	8	62.7	4.8
Hashish	51g	-	1.5	1.5
Heroin	1.5	463g	321g	231.83
Methaqualone (Mandrax)	533g	46.3	0	0
Morphine	46g	0	0	0
Anthranilic Acid	0	0	0	26
Khat	0	0	105.8	184.2

191. During onsite, the authorities indicated that the risk in relation to drug offences in Mozambique emanates from trafficking, which generates a lot of proceeds for the traffickers. There was suspicion by the authorities that drug traffickers were using vessels to bring drugs in through the coastal border in transit to the Republic of South Africa. Although no statistics or case examples were provided, the authorities indicated that they coordinate with the South African Police Service (SAPS) to make seizures of drugs in transit at exit points. Open source information indicates that there are large amounts of heroin from Pakistan transiting through Mozambique, via the coastal and physical routes, to South Africa³⁸. Despite the awareness of the proceeds generating nature of drug trafficking, the authorities have not investigated or prosecuted and eventually made any confiscations arising from ML relating to a drug offence.

192. The authorities indicated that there are concerns on the capacity of LEAs to effectively utilize more complex investigation techniques and as a result, the authorities focus on seizures upon first detection of contraband, rather than the use of techniques such as controlled delivery to identify those orchestrating the movements of the drug couriers and their associated illegitimate assets. This approach however, fails to ensure that the limited resources Mozambique has are being utilized to effect confiscation as a useful deterrence measure targeting all the proceeds and instrumentalities connected to the high risk offences.

193. With respect to wildlife product seizures, the authorities demonstrated that there has been consistency in seizures during the period under review, although the numbers in some of the years were quite low (see Table 11).

Table 11: Summary of Wildlife Product Seizures from 2014 to 2019

Year	2014	2015	2016	2017	2018	2019	Total
Ivory	9	10	2	4	2	2	29
Rhino Horns	1	5	3	2	4	0	15
Other	3	3	10	6	4	0	26
Total Cases	13	18	15	12	10	2	70
Total Volume	844 kg			1527.24 kg	3801.80 kg	2.10kg	

194. Mozambican authorities demonstrated a limited understanding of the national ML/TF risks (see IO.1), which results in limited alignment of the confiscations pursued with the national ML/TF risks. The authorities have not pursued ML prosecutions in accordance with the national ML/TF risks (see IO.7). Therefore, as the confiscation regime in Mozambique is solely predicated on convictions, the confiscation results are also not frequent and effective enough to be in line with the national ML/TF risks.

195. The limited success achieved by the authorities in confiscations does not cut across all the LEAs. It is predominantly from corruption related ML (see IO.7), wildlife, drugs and tax crime cases.

³⁸ [2018-06-27-research-paper-heroin-coast-pdf.pdf \(globalinitiative.net\)](#), [UNODC and Mozambique discuss Strategic Roadmap against Crime, Drugs and Terrorism, d135483.pdf \(open.ac.uk\)](#) [The Uberization of Mozambique's heroin trade](#)

Table 12 – Corruption Offence Confiscations

Year	Total prejudiced amount in MZN	Amount recovered in Meticais	Amount Recovered in USD	Assets confiscated
2015		25,516,042.22		
2016	459,215,968.95	20,629,742.86	240.000 USD	11 properties and 8 vehicles
2017	610,865,269.64	17,915,319.19		1 property worth 23.724.683.19 MT and 5 vehicles
	1.060.870.781.00	77.463.015.19		34 vehicles and 22 properties
2018	46,808,896,890.29	96,239,473.74		

196. From the recoveries of proceeds of crime made arising from corruption (Table 12), it is noted that the amounts recovered whilst sizeable, only reflect 0.2% of the value of the offences. This is quite a low rate of confiscations compared to the ML/TF risks.

197. The authorities, as demonstrated in Tables 10 and 11 had detailed statistics on seizures of narcotics and wildlife product contraband which could be a reflection of effective use of seizures as a provisional measure on those occasions. However, the good work on the seizures did not translate to having similar statistics on proceeds and instrumentalities identified for confiscation out of these predicate offences. There is clearly a gap regarding the seizures and the authorities pursuing further investigations with the intention of establishing whether there are proceeds or instrumentalities associated with most of the high risk crimes linked to the seizures. This in a way explains why the only statistics on confiscations is relating to corruption and very limited numbers on the other predicates and ML offences. The absence of tracing and identification of any proceeds of crime linked to the seizures in both Tables 10 and 11 indicates the need by the authorities to come up with a policy which obligates LEAs to follow proceeds in every serious/high risk crime they will be investigating.

Overall conclusions on IO.8

198. Mozambique has a good legal framework for conviction based forfeiture which could have been well complemented if Mozambique also had a non-conviction based forfeiture regime. Mozambique does not consistently pursue confiscation of all types of proceeds of crime, instrumentalities and property of corresponding value as a policy objective. Whilst the bulk of confiscation occurs in the context of corruption offences, other confiscations do not align with the ML/TF risks of Mozambique and are mainly concentrated on contraband. Although, LEAs routinely pursue seizures their main focus is however on recovering the main subject of the offence itself, like contraband not the actual proceeds or instrumentalities arising from the crimes. Financial investigations are not frequently used to trace the proceeds of crime. Provisional measures are not extensively used compounded by the legal framework not fully providing for those measures. The authorities have a mixed appreciation of the purpose and role of provisional confiscation methods. The lack of a clear policy for LEAs to also follow proceeds or instrumentalities of crime with every investigation of a serious or high risk crime has also negatively affected their effective tracing and identification of proceeds or instrumentalities of crime for purposes of confiscation. The absence of statistics of confiscations involving other

crimes other than corruption demonstrate an ineffective confiscation regime. Although confiscation regarding falsely or non-declared cross border movement of currency is pursued by LEAs, its effectiveness is still low and movement of BNIs is not targeted.

Mozambique is rated as having a low level of effectiveness for Immediate Outcome 8.

4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

4.1. Key Findings and Recommended Actions

Key Findings

IO 9

- a) Mozambique has generally a good legal and institutional framework for combatting TF but the areas where there are still deficiencies could be posing high TF risk to the jurisdiction.
- b) The Mozambican authorities' interpretation of terrorism limited only to acts committed with a political ideology as the motivation, when the law provides for the commission of the offence based on other intentions has incapacitated the authorities' ability to identify, investigate, prosecute or disrupt all types of TF offences to the extent provided by the law.
- c) SERNIC and PPO are not capacitated and lack the human, financial or technological resources to identify, prosecute or address TF coupled by lack of any meaningful financial intelligence reports on TF disseminated by the GIFiM.
- d) Mozambique has no national counterterrorism strategy and no national threat assessment has been undertaken to understand and appreciate the terrorism and TF threats and vulnerabilities.
- e) Mozambique has not identified, investigated or prosecuted TF, which is a result of lack of understanding of the national TF risks.
- f) Although Mozambique has not carried out any disruption activities in relation to identified terrorism or TF, in the context of the Cabo Delgado insurgencies, the authorities have relied on giving advice and guidance to counter radicalization. However, the effectiveness of these measures could not be determined.

IO 10

- a) The existing legal framework, mechanisms and processes in Mozambique are not sufficient to implement the TFS relating to TF without delay and in a systematic manner. Again, there is no mechanism(s) for identifying targets for designation based on the designation criteria set out in the relevant UNSCRs.
- b) There has not been any designation pursuant to UNSCR 1373 and the lack of such designations does not correspond with Mozambique's TF risk profile.
- c) No guidance has been issued by the supervisory authorities to assist reporting entities in understanding their obligations relating to implementation of UNSCRs 1267 and 1988 and their successor resolutions as well as UNSCR 1373. As a result, there is little understanding amongst reporting entities of their obligations on the Resolutions, which has resulted with the UNSCRs not being implemented without delay.
- d) Mozambique has not conducted a review of the NPO sector to identify which NPOs meet the FATF definition, the nature of organizations, objectives, activities, threats and vulnerabilities of NPOs to TF abuse. As a result, Mozambique has not been able to apply a risk based approach to supervision of the sector. The NPO regulator does not have adequate resources and structures to enable carrying out of risk-based supervision and monitoring activities of high risk NPOs for any possible TF abuse.
- e) Due to lack of TF cases, Mozambique is not depriving terrorists, terrorist organizations and terrorist financiers of their assets and instrumentalities in line with the country's terrorism and TF risk profile

IO11

- a) Mozambique does not have a legal and institutional framework for the implementation of UNSCRs on the proliferation of weapons of mass destruction.
- b) The absence of a legal framework for implementation of PF TFS means that Mozambique has no competent authority empowered to monitor and ensure compliance with the implementation of the UNSCRs.

Recommended Actions**IO9**

- a) Mozambique should revise its legal framework with regard to the TF offence in order to make it fully consistent with the FATF Standards which would in turn allow authorities to be able to detect and disrupt the full scope of TF and associated predicate offences.
- b) Mozambique should conduct a comprehensive TF Risk Assessment in order to clearly understand its TF risks and use the understanding of the TF risk profile of the country to develop and implement a comprehensive national counter financing of terrorism strategy which should also outline how TF risks can be identified and investigated.
- c) Mozambique should build operational capacity to identify, investigate and prosecute TF cases. This capacity should be built with the provision of specialised TF training. In this regard, the roles and responsibilities of the agencies involved in the identification and investigation of TF should be clearly outlined to enable targeted capacity building among the relevant agencies.
- d) The GIFiM, SERNIC and PPO should be well capacitated and resourced to collect TF targeted intelligence, investigate or prosecute TF or enhance one of its existing Units with trained investigators in TF to consider such cases.
- e) Mozambique should improve measures to disrupt TF activities. The authorities should build capacity to understand and control illegal trade and smuggling of resources which proceeds could be financing the insurgencies in the northern part of the country.

IO10

- a) Mozambique should establish a mechanism(s) for identifying targets for designation, based on the designation criteria set out in the relevant UNSCRs and start implementing the mechanisms consistent with the risk profile of the country.
- b) Both the legal framework and the existing communication procedures should be revised to enable effective coordination and implementation of the UNSCRs requirements and among others, to ensure that reporting entities are promptly notified so to undertake, where appropriate, freezing actions without delay.
- c) The competent authorities should sensitise the reporting entities and issue appropriate guidance to assist them understand their TFS obligations and effectively implement requirements of UNSCRs 1267 and 1373.
- d) The Authorities should undertake a detailed review of the NPO Sector to identify which NPOs meet the FATF definition, the vulnerability of the sector to TF threats, identify NPOs which might be most vulnerable to TF abuse and take appropriate measures to mitigate their exposure to the TF risk. The authorities should further establish appropriate legal and institutional mechanisms that would facilitate the determination of the origin of the funds, accountability in the management of the funds and the beneficiaries in order to ensure they are not misused for TF.
- e) The NPO regulator should be adequately resourced and have proper structures to enable carrying out of risk based supervision and monitoring of NPOs identified as potentially vulnerable to TF abuse.

IO11

- a) Mozambique should establish a legislative and institutional framework for the implementation of UNSCRs on the financing of proliferation of weapons of mass destruction without delay. In the interim, reporting entities with knowledge of TFS relating to PF should be encouraged to voluntarily implement the UNSCRs on PF with appropriate guidance from the authorities.
- b) Mozambique should ensure that designations and obligations regarding targeted financial sanctions relating to PF are communicated to FIs, DNFBPs, LEAs and other relevant sectors in a timely manner.
- c) Mozambique should ensure that funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) are identified and such persons and entities are prevented from operating or from executing financial transactions related to proliferation.
- d) Competent authorities should ensure that FIs and DNFBPs understand their obligations regarding TFS relating to PF, comply with the obligations and are monitored for compliance.
- e) The GIFiM, supervisors and law enforcement agencies, should be sensitised and should also ensure sensitisation and awareness raising amongst FIs and DNFBPs on the implementation of requirements regarding TFS relating to PF.

199. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39.

4.2. Immediate Outcome 9 (TF investigation and prosecution)

Background and Context

200. The legal and institutional framework pertaining to TF, although it meets some of the requirements of the FATF Standards, it still has deficiencies in areas which might be of high TF risk to Mozambique. Some of the offences relating to TF, such as those pertaining to foreign terrorist fighters, attempt to commit or being an accomplice to a TF offence have not been criminalised (see R. 5). Further, the authorities' understanding of their legal framework and TF risk is limited. This has negatively impacted on the implementation of terrorism and TF identification, investigation and prosecution by the authorities.

201. The State Intelligence and Security Service (SISE) is designated with the mandate to gather and analyse intelligence on terrorism and TF and disseminate information to the investigating authorities, so is the GIFiM. SERNIC is the sole designated institution with the mandate to investigate terrorism and TF. PPO is responsible for prosecution of terrorism and TF.

4.2.1. Prosecution/conviction of types of TF activity consistent with the country's risk-profile

202. Mozambique, at the time of the on-site visit, had not yet carried out a TF risk assessment but from the interaction with the different LEAs and other competent authorities, the assessors got the impression that there was a low understanding of the TF risk. The authorities' understanding of what constitutes terrorism is only to the extent of acts with a political ideological intent which limits their understanding of TF and the scope of countermeasures implemented. The understanding of TF risk in the country represents a small portion of the actual risk as it fails to account for, amongst other intents, acts carried out with an intent to destabilise the country.

203. The strongest terrorism threat to Mozambique emanates from the current activities in Cabo Delgado, Northern Mozambique (also see IO 1), which the authorities, based on their understanding at the time of the on-site, could only describe as insurgencies and not terrorism. Communities in Cabo Delgado were being exposed and subjected to radicalization due to the growth and the increased spread of Salafist teachings. Of the authorities met from both the financial and law enforcement sectors, who were aware of the TF risk, indicated that the highest TF risk threatening Cabo Delgado emanated from the movement of funds through MVTs, the thriving illegal artisanal mining sector, the poor regulation of the NPO sector and proceeds generated from kidnapping and possible drug trafficking.

204. There has not been prosecution of any type of TF activity in Mozambique. The lack of TF prosecuted matters is not consistent with the activities happening in Northern Mozambique and the country's TF risk-profile. Moreover, due to the deficiencies identified under R. 5, not all foreign terrorist activities can be successfully identified, investigated and prosecuted.

4.2.2. TF identification and investigation

205. Mozambique has not identified or investigated any instances of terrorism or TF.

206. The main reason for the absence of any investigations is not due to lack of opportunity to investigate TF or terrorism but rather is as a result of the very limited understanding applied by the authorities as to what constitutes terrorism. The interpretation of terrorism as understood by the authorities causes a significant concern. The definition of terrorism in accordance with Law 5/2018 is mostly compliant with international standards. However, the authorities have opted to construe the definition of terrorism under their law very narrowly, by excluding all other forms of intent and limit it exclusively to acts with a political ideology. Despite an effort to clarify with the authorities whether they did not see elements of terrorism or TF with what was happening in Cabo Delgado, they remained resolute that terrorism in Mozambique could only happen when the person carrying out the acts was motivated by a political ideology. The authorities contended that the acts in Cabo Delgado derive from religious disputes and therefore, what was happening in Northern Mozambique, including in Cabo Delgado could only be investigated as acts of insurgencies.

207. During the onsite, the intelligence authorities demonstrated a fair understanding of the high risk of TF posed by financial activities within Mozambique and commitment to gathering intelligence on any TF or terrorist threats. SERNIC demonstrated some understanding of the high risk financial activities, although in practice they had not identified some of these activities for investigation of either terrorism or TF cases. During the onsite, it was evident that SISE had more understanding of terrorism or TF risks and threats present in Mozambique than SERNIC. However, this understanding was not being applied in investigating the actual terrorism or TF cases, nor was it consistent with what was happening in practice, with a high possibility of terror crimes escalating in Cabo Delgado.

208. There were indications from the intelligence authority that it did utilize international and domestic intelligence gathering methods to monitor the terrorism risk to Mozambique. However, the effectiveness of the said efforts could not be assessed, not to mention that the efforts are compromised at the onset by the limited understanding applied to TF and TF risks by the authorities.

209. Intelligence and security agencies coordinate domestic efforts to combat terrorism and TF, although there is no formal structure (administrative or legal) that is established to manage and direct these efforts. The authorities indicated that risk profiling mechanisms are utilized to determine risk. However, based on the case examples provided, it was clear that the risk profiling methods used do not factor in the risk of foreign terrorist fighters, as there is undue emphasis on the country of origin of actors or already identified activities. Even in Cabo Delgado where such a risk was high due to it being frequented by foreigners from high risk countries³⁹, no indication was made that any risk assessment was being done to determine whether such people did not pose a TF threat.

210. The level of effectiveness of the coordination between SISE and SERNIC is demonstrably low, added to the fact that the levels of understanding of terrorism and TF risk by the two institutions are extremely different. During the onsite, it was evident that SISE did not share intelligence comprehensively with SERNIC and that neither SISE nor SERNIC utilize GIFiM to obtain information on TF to a significant extent. During the period under assessment, GIFiM and SISE both confirmed that when GIFiM received 5 STRs pertaining to suspected TF, GIFiM consulted SISE for specialist assistance in analyzing the STRs to determine the merit of the suspicion. Although the said analysis subsequently determined that there was no TF associated with the suspected transactions, this is indicative that the relationship between SISE and GIFiM can be collaborative and that there might be need to enhance the expertise at GIFiM in respect of analysis of TF transactions or information.

4.2.3. TF investigation integrated with –and supportive of- national strategies

211. Mozambique does not have a national counter terrorism strategy and no national threat assessment has been undertaken. The risk of TF in Mozambique has not yet been assessed for it to be understood, and measures implemented to support any national strategies.

4.2.4. Effectiveness, proportionality and dissuasiveness of sanctions

212. Law 14/2013 and Law 5/2018 set out the penalties for TF and terrorism offences, respectively (see TC annex, R.5). However, in the absence of any prosecutions or convictions for terrorism or TF, the effectiveness of the sanctions that may be imposed could not be assessed.

4.2.5. Alternative measures used where TF conviction is not possible (e.g. disruption)

213. The authorities indicated that as neither terrorism nor TF had been encountered, the need to carry out disruption had not arisen.

214. In the context of the Cabo Delgado insurgency, the authorities indicated that they had been providing advice and guidance to communities at risk of being co-opted or enticed into joining the rebels. The successfulness of these measures was not indicated and no other quasi-disruption actions had been undertaken. Mozambique has limited ability to carry out disruption actions relating to terrorism or TF.

³⁹ From Somalia, DRC, Northern Sudan, Lebanon and Afghanistan.

Overall conclusions on IO.9

215. Although, Mozambique has to some extent a legal and institutional framework for combatting TF, the authorities were unable to demonstrate that Mozambique pays sufficient attention to terrorism and TF cases. Also, the risk posed by the non-criminalisation of some of the acts pertaining to financing of foreign terrorist fighters (see c. 5.2bis), given the TF risk profile of Mozambique, could be quite high. The intelligence authority has generally a better understanding of the TF risks present, compared to SERNIC's understanding which is less developed. However, there is no strategy to assist in identifying, investigating, prosecuting and, where appropriate, disrupting financing of terrorism. Mozambique has not investigated or prosecuted any case of TF or any terrorist activity. The intelligence and security agencies have a wide ambit of powers to gather intelligence and evidence relating to terrorism and TF. The absence of any TF or terrorism case investigated compared to the risk profile of Mozambique shows that the powers are insufficiently and ineffectively used.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 9

4.3. Immediate Outcome 10 (TF preventive measures and financial sanctions)

4.3.1. Implementation of targeted financial sanctions for TF without delay

216. Mozambique does not have a sufficient legal framework and mechanisms to implement targeted financial sanctions (TFS) in response to relevant UNSCRs, covering national designations and responding to requests from other countries to take immediate freezing measures.

217. The Terrorism Law No. 5/2018 provides the entire legal regime applicable to terrorism and related crimes. However, the legal framework for combating terrorism including the implementation of UNSCRs 1267/1373 related to targeted financial sanctions is not sufficiently covered by the law. There is no legal framework to identify a competent authority or a court having responsibility for proposing persons or entities to the 1267/1989 Committee; and the 1988 Committee for designation. The country also does not have a mechanism(s) for identifying targets for designation, based on the designation criteria set out in the relevant United Nations Security Council Resolutions (UNSCRs).

218. The Minister of Foreign Affairs (MoFA) receives designations made under UNSCR 1267 and immediately sends them to the AG. The PPO which is established at the AG's offices is mandated to make designations under UNSCR 1373. Whilst Mozambique has shown that in some instances, designations are disseminated to various institutions, there is no framework mandating such designations and requirements for feedback on actions taken by reporting institutions on the said designations.

219. The UNSCR 1267 submission process takes an average of 3 days. However, an email with the updated list is promptly sent by MoFA to PPO so that the formal submission does not "delay" the process of disclosure by the AG. Although not legally required, MoFA also e-mails the list to GIFiM and the BoM. Onward communication of designations to reporting entities is the responsibility of their respective supervisory bodies. After this process, FIs and DNFBPs are legally required to implement TFS. However, not all competent authorities and persons are accessing the lists, nor do DNFBPs and some of the FIs regularly implement TFS.

220. The supervisors' understanding of TFS varies. For the financial sector, BoM disseminates UNSC Lists to reporting entities by email through the Mozambican Bankers Association (most reporting entities are linked to the association). The financial institutions that

are not members of the association receive the UN Lists through a letter from BoM. The authorities indicated that the guidance provided to the authorities clearly states that entities should consult the UNSC Lists regularly and whenever necessary, especially during the CDD process. However, the guidance is not comprehensive enough for the reporting entities to be guided on what to do, if there is a positive match. BoM was also in the process of installing the link to the United Nations website on its website.

221. The ISSM has limited knowledge on the usefulness of the lists let alone the reporting entities under its purview. For the authority, the UN Lists become useful when it is in the process of licensing/registering the insurance companies and brokers.

222. GIFiM also sends the UNSC Lists via goAML and General Gaming Inspectorate to some of the reporting entities but this is not being done in a systematic, timely and regular manner. The other supervisory and competent authorities are not aware of the list.

223. At the time of the on-site visit, Mozambique had not proposed any designations based on UNSCRs 1267 and 1988 and its subsequent resolutions, nor had it made any designations based on UNSCR 1373. Therefore, it was not possible to determine how in practice the designation would take place. The same applies to the real time taken by the Mozambican authorities to handle and respond to requests for inclusion on the national list of designations from other countries.

224. As an example of inadequate understanding of the TFS, a case which occurred in 2015 was reported to the assessment team, where a FI found out that it had a customer who had been designated. The FI then opted to force the client to move funds to another FI (a foreign FI). The approach of the FI made it impossible for the funds to be restrained/frozen and consequently be tracked. However, since this case had occurred prior to the entry into force of the Terrorism Law, no other measures had been taken by the authorities at the time (also see para. 4.3.3, below).

225. Regarding designations at the request of a third State, the authorities indicated that they had not received a request from any third party under UNSCR 1373.

226. As most of the implementation mechanisms of the UNSCRs are still based on manual processes which are slow, and most authorities and entities are not aware of their obligations to implement the UNSCRs, Mozambique cannot be considered to be implementing TFS without delay.

4.3.2. Targeted approach, outreach and oversight of at-risk non-profit organisations

227. In Mozambique, NPOs are broadly divided into two categories of national and foreign ones. At registration, they are required to submit the same information as any other legal person. Then, national ones are registered/licensed under the Ministry of Justice and the foreign ones under the Ministry of Foreign Affairs.

228. Mozambique has not undertaken an assessment of the TF risks in the NPO sector. The Ministries of Justice, and Foreign Affairs are not fully resourced to do a full oversight on the sector which consist of around 4062 NPOs in 5 different categories, including religious ones. Due to the absence of a risk assessment, the authorities are not able to identify which NPOs are considered higher risk for potential TF abuse, and they are not fully aware of the TF vulnerabilities of the sector. This makes any outreach to increase TF risk awareness and implementation of measures to mitigate the risks to the sector, difficult. The authorities have not put any measures in place to ensure proper accountability and transparency when it comes to the

use of the funds received by the different NPOs they regulate, in order to identify and protect those that are at risk of being abused for TF.

229. NPOs are subject to tax when engaging in business activities. However, from the meeting with the Revenue Authority, there was no demonstrable evidence of whether it conducted NPO tax audits to determine tax compliance and thus protect those NPOs subject to tax from being misused for TF.

4.3.3. Deprivation of TF assets and instrumentalities

230. There was no evidence that authorities are able to deprive terrorists, terrorist organisations or financiers of assets or instrumentalities related to TF. At the time of the on-site visit, Mozambique had not frozen any funds under either UN Resolution 1267 (1999) or 1373 (2001). However, the assessment team was made aware of one case in relation to a designated terrorist who moved funds he held in a Mozambican financial institution to a foreign financial institution. Although this case occurred prior to the entry into force of the Terrorism Law, with the prevailing understanding of TF, it was not demonstrable that the entities concerned could have frozen the funds or assets in a timely and appropriate manner. In addition, the authorities have not commenced parallel financial investigations with all cases relating to terrorism in order to determine whether there are TF assets or instrumentalities involved. Further Mozambique has not pursued any TF prosecutions, therefore there have not been confiscations related to TF as forfeiture is conviction based.

4.3.4. Consistency of measures with overall TF risk profile

231. Mozambique's measures are not consistent with the overall TF risk profile of the country. There is low understanding and very limited implementation of the United Nations Resolutions (1267 and 1373). Furthermore, no strategy to combat terrorist financing has been developed in Mozambique. Despite the high risk of TF likely to be existing in Mozambique or in certain parts of the country (Cabo Delgado), the authorities were of the view that there are no cases of terrorism or TF in the country. However, these views are held by the authorities in the absence of a proper risk assessment, which makes the extent of the overall TF risk difficult to determine and has very little impact on the implementation of any preventive measures. This unsupported approach by the authorities to the TF risk might be creating a misconception to the reporting entities that have limited understanding of the TF risk that it might not be a threat to the country hence the next to none STRs filed on TF. This has greatly limited the authorities' ability to apply TFS on TF. Further, despite the high TF risk that NPOs might be exposed to, Mozambique could not demonstrate the efforts it has made in protecting NPOs from possible TF abuse.

Overall conclusions on IO.10

232. Although, Mozambique faces terrorist and TF threats both domestically and externally, there is little demonstration that its systems on the implementation of targeted financial sanctions related to TF are effective. The existing frameworks, mechanisms and processes are not sufficient to implement the TFS relating to TF without delay and in a systematic manner. The understanding and awareness in implementing UNSCRs obligations related to terrorism and TF is still low. The NPO sector is not being regulated for CFT and both the authorities and the NPOs are not aware of the TF risks associated with the sector. In the absence of a risk assessment of the sector, the sub-sector of NPOs which are at risk of being abused for TF have not been identified and no measures have been put in place to mitigate the TF risks they might be exposed to.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 10

4.4. Immediate Outcome 11 (PF financial sanctions)

4.4.1. Implementation of targeted financial sanctions related to proliferation financing without delay

233. There is no legal framework in place or institutional framework to monitor and supervise the implementation of TFS related to proliferation financing without delay in Mozambique (see R. 7).

234. In the absence of a regime to implement TFS relating to PF, none of the reporting entities in Mozambique are guided by any framework to put in place internal measures allowing implementation of TFS relating to PF. The same weaknesses pertaining to implementation of TFS relating to UNSCR 1267, also apply to implementation of TFS relating to PF. Mozambique does not host an embassy of either Iran or DPRK. However, Mozambique's ports are a transshipment hub which creates an inherent risk in respect of PF.

235. Distinct from the implementation of the sanctions lists relating to UNSCRs relating to TF, where some of the FIs are voluntarily implementing the sanctions, with PF, almost all reporting entities interviewed were not aware of their TFS obligations relating to PF. Therefore, implementation of TFS related to PF without delay in Mozambique is not taking place.

4.4.2. Identification of assets and funds held by designated persons/entities and prohibitions

236. Though the authorities indicated that reporting entities in Mozambique have never had funds or other assets of designated persons and entities which would require implementation of targeted financial sanctions against such persons or entities, in the absence of any legal regime or mechanism to implement TFS relating to PF, Mozambique is currently not capable of identifying and is not identifying assets or funds associated with designated persons/entities and prohibitions under TFS relating to PF.

237. FIs and DNFBPs in Mozambique are not required to report if they are holding the funds of a designated entity or person as there are no such requirements or mechanisms pertaining to TFS relating to PF. Mozambique has not identified persons who or entities which match with the UN-designated persons and entities. Therefore, the country has not prevented such persons or entities from operating or executing financial transactions related to proliferation in the country.

4.4.3. FIs and DNFBPs' understanding of and compliance with obligations

238. There is very limited or no knowledge at all amongst FIs and DNFBPs regarding TFS on PF, neither do they have control mechanisms in place to deal with such sanctions. When interacting with reporting entities, assessors noted that all of them were not aware of, or conversant with the requirements relating to PF. Further, there has been no outreach from the GIFiM or any other regulator to reporting entities on PF.

239. Whilst some of the large FIs, which are part of international groups have heard about PF compared to the rest of the reporting entities, they also do not have mechanisms in place to enable implementation of the required measures. Thus there is very limited or no knowledge amongst FIs and DNFBPs relating to TFS on PF.

4.4.4. Competent authorities ensuring and monitoring compliance

240. The inspections conducted by the regulators do not cover TFS relating to PF. Therefore in the absence of any legal regime or mechanism to implement TFS relating to PF, it is not possible for relevant competent authorities to monitor and ensure compliance by FIs and DNFBPs of their obligations regarding TFS relating to PF and they are not doing so in practice.

Overall conclusions on IO.11

241. In the absence of a legal or institutional framework for the implementation of UNSCRs 1718 and its successor resolutions as well as UNSCRs 1737/2231 on proliferation of weapons of mass destruction, effective implementation is quite low. If there is any implementation of PF TFS by some of the FIs and DNFBPs, it is so insignificant that it does not mitigate the absence of a structure to monitor and ensure compliance with PF TFS. In view of the PF TFS risks present in Mozambique arising from the large informal financial sector, extensive coast line and position of the country as a transit point, there is need to ensure that FIs and DNFBPs implement the PF TFS without delay.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 11.

5. PREVENTIVE MEASURES

5.1. Key Findings and Recommended Actions

Key Findings

Financial Institutions and DNFBPs

- (a) The understanding of ML/TF risks and obligations at institutional level is fair among large banks and MVTS belonging to international groups. NBFIs and DNFBPs portrayed none to a little level of understanding of risks and obligations. Generally, understanding of obligations relating to TFS is low across the board.
- (b) FIs, particularly large domestic and foreign banks and large MVTS apply mitigating measures commensurate with their risks. The measures include but not limited to CDD, transaction monitoring and customer screening. The remaining FIs and DNFBPs generally had inadequate mitigating controls in place.
- (c) There is no legal and institutional framework to oversee Virtual Assets (VAs) and activities of Virtual Assets Service Providers (VASPs). As a result, the country is not aware as to whether VAs and VASPs exist needless to say the extent of risk they pose to the economy.
- (d) FIs and DNFBPs across the board did not fully appreciate the concept and application of BO requirements often mistaking it for legal ownership.
- (e) Most FIs particularly large domestic and foreign banks and large MVTS use electronic systems for customer and transaction monitoring. Other FIs and DNFBPs do not have customer and transaction monitoring systems to detect and filter unusual transactions. Only banks have filed STRs to the GIFiM in the period under review (2015-2019).
- (f) Overall, DNFBPs have not developed and implemented AML/CFT compliance programs including, policies, internal controls, procedures, staff and Board of Directors training, compliance and audit functions.

Recommended Actions

Financial Institutions and DNFBPs

- a) Reporting entities (other than large domestic and foreign banks and large MVTS) should conduct and maintain ML/TF institutional risk assessments to assist them understand their ML/TF risks and apply commensurate mitigating controls to identified risks.
- b) FIs and DNFBPs should have effective mechanisms to adequately identify and verify UBO of legal entities and avoid interpreting legal ownership as BO.
- c) NBFIs and DNFBPs should enhance their capacities on the identification of PEPs and application of EDD for PEP customers
- d) Reporting entities should develop mechanisms on the effective implementation of the UNSCRs on targeted financial sanctions related to TF and PF
- e) NBFIs and DNFBPs should develop and implement customer and transaction monitoring systems to detect and filter unusual transactions.
- f) NBFIs and DNFBPs should enhance their capacities on the identification of suspicious/unusual transactions and importance of STR/SAR filing to the GIFiM

g) NBFIs and DNFBPs should develop and implement AML/CFT compliance programs including, polices, internal controls, procedures, staff and board of directors training, compliance and audit functions. They should further have staff hiring procedures that include appropriate screening prior to employing staff.

242. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23.

5.2. Immediate Outcome 4 (Preventive Measures)

Background Information

243. The Mozambican financial sector is bank-dominated and mostly foreign owned. As at December 2019, Mozambique had 17 commercial banks and 10 microbanks. The total asset size for the banking sector stood at USD9.54 billion, which constituted about 5.2% of GDP with banks performing a wide range of financial activities. During the same period, there were 21 insurance companies (8-life and 13-general), 795 insurance brokers and agents, 6 pensions fund management companies. As at December 2019, the total assets in the insurance businesses stood at USD518.2 million while that of the pension funds were USD158,200,000.00. The number of DNFBPs operating in Mozambique at the time of the onsite are outlined in Table 2 of Chapter 1.

244. On account and reasons of their relative materiality and risk in the Mozambican context, implementation issues were weighted **most heavily** for the banking sector, **heavily** for the (micro financial institutions, real estate agents, dealers in precious stones and metals, motor vehicle dealers), **moderately heavily** for the (insurance, casinos, lawyers and accountants) and **less heavily** for the securities sector.

5.2.1. Understanding of ML/TF risks and AML/CFT obligations

245. Notwithstanding the absence of the NRA or sectoral risk assessment, large banks and large MVTS (those affiliated to banks and the stand-alone, i.e. mobile money operators) showed a fair understanding of ML/TF risks applicable to their sectors compared to the rest of the Non-Bank Financial Institutions (NBFIs) and DNFBPs. This is mainly due to internal risk assessments which they conduct and mainly their group affiliations. However, all reporting entities (FIs and DNFBPs) have a general understanding of the most prevalent crimes affecting the economy of Mozambique, most notably, corruption, drug trafficking, human trafficking, tax evasion, wildlife trafficking and illegal dealing in precious stones and metals, although they could not link the understanding to ML and proceeds which are generated.

246. The Mozambican AML/CFT regulatory framework requires reporting entities, to implement AML/CFT obligations when opening an account or establishing business relationship with a customer or conducting occasional financial transactions. In doing so, FIs and DNFBPs are required to apply a risk based approach. To this end, large banks and large MVTS are generally aware of these obligations compared to the other FIs and DNFBPs.

Financial Institutions (FIs)

247. The large domestic and foreign owned banks, specifically those that are part of financial groups with international operations, and large MVTS, in particular, mobile money

service providers portrayed a fair level of understanding of ML risk at an institutional level. This is mainly attributed to the ML/TF institutional risk assessments which they conducted with a wider scope covering customers, products, services, delivery channels and geographical locations. They have accordingly risk-rated their customers, transactions, and delivery channels and geographical location.

248. Sectors such as dealers in precious stones and metals, real estate, casinos, MVTS and NGOs were singled out by banks as posing high ML risk where proceeds of crime were being channeled. PEPs, high net worth customers and non-resident customers were categorized as posing high ML risk.

249. As regards geographical risks, the large banks and large MVTS considered countries called for by FATF as posing high ML/TF Risk. Locally, the provinces in Northern Mozambique, including Cabo Delgado were considered as high risk for terrorism, possible TF activities and ML. The basis for this conclusion was that the provinces host a number of immigrants from high risk jurisdictions located in East Africa and the Middle East .

250. Products like cross-border wire transfers, and correspondent banking and private banking were identified among products/services posing high ML risks, in addition to non-face to face transactions. However, the institutions did not indicate whether the same products were posing high risk for TF.

251. The rest of the FIs portrayed very low levels of understanding of the ML/TF risks they face. These institutions have not undertaken any form of ML/TF risk assessments of their customers, products, services, delivery channels and geographical locations. In as much as they had general knowledge of the prevalent crimes in the country, they could not clearly demonstrate how they are a threat to the financial system neither could they relate them to the potential vulnerabilities in their sectors. For instance, one institution indicated that only PEPs are regarded as high risk and that all non-PEP customers are low risk without concretely explaining the basis for that conclusion.

252. Some of the FIs namely, bureau de change had no knowledge of their ML/TF risks, could not even explain what ML/TF is and were more concerned about the competition they face from illegal dealers in forex than ML/TF risks. Such FIs indicated that they were hearing about AML/CFT issues for the first time. Interviews of these FIs showed that they were not being supervised for AML/CFT (see IO.3) and as a result had not started putting in place the requisite systems that would enable them to identify, assess and understand ML/TF risks in their sector and internal control systems to mitigate such risks once identified.

253. Large banks and large MVTS had a good understanding of AML/CFT obligations with limited understanding of the obligations relating to BO and TFS. These include AML/CFT obligations relating to CDD, developing and implementing policies, controls, procedures and programmes, transaction monitoring, EDD, record keeping, STRs, screening of customers against sanction lists, undertaking ML/TF institutional risk assessment, among others. Most FIs misunderstood BO for shareholders. Whereas the FIs have customer screening softwares and databases with embedded sanctions lists at group level, they are not aware of the requirement to freeze funds/assets without delay and the need to report to the relevant supervisory/competent authority when there is a positive match. This limited understanding of BO and TFS obligations is attributed to lack of guidance, awareness and adequate supervision.

254. The other FIs portrayed a low understanding of AML/CFT obligations. They could not effectively explain the AML/CFT requirements regarding reporting of STRs, compliance functions, conducting risk assessment, application of EDD for high risk customers and BO and TFS related obligations among other requirements. Absence of AML/CFT guidance, awareness

and supervision by the respective supervisors contributed to the low understanding and insufficient application of AML/CFT requirements.

DNFBPs

255. DNFBPs have no understanding of the ML/TF risks they face, neither do they fully understand their AML/CFT obligations. DNFBPs have not conducted any form of ML/TF institutional risk assessments to assist in understanding their ML/TF risks. This is a serious concern, as LEAs, large banks and MVTs pointed out most proceeds of crime being channeled through the real estate sector, while dealers in precious metals and stones, mostly prevalent in the Cabo Delgado province, being linked to the terrorism and TF in the area as well as smuggling of the minerals out of Mozambique. The prevalence of unregistered real estate agents and illegal dealers in precious stones and metals is also of concern, especially given their high usage of cash to transact. Lawyers demonstrated a significant lack of knowledge of the ML/TF risks inherent in their sector and the obligations applying to them.

256. Overall, lack of sector specific guidance, awareness and supervision for DNFBPs significantly contributed to the low level of understanding of the ML/TF risks and AML/CFT obligations.

Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs)

257. At the time of the on-site visit there was no AML/CFT legal framework for regulating and supervising VAs and VASPs. Neither, the reporting entities nor the country had conducted a risk assessment to determine the existence and the risks posed by VAs and VASPs. As a result, all the reporting entities are not aware as to whether VAs and VASPs exist in Mozambique and do not understand the ML/TF risks posed by the sectors and their AML/CFT obligations.

5.2.2. Application of risk mitigating measures

Financial Institutions

258. The application of AML/CFT obligations to mitigate ML/TF risks varies across FIs. It is more prevalent in the large banks and large MVTs than in the rest of the FIs.

259. The large banks and large MVTs have put in place appropriate internal control systems, policies and compliance programmes commensurate with the risks identified. For instance, these institutions have identified certain types of customers (e.g. PEPs, some NGOs, casinos), transactions (cross-border wire transfers, correspondent banking, private banking), delivery channels (i.e., non-face-to face) and geographical location (high-risk jurisdictions such as Iran, North Korea and domestically, the northern province of Cabo Delgado) as requiring rigorous risk mitigating measures. Large banks and large MVTs require senior management approval before a business relationship is established, in addition to subjecting those customers to on-going monitoring of transactions and changes in the business relationship status.

260. As part of customer on-boarding process, the large banks and large MVTs take advantage of their databases and AML/CFT software embedded in their core systems to screen all customers against the sanctions lists. Customers identified as high risk, e.g. PEPs, are automatically flagged in the system and subjected to investigation by Analysts in the Compliance department. For correspondent banking relationships, the Wolfsberg questionnaire is used to gather more information. This also includes obtaining more documents that prove the source of funds and wealth, proof of address and audited bank statements, if it is a corporate client. Opening of accounts for such customers require senior management (in the form of management committees) approval.

261. Large banks and large MVTS use the information obtained during on-boarding, other open sources and institutional risk assessments to profile all customers into high, medium and low risk. These are monitored on an on-going basis by dedicated officers on a risk-based approach and where there is a change of status, the risk profile is also updated accordingly. Other products subjected to on-going monitoring are cross-border wire transfers and cash transactions above set thresholds, including structured transactions.

262. It was noted that such institutions have developed and put in place risk informed internal policies and procedure manuals which have been shared with employees and such controls include programmes relating to training and the roles of the compliance officer. However, it was observed that mitigating controls were not effective when it comes to the issues on TFS related measures whose implementation was still quite minimal, if in existence at all.

263. Mobile money operators have set daily transaction limits on customer transactions. Assessors considered the ML/TF mitigation measures, adequate. For example, one large operator advised that it has set daily, monthly, annual and per transaction limits based on whether the customer is risk-profiled as tier 1 or tier 2 and also taking into account the risk of the product, e.g. the global limits for tier 1 are set at 25,000MT (USD380) per transaction up to a limit of 125,000MT (USD 1894) per day, while those for tier 2 limits are higher. There is also a limit for the wallet balance. A customer cannot transact above the set limit, without authorization from the operator for an upgrade to the next tier which requires more CDD and the authority cannot be granted at mobile agent level.

264. The application of mitigating measures by other FIs is less structured and not as developed as the large banks and large MVTS. Whereas most were not aware of their obligations, they also had no dedicated AML/CFT systems or software to screen existing and new customers against sanctions list. They have not conducted ML/TF risk assessments and as such have not profiled their customers and products. There are also no controls in place to mitigate against high risk customers like PEPs. Whereas the small MVTS have put in place daily and per transaction limits, they did not demonstrate how these measures are effectively applied to prevent their misuse. This is a major concern as there is no effective monitoring of transactions by such MVTS. In cases where a client has more than one account using two sim cards, this is not flagged for purposes of monitoring. This exposes the institution to possible abuse by launderers and terrorists. Further, they have no risk informed AML/CFT policies, controls and procedures in place. All institutions discussed here, could not demonstrate that they have systems to implement TFS related measures.

265. There were no mitigating controls applied by bureau de changes. A bureau de change can buy as much currency as possible from one customer without any limit. Although there is a limit of equivalent USD10,000 for sale to customer, there is no system in place to ensure that a customer cannot change money or buy currency from several bureaus, more so given that the daily returns sent to BoM are excel based and subject to manipulation. This highly exposes the sector to ML/TF risks, especially given that application of AML/CFT obligations in the bureau sector has virtually not yet started. Further, this sector remains highly vulnerable as there is no enforcement by the authorities of measures to control the rampant illegal money changers who trade openly in market places.

DNFBPs

266. DNFBPs have not started applying mitigating measures that are commensurate with the ML/TF risks prevalent in their sectors. This is attributed to lack of understanding of their AML/CFT obligations as there has not been awareness provided to them, or guidance and supervision of the sector .

5.2.3. Application of CDD and record-keeping requirements

Financial Institutions

267. FIs, predominantly large banks and large MVTS categorized their customers (including existing customers) based on risk (usually low, medium, and high) that require commensurate CDD measures and monitoring procedures in accordance with the level of risk identified during institutional risk assessments. Generally, they demonstrated that they reasonably apply identification measures during on-boarding process of their customers and on an ongoing basis in particular where there is a change in customer profile and on occasional transactions. Despite a reasonable application of CDD measures by the large banks, findings from supervisory inspections conducted by BoM between 2015-2019 revealed shortcomings on the application of CDD measures relating to regular update of identification information and implementing BO requirements (see Table 18 under IO.3).

268. These FIs demonstrated that they get identification information that is verified using reliable and independent source documents such as national ID, passport, foreign identification and residence document (DIRE) and valid driver's license.

269. In the case of employees: letter from the employer confirming employment status, occupation, type of contract, and payslip; type, number, place and date of issuance of the identification document; Tax Identification Number (NUIT) and nature and amount of income. In addition to the above documents and information, where a customer is a foreigner, FIs request for a passport, DIRE, letter of good standing from FIs in the country of origin and valid work permit.

270. For occasional transactions, mostly taking place in the bureau de change and MVTS, National ID or valid passport would suffice in the identification of customers prior to execution of a transaction.

271. For customers which are legal persons or entities, banks and large MVTS adequately obtain and verify CDD information including but not limited to Articles and Memorandum of Association, NUIT, Registration Certificate, Board resolution authorizing company to open an account, audited financial statements and bank statements. Further, they also obtain partnership deeds (partnerships) and constitution (foundations, cooperatives and civil societies); while the other FIs are to some extent taking similar measures..

272. Though the AML law requires the reporting entities to take the necessary CDD measures on customers that are legal arrangements, the extent to which such requirements are implemented could not be determined since all the public and private sectors met during onsite indicated that trusts are not recognised under the Mozambican laws.

273. MVTS, in particular large mobile money service providers which offer financial inclusion products, apply simplified CDD to customers who pose low risk based on the results of their internal risk assessments. They obtain reduced identification documents such as national ID, driver's license or voter's card but apply more stringent CDD measures where the risk is identified to be high.

274. Generally, CDD information related to BO is not adequately collected. The reporting entities met had a varying understanding of BO. However, only large banks have demonstrated to some extent that they identify and verify the BO. They use open sources and commercial databases for the screening process and conduct their own CDD process regarding the identification and verification of BOs. This cannot be said of the small banks and NBFIs. The reporting entities met had varying understanding of BO. In addition, most of the reporting entities indicated that they were having difficulties in obtaining and verifying full BO information.

275. All FIs, especially large banks met during the on-site visit were aware and take appropriate decisions to refuse business relationships or transactions where CDD information is incomplete. (The banks met during the on-site which operate in the Northern Part of Mozambique indicated that they were implementing more stringent screening measures due to the high ML/TF risks in existence in that part of Mozambique)

276. Generally banks, which are part of international financial groups, apply CDD requirements to existing customers on the basis of materiality and risk. The same cannot be said of the other FIs. Large foreign and domestic banks, which conduct due diligence on existing relationships at appropriate times. The CDD on existing customers is carried out as a result of changes that would have occurred on the profile of the existing customer in relation to the risk. The foregoing cannot be said of the other FIs.

277. Notwithstanding the application of CDD requirements across the FIs sector, the findings of the inspections conducted by BoM between 2015-2019 revealed shortcomings associated with the application of CDD measures and identification of BO (see Table 18, under IO.3).

DNFBPs

278. Generally, all DNFBPs met (lawyers, accountants, real estate agents, casinos, precious stones dealers) during the on-site visit did not demonstrate that they apply identification and verification measures for AML/CFT purposes. All DNFBPs do not verify the identity of their customers. The identification and verification process is not commensurate with the risk profile of the financial, non-financial and DNFBP sectors in Mozambique.

279. The DNFBPs were not aware about obligations to refuse business relationship or transactions where CDD information was incomplete.

280. All reporting entities met did not demonstrate that consideration is given to filing of STRs to the GIFiM where CDD information is incomplete.

Record keeping requirements

281. Generally, the large banks and large MVTS apply record-keeping requirements in respect of information and data collected at the time of entering into a business relationship with customers. The information kept include records obtained during CDD, customer mandates or files and financial transactions records. Records are kept both in electronic and manual formats for 15 years in terms of the AML Law. The records are readily accessible by the GIFiM and LEAs upon request. Other FIs do not keep information for the required period because they are not aware of the requirement.

282. The DNFBPs are not implementing the record keeping requirements.

5.2.4. Application of EDD measures

283. Generally, large banks and large MVTS apply EDD measures in business relationships and transactions categorized as high risk.

Politically Exposed Persons

284. Large banks and large MVTS have acquired and implemented automated screening and transactions monitoring systems. They have also subscribed to some commercial databases such as World Check to identify and screen PEPs as part of enhanced due diligence and ongoing monitoring. These institutions do not distinguish between domestic and foreign PEPs. PEPs (domestic or foreign) are all categorised as high risk customers. These institutions therefore

apply EDD measures before establishing business relationships with a PEP. Prior to establishing a business relationship with a PEP, senior management approval is sought.

285. Other FIs face a number of challenges in identifying PEPs. The challenges include: not having electronic databases; lack of other systems to identify PEPs which is exacerbated by the absence of a domestic government issued database for PEPs list; lack of appreciation of the obligation to apply EDD measures including on family members and close associates.

286. Generally, all DNFBPs do not conduct specific measures in respect of all types of PEPs. DNFBPs do not apply EDD measures on PEPs as they treat them like any other ordinary client.

Targeted Financial Sanctions (TFS)

287. The UNSCRs lists are disseminated by the FIU and BoM to the reporting entities. However, the assessors noted that the reporting entities only began receiving TFS lists from GIFiM and BoM a week before the on-site visit.

288. Large banks with international affiliation obtain the TFS lists from their parent companies. Assessors noted that there was no clear guidance to the reporting entities on how to use the list (see IO.10). The assessors further identified that a number of the FIs and DNFBPs were not familiar with their UNSCRs obligations, and therefore demonstrated a very low level of implementation.

Correspondent banking

289. Operation of cross-border correspondent banking in Mozambique seem to be generally well managed notwithstanding the minor technical deficiencies identified in Rec 13.

290. FIs with Correspondent Banking Relationships (CBRs), in this case, the banking sector demonstrated a fair understanding of the enhanced AML/CFT requirements and of the risks involved. Interviews conducted with large banks with correspondent banking relationships revealed that due diligence information relating to the business nature prior to establishing CBRs is obtained. Generally, sufficient information is gathered about the respondent bank in order to understand the nature of its business. A determination is made from the available public information, the reputation of the institution and the quality of regulation and supervision of the institution, and if it has been under investigation or action related to ML/TF. Further, an evaluation is made on the adequacy and effectiveness of control systems in place to prevent ML/TF. In addition, FIs complete the Wolfsberg correspondent banking questionnaire (covering among others, policies and procedures, CDD/EDD, transaction monitoring, suspicious transaction reporting and PEP screening).

291. As regards to payable-through accounts, banks always ensure that the client bank applied the continued diligence measures in relation to the client that has direct access to the correspondent bank account. A relationship cannot be imitated or sustained with a Correspondent when it does not have physical presence and does not make part of a regulated financial group (Shell bank). Approval or authorization from senior management is obtained prior to establishing CBRs.

Cross border Wire transfers

292. Wire transfers, both domestic and cross-border, are conducted by banks and MVTS using SWIFT. Banks and non-bank money remitters generally understand ML/TF risks associated with cross-border wire transfers including those from high risk jurisdictions such as Iran and North Korea. Most of the incoming transactions were from Brazil, while outgoing transactions were mostly to China. According to the money remitters, they were aware of Brazil being aligned

to drug trafficking and the use of the same Portuguese language easing communication barriers. As for China, there were a number of Chinese companies and nationals in Mozambique and that there were also local students studying in China. In such cases they have resorted to requesting reasons for sending the funds, e.g. invoices. FIs providing wire transfer services ensure that necessary originator and beneficiary information is included when initiating, forwarding, or receiving a wire transfer.

293. MVTS and mobile money service providers have set daily and monthly transaction limits for both domestic and cross-border transactions. Limits are set based on whether the customer is risk-profiled as tier 1 or tier 2 and also taking into account the risk of the product (see para 261). All FIs that offer wire transfers do not execute a wire transfer transaction where information on the originator and/or beneficiary is incomplete. They either reject or suspend the transaction and advise the initiating FI to provide the missing information. The absence of full information on a wire transfer may form basis of suspicion and consideration may be made to file an STR, although all the FIs indicated that none had been submitted yet.

294. Overall, information retained or collected accompanying cross-border wire transfer transactions is adequate to establish the correctness and traceability of transactions conducted.

New Technologies

295. FIs, especially banks and MVTS, rely extensively on new technologies mainly as a channel of delivery for the services. The banks and MVTS identify and assess the ML/TF risk of using new products, practices, and technologies prior to launching. Internal approvals from senior management (e.g. Committees comprising of senior Officers) and from BoM (which grants a letter of no objection) are sought prior to FIs introducing a new product or service. The applications for authorization to BoM indicate clearly the proposed products, how risks associated with the proposed product would be addressed and the internal controls established to comply with AML/CFT obligations. For other types of FIs, it is not clear to what extent the risk assessment is performed or covers ML/TF risks. With regards to DNFBPs, no risk assessment is done covering ML/TF when introducing new services/products. This is an area of concern given the limited understanding of ML/TF risks by the sector.

High Risk Countries

296. Large domestic and foreign owned banks and large MVTS apply enhanced due diligence, proportionate to the risks, business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF. They maintain list(s) of higher-risk countries that include those for which this is called for by the FATF. This is mainly initiated from their parent companies. The rest of the FIs have limited application of EDD on business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF and thus, given the shortcomings related to EDD and their limited understanding of AML/CFT obligations, it is not likely that applied measures are proportionate to the risks of such business relationships and transactions. AML/CFT supervisors in Mozambique have not provided awareness, guidance and have no measures in place to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries.

297. Despite ML/TF risks of various components of the DNFBP sector, they do not apply EDD measures in respect of transactions and business relationships arising from the jurisdictions identified by the FATF. This is mainly due to the lack of understanding of ML/TF risks and their AML/CFT obligations which are contributed to by the lack of guidance and supervision.

5.2.5. Reporting obligations and tipping off

298. Banks and large MVTS have demonstrated a good understanding of reporting obligations. However, there is limited to no understanding among other FIs and DNFBPs of the obligation to file STRs on suspected ML/TF to the GIFiM. Further, whilst one law (Art. 12 of Law No. 2/2018) requires all reporting entities to file STRs with GIFiM, the AML Law⁴⁰ creates an exception for lawyers, who have to file STRs to the Bar Association, with the Association transmitting the STRs to the GIFiM. The two processes have created confusion among lawyers and there is concern of the possibility for tipping off in the process of submitting STRs to the FIU and lawyers not being comfortable to report STRs through a third party. The Bar Association could not provide tangible reasons for this arrangement as it indicated that it simply acts as a means for the transmission and does not play any specific role at all in dealing with the substance of the STR.

299. At the time of the onsite visit, only banks had filed STRs in the period under review (see Table 13, below). The rest of the institutions had not reported any STRs to the GIFiM. This is attributed to absence of AML/CFT reporting guidance and supervision and awareness. Of all the STRs submitted to GIFiM, only 4 STRs and 1 SAR were related to TF. This was found not to be consistent with the TF risk profile of the country. Reporting of STRs to GIFiM is done through the goAML platform and banks, insurance and MVTS had already been connected to the platform while the rest of the reporting entities are yet to be connected (see IO 6).

Table 13 : Number of STRs submitted by FIs and DNFBPs (2015-2019)

Institutions	Year				
	2015	2016	2017	2018	2019
Banks	236	536	1267	1988	1848
Other FIs and DNFBPs	0	0	0	0	0
Total Number of STRs filed	236	536	1267	1988	1848

300. There was unprecedented increase in the number of STRs filed by the banks from 2016 to 2018 as can be noted in Table 13. The increase is attributed to remediation of inspection findings implemented by BoM during the aforementioned period. Inspections conducted by BoM and the FIU reports revealed shortcomings associated with record keeping, CDD and non-compliance with reporting obligations among other deficiencies. As a result, some banks were fined.⁴¹

301. There is, however, inconsistency between the number of STRs submitted and the numbers given by the authorities. For example, one bank advised that it reported 10,000 STRs

⁴⁰ Art. 18 of AML Law No. 14/2014

⁴¹ To the tune of to a tune of over 346.000.000, 00 MT (ZAR 86,500,000.00) (03/09/19 rate – 4,00 MT/ZAR) (See IO3 for details)

between 2015-2019, Microfinance (1 STR), MVTS providers (53). This difference may mean that FIs are not properly separating STRs from other reports, which again may point to lack of awareness and guidance.

302. Interviews conducted with representatives of GIFiM, BoM and banks indicated that most of the STRs filed were premised on suspected tax crimes, drug trafficking and corruption which is consistent with the most prevalent financial crimes in Mozambique. The interviews further revealed that GIFiM does not provide feedback to the reporting entities regarding the submitted STRs as it is still developing mechanisms (templates and forms) for this purpose.

303. Of the cash transactions reports (CTRs), electronic funds transfer reports (EFTRs) and Suspicious Activities Reports (SARs), and reports on cross-border transportation of currency and BNIs, which are supposed to be filed by the reporting entities and revenue authority, respectively, there were quite a low number of types of reports received by the GIFiM as illustrated in Table 14, below. All CTRs and SARs received, were from banks with NBFIs and DNFBPs not having filed anything. Similarly, there were no EFTRs and cross-border transportation of currency and BNIs filed. Compliance with reporting obligations for other sectors other than banks is still highly ineffective.

Table 14: CTRs and SARs received

Year	CTRs	SARs	EFTRs	cross-border
2015	0	0	0	0
2016	2035	0	0	0
2017	3007	36	0	0
2018	2345	52	0	0
2019	10830	32	0	0
Total	18, 217	120	0	0

304. With regards to tipping off obligations, nearly all banks and large MVTS interviewed had developed AML/CFT policies and procedures which include tipping off obligations. Employees are made aware of the consequences for breaching tipping-off rules in the procedures through training. However, the same was not apparent in the rest of the NBFIs and the DNFBP sector. With limited understanding of AML/CFT obligations in these two sectors, it is not likely that measures to avoid tipping off are being implemented. The reporting process by lawyers through the Bar Association creates the vulnerability for possible tipping off.

5.2.6. Internal controls and legal/regulatory requirements impending implementation

305. FIs, in particular banks and large MVTS have developed and implemented AML/CFT policies, internal controls and procedures. The policies, procedures and controls are documented and approved at Board level. All banks interviewed have compliance units with specific AML/CFT responsibilities and designated Communication Officers of Suspicious Transactions (OCOS) at management level. Banks further advised that in order to mitigate ML/TF risks, their policies require that they have in place officers in the first line of defence (front office and operations), second line of defence (Compliance and Risk functions), and third line of defence (internal and external audit). Their AML/CFT systems are subjected to independent internal audit which is mostly done annually to test effective implementation of the compliance programmes.

306. Training programs are frequently implemented by banks and large MVTS, and cover all staff with AML/CFT responsibilities, including senior management and board of

directors. The large MVTs further provide training to merchants and agents before recruiting them, and on an on-going basis. Training of new staff is also done before the staff starts accessing the system. Basing on the limited understanding of FIs on certain AML/CFT obligations noted above (like UBO and TFS), the training programmes in place do not adequately cover these areas. Most of the remaining FIs have either not started developing training programmes and for those that have started, the programmes are not sufficiently sophisticated to improve the skills of staff with key AML/CFT responsibilities. Some do not effectively include senior management, as well as board members and newly recruited staff. AML/CFT trainings for banks and large MVTs are carried out by heads of the compliance function.

307. For large international banks which are part of a group, group-wide AML/CFT programmes ensure that stricter standards are implemented when there are jurisdictional differences. This is not the case for insurance and securities whose programmes are not effective in managing ML/TF risks.

308. Banks have generally developed and implemented know your employee procedures that include appropriate screening of potential employees prior to employing them. The screening process involves seeking past employment references, police clearance and searching publicly known databases. The foregoing are undertaken as preventive measures against employing criminals among others. However, most banks indicated that the screening process is a once-off exercise, on recruitment, and is not done on regular intervals for existing employees.

309. Other financial institutions such as insurance companies, bureau de change, and micro financial institutions have emerging internal controls and procedures.

310. DNFBPs do not have internal AML/CFT policies, controls, and procedures, and do not implement programmes against ML/TF. This is mainly due to lack of AML/CFT supervision and guidance.

Overall conclusions on IO.4

311. Notwithstanding the absence of the NRA or sectoral risk assessment, FIs, in particular, large banks and large MVTs demonstrated a fair level of understanding of ML/TF risks applicable to their operations and have accordingly implemented AML/CFT preventive measures to mitigate against the identified risks including application of EDD measures, leveraging on international group systems. The rest of the FIs and DNFBPs could not effectively demonstrate that they do understand the ML/TF risks and are effectively implementing the AML/CFT obligations. All FIs have not started applying AML/CFT obligations on VAs and VASPs and there is no legal and institutional framework in place to oversee the sector. Reporting entities do not have effective mechanisms to adequately identify and verify BO of legal entities. Reporting entities lack knowledge of their obligations on TFS relating to TF and PF. Despite the high ML/TF risks existing in the other FIs and DNFBP sectors, only banks are reporting STRs to GIFiM. Although large banks and large MVTs have fairly adequate compliance programs, the rest of the FIs and DNFBPs have not effectively developed such programmes. This is mainly due to absence of supervision and guidance from the relevant authorities.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 4.

6. SUPERVISION

6.1. Key Findings and Recommended Actions

Key Findings

Financial Sector AML/CFT Supervisors

- (a) The supervisory authorities (BoM and ISSM) have market entry controls in place in order to prevent criminals and their associates from holding significant or controlling interest in financial institutions, or holding a management position. This includes fit and proper assessments on shareholders, directors and senior management. However, both BoM and ISSM do not understand the concept of BO and as a result, do not identify the ultimate BOs of the entities they license.
- (b) Mozambique's financial sector supervisors lack understanding of the ML/TF risks prevalent in their specific sectors as well as of institutions in the sectors. The financial sector supervisors have not yet developed and implemented AML/CFT risk-based supervision and monitoring of FIs. The supervisors carry out prudential inspections that integrate AML/CFT components.
- (c) The supervisors lack adequate technical expertise/skills and adequate resources to conduct, develop and implement RBS, for the size and risk profiles of Mozambique's financial sector.
- (d) Although, the AML/CFT legal framework in Mozambique has a broad range of sanctions, only the BoM had applied sanctions towards the entities they supervise. The monetary sanctions applied by the BoM are for compliance breaches identified where no remedial measures have been implemented.
- (e) Only the BoM has conducted awareness and outreach to some of its licensees (commercial banks segment only) while the ISSM has not yet commenced awareness programmes or any other supervisory activities.

AML/CFT Supervisors for DNFBP Sectors

- a) The DNFBPs supervisors have varying levels of market entry requirements with each DNFBP having its own licensing and registration controls to prevent criminals and their associates from participating in the ownership, control, or management of DNFBPs. The existing market entry controls focus more on compliance with professional standards.
- b) Supervisors generally have a low level of understanding of the ML/TF risks of their supervised entities. They have not yet started identification or development of an understanding of the specific ML/TF risks within the sectors under their purview.
- c) Supervisory activities have not been carried out by the DNFBP supervisors resulting in low levels of monitoring or supervision for compliance with AML/CFT requirements.
- d) The majority of the DNFBPs supervisors are not aware of their AML/CFT supervisory obligations and they have rarely interacted with their supervised entities. GIFiM and INAMI lack resources (human and technical) in carrying out any AML/CFT outreach to the entities under their supervision.
- e) There are no VAs and VASPs regulatory frameworks, and as such, they are not supervised for AML/CFT compliance. However, the BoM has issued a circular warning the public of the risks in dealing in virtual assets.

Recommended Actions

Financial Sector AML/CFT Supervisors

- a) The financial sector supervisors should strengthen market entry controls by obtaining BO particulars and conducting due diligence on them to prevent criminals and associates from holding significant or controlling interest in financial institutions. Also, financial sector supervisors should implement UNSCRs sanctions screening across all financial institutions.
- b) The financial sector supervisors should take the appropriate steps to identify, assess and maintain an understanding of the ML/TF risks in the sectors under their purview. The results should assist in the development and implementation of AML/CFT risk-based supervision, which would enable the proportionate application of controls and supervisory resources based on the risks identified.
- c) Financial sector supervisors should develop tools for the collection of information and periodically maintaining the risk profiles of financial institutions under their purview up to date. The AML/CFT on-site and off-site examinations should be based on the risk levels of the financial institutions.
- d) Financial sector supervisors should start application of the sanctions available in the legislative framework against FIs for identified AML/CFT Compliance breaches and ensure that these are effective, proportionate and dissuasive.
- e) AML/CFT supervisors should be provided with adequate resources to further develop their supervisory skills, produce guidance and effectively implement supervisory activities in their sectors.
- f) Financial sector supervisors should monitor the impact of their activities by maintaining statistics through supervisory actions (on-site examinations, off-site supervision, feedback and outreach) that would assist them in improving compliance by FIs.
- g) Mozambique should develop a regulatory and supervisory framework for VAs and VASPs to comply with AML/CFT requirements in the country, and in line with international best practice.

AML/CFT Supervisors for DNFBP Sectors

- a) DNFBP supervisors should develop and implement robust market entry requirements by obtaining particulars of BO and conducting due diligence on them to prevent criminals and associates from holding beneficial interest. DNFBPs supervisors should implement UNSCRs sanctions screening in their sectors.
- b) Mozambique should enhance the legal framework covering real estate and dealers in precious metals and stones to subject all persons operating in those sectors to regulation and supervision.
- c) Mozambique should develop and maintain an understanding of the ML/TF risks pertaining to the DNFBP sector, and categorise the institutions according to their ML/TF risks. The follow-up actions should be planned and performed in line with the identified ML/TF risks of each category of institutions.
- d) DNFBP supervisors should carry out AML/CFT risk based supervision. The activities in relation to supervision should consist of both off-site and on-site examinations. Authorities should provide more human and technical resources for supervision of the sectors.
- e) Mozambique should enhance the legal framework covering real estate and dealers in precious metals and stones to subject all persons operating in those sectors to licensing and registration requirements.

- f) DNFBP supervisors should ensure the application of a wide range of sanctions, which are dissuasive, proportionate and effective against AML/CFT violations.
- g) The DNFBP supervisors should produce guidance, implement awareness raising programmes to their respective entities in order to promote understanding of AML/CFT obligations and ML/TF risks inherent to their specific sectors.

312. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, R. 26-28, R.34, and R.35.

6.2. Immediate Outcome 3 (Supervision)

Background

313. The Bank of Mozambique (BoM) supervises the majority of financial institutions, with the exception of the insurance business, which is under the supervision of the Insurance Supervision Institute of Mozambique (ISSM). Each DNFBP sector has its own supervisory authority: General Inspectorate of Games (GIG) for casinos; Bar Association of Mozambique (BAM) for lawyers; National Mining Institute (INAMI) for dealers in precious stones and metals; and Organisation of Accountants and Auditors of Mozambique (OCAM) for accountants. GIFiM is the supervisor for the real estate agents and car dealers. Company service provision is undertaken by lawyers and accountants. Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs) are not regulated.

314. Given the weight of each of the different sub-sectors, they were considered accordingly for supervision purposes. The banking sector is the largest sub-sector of the financial sector, and was weighted **most heavy, heavily** for micro finance institutions, real estate agents, dealers in precious stones and metals, motor vehicle dealers, **moderately heavy** for the insurance, casinos, lawyers and accountants (including when lawyers and accountants undertake company services activities), and **less heavily** for securities. This is because of the relative materiality and risk in the context of Mozambique (see Chapter 1 for the description of each supervisor and the supervised entities).

6.2.1. Licensing, registration and controls preventing criminals and associates from entering the market

315. Mozambique has a number of regulatory bodies charged with market entry licencing or registration responsibilities. FIs, with the exception of the insurance businesses which are licenced by ISSM, are all licenced by BoM, while the DNFBPs are licenced or registered by various regulatory bodies. In general, the regulatory bodies have fairly adequate licensing/registration frameworks in respect of the entities under their purview. BoM, ISSM and General Inspector of Gaming demonstrated better application of the licensing requirements compared to the other regulatory bodies. However, all the supervisors do not adequately understand the concept of BO and consequently, do not identify the ultimate BOs of the entities they license. Majority of them focus on the shareholders as declared in the legal company documents. The supervisors lack adequate staff to ensure that unlicensed or unregistered activity, is detected and effectively dealt with.

316. Mozambique does not have a regulatory framework for VASPs,. However, the authorities demonstrated limited knowledge on whether those services were being provided in Mozambique.

Bank of Mozambique (BoM)

317. The BoM performs fairly adequate fit and proper assessments in respect of persons wishing to participate in the market and management of FIs. The licensing requirements are detailed and require the applicants to submit: a statement of reasons why the shareholder structure is suitable for the institution's stability; articles of incorporation; documented programme of activities, geographical distribution, organisational structure and human, technical and material resources to be used; provisional accounts for each of the three first years of business; documents of identification of the founding shareholders and specification of the capital subscribed by each of them, together with a declaration that the funds to be used and mobilized from those shareholders are not from illicit or criminal sources. BoM may request applicants to provide additional information and may make the inquiries it considers necessary, in particular, with regard to the origin and source of funds to be allocated to the credit institution or finance company to be incorporated.

318. If founding shareholders are corporate entities, the following documents are required: Articles of Incorporation and list of members of the board of directors; balance sheet and profit and loss statements for the last three years; list of shareholders who have qualifying shareholding in the holding entity; list of companies in which the holding entity owns qualifying holdings, as well as a descriptive explanation of the structure of the group to which it belongs.

319. As part of licencing process, the BoM apply a number of controls which include a fitness and propriety test. This includes vetting of applicants' and obtaining a valid criminal record certificate for the founding shareholders, board of directors, and senior management of the company and declaration that the funds to be used and mobilised are not from an illicit or criminal source. Approval is also required for senior management functions and founding shareholders with 20% or more of the share capital at both market entry and on an ongoing basis post authorisation. The BoM does not carry out verification of the information submitted through independent sources and this may pose a risk of receiving and accepting documents which are not verified for purposes of AML/CFT at the time of processing the applications. BoM requests applicants to provide additional information, in particular, whether the individual has been declared bankrupt or insolvent of a business controlled by him, or of which he has been a director, or senior management.

320. At the time of application, BoM focuses on both legal and natural persons for identification of founding shareholders and specification of the capital subscribed by each of them, together with a declaration that the funds to be used and mobilised are not from an illicit or criminal source. For subsequent changes in the structure of a legal entity or natural persons, BoM does not establish the BO, rather they only focus on the person (be it legal or natural) having the threshold of 10% shareholding. This has its limitations in that some of the shareholders can be corporates, whose shareholders and BO are required to be identified and verified. The concept of identification of the ultimate beneficial owner (UBO) is not well understood by the BoM and other supervisors (see IO 5).

321. Where an applicant is a regulated entity in another jurisdiction and depending on the nature of the prospective entity or key persons, the BoM requests and obtains information on such entity from the home regulator/supervisor, registrar of companies and enforcement agencies. The information relate to revocation or forfeiture, in the country of origin, of the authorisation to carry on the business of a bank. In such an event, BoM prevents the entity in question from

starting business operations in the country. The licensing requirements for those with majority foreign ownership are the same as those applicants with 100% local shareholding. BoM also exchanges information with other supervisory bodies, such as Bank of Portugal, with regard to the FIs with subsidiaries in Mozambique. Licence approvals go through the licencing department committee within BoM, and is escalated to senior management, before approval by the Governor of the BoM. The BoM withholds an application: where it does not have the requisite information and documents; where the information cannot be verified, fails to meet the minimum capital requirements; or where there are well-founded doubts or reasonable suspicions about the fitness, experience or competence of the applicants or the origins of the funds being allocated to the business (refer to Table 16). BoM has the discretion not to disclose the reasons for the refusal of a licence to an applicant, where it deems necessary to protect the confidentiality of sources of information and professional secrecy.

322. The BoM, through its oversight responsibility on FIs, with the exception of insurance businesses, monitors their conduct in accordance with the type of licence issued. Where BoM determines that some of the information submitted during the application process is false, and inaccurate or the activity, for which the licence was issued no longer fit the authorised purpose, or it discontinues its activities for longer than six (6) months, or violates laws and regulations which govern its activities and fails to follow lawful instructions from BoM, the licence can be revoked and the entity is de-registered. During ongoing monitoring of microbanks, other microfinance institutions and bureau de changes, the BoM has taken such necessary actions where institutions had failed to meet their licensing conditions or did not meet the conditions of holding a licence. (See Table 15 below):

Table 15: BoM revocations due to Monitoring of Licensees

Year	No. of Revocations	Reasons
2015	1	<ul style="list-style-type: none"> Discontinue its activities for longer than six (6) months Art. 17 (1) (a) Law 15/99 as amended by Law 9/2004.
2016	1	<ul style="list-style-type: none"> Violation the laws and regulations which govern its activities and fails to follow lawful instructions from BoM – Art. 17 (1) (a) and (e) of Law 15/99 as amended by Law 9/2004
2017	2	<ul style="list-style-type: none"> Discontinue its activities for longer than six (6) months, or violates laws and regulations which govern its activities and fails to follow lawful instructions from BoM – article 17 (1) (a) and (d) of Law 15/99 Request for liquidation by associate members for credit cooperative – Art. 2 (2) (a) Law 30/2007, 18th December – Liquidation of Financial Institution Law
2018	2	<ul style="list-style-type: none"> Request for liquidation by associate members for credit cooperative – article 2 (2) (a) Law

		30/2007, 18th December – Liquidation of Financial Institution Law
2019	7	<ul style="list-style-type: none"> Request for liquidation by associate members for credit cooperative – Art. 2 (2) (a) Law 30/2007, 18th December – Liquidation of Financial Institution Law

Source: Bank of Mozambique

323. BoM carries out inspection at the business address of the applicant, where the licensee will conduct their operations, to ensure they conform to the application requirements.

324. The BoM declined three (3) applications for money transfer agency licences during the period under review (see Table 15, below), citing that these types of institutions did not correspond to financial institutions provided for under Mozambican law.

Table 16: Applications for Licencing – BoM

Sector	Number of Applications				Number Approved				Number rejected				Reasons
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	
Banks	2	2	1	-	-	2	1	-	2	-	-	-	Rejected due to lack of financial resources needed for the type and volume of operations intended – Article 15 (2) (d) of Law 15/99
MTAs	3	-	-	-	-	-	-	-	3	-	-	-	Rejections were based on Article 11(1)(a) and (2) of Law 15/99. Applications did not correspond to financial institutions provided for in the Mozambican law, as defined in Articles 3 and 5 of Law 15/99
Securities	1	-	1	-	1	-	1	-	-	-	-	-	
Bureau de Change	-	4	-	-	-	3	-	-	-	1	-	-	Rejected because of order withdrawal

Source: Bank of Mozambique

Insurance Supervision Institute of Mozambique (ISSM).

325. The ISSM performs fairly adequate fit and proper assessments in respect of persons wishing to participate in the market and the procurement of insurance related businesses. The information related to the licensing requirements is publicly available and is posted on the ISSM website, which require applicants to submit various documentation for the assessment of an application. The information related to an application online is in Portuguese and consequently, it could not be verified. Based on the discussion during the on-site, the ISSM apply a number of

controls to prevent criminals or their associates from owning or controlling an insurance business or pension fund. The fitness and propriety test involves vetting of applicants' whether as individuals or corporate entities. For individuals, who include the founding shareholders, board of directors, and senior management of the company: a valid criminal record certificate; curriculum vitae of directors and self-declarations on source of income with letters from banks confirming the source of funds are required; and checks and references from previous employment are obtained. With corporate entities: a certificate of incorporation, financial statements and declaration that the funds to be used and mobilised are not from an illicit or criminal source is required. BoM may carry out independent inquiries to verify information provided by an applicant on source of funds, and where it suspects the funds could be from illicit source, will decline the application.

326. The applications are received by the directorate of supervision, who check for the adequacy of the documents submitted, before the application is reviewed by a technical committee which includes the legal department to evaluate the applications. Where there is incomplete information, ISSM requests for the missing documents before it considers the application. However, where a shareholder is a corporate, ISSM does not go beyond the corporate entity in order to establish who owns it and identify the natural person(s) controlling it, and this poses a risk of criminals being able to use the insurance sector for ML/TF purposes. Between 2015 and 2019, ISSM declined fifty-six (56) applications for licence to operate in the insurance sector (refer to Table 17).

Table 17: Applications⁴² for Licencing – ISSM:

Year	No. of Applications	No. Approved		No. rejected	Reasons
2015	109	98		11	Non-payment of share capital (Art. 60(4) of Insurance Act)
2016	113	104		9	Lack of financial capacity and failure to provide proper documents.
2017	70	54		16	Lack of financial capacity, failure to provide financial reports for the past three years and a business plan, (Art. 7(5) Insurance act)
2018	118	108		10	Lack of legally required documents: e.g. no financial reports for past three years. (Art. 7 (3) of Decree 30/2011)
2019	75	65		10	Failed examinations by ISSM required

⁴² The applications include applications for insurance companies, insurance brokers and agents

					under Art..118 of Decree 30/2011
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Source: Insurance Supervision Institute of Mozambique

327. None of the financial sector supervisors subject market participants including those owning, controlling or managing the entity against UNSCRs sanctions screening. This leaves the financial institutions vulnerable to TF risk, where an entity can be under the control or ownership of a sanctioned individual or entity.

DNFBP Regulators

328. The DNFBP licensing and registration authorities have procedures and processes relating to market entry requirements in respect of the regulated entities. The application of fit and proper procedures largely varies from one authority to the other. Most of the DNFBPs have challenges with respect to the determination of the fitness and propriety of persons owning, controlling or managing entities including the verification of BO information under their purview. None of the DNFBPs licensing/registration authorities or supervisors implement UNSCRs screening requirements. There is a large number of unregistered real estate agents and dealers in precious stones and metals which pose a high ML/TF risk, and further exposes the sectors to criminal activities. With the exception of General Inspectorate of Games, for the rest of the DNFBPs the authorities were unable to provide information on a number of aspects including: number of applications received, rejections, and reasons thereof. Inspectorate of Games indicated that they did not receive any applications for casino licencing during the period under review.

329. An application for a casino licence has to be submitted to the Ministry of Tourism, which is the licencing authority for casinos and gaming houses. The due diligence is carried out by the GIG which has the technical expertise to undertake the assessment during the licensing process. For a foreign entity intending to engage into casino business in Mozambique, it has to partner with a local company which should hold at least 26% share capital. The licensing documents also include: audited financial statements and for those operating in a foreign jurisdiction, a reference letter from their regulator/supervisor from the country of origin, including a criminal record clearance certificate, as well as bank references, to determine the financial capability. The licensing requirements do not include identification of BO and in practice such information is not obtained and recorded. GIG also licences and screens persons who apply to conduct sports betting activities, where they request for criminal record checks, capital availability to fund winnings by customers. The GIG also carries out physical inspections of business locations, including the CCTV monitoring room and other amenities. All applicants to the GIG for casino operations or sports betting are not subjected to UNSC sanctions screening.

330. The GIG needs to build more capacity and resources to more efficiently carry out its regulatory and supervisory role.

Ministry of Mineral Resources and Energy-Dealers in Precious Stones and Precious Metals

331. The Ministry of Mineral Resources and Energy, is responsible for licensing dealers in precious stones and metals. National Mining Institute (INAMI), a department within the Ministry, obtains company registration documents and screens shareholders of the applicant for registering the dealers and also checks proof of income and bank statement. Averments made by the licensed dealers during the on-site, were to the extent that of the dealers trading in Mozambique, 75% of them were unregistered, therefore unlicensed with INAMI. The unlicensed dealers were highly organised, making it difficult for the licensed dealers to penetrate those regions and when they complained to the authorities, the complains would filter to the unlicensed dealers leading to the licensed dealers facing reprisals from them. This was seriously affecting

their formal trade. Of the unlicensed or illegal dealers in precious stones and metals operating in Mozambique, there were no concrete steps being taken to identify them and bring them into formal business.

Ministry of Public Works, Housing and Water Resources - Real Estate Agents

332. The Ministry of Public Works, Housing and Water Resources (MPWHWR) is responsible for registration of real estate agents, and requires criminal record clearance certificate prior to registration, as part of screening process. The real estate agents are in the business of property sales (commercial and residential) to investors and individuals, with large value transactions conducted in cash, whose source cannot easily be verified. The fit and probity assessment is carried out on shareholders with 20% shareholding and the directors, but where the shareholder is a legal entity, they do not identify individual shareholders and senior managers in that entity. The MPWHWR and the GIFiM, are aware of the existence of a significant number of unregistered estate agents operating in Mozambique, which they estimate to be more than those that are registered. The screening and implementation of AML/CFT requirements is not effective and the majority of the agents remain unregistered. This exposes the sector to high risk as the unregistered estate agents are not being supervised for compliance with any AML/CFT obligations.

Bar Association of Mozambique (BAM) - Lawyers

333. BAM regulates the legal profession in Mozambique on AML/CFT and lawyers' licenses are renewable annually. There is an ethics and disciplinary committee that is responsible for conducting fitness and probity of lawyers, including criminal record clearance. The lawyers are required to submit CVs, identification documents, and undergo internship with BAM.

Organisation of Chartered Accountants and Auditors of Mozambique (OCAM) - Accountants

334. OCAM is a professional body which licences and registers qualified accountants and auditors, who conduct fit and proper assessment, and criminal record clearance of prospective members. Applicant information is verified with Mozambique Revenue Authority, for tax clearance purposes, and the police for any criminal record. The accountants undergo two (2) years internship and entry examinations, before registration to the profession. However, the above process neither include due diligence in compliance with AML/CFT requirements nor does OCAM ensure that the fitness and propriety of members is maintained post-registration.

6.2.2. Supervisors' understanding and identification of ML/TF risks

335. At the time of the onsite visit, Mozambique was preparing to undertake its first NRA. As at this date, supervisory authorities had not carried out any formal sectoral ML/TF risk assessment of their own neither did they have dedicated ML/TF methodologies or tools to help them identify and maintain an understanding of the ML/TF risks within their sectors. The BoM indicated that based on its prudential supervision process, it assists in having an overview of the ML/TF risks. Discussions with BoM did not demonstrate an in-depth understanding of the ML/TF risks the different reporting entities it supervises in the financial sector are exposed to. The BoM had conducted a survey targeting commercial banks in order to inform it of the potential high risk products in the sector. Based on the discussion, the scope of the survey did not adequately provide a deeper assessment of individual institutions based on the nature and complexity of the products, delivery channels, type of customers, and ML/TF risks inherent in the customers' geographical areas among other factors. Further, there was no similar survey conducted by BoM on remaining FIs under its purview such as bureaux de change, micro finance institutions, securities and others to identify and maintain an understanding of the ML/TF risks of such entities.

336. ISSM had not started conducting any sectoral and entity-specific risk assessments and had not been able to identify and maintain an understanding of the ML/TF risks inherent in the insurance sector.

DNFBP Supervisors

337. With respect to the DNFBP Supervisors, GIFiM appeared to have a general understanding of ML/TF risks facing its regulated entities, i.e. the real estate agents and car dealers. Discussions with the GIFiM showed that it has identified risks coming from drug trafficking, illegal precious stone and metal dealers, and corruption and the possibility of laundering the funds through the real estate sector. However, GIFiM had not yet started AML/CFT supervision of the sectors which fall under its purview, i.e., real estate agents and car dealers and vendors. It meant therefore it did not have a complete picture of the nature and depth of the threats and vulnerabilities and the resulting ML/TF risks in those sectors.

338. With regards to the rest of the AML/CFT supervisors for the DNFBPs, they had not started identifying the ML/TF risks facing the entities which they supervise. Therefore, they did not have any understanding of the relevant ML/TF risks. They also had not developed AML/CFT supervisory programmes for their sectors. Most of them had a general knowledge of the prevalent use of cash in the economy but could not relate this to ML/TF risks in their sectors.

6.2.3. Risk-based supervision of compliance with AML/CFT requirements

Financial Institutions

339. At the time of the onsite, no FIs supervisors had developed AML/CFT Risk-Based Frameworks for the supervision and monitoring of reporting entities in their sectors. Financial sector supervisors did not assign ML/TF risk rating to individual institutions (e.g. high/medium/low or numeric scores) and therefore did not determine their supervisory programme (in terms of timeliness, frequency and intensity) according to the level of ML/TF risks faced by individual institutions. BoM was yet to develop and implement supervisory tools which informs them of the frequency and intensity of the annual supervisory plan on a risk-sensitive basis. The BoM relied heavily on prudential on-site inspections for supervision which incorporated AML/CFT aspects and these had been limited to commercial banks only, leaving out most of the FIs under its purview still not supervised for AML/CFT.

340. The BoM conducted a total of 16 onsite inspections (refer to Table 18, below) between 2015 to 2019, which targeted the big foreign-owned commercial banks and based on sample reports scrutinized, these inspections covered AML/CFT requirements. The onsite examination programmes and frequency of inspections were not determined by any risk profiling, rather, BoM informed the assessment team that they were circumstantial inspections, prompted by a report on a licensee's conduct.

341. Based on the inspection reports reviewed, the BoM inspections during the period under review, focused on mainly commercial banks. The objective was to check whether the banks were complying with their AML/CFT obligations. The inspection reports provided by BoM, as described below, covered the key elements of a AML/CFT compliance programme.

342. The findings from the inspections included: inadequate Board oversight over AML/CFT matters; inadequate compliance function; failure to implement CDD measures; failure to identify PEPs and maintain a database of same; failure to report threshold-based transactions and suspicious transactions reports to the GIFiM; and poor record-keeping. BoM also carried inspections based on reports or financial intelligence received.

Table 18: Inspections by BoM: 2015 – 2019

Year	No. of Inspections	Key Findings	Action Taken
2015	Nil	Nil	Nil
2016	6	<ul style="list-style-type: none"> • Inadequate Board oversight; • Inadequate AML/CFT policies; • Inadequate compliance function; • Inadequate transaction monitoring system; • Inadequate internal audit function; • Inadequate measures on high risk customers/ countries; • Inadequate AML/CFT training; • Lack of suspicious transaction reporting 	<ul style="list-style-type: none"> • Recommendation and timelines to address the deficiencies; • Required quarterly follow-up reports to evaluate FI's progress on implementation of the recommendations; • Applied fines to FI's.
2017	5	<ul style="list-style-type: none"> • Some of the findings outlined above, plus lack of employee awareness and training • Poor record keeping system. 	<ul style="list-style-type: none"> • Same actions as above were taken.
2018	3	<ul style="list-style-type: none"> • Lack of on-going CDD; • Failure to identify BOs; • Inadequate AML/CFT training; • Failure to immediately report suspicious transactions 	<ul style="list-style-type: none"> • Same actions as above taken and in addition, conducted seminars for FIs on AML/CFT requirements.
2019	2	<ul style="list-style-type: none"> • Lack of on-going CDD; • Failure to identify BOs; • Failure to immediately report suspicious transactions 	<ul style="list-style-type: none"> • Same as above
Total	16		

343. Although there had not been ML/TF risk assessments conducted on bureau de changes and MVTS, the interviews with GIFiM and BoM indicated that these could be used to finance terrorist activities, particularly in the northern part of Mozambique. During their off-site monitoring, BoM had received a report of fraudulent activities that had been identified by a bank involving e-wallet transactions emanating from of the largest mobile money operator. BoM carried out an investigation and noted deficiencies in KYC requirements, which resulted in BoM applying sanctions on the mobile money operator. The investigation conducted found that the institution did not have internal controls to mitigate ML/TF risk.

344. At the time of the on-site, the BoM was in the early stages of developing an AML/CFT supervision manual and inspections conducted had been targeted on banks on which adverse reports had been received. However, BoM has not developed other supervisory tools such

as risk rating models and has not carried out risk assessments of the various FIs, which could inform the supervisory staff in implementing risk-based supervision.

345. Assessors noted that all the inspections conducted by BoM had not been informed by risk. The BoM confirmed during onsite that it was yet to conduct an ML/TF risk assessment of the banking sector, with the objective of understanding the ML/TF risks in the sector.

346. The BoM established an AML/CFT unit in 2018, with five (5) officers within the prudential supervision division and had not yet commenced AML/CFT inspections of commercial banks and other financial institutions which are under its purview. BoM is inadequately resourced (human, financial and technical) to implement risk-based supervision of financial institutions under its purview, and sustain an effective supervisory programme.

347. The BoM had assisted the South African Reserve Bank and Central Bank of Nigeria, respectively, on AML/CFT inspections carried out on BoM licensees which are subsidiaries of banks from these countries. The inspections were at the request of the two foreign supervisory bodies, and covered AML/CFT obligations.

348. At the time of onsite, ISSM had conducted a survey on 17 insurance businesses through a questionnaire, to determine knowledge of the AML/CFT requirements within the insurance sector. The questionnaire requested insurance entities to indicate if they had AML/CFT policies; internal controls; appointed compliance officers; independent audit; carried out institutional risk assessments; compliance with STR reporting obligations; staff training and awareness programmes. ISSM was yet to develop risk based supervisory tools for the insurance sector, and had only become aware of its AML/CFT supervisory role through efforts made by the GIFiM, a few months before the onsite visit.

DNFBPs

349. Generally, the DNFBP supervisors had not started supervising and monitoring entities under their purview for AML/CFT compliance, let alone having an understanding of the concept of risk based supervision. No on-site inspections or off-site monitoring had been carried out since supervisors did not have supervisory programs for their respective sectors. With the exception of the GIFiM, most of the DNFBP supervisors were not aware of their AML/CFT responsibilities. The GIFiM understood its supervisory obligations but had not started supervising the sectors under its purview. The DNFBP supervisors lacked human, financial and technical resources to supervise or monitor their sectors for AML/CFT compliance and were not applying risk based approach to supervision. In line with the above, there was a low understanding of the ML/TF risks at the level of the DNFBP supervisors.

350. Some supervisors such as INAMI and OCAM, indicated that they were not aware of their AML/CFT supervisory responsibility and that they were only hearing it for the first time

351. The country does not have a framework for regulation and supervision of VAs and VASPs.

6.2.4. Remedial actions and effective, proportionate, and dissuasive sanctions

352. Under the AML Law, supervisory bodies have sufficient powers to issue supervisory and enforcement actions; which can be applied to the reporting entities and/or their directors, senior management, managers, employees and agents. The enforcement actions include administrative sanctions such as monetary penalties, warnings, and publication of penalties imposed in the newspapers. With the exception of BoM, all the other supervisory authorities had not applied remedial actions on their sectors for AML/CFT violations, because they were yet to conduct AML/CFT inspections.

353. Some of the breaches identified by the BoM included: inadequate board oversight, ineffective compliance function, failure to identify customers, failure to report suspicious transactions and poor record keeping. The BoM had imposed remedial actions and sanctions ranging from recommendations, periodic reporting requirements and warnings. Those actions enabled banks to develop and improve their systems to manage and mitigate the risks. In respect of the mobile money service operator, the BoM issued a penalty for failure to conduct CDD.

354. BoM had applied sanctions from on-site inspections and offsite monitoring on seven (7) commercial banks and one mobile money service provider amounting to 346,000,000MT (USD5,672,131.00), as well as a range of administrative penalties for breaches of the AML Law, over the period 2015 – 2019 (see Table 19, below). The BoM imposed a further 257,350,000.00MT (USD4,218,852.00) in fines arising from intelligence reports obtained from the GIFiM, on conduct of certain banks.

355. The sanctions to the commercial banks were assessed on the basis of “cumulate materiala”, where a range of breaches identified from an inspection are summed up, and the total is issued as one fine. Where breaches which occurred up to five (5) years back are identified through inspections, the relevant penalties can be added up to constitute an accumulated penalty⁴³.

356. To a large extent, the remedial actions taken by the BoM up to the time of the on-site, were triggered by the public debt scandal (see Box 6 below), and were pursued over a specific period, and thereafter, ongoing supervisory actions were done by the supervisor. The efforts by BoM are commendable and the sanctions applied are effective, proportionate and dissuasive, as it resulted in increased reporting of STRs by commercial banks to the GIFiM.

Box 6

Hidden Debt

Through a series of financial transactions between approximately 2013 and 2016, the government-owned companies, Proindicus, EMATUM and MAM, created to undertake three (3) maritime projects of coastal surveillance, tuna fishing and shipyards and borrowed in excess of \$2 billion through loans guaranteed by the Mozambican government. Each of the companies entered into contracts with Privinvest to provide equipment and services to complete the maritime projects. The loan proceeds were supposed to be used exclusively for the maritime projects, and nearly all of the borrowed money was paid directly to Privinvest, the sole contractor for the projects, to benefit Mozambique and its people.

In reality, the defendants (Mozambican politicians and civil servants), together with others (officers from Privinvest, amongst others), created the maritime projects as fronts to raise money to enrich themselves and intentionally diverted portions of the loan proceeds to pay at least \$200 million in bribes and kickbacks to themselves, Mozambican government officials and others.

The BoM pursued banks which had carried out transactions linked to those companies and imposed fines on those which had not filed suspicious transactions with the GIFiM.

⁴³For example, if a violation which occurred in 2013 is detected during an inspection in 2018, a penalty for that violation will be assessed, and added to the violations detected for year 2018.

Table 19: Sanctions Issued to FIs by BoM - 2015 – 2019 for Breaches of AML Law 14/2013

Ref	Financial Institution	Amount of Penalty	Cumulative Period of Non-Compliance	Reason for imposition of penalty
1	Bank 1	76,000,000.00 MT (USD1,245,902.00)	2015 to 2018	Lack of identification and verification of clients as well as ongoing monitoring of business relationships Failure to maintain documents Failure to report suspicious transactions immediately
	Bank 1	400,000.00 MT (USD6,557.00)	2018	Provision of incomplete information
2	Bank 2	28,000,000.00 MT (USD459,016.00)	2014 to 2018	Lack of ongoing monitoring of transactions Failure to report suspicious transactions immediately
3	Bank 3	24,000,000, 00 MT (USD393,443.00)	2015 to 2018	Lack of ongoing monitoring of business relationships Lack of identification and verification of BOs. Failure to report suspicious transactions immediately
	Bank 3	36,800,000.00 MT (USD603,279.00)	2016 to 2017	Lack of special control of certain transactions Failure to report suspicious transactions immediately Failure to create the client's risk profile
4	Bank 4	24,000,000, 00 MT (USD393,443.00)	2016 to 2018	Lack of continuous surveillance of business relationships Lack of identification and verification of BOs

				Failure to report suspicious transactions immediately
	Bank 4	20,150,000.00MT (USD330,328.00)	2013 to 2017	Failure to report suspicious transactions immediately
5	Bank 5	10,000,000, 00 MT (USD163,934.00)	2018	Lack of client identification and verification
6	Bank 6	4,000,000, 00 MT (USD65,573.00)	2013 to 2018	Failure to report suspicious transactions immediately
7	Bank 7	18,000,000.00MT (USD295,082.00)	2017	Lack of special control of certain transactions Failure to report suspicious transactions immediately
8	Bank 8	16,000,000.00MT (USD262,295.00)	2015 to 2016	Failure to report suspicious transactions immediately

Source: Bank of Mozambique

357. BoM applied cumulative sanctions to seven (7) banks and one (1) mobile money operator ranging between 400,000.00MT to 76, 000, 000.00MT, (USD6,557.00 to USD1,245,902.00) between 2015 – 2018 (see Table 18 above). The penalties imposed were mainly for failure to report suspicious transactions immediately to the GIFiM, failure to identify and verify customers' identities, including PEPs and BO, and failure to conduct CDD.

358. BoM had not fully applied the remedial actions at its disposal, on the range of supervised entities under its purview, which made it difficult to measure its effectiveness.

6.2.5. Impact of supervisory actions on compliance

359. Among financial sector supervisors, only the BoM has noted positive changes among commercial banks in the level of awareness of their AML/CFT obligations, arising from the penalties levied on some of the institutions. The GIFiM has only recently reached out to ISSM to make them aware of their AML/CFT supervisory role and the impact of their supervisory actions were yet to be registered in the insurance sector. DNFBP supervisors had not commenced any supervision of their sectors for AML/CFT compliance, and hence no impact has been registered in these sectors.

360. The main focus of BoM has been on large foreign-owned commercial banks. The various supervisory actions taken against those targeted commercial banks, to some extent has improved their level of compliance with AML/CFT obligations. The fines imposed for violations of AML Law have raised the level of awareness, not only among the commercial banks, but across the whole banking sector and other financial institutions, as these fines were published in newspapers as a deterrence. As a result of the penalties imposed by BoM, shareholders of those foreign – owned subsidiary banks have required them to comply with AML requirements, in order to protect their reputation and correspondent banking relationships.

361. The improvement in compliance has been evident by the increase in transaction monitoring and STR reporting to the GIFiM, by the commercial banks. Also, senior management and compliance officers of banks have started to be involved with AML/CFT issues and now

interact more frequently with BoM on AML/CFT compliance. BoM has received requests from other reporting entities under its supervision, for AML training and awareness, but lack capacity to offer the relevant training. However, the supervisory actions by BoM are event-driven, and targeted at specific commercial banks. This narrows the scope of BoM's supervisory efforts on the rest of FIs under its purview, and does not provide a wider view on the extent, the other reporting entities (micro finance institutions, bureau de change, securities market, and MVTSS) are complying with AML/CFT obligations, as no efforts are being made to supervise them.

362. ISSM had not yet commenced AML/CFT risk-based supervision of the insurance sector, although some insurance businesses with foreign ownership, rely on their parent bodies in implementing AML/CFT requirements. However, the supervisor had conducted only one inspection on AML/CFT, as at time of onsite visit.

363. All DNFBP supervisors have not yet commenced to implement AML/CFT Risk-Based Supervision of their sectors, and therefore it was not possible to assess their impact on institutions under their purview relating to compliance.

6.2.6. Promoting a clear understanding of AML/CFT obligations and ML/TF risks

364. The GIFiM and BoM have engaged each other in promoting understanding of AML/CFT obligations by banks and improving on their understanding of ML/TF risks. The engagements between the two supervisors were to raise awareness among commercial banks, in particular, in relation to the suspicious transactions arising from the public debt scandal, which banks were not reporting to the GIFiM. Also, GIFiM has engaged with banks on the need to provide complete information on the suspicions raised by the institutions. These initiatives have enabled the banks to understand the ML/TF risks in their institutions and the need to detect them and report, and in the process, mitigate the risk. Further, the GIFiM has engaged with ISSM and BAM, in promoting understanding of AML/CFT obligations and ML/TF risks, although this was only a recent development. The GIFiM has also taken the initiative, to ensure that UNSC sanctions lists are disseminated to supervisors, for implementation by the reporting entities, as a way of expediting the process, although the Ministry of Foreign Affairs has that responsibility.

365. The Mozambique Bankers Association (MBA), in collaboration with BoM through a Compliance Committee Task Force, engages the banking industry, in promoting AML/CFT compliance by banks. The MBA has engaged BoM and GIFiM, respectively, to upload the AML laws and regulations on their website, to reflect the current trends with regard to AML/CFT requirements, awareness raising, and training initiatives to all banks. A financial inclusion programme between the BoM and the Bankers Association has been initiated for the northern part of the country.

366. Although there is guidance issued to banks, insurance and casinos, only BoM has conducted post inspection follow-ups of banks and this has had positive effect in the general understanding of AML/CFT obligations and ML/TF risks. The sanctions applied to some of the commercial banks have triggered increased compliance levels by the institutions. Other supervisors acknowledged that no follow-up action has been made by them to their reporting entities to ensure compliance, since most of the supervisors were not aware of their AML/CFT obligations.

367. Although ISSM developed and issued AML/CFT guidelines in June, 2019, it was too early to gauge their effectiveness. The ISSM had recently undertaken to promote understanding of AML/CFT obligations and the ML/TF risks in the sector by issuing a questionnaire to insurance businesses. At the time of the onsite, administration of the questionnaire was still in progress and ISSM was not able to share the findings. However, the

efforts did not seem to follow a methodology with clear objectives on what is intended to be achieved, and as a result was likely to have little impact on relevant supervisory actions. The supervisor had not allocated human and financial resources for AML/CFT supervision of the sector.

368. Among all DNFBP supervisors, only the GIG had recently issued sector-specific guidance to casinos, with the rest still to develop guidance for their sectors. All DNFBP supervisors were yet to implement risk-based supervision and no work had commenced to promote an understanding of AML/CFT obligations and ML/TF risks by reporting entities.

369. The BoM, Bankers Association and GIFiM have undertaken initiatives to create awareness on ML/TF risks and AML/CFT obligations arising from the changes in laws and regulations, among reporting entities. The financial sector supervisors had conducted eleven (11) seminars to the banking and insurance sectors between 2018 and 2019. Through these forums, banks have been tasked to support BoM and GIFiM, in dealing with corruption. The Bankers Association was not aware of the existence of VAs and VASPs but was going to engage relevant stakeholders to find a way forward.

370. Overall, promotion of understanding of AML/CFT obligations by reporting entities is limited to commercial banks, with the rest of the reporting entities not yet engaged by their supervisors. All the supervisors lack adequate capacity and training to supervise their sectors.

Overall conclusions on IO.3

371. FIs and DNFBP supervisors in Mozambique lack understanding of ML/TF risks, and have not yet started implementing risk-based supervision of their sectors, and do not have resources for AML/CFT supervision. Majority of supervisors have not yet developed the supervisory tools and programmes for use in effectively supervising their sectors commensurate with the identified risks. The nature and level of coordination and cooperation between supervisors with industry associations, through promoting awareness-raising among reporting entities of their AML/CFT obligations is still low. Mozambique does not have a regulatory and supervisory framework for VASPs and VAs.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 3.

7. LEGAL PERSONS AND ARRANGEMENTS

7.1. Key Findings and Recommended Actions

Key Findings

- a) Information on creation and types of legal persons is available in Mozambique at the registry of legal persons.
- b) The authorities are not aware of the ML/TF threats and vulnerabilities which could result in possible misuse of the different types of legal persons created in Mozambique. A factor which could be affecting identification of cases where foreign legal entities or arrangements have been used in domestic ML/TF schemes, as no such cases were provided by the authorities.
- c) Basic information is made publicly available through the registry managed by the CREL. However, CREL is under resourced and it cannot take the appropriate measures to ensure the accuracy of information held in the registry. Although it is empowered to obtain BO information at the time of registration of legal persons, it does not do so.
- d) Reporting entities are the only source of BO information on legal persons. This information is often not available, or inaccurate or not up-to-date when available because of shortcomings in the understanding and implementation of BO identification requirements by FIs and DNFBBPs. In addition not all legal persons maintain a business relationship with reporting entities as it is not a requirement.
- e) The level of sanctions which can be imposed by authorities on entities that do not comply with registration or licensing obligations or timely provision of information to other competent authorities are quite insignificant and cannot be considered to be dissuasive, effective and proportionate. The authorities could not demonstrate that they had imposed any of the sanctions.
- f) There is no legislation allowing for the creation of trusts in Mozambique or regulating the provision of trustee services to foreign trusts, or by foreign trustees.

Recommended Actions

- a) Conduct a comprehensive assessment of ML/TF risks to all types of legal persons including foundations and associations created in Mozambique to enable identification of legal persons likely to be abused and misused for ML/TF purposes. Use the results to build awareness on ML/TF risks associated with legal persons created in Mozambique.
- b) Authorities should enforce current requirements to ensure reporting entities obtain and maintain accurate information on BO and timely access of the information by competent authorities.

- c) Provide adequate resources to CREL, to enable it to keep basic information held in the register accurate and updated and to start obtaining BO information during registration of legal persons as required under the law.
- d) Broaden the understanding of the Competent Authorities on the concept of BO and assess ML/TF risks associated with legal persons created in Mozambique.
- e) The sanctions regime for violations by companies pertaining to filing updated information with the companies registry and the timely provision of accurate and adequate information to competent authorities should be revised to make the sanctions more effective, proportionate and dissuasive.
- f) Consider the extent of foreign trusts operating or being managed in Mozambique, and adopt appropriate mitigating measures including to enable the identification of trustees by reporting entities and competent authorities.

372. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25.⁴⁴

7.2. Immediate Outcome 5 (Legal Persons and Arrangements)

7.2.1. Public availability of information on the creation and types of legal persons and arrangements

373. The Legal Entities Register (CREL) provides requirements on the creation of legal persons and the types which can be created.

374. CREL informed the assessors that information on the creation and types of legal persons which can be created (including legal provisions, incorporation process, etc.) was available online. It further indicated that the online information included requirements and procedures involved (e.g. documentation and specific information required) when making changes after incorporation.⁴⁵ Further, that after registering, the entities will obtain the license from the Ministry responsible for the activity they intend to engage in⁴⁶.

375. CREL further informed the assessors that non-profit legal persons (foundations, associations, religious organisations, NGOs) go through the same registration process just like with legal persons. The only difference according to it, was the licensing authority, which might be the Ministry of Foreign Affairs or the Ministry of Justice depending on the type of the foundation or association (also see IO 10).

⁴⁴ The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

⁴⁵ <https://www.portaldogoverno.gov.mz/por/Empresas/Registos/Registo-de-Sociedades/Procedimentos-e-documentacao>. Note has to be taken that although this link was made reference to by the authorities, no translated information held on the website was eventually provided to the assessors to confirm the submissions by the authorities.

⁴⁶ However, this information could not be verified as the link provided only provides information in Portuguese.

376. The assessors were further informed that Mozambique does not recognise the legal concept of a trust. Therefore, the type of legal entity "trust" is not included in the list of types of legal persons (arrangements) that can be created. Thus, a trust or a foreign trust/trustee cannot develop commercial activity in Mozambique. However, this could not be demonstrated by the authorities as in practice no specific monitoring is being done .

7.2.2. Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

377. There is no assessment of the ML/TF risks associated with the various types of legal persons created and registered in Mozambique to identify the nature of vulnerabilities and typologies of misuse for ML/TF purposes. Regarding non-profit persons, authorities have not undertaken a comprehensive review to identify which entities are particularly at risk of being abused for TF purposes (also see para 228).

378. Registries officers and MRA officers and other competent bodies do not seem to understand the risks of ML/TF, in particular, regarding the ultimate effective ownership of legal persons. No statistics were provided on the number of registered companies in Mozambique that do not engage in business activities. The Ministry of Justice recognizes that the number of entities in this category must be huge as well as the consequent risks. However, it states that it has no powers to act, namely to dissolve those dormant entities. The Ministry and the other authorities do not seem to be aware of the risks posed by the entities' exposure to being abused for ML/TF purposes. The ML/TF risks of foreign legal persons intending to be or incorporated in Mozambique are not assessed. The authorities are therefore not aware of any possible ML/TF risks which might be posed by foreign legal persons. Careful consideration of such risks could be important, if consideration is taken of the '*Hidden Debt*' case which is currently ongoing in Mozambique, where companies and top government officials are alleged to have defrauded and laundered huge amounts of money belonging to both investors and the Government (see Box 6).

379. The SERNIC and PPO could not provide any case involving the misuse of a legal person for the purpose of money laundering or terrorist financing. SERNIC and PPO officers do not have much experience on how legal persons can be misused for ML/TF. The LEAs do not look at legal entities as potential ML vehicles, which pose a great risk for the whole system. In the absence of a risk assessment of legal persons the authorities are not able to assess the risks associated with each type of legal person created in Mozambique.

7.2.3. Mitigating measures to prevent the misuse of legal persons and arrangements

380. Few control mechanisms are in place to mitigate ML/TF risks relating to legal entities, such as public availability of information pertaining to legal entities, the use of an electronic database and expansive access to information by competent authorities.

381. There are no measures in place to prevent the misuse of legal persons developed on identified ML/TF risks as no risk assessment has been done for this sector.

382. The standardization of the creation of legal entities process and centralization of this information in an electronic database are some of the measures taken in preventing the misuse of legal persons for ML/TF. According to the CREL, information on the legal owner, as well as other supplementary information (e.g. company name, company residence, starting capital, shareholder and company manager names, etc.), is required at this phase. However, according to CREL, not all the legal persons complete the registration and licensing process. Further, according to it, legal persons with shareholding are obliged to keep a share register. This register

must be kept at the registered address of the company and should be available when required for information by the authorities.

383. CREL further informed the assessors that legal entities are required to report any changes to the aforementioned information (within a three-month period). If the changes are not communicated to the authorities, they become void and not enforceable nor valid for third parties. However the fines applied to the entities which do not comply with this requirement are quite insignificant making the requirement to report the changes ineffective nor does the CREL regularly impose the fines⁴⁷.

384. The lack of understanding of CREL's registrars on the concept of BO (usually mistaken for the legal owner of the company) makes it impossible for CREL to develop mechanisms to obtain information on BO and thus mitigate some of the risks concerning the use of companies as vehicles for ML/TF.

385. The same applies to the MRA. MRA has not yet taken on board the importance of assessing and verifying BO of companies when performing its mandate, namely during tax audits. Thus, the activities conducted by the MRA do not assist in indicating whether legal entities are fulfilling the obligation to maintain accurate and updated information on BO.

386. The databases of financial institutions also provide for transparency of legal persons as any legal person establishing a business relationship with a financial institution is required to provide background information about its BO in accordance with applicable specifications of the AML Law. However, due to some of the legal persons not completing the registration and licensing process, they are not able to open a bank account. Legal persons are not required to open a bank account before they carry out their activities.

387. Lawyers and accountants acting as company service providers are subject to AML/CFT obligations. However, it is unclear to what extent they maintain accurate and up-to-date basic and BO information on legal persons as they are not being supervised for compliance with the AML/CFT requirements.

388. The authorities did not provide any measures being taken on trusts or trustees. The authorities had a one size fit all approach that trust or trustees (including professional trustees) could not practice in Mozambique therefore the jurisdiction was not exposed to risks associated with trustees. In the end the authorities could not demonstrate that foreign trusts, legal or natural persons acting as trustees to foreign trusts, or service providers to foreign trusts were prohibited from operating in Mozambique.

389. The minimum mitigating measures which have been implemented by the authorities do not add to much effectiveness in preventing the misuse of legal persons for ML/TF as these are not developed and targeted at addressing identified risks of the different types of legal persons created in the country.

⁴⁷Please note that the assessors could not confirm/verify the information provided in paragraphs 380 – 381 as the translated Portuguese to English version of the relevant law was not provided by the authorities. Also see R. 24.

7.2.4. Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

CREL

390. Competent authorities are able to access basic information on legal persons from CREL. Information on the establishment and types of legal persons is made available to competent authorities and members of the public upon request and is made accessible in good time. However, not enough information was provided to the assessment team to be able to determine whether the information collected is comprehensive, adequate, accurate and up to date.

391. The CREL only provides basic information which is also accessible to the public. CREL informed the assessment team that the response for basic information takes about 1 day (both for competent authorities and members of the public). The process may take longer if the request is about entities registered before 2006 as these records are not yet computerized. The Legal Entity Registration System is installed in all provincial capital cities and in some districts. Once the registration is made, it is available at national level for accessing. The accessing can only be made in the Registry or in the BAUs (Single Service Counters) where the system is implemented. CREL provides data recorded in the system whenever requested by competent authorities.

392. Basic information on locally incorporated legal persons is in most cases easier to access but might also not be up to date and accurate. CREL itself acknowledges this deficiency. However, some of the measures put in place as described in the above paragraph, if properly monitored could provide means of keeping basic information up to date and perhaps accurate. As the basic information contained in the official records/register of the CREL is always available, it is not the usual practice for the FIU or the LEAs to request basic information about legal persons from the reporting entities.

393. Although the AML Law refers to the obligation for registrars to collect information on BO⁴⁸, CREL registrars collect only information about the company's shareholders. During the meetings with the assessment team, it was noticeable that although it was a requirement of the AML Law, CREL did not understand the concept of BO and, as such, was unable to collect this information from the entities that register with it.

394. The MRA also collects some information on the legal owners of companies during their inspections. However, this information collection is not done in an AML/ CFT context and is not, as a rule, accessed by other competent authorities.

Financial institutions and DNFBPs

395. During the on-site interviews, it was apparent that in the majority of cases both the reporting entities and the competent authorities were not familiar with the concept of BO and the requirements as expected under the law. As such, there was a possibility that information collected by reporting entities and competent authorities on BO would not always be reliable and correct. Whilst the big international banks and large mobile money transfer services are obtaining the required information, the majority of the financial institutions and all DNFBPs have not started doing so to a satisfactory level (see IO 4).

⁴⁸ Art 3(3)(e) of the AML Law No. 14/2013

396. Although the competent authorities stated that they had powers to collect information on BO from the obligated entities and recognizing that banks and large mobile money transfer services represent the main source of BO information in most cases, neither statistics nor cases were provided to the assessment team to demonstrate that the competent authorities (PPO, SERNIC, ACB, GIFIM) were effectively using this mechanism to obtain BO information. The other limitation with reporting entities, particularly FIs being able to obtain BO information to a large scale is that legal persons are not required to enter into a business relationship with a FI or any other reporting entities. This reduces the reliability of reporting entities as the main source of BO information to competent authorities.

397. The majority of reporting entities, did not sufficiently identify and verify BO information of the legal persons they carry out business with (see IO 4). As a result, in most cases they did not obtain adequate BO information to create an effective and reliable database of actual BO information of entities in Mozambique. Due to all FIs/reporting entities and other competent authorities, like CREL and MRA not yet collecting BO information, the AML/CFT regime of Mozambique is presented with significant gaps in adequate collection and accessing of adequate, accurate and BO information on legal persons.

7.2.5. Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

398. Trusts and other legal arrangements are not recognised in Mozambique. Trusts and any other legal arrangements are not included in the list of types of persons that can be created in Mozambique.

399. Since trust activities are not recognised, the reporting entities acknowledged that foreign trusts could be operating in Mozambique as shareholders of legal persons created and registered in Mozambique or clients as natural or legal persons could be acting as trustees to foreign trusts. Further, that the law provided for AML/CFT regulation of TSPs and did not prohibit foreign trusts. In such cases, the reporting entities explained that foreign trustees (in whatever form), would be expected to provide identification documents before establishing a business relationship with the reporting entities in Mozambique as part of the regular course of conducting CDD during the on-boarding phase. The information that would be required would be the same as that from foreign companies (document of identification, residence information and tax information of the trust beneficiaries and trustees). However, as already described above (CI 7.2.2), these requirements are not being effectively implemented to obtain BO information by the reporting entities.

7.2.6. Effectiveness, proportionality and dissuasiveness of sanctions

400. There are different sanctions set out for violations relating to registration of legal persons and their administration. However, most of the sanctions as provided by the authorities are not punitive enough to be effective and dissuasive.

401. According to CREL, legal persons are required to report any changes to the information kept by it within three months of making the changes and that in the event of non-compliance, there is a pecuniary sanction of 1000 meticaís (about USD160). For a company, the amount is very low and the sanction cannot be considered to be effective, proportionate nor dissuasive. Moreover, CREL is under resourced to be able to monitor non-compliance by legal persons with the requirement and take appropriate action. In addition, when CREL detects failures, it waits for the legal person to correct /update the data with CREL itself. CREL stated that it does not have the power to require entities registered with it to update the data. In the end, CREL could not explain the extent of compliance by legal persons with this requirement and had

never initiated a criminal complaint against any of the legal persons which would call for a more effective and dissuasive sanction.

402. The AML Law provides sanctions for reporting entities which fail to obtain and maintain both basic and BO information of the legal persons they conduct business transactions with. However, relating to BO information not all the reporting entities are able to obtain such information, let alone retaining it updated and accurate. In addition, some of the supervisors of the reporting entities and the reporting entities themselves are not quite familiar with the concept of BO. This makes monitoring for non-compliance with the requirements of obtaining and maintaining such information difficult and has limited the imposition of sanctions.

403. The authorities could not provide any information on sanctions that have been imposed on legal persons or specific cases of sanctions against reporting entities for failure to identify, obtain or maintain information on BO or inability to keep the information updated and accurate. No cases were provided to actually demonstrate that effective, proportionate and dissuasive sanctions were being applied for failure to comply with any of the requirements relating to legal persons.

Overall conclusions on IO.5

404. Mozambican authorities have not done a risk assessment to determine the ML/TF risks associated with the different types of legal persons created in the country and as such, the level of understanding of the ML/TF vulnerabilities associated with legal persons is low. This also extends to compliance with ML/TF obligations relating to legal persons by reporting entities (see IO 4). Although, the basic information of legal persons incorporated in Mozambique is readily available, at times the information is not updated, reliable and accurate. LEAs have not adequately accessed the BO information held by reporting entities. There is little understanding of the concept of BO by relevant competent authorities and majority of the reporting entities resulting with reliable BO information not being collected in most of the cases. The CREL, due to inadequate resources, limited powers and capacity has not applied any sanctions. Overall, the authorities have not applied dissuasive, effective and proportionate sanctions for any violations committed.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 5.

8. INTERNATIONAL COOPERATION

8.1. Key Findings and Recommended Actions

Key Findings

- a) The legal framework to facilitate international cooperation in Mozambique only came into effect and in force soon after the on-site visit and could therefore not be considered. Mozambique has inadequate institutional and resource capacity to implement the measures for purposes of requesting or providing MLA, extradition and other forms of cooperation regarding ML, TF and associated predicate crimes.
- b) There is no proper case management system to enable a determination to be made on how timely the authorities have been able to provide MLA and extradition. There is no sufficient information or data available in respect of handling of requests for MLA and extradition to enable determination of the effectiveness of the process. The information provided also made it difficult to determine whether in certain requests which were still pending at the time of the on-site, any follow-up was being done and the exact nature of the status of some of the requests.
- c) Mozambican authorities did not prioritize MLA and Extradition requests according to ML/TF risks in the country.
- d) Mozambique has made or received very few MLA and extradition requests for ML. Most of the requests made or received relate to predicate offences. Besides, none of the requests involved TF. This is inconsistent with the ML/TF risk profile of the country.
- e) Though the Mozambican authorities respond to requests for information from their foreign counterparts, only GIFiM, and of late SERNIC and ACB seek and provide other forms of international cooperation for ML/TF purposes. There is a lack of awareness on the part of the other competent authorities of the importance of the transnational nature of some of the crimes which are high risk for ML/TF.
- f) Mechanisms for international exchange of basic and beneficial ownership information of legal persons and arrangements were not yet in place, and Mozambique has not yet exchanged information on BO.

Recommended Actions

- a) Mozambique should allocate adequate resources and build the capacity of the Central Authority as well as put in place mechanisms to enable it to have a reliable case management and monitoring system of MLA requests including providing feedback on information received as well as determining the quality and constructiveness of the information.
- b) Competent authorities should make greater use of MLA to seek intelligence, gather evidence or seize/confiscate proceeds of crime where transnational offences are concerned.
- c) More awareness should be provided to competent authorities so that they can effectively use formal international cooperation mechanisms to obtain intelligence, evidence as well as to pursue asset recovery.
- d) Mozambique should establish mechanisms to identify and exchange information on beneficial ownership.

- e) Mozambique should start maintaining comprehensive statistics relating to international cooperation on AML/CFT and associated predicate offenses to enable them to monitor effective use of the mechanisms on international cooperation, use of the information obtained and prioritisation of the requests.
- f) The GIFiM should speed up the process of joining the EGMONT Group to enable it to access more information on cross-border crimes .

405. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40.

8.2. Immediate Outcome 2 (International Cooperation)

Background

406. Mozambique generally has a legal framework that allows its competent authorities to provide both formal and informal international cooperation on the principle of reciprocity. The new Law on international judicial cooperation, which appoints the Public Prosecutor Office (PPO) as the Central Authority for MLA requests came into effect, a few days after the on-site visit, hence could not be considered. However, at the time of the on-site, there was already a MLA framework in place under the AML Law No 14/2013, which provided the Ministry of Justice, Constitutional and Religious Affairs as the central authority for handling of MLA and extradition requests. The Ministry of Foreign Affairs (MoFA) is the diplomatic channel through which requests for MLA and extradition are received and dispatched.

8.2.1. Providing constructive and timely MLA and extradition

Mutual Legal Assistance

407. The Office of International Legal Cooperation and Consular Affairs (OILCCA), which is an office in the MoFA, handles all requests received by the Ministry. The OILCCA also acts as the competent authority in MoFA responsible for entering into MLA agreements with other countries and conducts oversight on all incoming MLA requests before directing them to be handled by the relevant competent authority. A PPO officer has been recently assigned at MoFA to deal exclusively with requests for international cooperation. After the initial checks have been done by OILCCA on the incoming request, it is reviewed by the desk officer at the PPO for adequacy with the expected requirements, before it is delivered to a specific office in the PPO responsible for attending to the request, or sending it to another authority competent to handle the specific request.

408. Once a request for MLA is received by the PPO, it is sent to the International Cooperation Unit. The office currently has 3 officers assigned to it. Upon receipt of the request, the office performs detailed analysis to verify whether the request satisfies the legal requirements. Authorities indicated that, in general, they respond to foreign MLA requests in an average of four months depending on the type or complexity of the issues underlying the request received. The response time by the authorities is considered reasonable.

409. There are no procedures to ensure that assistance is provided in a timely manner. Mozambique does not have mechanisms to prioritize its responses based on the urgency of the requested assistance and the risk profile of the country.

410. There is no proper case management system at the PPO to enable a determination to be made on how timely the authorities have been able to provide MLA and extradition. The office does not have an electronic case management system for controlling the execution of incoming and

outgoing requests. All processes are managed manually which has flaws in monitoring. Requests received, once analyzed, are sent back to the MoFA, which forwards them to the requesting country within 48 hours on average.

411. Table 20, below, shows the number of incoming MLA requests on ML from 2016 until the end of the onsite period. Information on incoming MLA requests on predicate offenses was not provided. No requests for MLA have yet been refused by PPO. If the authorities receive a request that does not fulfil the requirements of the law, they may advise the foreign authorities to substantiate the request by providing the missing information so that an appropriate response can be given. This was the case in 2018, when one request was received and, the Mozambican authorities through meetings conducted with the other country advised it to provide more information on the request in order for the request to be considered. However, the case was still pending at the time of the onsite.

Table 20: Incoming MLA Requests (PPO) on ML

	2016	2017	2018	2019
<i>Requests Received</i>	0	2	1	5
<i>Requests Executed</i>	0	2	0	3
<i>Pending</i>	0	0	1	2

Extradition

412. The extradition process is administrative in nature. The request arrives at the MoFA and basically follows the same procedure as the MLA requests. All extradition requests are received and initially evaluated by a dedicated person in MoFA. The request is, after brief consideration, sent to the Ministry of Justice, Constitutional and Religious Affairs, where experts in the National Directorate of Legal and Constitutional Affairs under the guidance of one of the Minister's advisers analyse and issue an opinion on the extradition request. The Ministry of Justice in reviewing the request will consider whether administrative or civil action is required to deal with the request before referring it to the PPO. The review process takes on average 7 days.

413. At the PPO, the extradition request is analysed and a final decision is made on whether to accede or refuse the request. There is no fixed period for the PPO to consider the request and make a decision. Of the statistics presented, the vast majority of the extradition requests received no response, with only 1 out of 26 being responded to (see Table 21). 24 of the 26 extradition requests referred to are from the same jurisdiction received in 2018. The Mozambican authorities after considering the requests had concluded that they did not meet with all expected requirements, therefore could not be acceded to. The authorities requested for more information from the jurisdiction to enable the request to meet the expected requirements consistent with Mozambican laws. At the time of the on-site visit, the additional information was being awaited, to enable the authorities to decide on the requests. However the authorities did not indicate the nature of the offences and the kind of information which was awaited. Therefore, the assessment team could not determine the extent to which the authorities were prioritising the handling of the cases consistent with the risk profile of Mozambique.

414. The Mozambican authorities indicated that one of the extradition requests received in 2019 concerned a Pakistan citizen wanted by the United States of America (USA), for drug trafficking. The authorities also said that they had not yet received an extradition request for a Mozambican citizen.

Table 21: Incoming Extradition Requests (predicate offences)

	2016	2017	2018	2019
Requests	0	0	24	2
Requests Granted	0	0	0	1
Requests Denied	0	0	0	0

415. The Mozambican authorities stated that the average response time to an extradition request is 15 days. However, the statistics provided are not sufficiently enlightening as no supporting information or cases were provided to confirm the turnaround time of handling the requests. Generally, there is poor case management pertaining to the requests in the PPO.

416. Mozambican laws do not permit extradition of its own nationals but the authorities have powers and procedures to prosecute requested fugitive nationals where an extradition request has been declined on the grounds of nationality. In addition, Mozambique is a party to the United Nations Convention against Transnational Organised Crime and, under this Convention, may lodge domestic criminal proceedings against a Mozambican national who is the subject of an extradition request from a requesting State(Art. 16.12 of the Convention). The same applies to the United Nations Convention against Corruption (Art. 44.13 of the Convention). However at the time of the on-site, no cases were presented where a requested Mozambican national had been prosecuted domestically following declining of an extradition request.

417. For both MLA and extradition, the authorities had not received feedback from foreign authorities about the quality of the information provided.

8.2.2. Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

Mutual Legal Assistance

418. For outgoing requests, the procedure is essentially the same as for incoming requests. The PPO channels its requests for legal assistance to other jurisdictions through the MoFA. Also for these outgoing requests, there is no proper manual or electronic case management system. All outgoing requests are managed manually. The International Cooperation Office in the PPO does follow up on the status of requests made, by sometimes sending letters of reminders to the counterpart authorities or to the embassies / consular offices of Mozambique in the country concerned. However, due to poor case management the authorities could not indicate how many times such follow-up had been done or the kind of results it had yielded.

419. Mozambique is not proactive enough to seek legal assistance to combat domestic ML, associated crimes and TF cases with transnational elements. Of the few occasions presented, the focus was mainly on predicate crimes. There is lack of awareness to competent authorities on MLA pertaining to ML/FT matters. This has greatly limited international cooperation sought by the authorities relating to ML/FT matters, particularly during investigations. Again the authorities could not demonstrate of the statistics provided on outgoing requests (Table 22, below), which requests

related to ML and which ones related to predicate offences and the types of predicate offences. The authorities could not explain what led to the steep increase in outgoing requests during 2017 and the sudden decline, thereafter. The statistics presented either related to ML or predicate offences and the authorities did not provide any cases of requests on TF or any indication of such requests having been made at anytime.

Table 22: Outgoing MLA Requests (relating to ML or predicate offenses)

	2016	2017	2018	2019
PPO				
<i>Requests Sent</i>	<i>1</i>	<i>17</i>	<i>9</i>	<i>18</i>
<i>Requests granted</i>	<i>1</i>	<i>13</i>	<i>4</i>	<i>5</i>

420. Some of the competent authorities despite having the powers to interact directly with their counterparts, still relied on the PPO to make requests on their behalf. Below (Box 7) is such an example, where ANAC used the PPO mechanisms to carry out a joint investigation.

Box 7: Wildlife trafficking (ANAC)

The cases occurred in the Moamba District, Maputo Province (this Province has areas of protection in terms of fauna resources in particularly in Matutuine, Moamba and Magude Districts, the latter two being bordered by the Kruger National Park of the neighbouring Republic of South Africa). This proximity has dictated a high search and demand for specific types of big animals, whose commercial market has become attractive in the last five to ten years. From the criminal investigation work that ANAC had done, the suspected perpetrators of poaching - in at least two cases - referred to the surname of a citizen as the king pin and supplier of the weapons used in the context of the crimes. Based on domestic investigations and PPO assisted collaboration by investigators from South Africa, it was possible to establish the connection between the surname and the specific individuals used by the king pin to commit the crimes and a successful finalisation of the investigation leading to the arrest of the kingpin. Subsequently, criminal proceedings were initiated and the concerned individual was charged with three crimes, namely: possession of prohibited weapons, poaching and homicide crimes provided for and punished under Law No. 5/2017 of May 11 and the Criminal Code.

Extradition

421. Although the authorities provided statistics of the requests on extradition that Mozambique had made during the relevant period as indicated in Table 23 below, no details on the actual nature of the requests were provided. The only information provided was that none of the extradition requests were related to terrorism, TF or ML. Due to lack of a proper case management system, the authorities were not able to provide sufficient information on the outgoing extradition requests. There were also no systems/mechanisms to provide feedback by the authorities in the event of the extradition requests being granted by requested jurisdictions.

Table 23: Outgoing Extradition Requests (Predicate offences)

	2016	2017	2018	2019
Requests	0	1	1	2
Requests Granted	0	0	0	1
Pending	0	1	1	1

422. Although Mozambique has a legal framework that enables seeking of the widest possible range of MLA and extradition in relation to ML, associated predicate offences and TF, the Mozambican authorities are not effectively using the legal framework to seek MLA and extradition to assist with the various stages of dealing with AML and CFT cases.

8.2.3. Providing and Seeking other forms of international cooperation for AML/CFT purposes

423. The authorities have at their disposal a variety of other forms of international cooperation for AML/CFT purposes. However, the lack of awareness by most authorities about the importance of transnationality in these types of crimes makes international cooperation not a priority for most competent authorities. The MRA is well positioned to exchange information with its counterparts. MRA has signed eight MoUs relating to tax information exchange with the following countries: South Africa, Zambia, Zimbabwe, Malawi, Angola, Tanzania, Eswatini, and Sao Tomé. However, the cooperation provided and requested by the authority has not included elements of ML or TF.

424. GIFiM is not a member of the Egmont Group of FIUs. However, it does share information with its counter parts through the aid of signed MoUs. GIFiM has signed MoUs with the following foreign FIUs: Brazil, South Africa, Namibia, Cape Verde, Uganda, Malawi, Mauritius, Botswana, Zambia, Lesotho, Angola, Zimbabwe, Ethiopia, Eswatini, Tanzania, East Timor, Sao Tome and Principe to facilitate among other things, bilateral exchange of information. It has been important for Mozambique to enter into agreements with some of the countries listed due to a historical connection which encourages more flow of movement by Mozambicans as they use the same Portuguese language, and with the others in its Region due to trade which generates a lot of transactions. GIFiM indicated that because it is not part of the Egmont Group, the "doors" of international cooperation with some EGMONT member jurisdictions are often closed. However, this does not prevent the FIU from doing its work and cooperating with other counterparts as shown in Table 24, below.

TABLE 24: Requests for Information received from other FIUs

	2015	2016	2017	2018	2019	Total
Number of requests received from other FIUs	5	5	2	4	6	22
Number of requests granted	4	5	2	4	4	19
Number of requests refused	1	0	0	0	2	3
Number of spontaneous referrals of Information made by GIFiM to foreign authorities	1	5	3	3	6	18

425. The information provided by the GIFiM shows that the average response time to foreign entities is 3 weeks which assessors considered swift. Table 25, below shows the number of outgoing requests made by the GIFiM.

TABLE 25: Outgoing requests for information by GIFIM

	2015	2016	2017	2018	2019	Total
Outgoing requests by GIFIM	1	5	9	3	8	26

426. SERNIC and the specific National Unit for Fighting Drug Trafficking under the PPO note the importance of international cooperation for drug trafficking investigations. However, there is no case of ML prosecution or conviction with drug trafficking as a predicate offense, where a request for international cooperation was done, which is not consistent with Mozambique's risk profile of drug trafficking.

427. SERNIC incorporates Interpol National Office (8 persons), which handles all LE informal requests for international cooperation. Though the authorities indicated that the office has at its disposal a case management system that is used to manage and prioritize the requests received and sent, this could not be verified as the authorities could not demonstrate how the case management system works. Although SERNIC had successful cases of cooperation, none of the cases presented were related to ML/TF (see Box 8, below).

Box 8: Drug Trafficking as Predicate Offense (SERNIC)

In the context of cooperation with other countries in the exchange of operational information, the country received information that there was a foreign individual with a risk passenger profile who had arrived in Maputo in mid-May 2018 with a return flight reservation for June 2, 2018. SERNIC through the intelligence officers assigned to Maputo International Airport coordinated with the joint force at that airport to monitor the individual who had changed his travel date from 02 to 05 of the same month. It was observed that the passenger appeared a few minutes before the boarding closed. This increased the suspicion of drug trafficking on the traveller and after more close observations, the individual was stopped and taken to the hospital for X-Ray examination in the abdomen to check if he had swallowed any contraband. The examination was positive. The individual who is of foreign nationality, had intended to take 76 concealed cocaine capsules in his stomach to Europe, using the route Maputo – Addis Ababa – France.

428. Despite the ACB indicating that it had sought and provided international cooperation, it did not provide any cases where it had done so. It could not be determined to what extent it was seeking or providing such assistance.

429. For supervisors (financial and non-financial), not much information was provided on international cooperation with counterparts, as the supervisory authorities were not using any wide range of the other forms of international cooperation for AML and CFT purposes.

430. The General Gaming Inspectorate has signed MoUs with its counterparts from Angola and Malawi for cooperation and information sharing, including where money laundering and terrorist financing is involved. However, no cases or statistics were presented on requests made/received based on the MoUs or through other means.

431. The insurance supervisor (ISSM), although it is a signatory to several international treaties and has entered into several MoUs, it has not at anytime used these arrangements for cooperation and assistance in ML/TF matters. Most of the cases cited referred to fit and proper test inquiries.

432. In the banking sector, Banco de Mozambique (BoM) has entered into one Memorandum of Understanding (MoU) with the Bank of Portugal covering a wide range of areas, including ML/TF. For example, any request made by Bank of Portugal may be dealt with directly by the BoM without the intervention of any judicial body. However, there has not been any request on ML/TF matters

under this MoU. Although international cooperation is not regular, the BoM indicated that there were four requests made from foreign counterparts (South Africa (2), Nigeria(1) and Portugal(1)).

433. The Competent Authorities could not provide statistics and practical cases where they engaged in international cooperation relating to some of the high risk crimes in Mozambique which demonstrated the least importance given to the transnational nature of the crimes. In addition, the authorities could not provide the assessors with statistical information on assets or values seized in the context of international cooperation.

8.2.4. International exchange of basic and beneficial ownership information of legal persons and arrangements

434. Competent authorities are able to provide basic information and legal ownership information of legal persons registered in Mozambique. This information can be accessed publicly. As discussed under IO 5, the CREL does not obtain and keep BO information and therefore cannot exchange such information with foreign counterparts. Mozambican law does not recognise trusts and their operation in Mozambique and no requests for information sharing had been raised by other foreign authorities.

435. The only information collected by the registries, as well as by most of the reporting entities when complying with requirements of identification of customers, relates mostly to basic information.

436. As noted in IO 5, the Mozambican authorities, with the exception of GIFI and BoM, are not familiar with the concept of BO. The few entities that collect information on BO are the financial institutions (large banks and large mobile money service providers). So, BO information might not always be available for purposes of international cooperation.

437. The authorities stated that they had not received requests for information on BO. The authorities did not provide any statistics nor any case on exchange of basic information relating to legal persons.

Overall conclusions on IO 2

438. In general, Mozambique has the legal instruments to enable provision of international cooperation, including MLA and extradition requests. However, the country has inadequate institutional capacity to implement the measures for purposes of requesting or providing MLA, extradition and other forms of cooperation regarding ML, TF and associated predicate crimes. There is no proper case management system to enable a determination to be made on how timely the authorities have been able to provide MLA and extradition and the quality of the assistance. Mozambique has made or received very few MLA and extradition requests on ML. Most of the requests made or received relate to predicate offences. None of the requests involved cases of TF. Mechanisms for international exchange of basic and BO information of legal persons and other arrangements are not in place.

Mozambique has achieved a low level of effectiveness for Immediate Outcome 2.

TECHNICAL COMPLIANCE ANNEX

1. This annex provides detailed analysis of the level of compliance with the FATF 40 Recommendations in numerical order. It does not include descriptive text on the country situation or risks, and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.
2. Where both the FATF requirements and national laws or regulations remain the same, this report refers to analysis conducted as part of the previous Mutual Evaluation in [date]. This report is available from [link].

Recommendation 1 – Assessing risks and applying a risk-based approach

This is a new Recommendation which came into force after completion of the First Round of Mutual Evaluations and therefore there was no requirement to assess Mozambique on this in 2011.

Criterion 1.1 – (Not met) Mozambique is still in the process of identifying its ML/TF risks through carrying out a National Risk Assessment (NRA). Although it has a general understanding of the proceed generating offences, the understanding is not based on any identification or assessment of risk done. The understanding of predicate crimes does not extend to an understanding of ML or TF.

Criterion 1.2 - (Met) The National Task Force (NTF) created in terms of Article 8 of Decree No. 49/2018 is the designated authority with the responsibility to coordinate actions to assess ML/TF risks and vulnerabilities (Article 9(a) of same Decree).

Criterion 1.3– (Not met) Mozambique is in the process of carrying out its first national risk assessment, therefore, no updates on any of the risks have yet been done. However, there is no process in place which provides for the risk assessments to be kept updated.

Criterion 1.4 – (Not met) Mozambique does not have any mechanisms to provide information on the results of the risk assessments to all competent authorities, SRBs, FIs and DNFBPs.

Risk mitigation

Criterion 1.5 – (Not met)- Mozambique has not yet commenced risk based allocation of resources based on the understanding of its risks.

Criterion 1.6 – (Partly Met)-In the absence of suspicion of ML, TF or predicate offence, provisions relating to due diligence and identification (Article 6 of Decree 66/2014) and identification of BO may be waived by FIs and DNFBPs when dealing with State or a public legal entity, central or local administration, or any other authorities or public bodies required to maintain transparent accounting practices which are subject to monitoring, and other entities specified by the supervisory authorities which they can only do after considering the evaluation of the risk of ML and TF relating to the specific activity (Article 14(1), (2) of Decree 66/2014). Considering that corruption is regarded by the authorities as a high risk predicate offence, they could not adequately demonstrate how state and other public institutions are of proven low ML/TF risks.

Criterion 1.7- (Met) (a) Mozambique requires FIs and DNFBPs to adopt enhanced due diligence measures whenever they detect high risks (Art. 13(6) of Decree No. 66/2014. (b) FIs and DNFBPs are

required to document in writing the risk assessments carried out and maintained with all supporting information on risk assessments (Article 13(2) of Decree No. 66/2014).

Criterion 1.8 – (Mostly Met) Mozambique permits FIs and DNFBPs to apply simplified due diligence measures where risks are lower but such measures cannot be implemented when there is suspicion of ML/TF and can only be applied when it can be demonstrated that an adequate risk assessment has been done (Article 13(6), (7), (8) of Decree 66/2014). However, there is no requirement that the identified areas of lower risk be consistent with Mozambique’s assessment of its ML/TF risks

Criterion 1.9 – (Partly met) Supervisory authorities are required to ensure compliance by FIs, non-financial institutions and DNFBPs with obligations set out in the AML Law No 14/2013 (Art 29(1), (2)(b) of the AML Law No 14/2013). However, majority of the supervisors particularly for the DNFBP sector have not started enforcing the implementation of this requirement and for the majority of the FIs implementing the requirements, it’s not being done on a risk based approach (see R. 26 & R. 28).

Risk assessment

Criterion 1.10 – (Met) FIS and DNFBPs are required to take appropriate steps to identify, assess, and understand ML/TF risks (Article 13(4) of Decree 66/2014). Such requirements include: a) Being required to document in writing their risk assessments (Article 13(2) of Decree 66/2014); b) Consideration of all relevant risk factors before determination of overall risk and appropriate level and type of mitigation to be applied is required under Article 13 (6) – (8) of Decree 66/2014; c) Assessments are required to be kept up to date (Article 13(3) of Decree 66/2014); and FIs and DNFBPs are required to provide risk assessment information to competent supervisory authorities (Article 13(2) of Decree 66/2014).

Risk mitigation

Criterion 1.11 – (Partly Met) a) The Board of Directors of FIs are required to document and approve policies on risk identification, evaluation and management and internal control measures that allow the efficient management and mitigation of the identified money laundering and terrorism financing risks (S. 1 of Chap II, Notice No. 4/6BM/2015). The Notice does not cover DNFBPs. However, under Article 13(4) of Decree No 66/2014, both FIs and DNFBPs are required to implement policies and procedures to identify, assess, monitor, manage and mitigate the risks of ML and TF to which they are exposed; b) the of Board of Directors or the body with similar functions has to ensure that the control processes and the procedure adopted are efficient, effective and contribute to the reduction of the risk of the institution being used for purposes of ML and TF (s. 1 Chap II, Notice No. 4/GBM/2015); c) FIs and DNFBPs are required to adopt enhanced measures whenever they detect high risks (Article 13(6) of Decree 66/2014) and there is a general provision requiring FIs and DNFBPs to manage and mitigate risks identified but does not specifically focus on higher risks (Article 13(4) of Decree 66/2014). VASPs are not covered.

Criterion 1.12 – (Partly Met) Mozambique allows FIs and DNFBPs to take simplified measures to manage and mitigate risks only if low risk areas have been identified through an adequate risk assessment and simplified measures cannot be taken when there is suspicion of ML or TF (Article 13 (6 - 8) of Decree 66/2014). However, deficiencies identified in criteria 1.9 and 1.11, also affect this criterion.

Weighting and Conclusion

Mozambique has provided for the establishment of the NTF to coordinate AML/CFT activities. The law adequately provides for certain exemptions to be implemented when dealing with specific

categories of clients. There are requirements to implement enhanced due diligence measures where high ML/TF risks are detected and simplified due diligence measures where the risks are low, having been identified through adequate risk assessments. However, the country has not yet carried out a NRA, which affects its understanding of ML/TF risks. Mozambique has not yet applied a risk based approach in the allocation of resources and implementation of measures to mitigate ML/TF risks.

Mozambique is rated Partially Compliant with requirements of Recommendation 1

Recommendation 2 - National Cooperation and Coordination

In its 1st MER, Mozambique was rated Partially Compliant with this Recommendation (formerly R 31). The reason for the rating was that there was no mechanism in place to enable the FIU to cooperate and coordinate domestically with law enforcement and supervisory authorities concerning the development and implementation of policies and activities to combat ML and TF was not criminalised in Mozambique.

Criterion 2.1 – (Not met) There are no national AML/CFT policies which are informed by identified risks and are regularly reviewed.

Criterion 2.2 – (Met) The Coordination Council created in terms of Art. 6 of Law No. 2/2018 is responsible for institutional coordination on issues of AML/CFT policies and strategies. Art. 7(1) of Decree No. 49/2019 provides for the powers of the Coordinating Board of the Coordinating Council and Art 8 of the same Decree, provides for creation of the National Task Force which technically supports the Coordinating Council.

Criterion 2.3 – (Met) The Coordination Council and the NTF serve as the mechanisms enabling cooperation, coordination and exchange of information domestically relating to development and implementation of AML/CFT policies and strategies. The Coordination Council is composed of six members who range from the Prime Minister, Attorney General, Ministers of Finance, Security and Public Affairs, Justice and Governor of the Bank of Mozambique with the same Ministries and offices represented in the NTF with the addition of the GIFiM. Decisions made by the NTF at operational level on assessment of ML/TF risks and vulnerabilities, drafting and updating of legislation, national strategy and action plans on AML/CFT are escalated to the Coordination Council which at policy level proposes these decisions to the Council of Ministers (Cabinet) for consideration (Articles 7-9 Decree No. 49/2018).

Criterion 2.4 – (Not Met) There are no mechanisms to facilitate cooperation and coordination amongst competent authorities to combat the financing of proliferation of weapons of mass destruction.

Criterion 2.5 – (Not Met) There is no co-operation and co-ordination mechanisms in place to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions.

Weighting and Conclusion

Mozambique has established a National Committee (Coordination Council) for AML/CFT responsible for AML/CFT policies. There are no national AML/CFT policies in place yet. There are no cooperation mechanisms to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions. In addition, there are no mechanisms to facilitate coordination to combat the financing of proliferation of weapons of mass destruction.

Mozambique is rated Partially Compliant with requirements of Recommendation 2.

Recommendation 3 - Money laundering offence

In its 1st MER, Mozambique was rated Partially Compliant with this Recommendation (formerly R.1 and R.2). The main technical deficiencies were that there was no clear provision to determine whether it is necessary that a person be convicted of a predicate offence when proving that property is the proceeds of crime and predicate offences for money laundering extend to conduct that occurred in another country and this would not be possible for uncovered predicate offences; the range of predicate offences does not cover all serious offences in Mozambican criminal law, nor does it include a range of offences in each of the designated categories of offence; and the provisions criminalising money laundering have not yet been implemented effectively which is not part of technical compliance under the 2013 FATF Methodology.

Criterion 3.1 – (Mostly met) Under Art. 4 of the AML/CFT Law 14/2013, ML is criminalised in line with the relevant articles of the Vienna Convention and the Palermo Conventions. From the definition, possession is criminalised as long as the person knew the property is derived from certain criminal offences. Further, the crime of ML is committed by anyone who converts, transfers, assists, or facilitates any conversion, transfer of proceeds of crime in whole or in part in a direct manner in order to conceal or disguise their unlawful origin. In light of the fact that the proceeds have been obtained through the commission of the offenses referred to in Art. 7 of the AML Law No. 14/2013. However, the law does not cover the ancillary crimes of instigating, assisting, inciting or counseling (see c. 3.11 below).

Criterion 3.2– (Partly met) Art. 7 of the AML Law No. 14/2013 provides a list of predicate offences and any crime whose sentence is greater than six months is regarded as a predicate offence to ML. However, migrant smuggling (which is perceived to be the prevailing predicate offence for ML in Mozambique), illicit trafficking in stolen and other goods, insider trading and market manipulation are not predicate offenses for ML under the Mozambican law.

Criterion 3.3 (Met)- Pursuant to Art. 7 of the AML Law No.14/2013, Mozambique has adopted a combined approach that includes a list of predicate offences and a penalty threshold. Any crime whose sentence is greater than six months is considered to be a predicate offence to money laundering.

Criterion 3.4 - (Met) The ML offence covers “assets”. This covers any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime and is wide enough to cover virtual assets. The definition of “proceeds of crime” includes any assets or property obtained directly or indirectly as a result of crimes related to money laundering, including all assets, fully or partially converted, incorporated or transformed and is wide enough to cover income or other benefits derived from proceeds of crime. The definition includes material or immaterial, movable or immovable, tangible or intangible goods/assets. The definition of funds and assets provided under the Glossary to the AML Law No. 14/2013 fully provides for this criterion⁴⁹

Criterion 3.5 - (Met) Art. 8 of the Law No. 14/2013 provides for ML and predicate offence as two separate offences which are prosecutable independent of each other, therefore proving that property is proceeds of crime does not rely on conviction for a predicate offence under the AML Law 13/2014.

⁴⁹ **Funds and assets** - financial assets, economic resources, assets of any kind, whether tangible or intangible, movable or immovable, regardless of how it is acquired, and legal documents or instruments in any form, including electronic or digital, evidencing the right property or other rights under these funds and other property, including, bank credits, travelers checks, bank checks, money orders, shares, securities, bonds, drafts, letters of credit, as well as any interest, dividends or other revenues or income generated by these funds and other assets

Criterion 3.6 – (Met) Under Art. 4 (3) of the AML Law No 14/2013, the offence of ML fully covers predicate offences that occur outside the jurisdiction of Mozambique.

Criterion 3.7 - (Partly Met) The ML offence covers self-laundering – (Art. 8 as read with Art. 4 of the AML Law No. 14/2013). However, the scope of ML under the AML Law Glossary is limited to a financial or commercial transaction introduced into a financial system.

Criterion 3.8 - (Met) Pursuant to Art. 4 (2) of AML Law No 14/2013, the knowledge, intention or purpose required as constituent elements of the crime can be inferred from factual and objective circumstances.

Criterion 3.9 - (Met) Art. 4 of the AML Law No 14/2013 as read with provisions of the Penal Code, provides for dissuasive and proportionate sanctions against natural persons and they can be liable to imprisonment for two to twelve years.

Criterion 3.10 – (Partly met) Pursuant to Art. 76, 77, 78(a), (d), (e), (f), (g) and 79 of AML Law no. 14/2013, the law adopts proportionate administrative and civil penalties which are dissuasive for the liability of legal persons. Legal persons convicted of ML are liable to a fine with the relevant amount being determined by the Court. Fines range from Meticaís 400 to 4 000 000 for non-financial entities and Meticaís 800 to 8 000 000 for financial entities. The prescribed sanctions for the offence of ML are proportionate and dissuasive.

Criterion 3.11 – (Mostly Met) Most of the ancillary offences to the ML offence are covered, including attempt, complicity and concealment (See Art. 4(4-5) of the AML Law No. 14/2013. However, the law does not cover the ancillary crimes of instigating, assisting, inciting or counseling.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 3.3-3.6, 3.8 and 3.9, mostly meets Criteria 3.1, 3.11, and partly meets Criteria 3.2 and 3.7. There are deficiencies relating to the offences of migrant smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation which are not criminalised under the Mozambican law and the scope of ML under the AML Law glossary is limited to a financial or commercial transaction introduced into a financial system.

Mozambique is rated Partially Compliant with requirements of Recommendation 3.

Recommendation 4 - Confiscation and provisional measures

In its 1st MER, Mozambique was rated Partially Compliant with requirements of this Recommendation (formerly R.3). The main technical deficiencies were that: the range of predicate offences does not cover all serious offences in Mozambican criminal law, nor does it include a range of offences in each of the designated categories of offences; there are no provisional measures to freeze or otherwise restrain property that may be forfeited as instrumentalities or proceeds of criminal activities, pending an investigation or court proceedings; no provisions detailing how the rights of bona fide third parties are to be protected; there are no clear provisions for the voiding of contractual or other actions in the course of forfeiture proceedings; there is no effective implementation of the forfeiture provisions which is not part of technical compliance under the *2013 FATF Methodology*.

Criterion 4.1 – (Partly Met)

Criterion 4.1(a)– (Met) Under Art 40 and 41(3) of the AML Law No. 14/2013, the Court upon application by the public prosecutor may order confiscation of funds, assets, rights and any other objects of illicit origin or intended illegal activities which includes laundered properties.

Criterion 4.1(b)–(c) (**Partly Met**) Art 40 and 43 of the AML Law No. 14/2013 are applicable to confiscation of any proceeds derived from any offense including ML/TF as well as to any instrumentality used or intended to be used for such offenses. Art. 20 of Law No. 5/2018 (Prevention and Suppression of Terrorism) on confiscation of assets related to terrorists acts and terrorist organisations has similar provisions as in Art 40 and 43 of the AML Law No. 14/2013. However, migrant smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation are not criminalised under the Mozambican law which limits the ability to confiscate the proceeds of instrumentalities of these offences. The inability to confiscate assets related to migrant smuggling and fraud is significant in light of Mozambique’s risk profile.

Criterion 4.1(d) – (Met) The confiscation of property of equivalent value is provided in terms of Art. 44(3) of the AML Law No.14/2013.

Criterion 4.2. - (Partly met) Mozambique does not have a framework or mechanism to identify, trace and evaluate property that is subject to confiscation. Provisional measures can be carried out including freezing and seizure orders in terms of Art. 23, 38 and 40 of AML Law No.14/2013 which require that a magistrate must issue a warrant for restraint or seizure within 48 hours of the application. There are also provisional legislative measures for the freezing of assets. However, there are no provisions to enable competent authorities to take steps that will prevent or void actions that prejudice Mozambique’s ability to freeze or seize or recover property that is subject to confiscation and take any appropriate investigative measures.

Criterion 4.3. - (Met) The rights of *bona-fide* third parties are protected by Art. 39 of AML Law No.14/2013 which allows a person who claims interest in the funds/assets which is subject to a confiscation application to apply to court for an order declaring the nature, extent and value (at the time the order was made) of the person’s interest.

Criterion 4.4. - (Not met) Mozambique does not have adequate mechanisms for managing and, when necessary, disposing of property frozen, seized or confiscated.

Weighting and Conclusion

Mozambique meets the requirements of Criterion 4.3. partly meets Criteria 4.1 and 4.2 and does not meet Criterion 4.4. Migrant smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation are not criminalised under the Mozambican law which limits the ability to confiscate the proceeds of instrumentalities of these offences. Mozambique does not have measures to: (a) identify, trace and evaluate property that is subject to confiscation; (b) take steps that will prevent or void actions that prejudice the country’s ability to freeze or seize or recover property that is subject to confiscation; and (c) take any appropriate investigative measures. It also does not have mechanisms for managing and, when necessary, disposing of property frozen, seized or confiscated.

Mozambique is rated Partially Compliant with requirements of Recommendation 4.

Recommendation 5 - Terrorist financing offence

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR II). The main technical deficiencies were that terrorist financing had not been criminalised.

Criterion 5.1 – (Partly Met) Mozambique criminalizes TF in line with the 1999 Terrorist Financing Convention in terms of Art. 5 (1)(a) of the AML Law No. 14/2013. However, attempt to commit a TF offense is not criminalised as required under Art. 2(4) of the Convention.

Criterion 5.2. - (Met). Art.5 (1) of the AML Law No. 14/2013 extends the offence of TF to any person who by any means, directly or indirectly provides or receives funds with the unlawful intention that they should be used in full or in part to carry out a terrorist act and to be used by a terrorist or terrorist organization. Under Article 5(2) of the same law, the TF offence occurs even in the absence of a link to a specific terrorist act or acts.

Criterion 5.2bis – (Partly Met) - Law 5/2018 (Article 8 as read with Article 22) criminalises financing the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of providing training and logistical support. However, the law does not cover the perpetration, planning and preparation as well as travelling for the purpose of receiving training.

Criterion 5.3. – (Met) Under the glossary of the AML Law No. 13/2014, funds is defined in the same manner as in the TF Convention to include from both a legitimate and illegitimate source (see footnote 36, above).

Criterion 5.4. - (Met) Under Art. 5 (2) of AML Law, the crime is deemed to have been committed irrespective of the occurrence of any terrorist act or the funds having been actually used to commit such an act.

Criterion 5.5. – (Met) Pursuant to Art. 5(4) of AML Law, knowledge, intention or purpose required to prove the offence can be inferred from factual and objective circumstances.

Criterion 5.6. - (Met) Sanctions for natural persons convicted of a TF offence range from twenty to twenty-four years of imprisonment. The maximum penalty applicable under Mozambican law is 24 years in prison in accordance with Art. 61 of the Penal Code and may be increased to a maximum of 30 years under Art. 160 of the same Code. There is also punishment in form of fines of 185 000 to 3 750 000 meticaís for natural persons as per Art. 76, 77, 78 of AML Law No.14/2013. The sanctions are broad and the Assessors are of the view that these sanctions are proportionate and dissuasive.

Criterion 5.7. - (Met) Art. 76, 77, 78(a), (d), (e), (f), (g) and 79 of AML Law No. 14/2013 provide proportionate administrative and civil penalties which are dissuasive for legal persons found liable. Legal persons convicted of TF are liable to a fine of 400 000 to 8 million meticaís determined by the Courts depending on the gravity of the case. The administrative actions range from issuing a written warning, barring individuals from employment, suspension or revocation of institutional licenses.

Criterion 5.8. – (Partly Met)

a) It is not clear that an attempt to commit a TF offence is criminalised as required under the FATF requirements..

b) There is no law which criminalizes participation as an accomplice in a TF offence or attempted offence;

c) Pursuant to Art 6(1), (2) of AML Law 14/2013, the organization of others in order to execute a financing of terrorism offence is a crime.

d) Pursuant to Art. 6(1) of AML Law 14/2013 contribution to the commission of a TF crime or trying to finance terrorism by a group of people who act with a common intention are all crimes.

Criterion 5.9. – (Met) TF is deemed to be a predicate offence to ML as defined in Article 7(1) (c) of the AML Law 14/2013.

Criterion 5.10. – (Met) In terms Article 5(2)-(3) of the AML Law No 14/2013, the TF offence should apply whether the person alleged to have committed the offence(s) is in the same country or a different

country from the one in which the terrorist(s)/terrorist organisation(s) is located, or the terrorist act(s) occurred/will occur.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 5.2, 5.3-5.7 and 5.9-10; partly meets Criteria 5.1 and 5.8. Mozambique partly complies with 5.2(bis) but the acts of financing the travelling of individuals for the purpose of perpetration, planning and preparation as well as for receiving training are not criminalised which is of concern as some parts of Mozambique facing terrorist related activities are frequented by foreigners from countries which are at risk of TF activities (see para 209, footnote 39). Further, attempting to commit a TF offence and participating as an accomplice in a TF offence or attempted offence are not criminalised.

Mozambique is rated Partially Compliant with requirements of Recommendation 5

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR III). The main technical deficiency was that there was no framework to implement the requirements on the freezing of funds used for terrorists financing.

Criterion 6.1) (a) – (e) (Not met) – There is no legal framework to implement the requirements of Criterion 6.1.

Criterion 6.2. (Not met) –

(a) (**Partly met**) -For domestic designations, the Law 5/2018 (Art. 13) confers on the Public Prosecution Service the authority to prepare and update the national list of persons and entities that commit or attempt to commit, participate or facilitate the practice of terrorist activity or related action. However, the law only provides for domestic designations and there are no procedures for handling third party requests in Mozambique.

(b)- (e) (**Not met**)- There is no framework or mechanism to implement the requirements of Criterion 6.2 as set out under the UNSCRs requirements.

Criterion 6.3. (Not met) – There is no legal framework to implement the requirements of Criterion 6.3 as set out under the UNSCRs requirements.

Freezing

Criterion 6.4. – (Not met) Under Art 14 of Law No. 5/2018 of 2 August, on Prevention, Repression and Combating Terrorism, the maximum deadline for the dissemination of the above-mentioned Designated Lists by the Ministry of Foreign Affairs to the Attorney General is 24 hours, after designation by the UNSC or the relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Committee or the 1737 Committee). The Attorney General then forwards the same list to the supervisory authorities and GIFiM within 24 hrs. and the reporting entities in Mozambique are supposed to receive the freezing orders within a matter of hours. The Law, while requiring freezing to be done within a matter of hours, does not indicate what is meant by within a matter of hours and the moment when such an obligation commences and ends with the supervisory authorities and GIFiM. This gives rise to a risk of delayed implementation of freezing obligations which is not in line with FATF requirements. Under such interpretation of the law, Mozambique implements TFS within three days. This goes beyond the requirements ‘within a matter of hours’ for the purposes of implementing UNSCRs 1267 and its successive resolutions. For the purposes of UNSCR 1373,

courts in Mozambique have powers to issue a freezing order within hours to be counted from the date of conviction or application submitted by the PPO or SERNIC and the reporting entities in Mozambique are supposed to receive the freezing orders within a matter of hours. However, the law does not cover the freezing mechanisms in relation to third party request. There is also no clear provision on freezing actions to be taken by persons other than the reporting entities for purposes of both the UNSCR 1267 and its successive resolutions and under UNSCR 1373.

Criterion 6.5. (Not met)-(a)(Not met) – As per Art 14 of Law No. 5/2018, the Ministry which oversees the area of international affairs sends, immediately the list of people, groups and entities designated by the UN to the Attorney General (AG). The AG disseminates the list within hours to supervisory and regulatory authorities and GIFiM which also disseminates the information to their respective entities. Reporting entities are required to freeze funds of identified designated persons and entities within hours after receiving the notification. For the purposes of UNSCR 1373, courts in Mozambique have powers to issue a freezing order within hours to be counted from the date of conviction or application submitted by the PPO or SERNIC and the reporting entities in Mozambique are supposed to receive the freezing order within a matter of hours as per the same provision. As per Art. 14(5) of the same law, the freezing measures must be taken without prior notice. However, the law does not cover the freezing mechanisms in relation to third party request. There are also no clear provisions on freezing actions to be taken by other persons other than the reporting entities.

(b)(Not met) There are no express provisions dealing with funds or other assets wholly or jointly owned directly or indirectly by designated persons or entities, as well as funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

(c) (Partly met)-Citizens or persons or entities in Mozambique are prohibited from making funds and assets available to persons or entities suspected of being involved in terrorist activities or in financing groups, associations, organizations or terrorist acts (Art. 15, 16 of Law 5/2018). The provisions do not cover persons and entities acting on behalf of, or at the direction of, designated persons or entities. Moreover, the law does not cover the freezing mechanisms in relation to third party requests.

(d) (Not Met) -See 6.5 (a), above. There is also no clear guidance issued by the authorities to financial institutions and other persons or entities, including DNFBPs, that may be holding targeted funds or other assets, on their obligations in taking action under the freezing mechanisms.

(e) (Not met) There is no requirement for financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions.

(f) (Met) Measures for protecting bona fide third-party rights implementing obligations under Law 5/2018 are provided under Art 24 of Law 5/2018.

De-listing, unfreezing and providing access to frozen funds or other assets

Criterion 6.6. (Not met)-(a)-(c) (Not met) - Mozambique does not have specific and publicly known procedures to delist and unfreeze the funds or other assets of persons and entities which do not, or no longer, meet the criteria for designation for the purposes of UNSCRs 1267/1989 or 1988 and 1373.

(d) (Met) - A designated person or entity may submit a duly substantiated request to the UN for removal from the list. The content of the request must include the reasons why the designated person or entity requests the removal from the list and the cessation of the application of the restrictive measures (Art. 17 of Law 5/2018).

(e) – (g) -(Not met) There are no legal provisions dealing with requirements under these sub-criteria.

Criterion 6.7. (Partly Met) - Article 18 of Law 5/2018 provides for procedures to authorize access to frozen funds or other assets that have been determined to be necessary for the payment of basic or extraordinary expenses. However, the primary law does not show under which circumstances the exemptions would be applicable and the regulations to provide for the conditions for applying exemptions have not yet been issued as per the law.

Weighting and Conclusion

Mozambique partly meets the requirements of Criterion 6.7, and does not meet Criteria 6.1-6.6. Overall Mozambique has not put in place adequate mechanisms to implement TFS. There is no requirement for financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions. The law does not provide for mechanisms requiring the delisting of a person or an entity that no longer meets the criteria under the 1267/1989 or 1988 Committees.

Mozambique is rated Non-Compliant with requirements of Recommendation 6.

Recommendation 7 – Targeted financial sanctions related to proliferation

These obligations were added during the revision of the FATF Recommendations in 2012 and were thus not considered in the framework of the evaluation of Mozambique in 2008 under the 1st Round of MERs.

Criterion 7.1 – 7.5 (Not Met) - Mozambique does not have in place a framework for the implementation of targeted financial sanctions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing without delay to comply with UNSCRs.

Weighting and Conclusion

Mozambique has no legal framework to implement UNSCRs on TFS relating to proliferation or regulating the implementation, thereof.

Mozambique is rated Non-Compliant with the requirements of Recommendation 7.

Recommendation 8 – Non-profit organisations

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR VIII). The main technical deficiencies were that: no implementation of AML/CFT requirements in the NPO Sector; no review of adequacy of NPO Act has been undertaken; and no monitoring and sanction of NPO sector for AML/CFT purposes. The FATF has revised the Recommendation to require countries to take a RBA in determining the exposure of the NPO sector to TF risk.

Taking a risk-based approach

Criterion 8.1 – *(Not met)*

Criterion 8(1) (a) and (b) - Mozambique has not reviewed its NPO sector, including a mapping of its size, features and activities with a view to identify features and types of NPOs which by virtue of their activities or characteristics, are likely to be at the risk of terrorist financing abuse. In addition, the authorities have not identified any threats of NPO abuse emanating from terrorist entities or the manner

in which such abuse is done. Mozambique has not yet identified which subset of its NPOs fall within the FATF definition.

Criterion 8(1) (c) and (d)- Mozambique has not carried out a review to determine adequacy of measures, including laws and regulations targeting a subset of NPOs that may be abused for terrorist financing to guide application of appropriate risk-based measures. Furthermore, the country does not have any framework in place or capacity to obtain timely information on the activities of the NPOs, their size and other relevant features which would help in identifying characteristics which would potentially make them vulnerable to TF risks.

Sustained outreach concerning terrorist financing issues

Criterion 8.2- (Partly met) (a)- Under Art. 32 of Decree No 66/2014 of 29 October, NPOs are required to have clear policies to promote public responsibility, integrity and trust in the administration and management.

(b)-(d)- No measures are in place to implement sustained outreach and educational programmes concerning TF issues and there has not been any engagement of the NPO sector as well as the donor community with a view to (a) understand and develop best practices to address TF risks and vulnerabilities or (b) encourage them to conduct transactions through regulated financial institutions.

Targeted risk-based supervision of monitoring of NPOs

Criterion 8.3 (Not met) Since Mozambique has not assessed risks and vulnerabilities facing the NPO sector, it has not developed any risk-based measures for supervision and monitoring the NPOs which may be at risk of being abused for TF purposes.

Criterion 8.4 (Not met) Most of the requirements of this Recommendation are not contained in the existing laws for the NPO sector. In view of this, the NPOs are not under obligation to comply with them and the authorities cannot monitor their compliance.

Effective information gathering and investigations

Criterion 8.5- (Not met)

Criterion 8.5 (a) (Not met) Mozambique does not have in place measures to ensure effective co-operation, co-ordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs.

(b) (Not Met)- There is no investigative capability and expertise to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations. The law also does not provide powers for the Registrar of NPOs to inspect and audit the books of registered NPOs and their bank and cash balances. Moreover, where there is reasonable ground to believe that an NPO is making or likely to make resources directly or indirectly available to a terrorist or terrorist organisation or for purposes of terrorism, there is no law to enable the registrar to call for all accounts and documents relating to the association and institute an inquiry into the affairs and conduct of the NPO. The same legal problems also exist in the case of Foundations.

(c) (Met) Art. 32(4) of Decree No 66/2014 requires NPOs to retain records of domestic and international transactions for a period of eight years. The records are required to be made available to the Ministry

of Economy and Finance, the supervisory authorities, the judicial authorities, and the GIFiM, where they can be obtained during an investigation.

(d) (Not met) In terms of Art. 31 of Decree No 66/2014, FIs are required to establish procedures to continuously monitor transactions with NPOs for the purposes of AML/CFT by keeping information including on the NPOs' location, structure, nature of grants and voluntary activities as well as nature of funds and expenditures. In the case of unincorporated NPOs, they are required to retain information regarding the full name and address of the NPO, documents proving their legal status, nature and scope of the organisation's activities and names and categories of beneficiaries. If any TF suspicion arises, they are required to file STRs immediately, (Article 12 of GIFiM Law No. 2/2018, Art.18 of the AML/CFT Law No. 14/2013 and Art. 33 of Decree No 66/2014 of 29 October). However, it is not clear as to what the term immediately means. Besides, the requirements in relation to NPOs are only imposed on the FIs but do not include any other reporting entities. Further, there is no clear comprehensive guidance from the authorities on the red flag indicators as per sub criterion 8.5(d). Thus, Mozambique does not have comprehensive mechanisms to ensure that information is promptly shared with competent authorities, in order to take preventive or investigative action when there is suspicion or reasonable grounds to suspect that a particular NPO is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations.

Criterion 8.6- (Not Met) Mozambique does not have points of contact and procedures to facilitate prompt sharing of information with competent authorities in order to take preventive or investigative action regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.

Weighting and Conclusion

Mozambique partly meets the requirements of Criterion 8.2 and does not meet the remaining Criteria under this Recommendation. All the measures regulating activities of NPOs in Mozambique are not for purposes of dealing with the possible exposure of the NPO sector to abuse for TF activities. Authorities have not undertaken a comprehensive review of the NPO sector to appropriately understand TF risks and have not taken steps to promote targeted risk-based supervision or monitoring of NPOs. The NPO sector has not been engaged to raise awareness about potential vulnerabilities to TF abuse and risks.

Mozambique is rated Non-Compliant with the requirements of Recommendation 8

Recommendation 9 – Financial institution secrecy laws

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 4). The main technical deficiencies were that there are uncovered financial institutions that fall outside the scope of the safe harbour protection conferred by Article 21 of Law 7/2002 and shortcomings identified against the confidentiality rules which limited the sharing of information at domestic and international levels.

Criterion 9.1 – (Met) FIs are obligated to cooperate with competent authorities and share information relating to on-going criminal proceedings (Art 20 of the Law No. 14/2013). In addition, FIs, their directors or employees who provide information to GIFiM in good faith are exempted from any liability arising from breach of contract and banking secrecy obligations (Art. 26 of Law No. 14/2013).

a) All competent authorities have access to information in line with Art.17 (5) of the Law No.14/2013

(b) Sharing of information between competent authorities, either domestically or internationally:—There are mechanisms to exchange and share information between competent authorities both domestically and internationally (see R.2.3) and (R.40 analysis)). Competent authorities have signed MoUs to cooperate and exchange information. Further, there are no financial institution secrecy laws that inhibit the sharing of information.

(c) Sharing of information between FIs: - There are no restrictions in legislation preventing FIs to fulfil their obligations according to R.13, 16 and 17. Art. 41 issued under Decree 66/2014, allow for the sharing of information between institutions.

Weighting and Conclusion

There are no shortcomings observed in respect of criterion 9.1.

Mozambique is rated Compliant with requirements of Recommendation 9

Recommendation 10 – Customer due diligence

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 5). The main technical deficiency was that there are no provisions governing numbered accounts and there is no requirement to undertake CDD measures as per the FATF Standards including on taking reasonable measures to verify the identity of the BO using relevant information or data obtained from a reliable source. Uncovered financial institutions are not also subject to the CDD obligations under Law 7/2002. The new FATF Recommendation imposes more detailed requirements, particularly concerning the identification of legal persons, legal arrangements and beneficiaries of insurance policies.

When CDD is required

Criterion 10.1 – (***Met***) FIs are prohibited from holding anonymous accounts or accounts in fictitious names (Art. 10(2)(i) of Law No. 14/2013, s. III(3)(a) and (b) of the Guidelines on Prevention and Suppression of ML and TF, Notice No. 4/GBM/2015).

Criterion 10.2- (***Met***) FIs are required to undertake CDD measures when:

- a) (***Met***)- Establishing business relations [Art. 10(1)(a), of the Law No. 14/2013].
- b) (***Met***)- Carrying out occasional transactions above the applicable designated threshold of 450.000,00 Meticaís (USD 7.200)[Art. 10(1)(b)(i) of the Law No. 14/2013]. This includes a situation where the transaction is carried out in a single operation or in several operations that appear to be linked.
- c) (***Met***)- Carrying out occasional transactions that are wire transfers (domestic and international transfers) [Art. 10(1)(b)(ii) of Law No. 14/2013]
- d) (***Met***)- There is a suspicion of ML/TF, regardless of any exemptions or thresholds that are referred to elsewhere [Art. 10(1)(c) of the Law No.14/2013].
- e) (***Met***) - It has doubts about the veracity or adequacy of identification data of the customer[Art. 10(1)(d)of Law No. 14/2013 & s.1, Chap III of the Guidelines for the Financial Sector issued under Notice No. 1/CA-ISSM/2019].

Required CDD measures for all customers

Criterion 10.3(Met)- Art. 10(1) of AML Law No. 14/2013 as read with Art 4, 5 and 6 of Chapter II, AML Law Regulations No. 14/2013 requires FIs to identify the customer and verify that customer's identity using reliable, independent source documents, data or information.

Criterion 10.4 (Not Met)- There is no legal requirement for FIs to verify that any person purporting to act on behalf of the customer is so authorized and to identify and verify the identity of the person.

Criterion 10.5 (Met) - Article 10(2)(b) of Law No. 14/2013 as read with Art 7 of AML Law Regulations No. 14/2013 require FIs to identify the BO and take reasonable measures to verify the identity of the BO, using the relevant information or data obtained from a reliable source, such that the financial institution is satisfied that it knows who the BO is.

Criterion 10.6 (Mostly Met)- Art. 10(2)(a) of the AML Law require FIs to obtain information on the purpose and nature of the business relationship. There is however no requirement to understand the business relationship.

Criterion 10.7- (Mostly Met)

Criterion 10.7 (a) (Met)- FIs are required to conduct ongoing monitoring on the business relationship and closely examine the transactions in the course of that relationship to ensure that the transactions being conducted are consistent with the financial institution's knowledge of the customer, their business and risk profile, including where necessary, the source of funds (Art. 10(2)(c) of AML Law No. 14/2013).

(b) (Partly Met)- FIs are required to keep up to date information obtained in the course of a business relationship (Art 10(2)(h) of AML Law 14/2013). However, there is no provision to undertake reviews of existing records, particularly for higher risk categories of customers.

Specific CDD measures required for legal persons and legal arrangements

Criterion 10.8 (Mostly Met)- Art. 10(2)(g) of AML Law No. 14/2013, requires FIs to understand the ownership and control structure of legal persons or legal arrangements. Art. 10(2)(a) requires FIs to obtain information on the nature and objects of the business relationship. There is however no specific requirement to understand the customer's business.

Criterion 10.9 (Partly Met)

(a) (a) (Partly Met)- Art. 4(b) of the AML Law Regulation No. 14/2013 and, S. III(VII)(h), Chapter III of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015, require FIs to identify the customer and verify its identity through name, legal form and proof of existence for customers that are legal persons. There is no similar requirement for customers that are legal arrangements.

(b) (Partly Met)- For customers that are legal persons, FIs are required to identify the customer and verify its identity through the information related to the names of the relevant persons holding a senior management position in the legal person (Art 4(b) of AML Law Regulation No. 14/2013 as read with s. III (VII)(b), (e), Chap. III of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015). There is however no requirement to identify and verify the powers that regulate and bind the legal person or arrangement. Further there is no provision for FIs to

identify the customer and verify its identity through the information related to the names of the relevant persons holding a senior management position in the legal arrangement.

- (c) **(Partly Met)** Art. 4(b)(ii) of AML Law Regulations No. 14/2013 requires FI's to identify the customer who is a legal person and verify its identity through the location of its headquarters (province, district, city, street or avenue) and its number. The provision does not extend to identifying and verifying a principal place of business if different from headquarters, i.e. registered office. There is no similar requirement for legal arrangements.

Criterion 10.10 (Partly Met)

- (a) **(Met)**- Art. 10(2) of the AML Law No. 14/2013, requires FIs to identify and take reasonable measures to verify the identity of the BO. The definition of BO contained in the AML Law Glossary is in line with that of the FATF.
- (b) and (c) **(Not met)** There are no legal provisions requiring FIs to identify and take reasonable measures to verify the identity of a BO through information set out under criteria 10(b) and (c).

Criterion 10.11 (Not Met) – For customers that are legal arrangements, the legal framework of Mozambique does not require FIs to identify and take reasonable measures to verify the identity of BOs.

CDD for beneficiaries of Life Insurance Policies

Criterion 10.12 (Not Met)

Criterion 10.12 (a)-(c) (Not Met)- There are no requirements for FIs to conduct CDD measures on beneficiaries of life insurance and other investment related insurance policies.

Criterion 10.13 (Not Met)-There is no legal obligation for FIs to include the beneficiary of a life insurance policy as a relevant risk factor in order to determine whether enhanced CDD measures are applicable.

Timing of verification

Criterion 10.14 (Met) - FIs are required to verify the identity of the customer and BO when the business relationship is established or before an occasional transaction is carried out (Art.11 of AML Law No. 14/2013).

Criterion 10.15 (N/A)- In Mozambique verification of the client, their representatives and BOs are made when a business relationship is established or before any occasional transaction is carried out (Art.11).

Existing customers

Criterion 10.16 (Partly Met)- FIs are required to apply CDD requirements to existing customers on the basis of materiality and ML/TF risk (Art. 11 of AML Law Regulation No. 14/2013). However, there is no provision requiring FIs to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

Risk-Based Approach

Criterion 10.17 (Met)- FIs are required to exercise enhanced due diligence in situations which are likely to create a high risk of ML/TF (Art. 13(6) of AML Law Regulation No. 14/2013).

Criterion 10.18 (Mostly Met)-FIs are only permitted to apply simplified CDD measures where they are able to demonstrate that they have carried out an adequate risk assessment and have identified areas of lower ML/TF risks. FIs are not allowed to apply simplified CDD measures when there is suspicion of ML/TF but the requirement does not extend to taking into consideration where specific higher risk scenarios apply (Art. 13(6 – 8) of AML Law Regulation No 14/2013. Art. 14(1 - 2) of the same Regulation provides further guidance to FIs, on when they can apply simplified CDD measures and require supervisory authorities to take into account the evaluation of ML/TF risk regarding activities of specified entities in their sectors.

Failure to satisfactorily complete CDD

Criterion 10.19 (a)-(b)(Met)- Where FIs are not able to comply with CDD requirements, they are required not to open the account, start a business relationship or carry out the transaction, to terminate the business relationship and to file or consider filing a suspicious transaction report with the GIFiM (Art. 10(2)(f) of AML Law No. 14/2013; Art. 12(a), (b) of AML Law Regulation No. 14/2013; and S. III(I)(15) of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)

CDD and tipping off

Criterion 10.20 (Not Met)- There are no provisions permitting FIs not to pursue the CDD process and instead file an STR, where they form suspicion of ML/TF and reasonably believe that performing the CDD process will tip-off the customer.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 10.1-10.3, 10.5, 10.14, 10.17, 10.19; mostly meets Criteria 10.6 – 10.7, 10.8, 10. 18; partly meets Criteria 10.9 – 10.10, 10.16; and does not meet Criteria 10.4, 10.11 -10.12, 10.20 and Criterion 10.15 is N/A. Although, Mozambique meets a number of requirements to this Recommendation there still remain a number of deficiencies that require to be addressed. There is no legal requirement for FIs to verify that any person purporting to act on behalf of the customer is so authorized and to identify and verify the identity of the person. FIs are not required to conduct CDD measures on beneficiaries of life insurance and other investment related insurance policies. In addition, FIs do not have the legal obligation to include the beneficiary of a life insurance policy as a relevant risk factor in order to determine whether enhanced CDD measures are applicable. No provision to undertake reviews of existing records, particularly for higher risk categories of customers. Further, measures permitting FIs when suspecting ML/TF to cease the CDD process due to reasonable concern that it will tip-off the customer and instead file an STR are not in place.

Mozambique is rated Partially Compliant with requirements of Recommendation 10.

Recommendation 11 – Record-keeping

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 10). The main technical deficiency was that there is no requirement to maintain records of account files and business correspondence for a period of at least five years following the termination of an account or business relationship or longer if requested by a competent authority in specific cases and upon proper authority.

Criterion 11.1 (Met) - FIs are required to maintain all necessary records on transactions, both domestic and international, for 15 years from the date of closing the accounts or termination of the business relationship with their customers, or after the date of the transaction (Art. 17(1) of AML Law No. 14/2013; Art. 19(1) of AML Law Regulation No. 14/2013).

Criterion 11.2 (Met)- Art. 19(1)(a) and (c) of AML Law Regulation No. 14/2013; S. I(1), Chap IV of the Guidelines for the Financial Sector, Notice n.º 4/GBM/2015 require FIs to keep all records obtained through CDD measures, for 15 years from the date of closing the accounts or termination of the business relationship with their customers. FIs are required to keep all records obtained through CDD measures, account files and business correspondence, and results of any analysis undertaken, for 15 years from the date of closing the accounts or termination of the business relationship with their customers (Art. 19(1)(a) and (c) of AML Law Regulations No. 14/2013; S. I(1), Chap IV of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015).

Criterion 11.3 (Met)- Art. 19(1)(b) of AML Law Regulation No. 14/2013 requires FIs to maintain sufficient records of domestic and international transactions for 15 years after the date of the transaction which would permit a reconstruction of each transaction and provide evidence in a criminal case, if necessary.

Criterion 11.4 (Partly Met)- While Art. 19(2) of AML Law Regulations No. 14/2013, Art 8(2), 12(3) of Law No. 2/2017; and Art 92 of Law 35/2007 require all CDD and transaction records information to be made available to competent authorities and the GIFiM upon appropriate authority, there is no specific requirement for this information to be made available swiftly.

Weighting and Conclusion

Although FIs are required to make all CDD information and transaction records available to competent authorities and the GIFiM upon appropriate authority, there is no specific requirement for this information to be made available swiftly.

Mozambique is rated Largely Compliant with requirements of Recommendation 11

Recommendation 12 – Politically exposed persons

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 6). The main technical deficiencies was that there are no requirements for FIs to identify politically exposed persons (PEPs) or take other such measures as indicated under Recommendation 6. In 2012, the FATF introduced new requirements for domestic PEPs and persons having prominent functions in international organisations.

Mozambique does not distinguish between domestic and foreign PEPs. The Legal framework under Art. 10 of AML Law No. 14/2013; Art. 16 of AML Law Regulations No. 14/2013 and S. III(XIV)(a) of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015) read together with the Glossary of

Definitions to the AML Law adequately define PEPs, to cover all categories of PEPs (foreign, domestic and international organization) as defined under the FATF definition.

Criterion 12.1 – (Met): In relation to foreign PEPs, in addition to performing the CDD measures under R.10, FIs are required to:

- (a) **(Met)** - Put in place risk management systems to determine whether a customer or the BO is a PEP [Art. 10(2)(d) of AML Law No. 14/2013; Art. 16(1)(a) of AML Law Regulation No. 14/2013; S. III(XIV)(a) of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015].
- (b) **(Met)**-Obtain approval from senior management before establishing a business or maintain a relationship or to undertake a specific transaction with a client who is a PEP [Art. 16(1)(c) of Regulation of the Law 14/2013].
- (c) **(Met)** Establish the source of wealth and source of funds of customers and BOs identified as PEPs [Art. 16(1)(b) of AML Law Regulations No. 14/2013 and s. III(XIV)(2), Chap III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015].
- (d) **(Met)**- Conduct enhanced and ongoing monitoring of the business relationship with PEPs [Art. 10(3)(c) of the Law No. 14/2013, Art. 16(d) of AML Law Regulations No. 14/2013].

Criterion 12.2 (Met) In relation to domestic PEPs or persons who have been entrusted with a prominent function by an international organization, in addition to CDD measures required under R.10, FIs are required to:

- (a) **(Met)** Establish and implement risk management systems to determine whether a customer or BO is a PEP. [Art. 10(2)(d) of the Law No. 14/2013, Art 16(a) of AML Law Regulations No. 14/2013 and s. III(XIV)(1)(a), (2), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015].
- (b) **(Met)**- The measures cited under c.12.1 (b) to (d) are applicable to all PEPs in cases when there is higher risk business relationship; Art. 16(b - e) of AML Law Regulations No. 14/2013; and s. III(XIV)(1)(b), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015].

Criterion 12.3 (Met) . The Glossary of Definitions to the AML Law 14/2013 defines PEPs to include family members and close associates. In this regard, all provisions cited under 12.1 and 12. 2 are applicable to family members or close associates of all types of PEPs.

Criterion 12.4 (Not met)- There is no legal provision requiring FIs to take appropriate measures to determine whether the beneficiaries, and/or, if necessary, the BO of the beneficiary of a life insurance policy, are PEPs and or the manner in which payouts to higher risk beneficiaries should be processed.

Weighting and Conclusion

Mozambique's legal framework largely obliges FIs to comply with requirements pertaining to PEPs. However, there is no legal provision requiring FIs to take appropriate measures to determine whether the beneficiaries and/or, where required, the BO of the beneficiary of a life insurance policy are PEPs. Further, no provision is provided requiring FIs to inform senior management before the payout of the

policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.

Mozambique is rated Largely Compliant with requirements of Recommendation 12

Recommendation 13 – Correspondent banking

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 7). The main technical deficiencies were that there were no requirements for FIs to take such measures as set out in Recommendation 7. The new FATF Recommendation has added a requirement to prohibit relationships with shell banks.

Criterion 13.1 – (Met)-Regarding cross border correspondent banking and other similar relationships, FIs are required to:

- (a) **(Met)** - gather sufficient information about a respondent institution to understand fully the nature of the respondent’s business, and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory [(Art. 14(a) of AML Law No. 14/2013, , Art. 22(1)(b) of AML Law Regulations No. 14/2013, s. III(XIII)(1)(a), (b), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)];
- (b) **(Met)** assess the respondent institution’s AML/CFT controls [Art. 14(a) of AML Law 14/2013, Art. 22(1)(c) of AML Law Regulations No. 14/2014, s. III(XIII)(1)(c), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)];
- (c) **(Met)** obtain approval from senior management before establishing new correspondent relationship [(Art. 14(b) of AML Law 14/2013, Art. 22(1)(c) of AML Law Regulations No. 14/2014, s. III(XIII)(1)(d), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)]; and
- (d) **(Met)** clearly understand the respective AML/CFT responsibilities of each institution [(s. III(XIII)(1)(e), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)]

Criterion 13.2 (Met)

- (a) **(Met)** --Regarding payable-through accounts, Art. 14(d) of AML Law No. 14/2013 requires FIs to identify and verify the identity of the customer and perform continuous monitoring of customers that have direct access to the accounts of the correspondent bank.
- (b) **(Met)** - s. III(XIII)(1)(f), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015 requires FIs to be able to provide relevant CDD information upon request to the correspondent bank.

Criterion 13.3 (Mostly Met)- Art. 34(1), (2) of AML Law 14/2013, s. III(XIII)(2), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015) prohibit establishment of shell banks in Mozambique and further prohibit FIs from establishing or continuing banking relationships with foreign institutions that permit their accounts to be used by shell banks. It is however not clear if FIs are required to “satisfy themselves” that such accounts are not used by shell banks.

Weighting and Conclusion

In relation to cross-border correspondent banking and other similar relationships, financial institutions are required to take steps in line with R13. While the legal framework prohibit establishment of shell banks and FIs from establishing or continuing banking relationships with foreign institutions that permit their accounts to be used by shell banks, it is not clear if FIs are required to “satisfy themselves” that such accounts are not used by shell banks.

Mozambique is rated Largely Compliant with requirements of Recommendation 13.

Recommendation 14 – Money or value transfer services

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR VI). The main technical deficiency was that there had been no implementation effort with respect to money transmission service providers and sanctions have not been applied and effectiveness could not be determined. The FATF introduced new requirements concerning appropriate sanctions countries should effect on natural or legal persons that carry out MVTS without a licence or registration. Further, additional obligations for MVTS providers that use agents have been introduced.

Criterion 14.1 – (Partly Met) In Mozambique, banks provide platforms for MVTS i.e (Western Union, Money Gram and Mukuru). In terms of Art 13 of Law 15/99, Credit Institutions and Finance Companies as amended by Law 9/2004, banks must obtain a licence to conduct business operations from BoM. However, Articles 4(1) and 7(2) of Law 15/99 as amended by Law 9/2004, which specifies services/products which can be provided by banks does not specifically include MVTS as one of the services.

On the other hand, autonomous or independent MVTS, (mobile money service providers: i.e. eMola, mPesa and mKesh) are categorized as electronic money institutions when being licenced by the BoM (Art 3(1)(a)(vii) of the AML Law 14/2013).

Criterion 14.2– (Not Met) The country has not demonstrated that it has taken action with a view to identify natural or legal persons that carry out MVTS without a license or registration, and has applied proportionate and dissuasive sanctions.

Criterion 14.3– (Partly Met) Art3(1)(a)(vii) of the AML Law 14/2013 covers MVTS (mobile money service providers: i.e, mPesa, eMola and mKesh) as reporting entities (electronic money institutions) and are subjected to AML/CFT monitoring by BoM. However, other MVTS are not covered and therefore not monitored for AML/CFT compliance.

Criterion 14.4– (Not Met) There is no legal framework/provision which requires agents for MVTS providers to be licensed or registered by a competent authority, or MVTS providers to be required to maintain a current list of its agents accessible by competent authorities in the countries in which the MVTS provider and its agents operate.

Criterion 14.5– (Not Met) There is no legal framework requiring MVTS providers to include their agents in their AML/CFT programmes and to monitor them for compliance with the programmes.

Weighting and Conclusion

Mozambique has not demonstrated that it has taken action with a view to identifying natural or legal persons that carry out MVTS without a license or registration, and that it has applied proportionate and dissuasive sanctions. With the exception of autonomous MVTS like Mobile Money Service Providers,

all the other MVTS are not required to be subjected to AML/CFT monitoring. Further, there is no legal framework/provision which stipulates conditions under which agents for MVTS providers are to be licensed or registered by a competent authority, or to be required to maintain a current list of its agents accessible by competent authorities in the countries in which the MVTS provider and its agents operate. Agents of MVTS providers are not required to be included in MVTS providers' AML/CFT programmes neither are they monitored for compliance with the programmes

Mozambique is rated Non-Compliant with requirements of Recommendation 14

Recommendation 15 – New technologies

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 8). The main technical deficiencies were that there were no obligations requiring institutions to have policies in place to prevent the misuse of technological developments and non-face to face business. The new R. 15 focuses on assessing risks related to new products, new business practices and new delivery channels and the use of new technologies for both new and existing products.

Criterion 15.1 – (Partly Met) FIs are required to adopt policies or measures required to prevent misuse of technological developments in schemes of ML/TF. They are further required to identify, evaluate and understand the ML/TF risks associated with all products (new or pre-existing), services and channels of distribution, and use of new technology (s. V(1), Chap III of Financial Guidelines for the Financial Sector, Notice Number 4/GBM/2015). However, the country and the FIs (with the exception of large banks and large mobile money institutions) have not demonstrated that they identify and assess the ML/TF risks associated with development of new products and new business practices including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products (*see IO.4*).

Criterion 15.2 (a)-(b) (Met) - FIs are required to assess the risk prior to the launch of new products or practices and technologies before the introduction of such products, services, channels of delivery of technology, and to apply the measures required to manage effectively the risks of money laundering and financing of terrorists (s. V(1), (2), Chap. III, Guidelines of the Financial Sector, Notice No. 4/GBM/2015).

Criteria 15.3 – 15.11 (Not Met) Although the definition of property is sufficient to cover VAs (see c. 3.4), there are no measures that have been undertaken to address requirements relating to VAs and activities of VASPs.

Weighting and Conclusion

The country and FIs (with the exception of banks and MVTS providers) have not identified and assessed the risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. There is no legal and institutional framework relating to VAs and activities of VASPs. Although the definition of property under the Mozambican law is sufficient to cover VAs there are no measures that have been undertaken to address requirements relating to VAs and activities of VASPs.

Mozambique is rated Non-Compliant with requirements of Recommendation 15.

Recommendation 16 – Wire transfers

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR VII). The main technical deficiency was that the requirements under SR VII had not been implemented. The FATF requirements in this area have since been expanded to include requirements relating to beneficiary information, identification of parties to transfers and the obligations incumbent on the financial institutions involved, including intermediary FIs.

Ordering financial institutions

Criterion 16.1 – (Met) For cross-border wire transfers of amounts equal to or above 30,000MT (USD500), the following accompanying information is required:

- (a) **(Met)** originator information - name of originator; originator account number and in the absence of an account number, a unique transaction reference number; and originator's address, or national identity number, or customer identification number, or date and place of birth [(Art. 24(3) of AML Law Regulation No. 14/2013)].
- (b) **(Met)** beneficiary information- name of the beneficiary [s. III(XV)(2)(b) of Guidelines of the Financial Sector, Notice 4/GBM/2015)]; the beneficiary account number or a unique reference number [(Art. 24(3) and 24(4) of AML Law Regulations No 14/2013)].

Criterion 16.2-(Not Met) There are no requirements for cross-border wire transfers in batched files to contain required originator information and full beneficiary information.

Criterion 16.3 (Met) Art. 24(1) of AML Law Regulations No 14/2013 requires FIs, for wire transfers below 30.000,00 Meticals, to include the names, account numbers or a unique transaction reference number for both the originator and the beneficiary.

Criterion 16.4 (Met) - FIs are not required to verify the accuracy of information obtained under c. 16.3 but are required to verify the information of their customers where there is suspicion of ML/TF (Art. 24(2) of AML Law Regulations No. 14/2013).

Criterion 16.5 (Met) - For domestic wire transfers, the ordering FI is required to ensure that the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers, unless this information can be made available by the beneficiary FI to authorities (GIFiM and Judicial authorities) (s. III(XVIII)(1), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015).

Criterion 16.6 (Met)- Where the information accompanying the domestic wire transfer can be made available to a beneficiary FI and to appropriate authorities, the ordering FI is required to include the account number or a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary ((s. III(XVIII)(1), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015). Further, the ordering FI is required to make the information available within three (3) business days of receiving the request either from the beneficiary FI or from appropriate competent authorities (s. III(XVIII)(2), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015). The law also allows for the Law enforcement authorities to compel immediate production of such information.(Art 92 of Law 35/2007 and (Art. 8 of the Law 4/2017)

Criterion 16.7 (Met)- Ordering FIs are required to maintain all originator and the beneficiary information collected in accordance with Recommendation 11(Art. 19(1)(b), 25(3) of AML Law Regulations No. 14/2013).

Criterion 16.8 (Met)- The ordering FI is not permitted to execute the wire transfer if it does not comply with the requirements specified above at criteria 16.1-16.7 (Art. 25(4) of AML Law Regulations No.14/2013).

Intermediary financial institutions

Criterion 16.9 (Met)- Where a bank is an intermediary FI of a cross-border wire transfer, it should ensure that all originator and beneficiary information that accompanies the wire transfer is retained with it (Art. 26(1) of AML Law Regulations No. 14/2013, s. III(XVI)(1), Chap. III of the Guidelines for the Financial Sector, Notice No. 4/GBM/2015).

Criterion 16.10 (Met)- Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary FI is required to keep a record of all the information received from the ordering financial institution or another intermediary FI for at least 15 years (Art. 26(2) of AML Law No. 14/2013, s. III(XVI)(2) of Guidelines for the Financial Sector, Notice No. 4/GBM/2015)

Criterion 16.11 (Met)- Intermediary FIs are under obligation to take reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information (Art. 26(3) of AML Law Regulations No. 14/2013, s. III(XVI)(3), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015).

Criterion 16.12(Met)- Intermediary financial institutions are required: (a) to have risk-based policies and procedures for determining when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information (Art. 26(4)(i) of AML Law Regulations No. 14/2013, s. III(XVI)(4)(a), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015); and (b) the appropriate follow-up action (Art. 26(4)(ii) of AML Law Regulations No. 14/2013, s. III(XVI)(4)(b), Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015).

Beneficiary financial institutions

Criterion 16.13 (Met)- Beneficiary FIs are required under Art. 27(1) of AML Law Regulations No. 14/2013, and s. III(XVII)(1) Chap. III of Guidelines for the Financial Sector, Notice No 4/GBM/2015 to take reasonable measures, which may include post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers that lack required originator information or required beneficiary information.

Criterion 16.14 (Met)- Art. 27(2) of AML Law Regulations No. 14/2013 and s. I(1) Chap. III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015 require that for cross-border wire transfers of 30.000,00 Meticais (USD 500) or more, a beneficiary FI should verify the identity of the beneficiary, if the identity has not been previously verified, and maintain this information at least for 15 years from the date of closing the accounts or termination of the business relationship with their customers

Criterion 16.15 (Met)- Art. 27(3) of AML Law Regulations No. 14/2013 requires beneficiary FIs to have risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.

Money or value transfer service operators

Criterion 16.16 (Not met)- The legal framework currently in force does not provide that MVTS are obliged to comply with all requirements of Recommendation 16 in countries in which they carry out their activities, directly or through their agents..

Criterion 16.17 (Not met)- There is no legal provision that would meet requirements under c.16.17(a) – (b).

Implementation of Targeted Financial Sanctions

Criterion 16.18 (Not Met)- There is no provision creating an obligation for FIs when processing wire transfers to take freezing action and comply with prohibitions from conducting transactions with designated persons and entities as per obligations set out in the UNSCRs relating to the prevention and suppression of terrorism and TF, such as UNSCRs 1267 and 1373 and successor resolutions.

Weighting and Conclusion

There is no legal provisions for cross-border wire transfers in batched files to contain required originator information and full beneficiary information. Similarly, wire transfer obligations relating to MVTS operators are not set. The legal framework currently in force does not provide for MVTS to comply with all requirements of Recommendation 16 in countries in which they carry out their activities, directly or through their agents. Further, there is no provision creating an obligation for FIs when processing wire transfers to take freezing measures pursuant to UNSCRs 1267 and 1373 and successor resolutions.

Mozambique is rated Partially Compliant with requirements of Recommendation 16.**Recommendation 17 – Reliance on third parties**

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 9). The main technical deficiency was that there is no requirement for reporting persons relying upon a third party to immediately obtain from the third party the necessary information concerning certain elements of the CDD process and to follow the other requirements under Recommendation 9. The FATF's new requirements emphasize on the country risk of the third party required to perform due diligence on the customer.

Criterion 17.1 – (Met) Article 21 (1) of AML Law Regulations No. 14/2013 permits FIs to use “third parties or intermediaries” to perform the duty of customer identification and verification.

- a) **(Met)** - (Art 21(1)(a)FIs have immediate access to all due diligence information related to its customers after the intermediary has carried out the CDD measures.
- b) **(Met)**- Art. 21(1)(a) of AML Law Regulations No. 14/2013 require FIs to ensure that identification data and other relevant documentation from third parties is immediately provided upon request and without delay.
- c) **(Met)** -Art. 21(1)(d) of AML Law Regulations No. 14/2013 requires FIs to ensure that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with the CDD and record keeping requirements.

Criterion 17.2 (Met)- Art 21(2) of AML Law Regulations No. 14/2013 requires FIs before entering into a relationship with a third party to have regard to the money laundering and terrorist financing risk associated with the country in which the third party is based.

Criterion 17.3(a)-(c) (N/A)- Although Art. 21 of the AML Law Regulations generally allows FIs to rely on third parties but there are no specific requirements on reliance on third parties which are part of the same financial group.

Weighting and Conclusion

Mozambique is rated Compliant with requirements of Recommendation 17.

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In its 1st MER, Mozambique was rated Partially Compliant with requirements of this Recommendation (formerly R.15). The main technical deficiency was that the requirements under the former R.15 had not been implemented. The new Recommendation introduces new requirements on implementing AML/CFT programmes for financial groups.

Criterion 18.1 – (Met) AML Law No. 14/2013 requires FIs to implement programmes against ML/TF drawn on the ML/TF risks and the size of the business, and include the following internal policies, procedures and controls:

- (a) **(Met)** developing compliance management arrangements (including appointment of a compliance officer at the management level) (Art. 31(1))
- (b) **(Met)** screening procedures to ensure high standards when hiring employees (Art. 31(1))
- (c) **(Met)** Implementing ongoing employee training programmes on ML/TF (Art. 33)
- (d) **(Met)** adopt and implement an internal independent audit function to test the system (Art. 31(1)).

Criterion 18.2 (a) – (c) (Not met)-There are no provisions for financial groups to implement group-wide programmes against ML/TF, which should be applicable and appropriate to all branches and majority owned subsidiaries of the financial group.

Criterion 18.3 (Met) - Art 32(1) of the AML Law 14/2013 requires reporting entities (FIs and Non financial entities) to ensure that their foreign branches and majority owned subsidiaries comply with the AML/CFT requirements, i.e. comply with obligations of the AML Law. Further, Art 32(2) of the AML Law No 14/2013, provides that where the laws of a host country do not permit compliance with the requirement of AML Law No. 14/2013, FIs and non-financial entities should not only inform the competent authorities of such impossibility but also take appropriate measures to mitigate the ML/TF risk.

Weighting and Conclusion

The legal provisions requiring FIs to comply with internal controls, foreign branches and subsidiaries obligations are to a large extent covered in Mozambique. Nevertheless, there are no provisions for financial groups to implement group-wide programmes against ML/TF, which should be applicable and appropriate to all branches and majority owned subsidiaries of the financial group under the measures set out in c.18.2.

Mozambique is rated Largely Compliant with requirements of Recommendation 18

Recommendation 19 – Higher-risk countries

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R21). The main technical deficiencies were that there is no requirement for FIs to give special attention to business relationships with persons, including legal persons and other FIs, from or in countries which do not or insufficiently apply the FATF Recommendations or to take other such measures as required under R. 21. R.19 strengthens the requirements to be met by countries and FIs in respect of higher-risk countries.

Criterion 19.1 – (Partly Met) FIs are required to apply enhanced due diligence measures in cases of a business relationship or transactions with legal persons and FIs from countries considered by the FATF as non-cooperating (s. III(XIII)(3), Chap III of Guidelines for the Financial Sector, Notice No. 4/GBM/2015). However, there is no specific reference to applying EDD, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. Further, the requirement for the application of EDD applies to both business relationships with natural and legal persons while the guidelines for the financial sector require FI to apply those requirements to either business relationships or transactions. Additionally, countries considered by FATF as non-cooperative may not fully include all countries called for by the FATF.

Criterion 19.2 (Not Met)- The country has not demonstrated that it can apply countermeasures proportionate to the risk when called upon to do so by the FATF and independently of any call by the FATF to do so.

Criterion 19.3 (Not Met)-Mozambique does not have measures in place to advise FIs on weaknesses in the AML/CFT systems of other countries.

Weighting and Conclusion

There is no specific requirement in the legal framework to apply EDD proportionate to the risks to business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF. Mozambique has not demonstrated that it can apply countermeasures proportionate to the risk when called upon to do so by the FATF and independently of any call by the FATF to do so. In addition, there are no measures in place to advise FIs on weaknesses in the AML/CFT systems of other countries.

Mozambique is rated Non-Compliant with requirements of Recommendation 19

Recommendation 20 – Reporting of suspicious transaction

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R13 and SRIV). The main technical deficiencies were that: there are FIs not covered and not all predicate offences are covered as required by the FATF Standards; reporting entities not required to file STRs on terrorist financing; there is low level of AML/CFT awareness among reporting entities; no sanctions for failure to report; attempted transactions and those with tax issues not covered; and effectiveness of the AML system could not be assessed which is now not part of technical compliance under the 2013 FATF Methodology.

Criterion 20.1 – (Partly Met) Art. 12 of Law 2/2018 and Art. 18(1) of AML Law 14/2013, Art. 33 of AML Law Regulations No. 14/2013 require FIs to report suspicious transactions to GIFiM immediately where they have reasonable grounds to suspect that certain funds are derived from criminal activity or

are related to TF. However the offences of insider trading, migrant smuggling, illicit trafficking in stolen and other goods, and market manipulation which are mentioned under the FATF Glossary are not predicate offenses/not criminalised under the, Mozambican law (see R.3.2). This means that FIs have no obligation to report STRs relating to these offences.

Criterion 20.2 (Met) - FI's are required to report all suspicious transactions, including attempted transactions, regardless of the amount of the transaction (Art. 18(1) and (2) of AML Law No. 14/2013).

Weighting and Conclusion

Requirements to reporting of suspicious transactions to a large extent are covered. However, there is no obligation for FIs to report suspicious transactions on crimes not criminalised in Mozambique (insider trading, migrant smuggling, illicit trafficking in stolen and other goods, and market manipulation).

Mozambique is rated Partially Compliant with requirements of Recommendation 20

Recommendation 21 – Tipping-off and confidentiality

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R14). The main technical deficiency was that there is no tipping off prohibition on STRs; and directors, officers and employees (permanent and temporary) are not protected from liability by AML regulatory framework in Mozambique. The new R. 21 has not modified FATF requirements.

Criterion 21.1 – (**Met**) FIs and their administrators, directors and employees are exempted from criminal or civil liability for breach of the confidentiality rules imposed by contract or by any legislative, regulatory or administrative provision when they report suspicion to GIFiM in good faith (Art. 26(1) of AML Law 14/2013).

Criterion 21.2 (Met) - FIs and their administrators, officers and employees are prohibited from revealing the fact that STRs or related information has been transmitted to GIFiM (Art. 18 as read with Art. 25(1), (4) of AML Law 14/2013). The provisions cited are not intended to inhibit information sharing as required under R. 18.

Weighting and Conclusion

The criteria to the Recommendation is fully met.

Mozambique is rated Compliant with requirements of Recommendation 21

Recommendation 22 – DNFBPs: Customer due diligence

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R12). The main technical deficiencies were that AML/CFT preventive measures are not being implemented by any of the DNFBPs as required under FATF Recommendations 5-11.

Criterion 22.1 – (Partly Met) –

- (a) **Casinos** - Casinos are required to identify their customers and verify their identity when they carry out transactions (Art 10 of the AML Law), involving operations equal to or greater than 90,000.00MT (USD1,360) (Art. 12(1) of AML Law No. 14/2013). However, Art. 10(1)(b) provides another threshold (450,000MT [USD6,800]) which also applies to occasional transactions for casinos but the amount is not consistent with the USD3,000 threshold in the

Standard

- (b) **Real estate agents** –when they engage in buying and selling of property [Article 10 of AML Law No. 14/2013 as read with Art. 3(2) (b)].
- (c) **Dealers in precious metals and stones** - when they engage in any cash transaction with a customer of an amount equal to or greater than 450,000MT (USD6.800) (Art. 12(2) of AML Law No. 14/2013),
- (d) **Lawyers, notaries, other independent legal professionals and accountants** - when involved in transactions on behalf of their clients or otherwise, relating to the purchase and sell of real estate; managing of client money, securities or other assets; management of bank, savings or securities accounts; organisations of contributions for the creation, operation or management of companies; and creating, operating or management of legal persons or arrangements, and buying and selling of business entities (Art.3(3)(e) as read with Art 10 of AML Law No. 14/2013).
- (e) **Services Providers to Trust Funds and Companies [TCSPs]** – Art. 3(3)(g) as read with Art. 10 of the AML Law require the TCSPs to carry out CDD measures when they provide the following services: acting for another to exercise the office of the director or secretary of the company or a similar position in relation to other legal persons; address for a company, firm or any person of legal instrument; exercise the office of or acting for another person to exercise the office of shareholder on behalf of others. However, the law does not require TCSPs to conduct CDD measures when they are acting as formation agent of legal persons, providing a registered office, or acting as a trustee of an express trust or performing the equivalent function for another form of legal arrangement.

The deficiencies identified under R.10 also apply to DNFBPs.

Criterion 22.2 (Partly Met) - DNFBPs are required to comply with the same record-keeping requirements as FIs under Art. 17 of AML Law No. 14/2013 as read with Art. 18, 19 of Decree No. 66/2014–(see R.11).

Criterion 22.3 (Mostly Met) - DNFBPs are required to comply with the same PEPs requirements as FIs under Art. 10(2)(d) of AML Law No. 14/2013– (see R.12).

Criterion 22.4 (Not Met)-. There is no legal provision requiring DNFBPs to comply with the new technologies’ requirements set out under R. 15.

Criterion 22.5 (Not Met) There is no legal provision requiring DNFBPs to comply with the third-party reliance requirements.

Weighting and Conclusion

The deficiencies identified under R.10, 11, and 12 are equally relevant to DNFBPs. There are no legal provisions requiring DNFBPs to comply with new technologies and reliance on third-parties.

Mozambique is rated **Partially Compliant with requirements of Recommendation 22**

Recommendation 23 – DNFBPs: Other measures

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R16). The main technical deficiencies were that: no implementation of the reporting requirement; and no implementation of the internal controls obligation

Criterion 23.1 (Partly Met) - DNFBPs are subject to the same STR reporting requirements as FIs (see analysis of R.20). All DNFBPs are required to comply with the STR requirements set out in Recommendation 20, subject to the following qualifications:

- (a) **Lawyers, notaries, other independent legal professionals and accountants** - when involved: in transactions on behalf of their clients or otherwise, relating to the purchase and sell of real estate; managing of client money, securities or other assets; management of bank, savings or securities accounts; organisations of contributions for the creation, operation or management of companies; and creating , operating or management of legal persons or arrangements, and buying and selling of business entities (Art.3(2)(e) as read with Art 10 of AML Law No. 14/2013). Art. 18(5) of the AML Law requires lawyers to submit STRs to the Bar Association, which should promptly submit the STRs to the GIFiM. However, there are no forms of cooperation between GIFiM and the Bar Association.
- (b) **Dealers in precious metals or stones** - when they engage in a cash transaction with a customer equal to or above 450,000 meticals (USD6.800) [(Art.3 (3) (c) as read with Art. 12(2), 18 of AML Law No. 14/2013)].
- (c) **Trust and company service providers** - Company service providers when they provide services described under Art. 3(3)(g) of AML Law No. 14/2013.

The deficiencies identified under R.20 also apply to DNFBPs.

Criterion 23.2 (Partly Met)- DNFBPs are required to comply with the same internal control requirements as FIs under the AML Law No. 14/2013 – (see of R.18).

Criterion 23.3 (Not met) - DNFBPs are required to comply with the same higher-risk countries requirements as FIs under the AML Law No. 14/2013 – (see of R.19).

Criterion 23.4 (Met)- DNFBPs are required to comply with the same tipping-off and confidentiality requirements as FIs – (see R.21).

Weighting and Conclusion

Reporting of suspicious transactions by DNFBPs to a large extent are covered by the legal framework of Mozambique. However, there is no obligation for DNFBPs to report suspicious transactions on crimes (insider trading, migrant smuggling, illicit trafficking in stolen and other goods, and market manipulation) that are not covered by Mozambique laws as predicate offences. The deficiencies identified under Recommendations 18 and 19 also apply to the DNFBP sector.

Mozambique is rated **Partially Compliant with requirements of Recommendation 23**

Recommendation 24 – Transparency and beneficial ownership of legal persons

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 33). The main technical deficiency was that the information as provided by the Mozambican authorities in the mutual evaluation questionnaire could not be verified as the relevant laws and regulations were not made available to the assessment team. That being so, the Mozambican authorities could not demonstrate compliance with the essential criteria under Recommendation 33. The new FATF Recommendation and the accompanying Interpretive Note, contain more detailed requirements particularly with respect to the information to be collected on BOs⁵⁰.

Basic Information

Criterion 24.1 – (Not Met) The mechanisms that identify and describe the different types, forms and basic features of legal persons and the process for their creation and obtaining and recording of basic and BO information could not be determined as no law providing this information was available. Information on the website provided could not be verified as it was not supported in the language of the mutual evaluation. Therefore, the kind of information available publicly through this website could not be determined.

Criterion 24.2 – (Not met) Mozambique has not yet carried out a ML/TF risk assessment on all types of legal persons created in the country.

Criteria 24.3 – 24.5 (Not Met) The authorities could not demonstrate that they meet the requirements of this criteria. No legal provisions were provided that support an assessment of these criteria.

Beneficial Ownership Information

Criterion 24.6 – (Partly Met) Art 3(3)(e) of the AML Law No 14/2013 empowers the National Companies Registry (CREL) to collect BO information at the time of incorporation or registration of a legal person. Article 10(2)(b) of the AML Law No 14/2013 as read with Articles 7, 8 of Decree 66/2014 (see R. 10.5) set obligations on reporting entities to obtain and verify BO information. However there is no requirement for legal entities to open a bank account before carrying out their activities, which means not all BO information on legal persons is captured in Mozambique.

Criterion 24.7 – (Not Met). Under the Art. 10(2)(b) of AML Law 14/2013, financial and non-financial institutions are required to identify the BO. Under Art. 10(2)(h), financial and non-financial institutions are required to keep up to date the information obtained during the business relationship, including the identification of the BO. There is no requirement to keep BO information accurate.

Criterion 24.8 – (Not met) In the absence of a legal framework explaining criteria 24.3 – 24.5, the obligations which companies have to keep records and the kind of information collected, appointment of company representatives/directors and their obligations to the company, Mozambique does not meet the requirements of this criterion. In addition, no measures or mechanisms were provided ensuring that companies and DNFBPs cooperate with competent authorities to the fullest extent possible in

⁵⁰ The main Companies Act with the relevant Articles or provisions translated into English was not provided by the authorities. What was provided were only amendments to specific provisions of this law which in some cases did not provide what was required under the Recommendation. Therefore, any wrong understanding or interpretation of the law by the assessors in discussing this Recommendation could be arising from that.

determining the BO, sharing of such information and providing any other further assistance to the authorities. Also, no other comparable measures were provided as having been specifically identified by the country.

Criterion 24.9 – (Partly met) Regarding record keeping obligations:

- (a) FIs and DNFBPs are required to keep records of their customers information and related documents for a period of at least fifteen years from the moment of termination of business relationship (see c. 11.1);
- (b) Legal entities are not required to keep the information.
- (c) There is no requirement to keep information and records for a period of five years after the date of dissolution of the company or otherwise ceased to exist.

Other Requirements

Criterion 24.10 – (Partly Met) Art. 8(2) of Decree No. 66/2014 as read with Art. 36(2) of Law No 14/2013, stipulates that the information collected and maintained by all reporting entities related to the identification of the shareholders must be made immediately available upon request and without delay to the Judicial Authorities, the Attorney General’s Office, the supervisory authorities, and the Financial Intelligence unit of Mozambique (GIFiM). However, the information does not specifically include BO and the powers do not apply to all relevant parties since other competent authorities (e.g MRA, SERNIC, etc) that are not referred to in the article cannot request this type of information.

Criteria 24.11 – 24.13 (Not met) The authorities could not demonstrate that they have provisions that meet the requirements of these criteria.

Criterion 24.14 – (Largely met) Pursuant to Art. 48 (1), in conjunction with Art. 49 of AML Law No 14/2013, competent authorities can use their general powers to cooperate at international level, which includes any MLA on information relating to basic and BO information. The areas in which competent authorities can provide MLA are quite wide which can include obtaining of BO information on behalf of foreign counterparts (Art 49.2 of the AML Law No 14/2013). However, there is no requirement to act rapidly when providing the assistance.

Criterion 24.15 – (Not met) There are no mechanisms in place to monitor the quality of assistance received from other countries regarding BO information.

Weighting and Conclusion

Mozambique has not done an ML/TF risk assessment that covers all types of legal persons created in the country. Provisions of the law enabling collection of basic information of legal persons by CREL were not provided. There are no requirements to keep BO information accurate and updating of the information is not necessarily directed towards BO. The jurisdiction does not have general measures to ensure that companies cooperate with competent authorities to the fullest extent possible in determining the basic information and BO information. Legal entities are not required to keep records for a period of five years after the date of dissolution of the company or has ceased to exist. Mozambique does not have mechanisms to prevent the misuse of nominee shares. There are no mechanisms in place to monitor the quality of assistance received from other countries regarding BO information.

Mozambique is rated Non-Compliant with the requirements of Recommendation 24.

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

In its 1st MER, the requirements of this recommendation (formerly R 34) were Non Applicable in the case of Mozambique.

Criterion 25.1 – (Not Met) a) – b) – Not applicable. The Law in Mozambique does not recognise the legal concept of a trust.

c) Mozambican law recognises professional trustees (Art. 3(2)(g) of the AML Law No. 14/2013). However, the requirements on record keeping provided under Art. 17 of the same Law only cover FIs and Non-Financial Institutions and do not include professional trustees (TSPs). There are also no specific provisions prohibiting being a trustee of a trust based abroad, or a trustee of a foreign trust or providing other services to a foreign trust and no clear explanation was provided by the authorities to clarify the position. In addition, the authorities have not made available to the assessment team legislation establishing obligations in relation to foreign trusts which might be operating or carrying out business in Mozambique

Criterion 25.2 – (Not met) There are no requirements for TSPs to keep the information held accurate and as up to date as possible and to be updated in a timely manner.

Criterion 25.3 – 4 (Not applicable)

Criterion 25.5 – (Partly met) LEAs have the power to compel entities to provide any documentation or information necessary in the course of investigations and prosecutions in respect of predicate offences, ML and TF (see c. 31.1). However, there are no legal requirements for TSPs to obtain and provide information described in (a), (b) and (c) of this criterion. Art. 10(2)(g) of AML Law No 14/2013 (which is the only sub-Art mentioning legal arrangements under the Art) is not adequate as it does not cover the obligation to identify and verify the identity of the BO (also see c. 10.11), determination of the residence of the TSP or assets held or managed by the TSP.

Criterion 25.6 – Not Applicable

Criterion 25.7 – (Not met) Legal professionals and professional trustees can provide trustee services and do not have an obligation to keep and provide information on the trust. As such, they are not legally liable for failure to comply with any AML/CFT requirements, therefore, not sanctionable.

Criterion 25.8 – (Not met) Professional trustees have no obligation to maintain information collected therefore cannot be sanctioned for failure to grant competent authorities timely access to such information.

Weighting and Conclusion

The provisions of the law in Mozambique on the existence of trusts and trustees are not clear. Whilst existence of trusts is not recognised in Mozambique, the AML Law No. 14/2013 provides for lawyers and professional trustees to provide trustee services. Also there are no specific provisions prohibiting a person providing trustee services to a foreign trust. Professional trustees, which are covered under the AML Law No. 14/2013, have no obligation to obtain information on BO of their clients, to keep the information up to date and to retain information on their business transactions thus cannot be sanctioned for any violations pertaining to record keeping.

Mozambique is rated Non-Compliant with requirements of Recommendation 25.

Recommendation 26 – Regulation and supervision of financial institutions

In its 1st MER, Mozambique was rated Non-Compliant with requirements of the Recommendation (formerly R.23). The main technical deficiencies noted were that: TF had not been criminalised, hence there were no preventative measures designed to combat TF; insurance intermediaries were not covered under prevailing law; no designated AML supervisor for postal services; lack of AML supervisory measures for financial institutions subject to the IOSCO Principles for Securities Regulations or the IAIS Insurance Core Principles. During that assessment, TF had not been criminalised, so could not be supervised. The new FATF Recommendation strengthens the principle of supervision and controls using a risk-based approach.

Criterion 26.1 – (Partly Met) The AML Law No. 14/2013, designates the Bank of Mozambique (BoM), as the competent supervisory authority for the financial institutions, including securities sector(Art. 27) (a)). The Insurance Supervision Institute of Mozambique (ISSM) is the competent supervisory authority responsible for insurance, reinsurance, pension fund management companies, insurance intermediaries, other investments entities related thereto (Art. 27 (b) of AML Law No. 14/2013). Art. 27, however, does not cover terrorist financing, which is a major deficiency.

GIFiM supervises those institutions and entities that, by law, are not under the supervision of any specific authority regarding the prevention and combating of money laundering and terrorist financing (Art 27(f) of AML Law No. 14/2013).

Market Entry

Criterion 26.2 – (Mostly Met) The Core Principle financial institutions in Mozambique include banks, insurance companies and stock exchange members and they are subject to licensing, designation or registration by either BoM or ISSM.

BoM licenses Credit Institutions including banks under Art 13 of Law No 15/99, as amended by Law No. 9/2004, which provides for establishment of credit institutions and financial companies, subject to licencing by BoM, on a case by case basis. BoM, also licences securities market players (which are covered under financial companies) in terms of the same Act-

ISSM licenses insurers, reinsurers, insurance and reinsurance intermediaries, according to Articles 1, 9 of the First Book (Conditions of Access and Exercise of the Activity for Insurance Company, Title I, Decree-Law No. 1/2010, and the respective Regulation No. 30/2011. It also licenses pension fund management companies, pursuant to Decree No. 25/2009. MVTs products (Western Union/Mukuru) are offered under payment operations activities authorised under Art. 4 (1) (c) of the law 15/99 and are provided under the banking licence. While mobile money operators (Emola, Mpesa and mKesh) are categorised as electronic currency institutions under Art. 3 (g) of 15/99. Payment operations and electronic currency institutions are financial institutions under the AML/CFT Law 14/2013, Art. 3(1)(a) (also see R. 14). Bureau de changes are listed as finance companies under Art. 5(h) of Law 15/99 and this activity is carried out by the bank under Art.4 of Law 15/99. Finance companies are listed as financial institutions under Art. 3 of Law 15/99

Art. 34 of AML Law No 14/2013 prohibits the establishment or operation of shell banks or banks that do not have physical presence in Mozambique. Also, financial institutions are required to refrain from establishing relations with foreign financial institutions that permit their accounts to be used by shell banks.

Criterion 26.3 – (Mostly met) Before granting a license, BoM and ISSM conduct fit and proper tests on significant shareholders (20% or more shareholding), directors and senior management.

When issuing a licence, BoM reviews the ‘suitability’ of directors, managers and those holding means of control. Office holders in corporate bodies⁵¹ are required to comprise of persons whose fitness guarantees sound and prudent management (Art 19 (1) – (5) of Law 15/99 as Amended by Law 9/2004). Persons with a criminal record, or declared bankrupt or insolvent are considered unfit to hold an office position (Art. 14, 15(2) of the Law 15/99, as amended by Law 9/2004). BoM also assesses changes in key persons (beneficiaries and controllers)(Art 65A, of Law 15/99 as amended by Law 9/2004).

The ISSM requires licensees to satisfy condition and criteria for granting a licence, and these include suitability of founding shareholders, including those having a significant influence on the activity, soundness and prudent management of the business. Senior management are assessed for their suitability in terms of qualifications and professional experience (Art. 17 (a), (b) of the Insurance Act, Decree-Law 1/2010 as read with Art 9 of Decree No. 30/2011). However, there is no provision for vetting of the management to establish any criminal record.

Risk-Based Approach to Supervision and Monitoring

Criterion 26.4(a) – (Not met) BoM and ISSM are core principle financial institutions subject to regulation and supervision in line with the BCBS, IAIS and IOSCO principles, including application of consolidated group supervision provided for under Art 55 of Law 15/99 as amended by Law 9/2004 and Notice No. 3/GBM/2012. Art 130 of Decree No. 30/2011 as read with Art 12 (2) of Decree No. 1/2010, provide for group supervision of conglomerates by ISSM. However, it is not clear to what extent consideration is given to AML/CFT issues when carrying out prudential supervisory activities including consolidated supervision for AML/CFT purposes. In addition, regulatory/supervisory authorities in Mozambique have not started applying the risk-based approach to AML/CFT supervision and monitoring.

Criterion 26.4 (b)(Not met) The information set out in (a) above, also applies to BoM’s supervision regime for other FIs under BoM (MVTS, mobile money operators, bureau de changes, and micro finance institutions). Monitoring on a risk-sensitive basis is not implemented.

Criteria 26.5 – (Not met) The frequency and intensity of supervision and monitoring of FIs for compliance with AML/CFT obligations is not informed by any ML/TF risks. Both BoM and ISSM have not started applying a risk-based supervision approach.

Criteria 26.6 –(Not met). The supervisors do not review the assessment of the ML/TF risk profiles of FIs or group (including the risk of non-compliance) at regular intervals and also when there are major events or developments in the management and operations of the FIs or group .

Weighting and Conclusion

Mozambique has legal or regulatory measures to prevent criminals or their associates from holding (or being the BO of) a significant or controlling interest, or holding a management function, in a FI. However, moderate shortcomings have been identified in that ISSM does not check for criminal records for officers of an FI applying for a license. Supervisory authorities in Mozambique have not started applying risk-based supervision and monitoring.

⁵¹ In particular, the board of directors and management

Mozambique is rated Non-Compliant with requirements of Recommendation 26

Recommendation 27 – Powers of supervisors

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R.29). The main technical deficiencies were that: relevant laws needed to be amended to enhance powers of the BoM and ISSM to compel production of or obtain access to all records, documents or information relevant to monitoring compliance; supervisory authorities of BoM and IGS had not issued guidelines to their sectors, to assist financial institutions to comply and implement AML/CFT requirements; and financial supervisors were not undertaking AML/CFT supervision of financial institutions.

In Mozambique, supervisory authorities are designated under Art 27 of the AML Law. According to the Article, supervisors have powers/duties to supervise for AML only. Art 29 of the same Law, provides for power/duties of supervisory authorities. The supervisory powers/duties under Art 29 include the powers/duties to supervise both AML and CFT which is inconsistent with the designation of the supervisory authorities under Art 27.

Criterion 27.1 – (Partly Met) In terms of Art. 27 of AML Law No. 14/2013, the BoM and ISSM have power to supervise FIs under their purview for AML compliance. Whilst Art 27 confers the mandate to supervise, it does not provide the mandate to supervise on CFT. Art 29 contradicts Art 27 by extending supervisory powers to also cover CFT.

Criteria 27.2 – (Partly Met) Supervisors have authority to conduct AML inspections of FIs in terms of Art. 27 of the AML Law.

Criteria 27.3 – (Partly Met) Although supervisors have powers to access information described in Art. 17(1)–(5), the information accessed is limited as FIs are not required to maintain records relating to account files, business correspondence, and results of any analysis undertaken.

Criteria 27.4 – (Partly met) A range of proportionate and dissuasive financial and disciplinary sanctions are available to supervisors. Supervisors can impose administrative penalties to legal or natural persons (Art. 30(1), 76 as read with 77, 78 of AML Law No. 14/2013). Supervisors are further authorized to withdraw, restrict or suspend a FI's licence; fines; make publications of the convictions of the entity or natural persons, following a final court judgement; and to prohibit senior management from leading any entity, for a period ranging between 1 to 10 years (Art. 78 of AML Law No. 14/2013). There are no administrative sanctions for violation of TFS.

Weighting and Conclusion

Although the supervisors have powers to supervise FIs, Art 27 only designate them to supervise AML and does not include supervision for CFT. Art 29 is inconsistent with the powers of supervisors designated under Art 27 as it empowers supervisors to also supervise for CFT.

Mozambique is rated Partially Compliant with requirements of Recommendation 27.

Recommendation 28 – Regulation and supervision of DNFBPs

In its 1st MER, Mozambique was rated Non-Compliant with the requirements of this Recommendation (formerly R.24). The main technical deficiencies were that: supervisory powers of the General

Inspectorate of Gaming could not be assessed as the Gaming laws and regulations were not availed for assessment; no guidelines issued to casinos; real estate agents, dealers in precious stones and precious metals, lawyers, notaries and accountants were not subject to AML/CFT requirements, hence no ongoing monitoring of the sectors for AML/CFT compliance. Also, no ML/TF risk assessment had been done in the DNFBP sectors. Preventative measures in place were not designed to combat TF, since it was not criminalised in Mozambique. The new FATF Recommendation strengthens the principle of supervision and controls using a risk-based approach.

The inconsistencies described in R. 27 relating to Articles 27 and 29 also apply to DNFBP supervisors under this Recommendation with the exception of GIFiM in terms of Law No. 2/2018.

Casinos

Criterion 28.1 – (Mostly met) Casinos are subject to AML/CFT regulation and supervision in Mozambique.

- a) Casinos are required to be licensed in terms of Art. 5 of Gaming Law No. 1/2010, including online gaming (Art. 5(3)).
- b) The Minister of Tourism, through the Inspectorate of Games, conducts probity and fitness of shareholders owning 5% or more prior to the issuance of a license to operate a casino in Mozambique, in order to prevent criminals or their associates from holding significant or controlling interest, or holding a management function, or being an operator of a casino. Persons with criminal record for fraudulent crimes and those that have been civilly and criminally declared responsible, through court sentences for management malpractices as directors, administrators or managers of a legal collective person, are prevented from conducting the business of a casino (Art. 71 of Gaming Law 1/2010).
- c) Under Art 3(2)(a) of the AML Law No 14/2013, casinos are designated as reporting entities to be supervised for compliance with AML requirements. However, the General Inspector of Games is only mandated to supervise for AML (Art. 27 of the AML Law No 14 /2013; Art. 94 of Gaming Law 1/2010). Also see the deficiencies identified under R. 27.

DNFBPs other than casinos

Criteria 28.2 – (Partly Met) Lawyers, notaries, accountants, dealers in precious metals and stones, real estate agents, car dealers, are all subject to AML supervision (Art 27 of AML Law No. 14/2013). The Bar Association of Mozambique is the AML supervisory authority for lawyers including where they act as Company Service Providers. Notaries are supervised by National Register of Notaries under the Ministry of Justice. Trusts are not recognised under the laws of Mozambique. However, the AML Law No. 14/2013 recognises TCSPs (Art. 3(3) and because there is no designated AML/CFT supervisor for the sector, GIFiM by default becomes the supervisor.

GIFiM is the supervisor for real estate agents and car dealers for AML/CFT purposes (Art. 2(2)(f) of Law No. 2/2018); National Institute of Mining (INAMI), was the supervisor for the precious metals and stones sector (later replaced by the Kimberley Process Unit in the same Ministry of Mineral Resources and Energy). Other entities are supervised or monitored for AML by their supervisory authorities. However, Art 27 does not cover supervision for CFT by all DNFBP supervisors. Also see the deficiencies identified under R. 27.

Criteria 28.3 – (Partly Met) Art 3 (2) as read with Art. 28, and Art. 29 (2) (b), of AML Law No 14/2013 require other categories of DNFBPs to be subjected to systems for monitoring compliance with AML/CFT requirements.

Criteria 28.4 – (Partly met) The designated supervisory authorities have the necessary powers to perform their functions, as provided in Art. 29 of AML Law No. 14/2013.

- a) GIFiM, INAMI, BAM, and OCAM have specific powers to perform their functions, including monitoring AML/CFT compliance in the sectors under their supervisory authority (Art 29 of the AML Law No. 14/2013).
- b) Lawyers, accountants, real estate agents, car dealers, dealers in precious metals and stones supervisors have requirements for applicants, which include screening them for criminal records, and fit and propriety tests, covered in their respective laws. However, not all the DNFBP supervisors take measures to identify and screen BO.
- c) Art. 76 -79 of AML Law No. 14/2013 provides for a wide range of proportionate and dissuasive sanctions to supervisors in cases of failure by financial institutions to comply with AML/CFT requirements (see R. 35).

Criteria 28.5 – (Not met) The supervisory/regulatory authorities for DNFBPs have not yet started conducting AML/CFT supervision, let alone applying risk-based supervision.

Weighting and Conclusion

Mozambique partially meets the majority of the criteria under this Recommendation. The DNFBPs do not identify BO in order to establish their fitness and propriety. Supervision for CFT compliance is not covered under the relevant provision of the AML law. All the DNFBPs have not started supervising their sectors for AML.

Mozambique is rated Partially Compliant with requirements of Recommendation 28 .

Recommendation 29 - Financial intelligence units

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R26). The main technical deficiencies were that: there was no operational FIU; terrorist financing is not criminalised; the GIFiM has not yet issued guidance on the manner of reporting STRs to all reporting entities; there is no adequate staff appointed; the integrity and confidentiality requirements in place are inadequate; no effective awareness raising programmes on AML/CTF issues; and effectiveness could not be assessed as the FIU was not yet operational.

Criterion 29.1 – (Met) Mozambique has an administrative financial intelligence unit (FIU) known as *Gabinete de Informação Financeira de Moçambique* (GIFiM) established in 2007 under Law 14/2007. The functions of the GIFiM have been strengthened with the enactment of Law No. 2/2018 of 19 June, which repealed Law 14/2007. In terms of Articles 2, 3, 12 and 13 of Law No. 2/2018, Art. 18 of the AML Law No. 14/2013 and Art. 33 of the AML Decree No. 66/2014, GIFiM acts as a national centre for receiving, requesting, analysing and disseminating to the investigatory and supervisory authorities disclosures of information concerning suspected transactions and other information in relation to ML/TF and associated predicate offenses.

Criterion 29.2 (Met)— The GIFiM is the central agency for the receipt of suspicious transactions reported by all reporting entities (as defined under Articles 2, 3 and 12 of Law No. 2/2018, Art. 18 of

the AML Law No. 14/2013 and Art. 33 of the AML Decree No. 66/2014). All reporting institutions have the obligation to file STRs (Art. 12 of Law No. 2/2018, Art. 18 of the AML Law No. 14/2013 and Art. 33 of the AML Decree No. 66/2014). Additionally, Art. 24 (3) of the AML Law No. 14/2013 and Art. 36 of AML Decree No. 66/2014 require that declarations related to incoming/outgoing cross-border transportations of currency, bearer-negotiable instruments and valuable goods be sent to the GIFiM. GIFiM also receives other reports like CTRs and Electronic Wire/Fund Transfer as per Art 18 of AML Law No, 14/2013, Art 33(3) of Decree No 66/2014, Art 12 of Law No 2/2018 and Art 26 of Decree No 49/2019. Art. 36 of the AML Decree No. 66/2014 states that MRA through Customs management must notify GIFiM of any cross-border currency declaration and bearer negotiable instruments, if they become aware, suspect or have reason to suspect that money laundering has occurred, is occurring or has been attempted in relation to physical circulation of national currency, currency or bearer negotiable instruments.

In addition to Law No. 2/2018 , GIFiM derives its powers to receive STRs from Art. 18 of Law 14/2013 and Art. 26 of Decree 49/2019 of the GIFiM Staff Structure, Organization, Functioning and Specific Staff Regulations.

Criterion 29.3 (Met) — The GIFiM is legally empowered to require additional data and information from the reporting institutions as provided for under Art. 2-4 of Law No. 2/2018 and Art. 4 of Decree No 49/2019 of 7 June. The GIFiM has also the legal power to access the widest possible range of financial, administrative and law enforcement information from any authority for the proper discharge of the functions of the authority under this law or for purposes of achieving the objectives of the AML/CFT Law No. 14/2013.

Criterion 29.4 (Partly Met)- The GIFiM, through its Analysis, Intelligence and Compliance Services, undertakes operational analysis as per Art. 2 and 3 of Law No. 2/2018 and Art. 19 of Decree No 49/2019. The GIFiM is able to follow the trail of particular transactions or activities and determine links between targets and possible proceeds of crime, money laundering and terrorist financing. Though Art. 3(1) (g) of Law No. 2/2018 and Art. 20 of Decree No 49/2019 empower the GIFiM to develop studies on the typologies studies, trends and threats of ML/TF through its Research and Cooperation Services, the Office has carried out only one strategic analysis on ML.

Criterion 29.5 (Met) — In terms of Art. 2(1),3(c), (i) of Law No. 2/2018, the GIFiM can disseminate any information, as well as the results of any analysis, upon request or spontaneously to the competent authorities and is required to disseminate the same through a secured or safeguarded channel. The FIU is empowered to provide its international counterparts with information concerning the commission of the crime of ML and the crime of TF under bilateral agreements or other international law instruments. Regarding the sharing of information and bilateral cooperation with other FIUs, it is done upon request and spontaneously (Art. 3(f)). GIFiM shares information electronically, if necessary but also uses other forms of communication, such as a telephone. Thereafter GIFiM discloses the results of the analysis to Competent Authorities (Art 13 of Law 02/2018, Art 27 of Decree 49/2019).

Criterion 29.6 (Met)—

a) Art. 10 of the FIU Law subjects all FIU personnel to confidentiality regarding information obtained in the performance of their duties. On the premises of the FIU, there is a procedure for staff security, information and third party access into the building of the FIU.

b) According to the security plan, the FIU ensures that its employees have the necessary levels of security procedures and understanding of their responsibilities in handling and disclosing sensitive and confidential information.

c) The security plan provides limited access to FIU facilities and information, including information technology systems.

Criterion 29.7 (Met) — Law No. 2/2018 establishes the GIFiM as a state national entity which shall be the principal national agency responsible for preventing and combating ML/TF and associated predicate/ancillary offences. The Office is autonomous both technically and administratively (Art. 1(1)). As per Art. 7(2) of Decree No 49/2019, the activities of the Coordinating Council should not impede the technical and operational independence of GIFiM. Under Art. 2 and 3 of Law No. 2/2018, the GIFiM may sign agreements and decide independently on exchange of information with other competent national authorities and with foreign counterparts. Additionally, the FCA Act under ss.6, 7 and 9 sets the procedures for appointing both the Director, and the Deputy Director, respectively. As a consequence of this legislative framework, there is no interference in the decisions that are made by the FIU in terms of its core functions. In terms of Art 32 and 33 of Decree No 49/2019, the GIFiM may obtain and mobilize necessary resources to carry out its functions.

Criterion 29.8 (Not Met) — GIFiM is not yet a member of Egmont Group nor has it made an unconditional membership application to join Egmont Group. The Office is being sponsored by the FIUs of South Africa and Brazil to apply for membership to the Group.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 29.1-29.7 and does not meet Criterion 29.8. GIFiM is not yet a member of Egmont Group nor has it made an unconditional membership application to join the Egmont Group.

Mozambique is rated Largely Compliant with the requirements of Recommendation 29.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

In its 1st MER, Mozambique was rated PC with requirements of this Recommendation (formerly R. 27). The main technical deficiencies were: there was no money laundering investigation and prosecution; terrorist financing was not criminalised; and overall effectiveness could not be assessed. The FATF standards in this area have been strengthened considerably by including, among other things, requirements for parallel financial investigations and role of anti-corruption enforcement authorities.

Criterion 30.1 – (Met) SERNIC is the sole designated LEA in Mozambique with the mandate to investigate ML and TF (Art. 6 (b) and (7) (1) (k-1) of Law 2/2017) and terrorism (Art 25 of Law 5/2018). In addition, there are also other LEAs that are designated to investigate predicate offences. ANAC is designated to investigate offences on flora and wildlife crimes (Art 13(e) and (h) of Internal Regulation of ANAC pursuant to Resolution No. 3/2017). The PPO is the sole prosecutorial authority in Mozambique and has general mandate to prosecute (Art. 4 of Law 4/2017) and instruct SERNIC to investigate any offence not within its specific mandate (Art 7 (2) of Law 2/2017). Whilst there is a designated LEA mandated to investigate ML, TF and the designated associated predicate offences,

there is no national AML/CFT policy. Therefore, the investigations are not being carried out within the framework of a national AML/CFT policy.

Criterion 30.2 – (Met) SERNIC has wide investigative powers under Art 6 and 7 of Law 2/2017, including carrying out of parallel financial investigations. These powers provide for investigation of general crimes as well as ML/TF. Other LEAs with power to investigate predicate offences are able to refer any ML investigations to SERNIC.

Criterion 30.3 – (Mostly Met) PPO is the primary competent authority with mandate to initiate freezing and seizing of property that is, or may become, subject to confiscation, or is suspected of being proceeds of crime; although said mandate can only be exercised upon granting of a warrant by a magistrate. Art. 38 and 40 of Law No.14/2013, require that a magistrate must issue a warrant for restraint or seizure within 48 hours of the application. It must be noted that the period of 48 hours is not objectively expeditious for a restraining order. With respect to funds associated with TF, the PPO, SERNIC and Judges have power to freeze or seize assets (Chapter III of Law No. 5/2018). Articles 14 and 19 of Law 5/2018, further require that the order of a magistrate in respect of TF assets be done within hours, although no specific time limit is provided which creates a gap in expeditious implementation.

In February 2019, Mozambique formed the Multi-Disciplinary Asset Recovery Taskforce (MDART) through the Attorney General’s Order No. 2/GAB-PGR/001.1/2019 issued pursuant to Art. 237 of the Constitution of Mozambique and Art. 4 and 16 (1)(d) of Law No. 4/2017, specifically for expeditious identification, tracing, freezing and seizing of assets suspected to be proceeds of crime or may become subject to confiscation.

Criterion 30.4 – (Not Met) The mandate to investigate ML and TF has not been extended to stakeholder competent authorities and is strictly restricted to SERNIC (Art. 7 of Law 2/2017). Even the MRA has no mandate to undertake parallel financial investigations into the predicate offences within their jurisdiction, as Art. 7 (3) of Law No. 2/2017 mandates that SERNIC be informed once any other authority deems that an offence may involve ML or TF.

Criterion 30.5 – (Met) – ACB, which is the anti-corruption agency, is also designated to investigate ML/TF offences (Art 80(g) of Law No. 4/2017) linked to corruption and being composed of public prosecutors, has the power to initiate freezing and seizing of assets pursuant to the AML Law.

Weighting and Conclusion

Mozambique has a single designated investigation authority, SERNIC, responsible for conducting ML and TF investigations and it has the authority to pursue parallel financial investigations. There are a number of LEAs, which may be the first point of contact of an investigation which have no mandate to investigate ML with the exception of ACB but only where the ML investigation is arising from a corruption offence, which may limit the opportunities to identify and investigate ML.

Mozambique is rated Partially Compliant with the requirements of Recommendation 30.

Recommendation 31 - Powers of law enforcement and investigative authorities

In its 1st MER, Mozambique was rated PC with requirements of this Recommendation (formerly R 28). The main technical deficiencies were that terrorist financing was not criminalised; and overall effectiveness of money laundering investigations and prosecutions could not be assessed. This Recommendation has been expanded and now requires countries to have, among other provisions, mechanisms for determining in a timely manner whether natural or legal persons hold or manage accounts. The offences relating to TF have now been criminalised (see R. 6).

Criterion 31.1 – (Mostly Met) LEAs have the power to compel individuals or entities to provide any documentation or information necessary in the course of investigations and prosecutions in respect of predicate offences, ML and TF.

(a) *Production of records held by FIs, DNFBPs and other natural or legal persons*

PPO is empowered to directly request information from any individual or entity in respect of any matter that it is handling (Art. 92 of Law 35/2007) and from private institutions (Art. 8 of the Law 4/2017). SERNIC has powers to request information from both public and private entities (Art 12(3) and 21 (b) of Law No. 2/2017). SERNIC can directly access civil and criminal files held by public institutions and information held by other national and international bodies upon signing of MoUs (Art. 18(1), (2) of Law 2/2017). Judicial authorities and GIFiM can request FIs and Non-FIs to provide information or documents of clients' accounts.

(b) *Search of persons and premises*

PPO has powers to seek judicial leave to search persons and premises, in the context of any investigation, as long as there is reasonable grounds for suspicion (Art. 203 to 212 of Law No 35/2007). SERNIC can carry out searches on persons where there is **strong evidence** that the person in a public place or under police surveillance has concealed any crime related objects or objects which can be used as evidence (Art. 21(d) of Law No 2/2017). SERNIC has general powers to search premises with the exception of searches on lawyer's office, offices of other professionals legally or statutorily bound by professional secrecy (Art. 21(c) of Law No 2/2017). SENAMI has power to search any suspect or vehicle transporting illegal foreigners (Art. 40(b) of Law 4/2014). LEAs may search any premises where drugs or drug associated activities are suspected of occurring (Art. 66 (1) of Law 3/97) including intravenous searches (Art. 67 of Law 3/97). With the exception of SERNIC and SENAMI, there is no statutory provision empowering other LEAs to carry out searches of either persons or premises.

(c) *Taking of witness statements*

Art. 4(u) of Law 4/2017 confers a general power on PPO prosecutors to undertake inquiries and investigations in the course of their duties. Art. 229 of Law No.35/2007 mandates that witnesses are to make their statements in person and not through attorneys.

(d) *Seizing and obtaining evidence*

Any objects used to commit the offence or that may be valuable to the investigation may be searched and seized pursuant to Art. 202 of Law 35/2007. Art. 37, 38 and 42 of AML Law No. 14/2013 provide for the PPO to apply for a seizure order from a judge of the courts but what is not clear from the provisions is whether the application by the PPO is made pursuant to a request by LEAs or a Competent Authority carrying out a ML, predicate or TF offence investigation, or it initiates such applications on its own. Art. 7(2)(c) of Law 16/2013 allows the police to seize weapons, munitions, explosives, radioactive substances and related materials. This seizure is voidable pursuant to Art. 7(3), if not immediately communicated to a competent court for

validation. Art. 66 and 67 of Law 3/97 make provision for seizures of drugs, drug paraphernalia or equipment for production, manufacture or storage of drugs.

Criterion 31.2 - (Partly Met) LEAs may use a wide range of investigative techniques in the course of investigating predicate offences, ML and TF.

- (a) Pursuant to Art. 61(3) (c) of AML Law No.14/2013, competent authorities may apply for judicial leave to carry out undercover operations in the course of an investigation into ML or TF. There is no provision for undercover operations in the investigation of predicate offences.
- (b) Art. 61(3) (a) of AML Law No.14/2013 empowers LEAs to apply for judicial leave to intercept communications in the course of an investigation into ML or TF case. A similar provision under Art. 29 of Law No. 5/2018, only applies to TF investigations. Both provisions exclude any communication between lawyers and their clients. Art. 21 (a) of Law No. 2/2017 similarly empowers SERNIC to intercept communications, where judicial leave has been granted in any investigation it will be undertaking.
- (c) There are no explicit provisions enabling access to computer systems.
- (d) Pursuant to Art. 61 (3) (c) of Law 14/2013, competent authorities may apply for judicial leave to carry out controlled delivery in the course of an ML or TF investigation. There is no provision for controlled delivery in the investigation of predicate offences.

Criterion 31.3 – (Partly met) Mozambique has mechanisms in place which:

- a) empower competent authorities, upon receipt of a court order to access and monitor an account, also to access information relating to whether natural or legal persons hold or control an account. However, there is no time line for the issuance of the said court order or how fast financial institutions must comply (Art. 61(1)(a), (c) of AML Law No 14/2013).
- b) empower competent authorities to monitor accounts for set periods, upon receipt of a court order (Art. 61 (1)(b) of AML Law No 14/2013). Art. 62 of AML Law No 14/2013 provides that the application is made by the PPO but there is no statutory restriction of notice not being given to the owner of the bank accounts.

Criterion 31.4 – (Met) SERNIC and PPO when investigating ML, associated predicate offences and TF are able to ask for relevant information held by the GIFiM (Art 8(2), 12(3) of Law No. 2/2017; Art 92 of Law 35/2007).

Weighting and Conclusion

Mozambique’s LEAs have power to access documents or records held by FIs, DNFBPS, or through search and seizure when investigating ML/TF. Further, LEAs have access to a wide range of investigative techniques when conducting ML/TF investigations. However, no specific timelines are given for obtaining of some of the orders from the courts. Competent authorities have no powers to

access computer systems and the provisions are not specific on circumstances when applications can be made ex-parte.

Mozambique is rated Partially Compliant with requirements of Recommendation 31.

Recommendation 32 – Cash Couriers

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly SR IX). The main technical deficiencies were that there was no legislative framework meeting the requirements under SR IX in Mozambique.

Criterion 32.1 – (Mostly Met) Mozambique has implemented a declaration system for cross border transportation of currency and bearer negotiable instruments (Art 24(1) of AML Law No 14/2013). Mozambique imposes a general obligation for declarations for all physical cross-border movement of currency and BNI in person or in cargo (Art 1 and Art 6 of Decree 9/2017). There is no provision requiring declarations for cross border movement through mail of currency and BNIs.

Criterion 32.2 – (Met) (a) and (c)] are N/A, (b) Mozambique uses a declaration system with a declaration threshold value of \$10, 000 pursuant to Art. 108 (1) of Notice 11/GBM/2018 that applies to foreign currency and BNIs and a threshold of MZN10, 000 (USD 151) that applies to local currency. The Passenger Declaration Form is used for this purpose at Mozambican entry and exit points.

Criterion 32.3 – (N/A) This requirement is inapplicable as Mozambique uses a declaration system.

Criterion 32.4 – (Not met) The Mozambican legislation does not authorise a competent authority to make further enquiries about the source and intended use of the currency or BNIs.

Criterion 32.5 – (Met) – Art. 24 of AML Law No 14/2013 provides for the imposition of sanctions for false statements made in relation to movements of currency and BNIs. Currency is mandatorily seized when there is a false declaration (Art 24 Law 14/2013) and monetary sanctions may also be imposed ranging from fines of MZN10, 000 to MZN200, 000, 000 (USD 153 to UDF 3, 079) for natural persons and MZN40, 000 to MZN1, 000, 000 (USD 615 to USD 15, 385) for legal persons.

Criterion 32.6 – (Met) Information obtained through declaration by Customs is required to be reported to the GIFiM by Customs Services and the Directorate of Customs is required to keep such records for 15 years (Art. 24(3), (5) of the AML Law No. 14/2013).

Criterion 32.7 – (Mostly met) MRA, Postal Authority and Immigration have a high level of coordination amongst themselves. However, the coordination and cooperation of those agencies with GIFiM is limited. Notably, an officer from MRA is seconded within the MDART to enhance coordination with PPO, SERNIC, GIFiM and Ministry of Justice in complex cases involving cash couriers.

Criterion 32.8 – (Partly met) Art, 24 (4) of AML Law 14/2013 obligates either customs or any other competent authority to seize cash or BNIs where there is no declaration, a false declaration or when reasonable suspicion to support ML or TF has been established. However, competent authorities are

not empowered to stop or restrain currency for a reasonable period in order to ascertain whether evidence of ML/TF may be found in cases where there is suspicion of ML/TF or predicate offences or a false declaration..

Criterion 32.9 – (Not met) Mozambique has no law or regulations providing for the retention of information to facilitate international cooperation in circumstances set out under this criterion.

Criterion 32.10 – (Not met) Mozambique has no safeguards to ensure proper use of information collected through the declaration system.

Criterion 32.11 – (Met) Art. 24 of AML Law No 14/2013 provides for the imposition of sanctions for false statements made in relation to movement of currency and BNIs related to ML/TF. Currency is mandatorily seized when there is a reasonable suspicion of ML/TF (Art 24 Law 14/2013) and sanctions may also be imposed ranging from fines of MZN10, 000 to MZN200, 000 for natural persons and MZN40, 000 to MZN1, 000, 000.

Weighting and Conclusion

Mozambique has made significant improvements since its last MER. LEAs need to be provided with clear powers to make further enquiries about the source and intended use of the currency or BNIs. LEAs should be further empowered to stop or restrain currency or BNIs for a reasonable period to enable them to ascertain whether evidence of ML/TF may be found where there is suspicion of ML/TF or predicate offence; or a false declaration.

Mozambique is rated Partially Compliant with requirements of Recommendation 32.

Recommendation 33 – Statistics

In its MER under the First Round of MEs, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R 32). The main technical deficiency was that no systematic collection of detailed statistics with respect to: investigation, prosecution and conviction of ML cases, freezing, seizure and confiscation of proceeds of crime, mutual legal assistance requests, extradition requests, other forms of international cooperation; and no detailed review had been conducted on the effectiveness of the AML/CFT regime in Mozambique.

Criterion 33.1 – (Partly met) – Article 3(h) of Law 2/2018 confers mandate on GIFiM to prepare statistics on ML and TF in collaboration with other competent authorities. Article 4 (1) of Law 2/2018 obligates public and private institutions to collaborate with GIFiM by providing it with reports on ML/TF and associated predicate offences. GIFiM maintains statistics on the STRs received and disseminated, however the statistics were not wholly consistent (see IO.6). The PPO is required in terms of Art. 33(c) of Law No. 4/2017 to coordinate and ensure management of statistical information. SERNIC provided statistics related to investigations on drug trafficking which were not linked to investigations on ML. ACB was able to provide statistics in relation to freezing, seizure and confiscations on cases involving corruption and ML, although these statistics were not comprehensive, ANAC was able to provide statistics on seizures and confiscations relating to CITES violations, although these did not indicate whether they related to ML or TF. PPO provided statistics on MLA applications received although they were not able to provide statistics on MLA requests received

according to the respective predicate offences. GIFiM maintains statistics on information requests received from other FIUs and also statistics of requests made by GIFiM to other FIUs.

Weighting and Conclusion

Mozambique's framework mandates that maintaining of statistics on ML and TF should be done by GIFiM. In practice GIFiM predominantly maintains statistics on STRs only. However, there were no comprehensive statistics provided by the authorities as a whole on ML/TF or associated predicate offences. Despite the legal requirements for both GIFiM and PPO to maintain statistics, the statistics provided were incoherent and not comprehensive. With the exception of the Drug Brigade and ANAC, all other LEAs were unable to provide generally cohesive statistics demonstrating that Mozambique's ability to maintain comprehensive statistics is inadequate

Mozambique is rated Partially Compliant with requirements of Recommendation 33

Recommendation 34 – Guidance and feedback

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 25). The main technical deficiencies were that no guidelines were issued and there had been no meaningful feedback to the reporting entities.

Criterion 34.1 – (Partly met) Supervisory authorities have an obligation in terms of Art. 29(2)(c), (f) of AML Law 14/2013 to issue guidelines to their sectors, and develop standards or criteria for the reporting of suspicious transactions, and to promote compliance with AML/CFT requirements. BoM (Notice No 4/GBM/2015), ISSM (Notice No. 1 – CA-ISSM/2019), Gaming Board (Guideline NR 01/IGJ/2019), have guidelines in place which were issued to the relevant sectors. The rest of the DNFBP supervisors, including GIFiM, have not developed guidelines for their sectors, and no guidance at all has been provided to the reporting entities in these sectors. During onsite, the GIFiM indicated that they were finalising the guidelines for the real estate sector. The BoM had begun to provide feedback to commercial banks only following AML/CFT inspections it had conducted. The rest of competent authorities, supervisors and SRBs were not providing feedback to reporting entities, to assist FIs and DNFBPs in applying AML/CFT measures, and in particular the detection and reporting of suspicious transactions.

Weighting and Conclusion

Supervisors of the FIs have provided some guidance to their reporting entities, while the majority of the supervisors for the DNFBPs have not provided guidance for their sectors. There is no feedback being provided to most of the reporting entities by competent authorities, their supervisors and SRBs in order for them to detect and report STRs.

Mozambique is rated Partially Compliant with requirements of Recommendation 34.

Recommendation 35 – Sanctions

In its 1st MER, Mozambique was rated Partially Compliant with requirements of this Recommendation (formerly R17). The main technical deficiency was that to the extent that TF is not criminalized in Mozambique, the preventative measures are not designed to combat TF; the procedures that must be followed for the investigation of breaches of AML requirements imposed on financial institutions under the law and regulations are not clear. This may seriously undermine the application of sanctions by the

country. STRs; insurance intermediaries are not covered under Law 7/2002; and the effectiveness of the regime for sanctions could not be assessed as no sanctions had been applied at the time of the assessment.

Criterion 35.1 – (Partly met) Criminal and administrative sanctions are available for violations of the AML/CFT requirements and these apply to both natural and legal persons.

Targeted Financial Sanctions (R.6): The legal framework does not provide for sanctions for failure to freeze funds without delay. There are no clear provisions on freezing actions to be taken by persons other than the reporting entities for purposes of both UNSCR 1267 and its successor resolutions and UNSCR 1373. Also, there is no provision that prohibits any person from dealing with funds or economic resources of a listed person. Moreover, there are no requirements for FIs and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions.

NPOs (R.8): There is no existing legislation for NPOs, hence authorities cannot monitor their compliance, nor apply sanctions (See Criterion 8.4(b)).

Preventive Measures and Reporting (R.9-23): The supervisors have at their disposal a range of criminal and administrative sanctions for violations of the AML Law No 14/2013. These administrative sanctions and ancillary measures are covered under Articles 76 and 78 of AML Law No 14/2013, which can be applicable to FIs or non-financial entities, and the penalties are segmented to apply to FIs or non-financial entities, respectively (Art. 77). Sanctions can be applied to reporting entities (see c. 35.2) for failure to implement CDD measures. Also, supervisors can suspend the business activity for a period of time, placement under enhanced supervision of the reporting entity, publication of the conviction of an entity after the court judgment, and expulsion from the country, if it involves a foreigner.

Art. 30 (1) and (2) of the AML Law No 14/2013 empower the competent supervisory authorities to apply the sanctions, where they detect violations of obligations under this Act, and impose penalties, in accordance with the law. The competent supervisory authority is required to inform the GIFiM of the violations of the law and the penalties imposed, and the penalised reporting entity will be published in the media.

Art 6 of Law No. 5/2018 provides criminal liability of legal persons and their directors, managers and employees, when the commission of the crime of TF was enabled by failure to comply with CDD requirements. However, there is a range of remedial measures, such as warnings and action plans, which can be pursued by supervisors for reporting entities to address minor deficiencies. The range of sanctions are proportionate and dissuasive, to deal with natural and legal persons of FIs and DNFBPs that fail to comply with the AML/CFT requirements. However, violations of requirements under R. 8 are not covered by any of the sanctions under the AML/CFT laws.

Criteria 35.2 (Met) – The AML Law No. 14/2013 provides a range of proportionate and dissuasive sanctions which are both criminal and administrative. Sanctions apply not only to financial institutions and DNFBPs, but also to their directors, senior management and employees. Sanctions for a financial institution which violates the AML Law (Art 77), is a fine of 800,000.00 to 8,000,000.00 Meticais (USD12,120.00 to USD121,200.00), and 370,000.00 to 3,750,000.00 Meticais (USD5,600.00 to USD58,800.00), if the offender is a natural person. In the case of violations by a DNFBP business, or its employees, the fines are 400,000.00 to 4,000,000.00 (USD6,000.00 to USD60,600) and 185,000.00 to 1,850,000.00 Meticais (USD2,800.00 to USD28,000.00), respectively (Art. 77 of AML Law No. 14/2013). Legal persons can be jointly charged (Article 79 of AML Law No 14/2013) with the natural

persons, such as directors, management or employees of reporting entities. Art. 78 of AML Law No 14/2013 provides ancillary measures, which include revocation or suspension of licence, placement under enhanced supervision of a competent authority, suspension of senior management, dissolution, publication of convictions, expulsion from the country, in the case of a foreigner.

Apart from offences arising from the responsibility of the financial institutions and DNFBPs, directors, senior management or employees, can be held liable, individually (Art. 69 of the AML Law 14/2013).

Weighting and Conclusion

The laws of Mozambique do not prescribe sanctions for FIs and DNFBPs which do not apply freezing measures pursuant to the UNSCRs. R.8 is not covered in sanctions provided by the AML/CFT Laws. However, there is a range of sanctions which appear to be proportionate and dissuasive, to deal with natural or legal persons who fail to comply with the AML/CFT requirements of Recs 6, and 9 to 23.

Mozambique is rated Partially Compliant with requirements of Recommendation 35.

Recommendation 36 – International instruments

In its 1st MER, Mozambique was rated Partially Compliant with requirements of this Recommendation (formerly R35) and Non-Compliant with SR I. The main technical deficiencies were that: Mozambique has not yet implemented measures to fully give effect to the Vienna and Palermo Conventions; and Mozambique has not yet implemented the SFT or the UNSCRs relating to terrorist financing. The deficiency concerning implementation of targeted financial sanctions is no longer assessed under this Recommendation but is now covered in R. 6.

Criterion 36.1 – (Met) Mozambique signed and ratified the Vienna Convention in 1996, the Palermo Convention in 2002, and the International Convention for the Suppression of Terrorism Financing in 2002 and the Merida Convention in 2006.

Criterion 36.2 – (Not met)- No further information has been provided as to how the relevant articles of the above cited international instruments have been incorporated into domestic law other than the information indicated under c. 3.1 and 5.1.

Weighting and Conclusion

Mozambique meets the requirements of Criterion 36.1 and does not meet Criterion 36.2. Mozambique is a party to the four conventions, but there are shortcomings in implementation.

Mozambique is rated Partially Compliant with the requirements of Recommendation 36.

Recommendation 37 - Mutual legal assistance

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R36 and SRV). The main technical deficiencies were that: no clear and efficient processes for executing requests; insufficient implementation of MLA requests related to ML/TF cases; no clear and efficient processes for executing requests; insufficient implementation of the provisions relating to TF cases; and no consideration for asset sharing.

Criterion 37.1 – (Partly met) Mozambique's MLA framework provides for a range of measures the country may use to seek assistance relating to ML and TF investigations, prosecutions and related

matters. Art. 48 of the AML Law No. 14/2013, empowers competent national authorities to engage in international cooperation with their foreign counterparts in matters of ML and TF. However, the law does not cover the possibility of rendering and requesting MLA on associated predicate offenses. In addition, Mozambique has not criminalised migrant smuggling (which is perceived to be one of the prevailing predicate offences for ML in Mozambique), illicit trafficking in stolen and other goods, forgery, insider trading, and market manipulation which limits MLA which can be provided in respect of those offences.

Criterion 37.2 – (Not met) During the period under review, Mozambique did not have a formal designated Central Authority for handling mutual legal assistance requests⁵². The requirements for the timely prioritisation and execution of requests are not provided in any of the laws. There is no case management system to monitor progress on requests.

Criterion 37.3 – (Met) The conditions for refusal of MLA requests stipulated in Art. 50 of the AML Law No. 14/2013, do not appear unreasonable and unduly restrictive.

Criterion 37.4 – (Met)

- a) According to Art. 50(3) of AML Law No. 14/2013, the fiscal matters are not an obstacle to provide assistance in response to a request for MLA.
- b) Articles 20, 26 of the AML Law No. 14/2013 override secrecy obligations and allow exchange of information by FIs or DNFBPs. In addition, under Art. 49(2)(b), (e) of Law 15/99 as amended by Law 9/2004, confidentiality can be waived by FIs and disclose information where there is a court order signed by a judge in terms of the Criminal Procedure Law.

Criterion 37.5 – (Met) Competent authorities are required to respect the confidentiality of the request for MLA, including the contents of the request, the documents produced and the fact of MLA. The Mozambican competent authority is also required to inform the competent authority of the requesting State when it is not possible to carry out the request without disclosure to other parties (Art. 50(4) of AML Law No. 14/2013).

Criterion 37.6 – (Met) Dual criminality is not a condition for mutual legal assistance where the assistance required does not involve coercive actions (Art. 50 (1)(e) of AML Law No.14/2013).

Criterion 37.7 – (Met) In Mozambique, it is sufficient for both countries to criminalise the underlying illicit conduct as an offence, regardless of whether both countries place the offence within the same category of offence (Art. 48(2) of AML Law No 14/2013).

Criterion 37.8 – (Partly Met) Other than the limitations described under R. 31 relating to using a wide range of investigative techniques in the course of investigating predicate offences, there are no specific limitations that can prevent LEAs from using the same powers provided to them under R. 31 to respond to requests for MLA.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 37.3 – 37.6; mostly meets Criterion 37.8; partly meets Criteria 37.1, 37.7 and 37.8 and does not meet Criterion 37.2. There is no provision for rendering MLA

⁵² As per Article 5 of Law No. 21/2019, which came into effect on 11 December 2019, after the onsite visit, the central authority for purposes of MLA in criminal matters is the Public Prosecutor's Office. However, the requirements for the timely prioritisation and execution of requests are not also defined in any part of the new Law.

on associated predicate offenses. Mozambique does not have a formally designated central authority for handling MLA requests. There is no case management system to monitor progress on requests. Mozambique has not also criminalised migrant smuggling, illicit trafficking in stolen and other goods, forgery, insider trading, and market manipulation which affects MLA in respect of these offences. Some of the deficiencies identified in Recommendation 31, also apply to this Recommendation.

Mozambique is rated Partially Compliant with the requirements of Recommendation 37.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 38). The main technical deficiencies were that in the absence of a general legal instrument, assistance cannot be provided in relation to requests relating to the identification, freezing, seizure, or confiscation of property.

Criterion 38.1 – (Partly Met) Art. 49(2) of AML Law No. 14/2013, sets procedures for international judicial cooperation on asset recovery relating to: (a) laundered property from, (b) proceeds from, (c) instrumentalities used in, or (d) instrumentalities intended for use in, money laundering, predicate offences, or terrorist financing; or (e) property of corresponding value (see R.4). The assistance includes in particular: inspections, searches, confiscations, seizures, examinations and forensic provision of information, evidence and expertise, information on Mozambican or foreign law and information concerning the criminal record of suspects, defendants and convicts. However, there are no similar requirements for predicate offences such as migrant smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation which are not criminalised under the Mozambican law. This limits the ability to confiscate the proceeds and instrumentalities of these offences. The inability to confiscate assets related to migrant smuggling is significant in light of Mozambique’s risk profile.

Criterion 38.2 – (Not Met) Mozambique does not have enabling mechanisms or provisions to provide MLA in cases where the request is related to non-conviction based confiscation proceedings and related provisional measures.

Criterion 38.3 – (Partly Met)

- a) Although Mozambique does not have bilateral arrangements for coordinating seizure and confiscation actions with other countries, Articles 49(2), 52 of AML Law No.14/2013 allow authorities sufficient room to coordinate seizure and confiscation actions with other countries based on the principle of reciprocity. This in particular includes: obtaining evidence and taking witness statements, enforcement of seizures and searches, examining objects and sites; identification and location of proceeds, instrumentalities and property, confiscation or forfeiture.
- b) Mozambique does not have the necessary mechanisms for managing and disposing of property frozen, seized or confiscated.

Criterion 38.4 – (Met) Mozambique has a legal basis for sharing of confiscated property with other countries through agreements in terms of Article 54 (2) of AML Law No. 14/2013.

Weighting and Conclusion

Mozambique meets the requirements of Criterion 38.4, partly meets Criteria 38.1, 38.3 and does not meet Criterion 38.2. Mozambique does not have the necessary mechanisms for managing and disposing of property frozen, seized or confiscated in respect of MLA. Procedures for international judicial

cooperation on asset recovery in relation to some of the predicate offenses as per its risk profile are not covered. Mozambique does not have enabling mechanisms or provisions to provide MLA in cases where the request is related to non-conviction based confiscation proceedings and related provisional measures.

Mozambique is rated Partially Compliant with the requirements of Recommendation 38.

Recommendation 39 – Extradition

In its 1st MER, Mozambique was rated Non-Compliant with requirements of this Recommendation (formerly R. 39). The main technical deficiencies were that money laundering as an extraditable offence is dependent on individual treaties; in the case of prosecuting Mozambican nationals in lieu of extradition, a strict approach to dual criminality is applied; the process for communicating extradition requests to the Central Authority is through the Ministry of Foreign Affairs and is inefficient; and there is no demonstration of effectiveness in the execution of extradition requests.

Criterion 39.1 – (Mostly Met) a) ML and TF offences are extraditable offences in terms of Art. 48 (1) and 55 of the AML Law No. 14/2013 and Law No 17/2011, b) Mozambique does not have a case management system; and c) Mozambique does not place the execution of extradition requests under unreasonable or unduly restrictive conditions. The grounds for refusal of extradition are provided under Art 56 of Law No.14/2013, Art 67 of the Constitution and Art 4 of Law No. 17/2011. As per the Laws, extradition may take place only following a court decision. Extradition for political reasons shall not be authorised. Extradition shall not also be permitted for crimes which are punishable by death or by perpetual imprisonment under the law of the requesting State, or when there are grounds to believe that the extradited person may be subjected to torture or inhumane, degrading or cruel treatment. Extradition may not be granted if the person sought has been tried for the crime underlying the request and has been acquitted or, if convicted, has been jailed in the requested State or if there is a reasonable ground that the request for extradition has been made for the purpose of prosecuting or punishing a person on account of race, religion, nationality, ethnic origin, gender, or status, or that such person's position may be prejudiced for some of these reasons.

Criterion 39.2 – (Met) Mozambique does not extradite its own nationals (Extradition Law No.17/2011, Art. 4(1)(a), (2) and Art. 67(4) of the Constitution) unless the Mozambican nationality was acquired after the commission of the facts on which is based the extradition request. However, whenever Mozambique refuses extradition of a national who has committed a ML/TF and associated predicate offence in another country, Mozambique will have jurisdiction to prosecute the person on the basis of AML Law No. 14/2013 (Art. 57).

Criterion 39.3 – (Met) In terms of Art. 48(2) of AML Law No. 14/2013, the requirement for dual criminality is deemed to have been satisfied regardless of whether both countries place the offence within the same category of offence.

Criterion 39.4 – (Met) Mozambique has mechanisms or a framework for applying simplified extradition as per Art. 18 of the Extradition Law No.17/2011.

Weighting and Conclusion

Mozambique meets the requirements of Criteria 39.2-39.4; mostly meets Criterion 39.1. The provisions relating to extradition under the Mozambican law are not prohibitive and complicated as to make the extradition process difficult or cumbersome. The only deficiency is that Mozambique does not have a case management system for extradition cases.

Mozambique is rated Largely Compliant with the requirements of Recommendation 39.

Recommendation 40 – Other forms of international cooperation

In its 1st MER, Mozambique was rated Partially Compliant with requirements of this Recommendation (formerly R. 40). The main technical deficiencies were that: there is no operational FIU in Mozambique to carry out international cooperation requests from counterparts in foreign jurisdictions; it was not possible for the assessment team to evaluate whether the authorities in Mozambique are able to exchange information in a rapid, constructive and effective manner as no statistics were made available; Mozambique does not have any laws or guidelines to ensure that the competent authorities, who receive information from cooperating entities use it only for the authorised purpose for which it was requested; there is also no provision regarding how the information received is stored by the receiving entity; and the overall effectiveness of the mechanisms in place could not be assessed in the absence of relevant statistics.

Criterion 40.1 – (Mostly Met) Formal mechanisms are in place for GIFiM (under Art. 3(1)(f) of Law No. 2/2018, Art. 29 of Decree No. 49/2019), SERNIC (Art. 6(g) of Law No. 2/2017) and Supervisors (Art. 29(2)(i) of the AML Law No 14/2013) to provide a range of information and international cooperation both spontaneously and upon request in relation to ML, associated predicate offences and TF. In general, the assistance can be provided rapidly but timeframes vary depending on the assistance requested and authority involved. The SERNIC, for example, may use the services of the International Criminal Police Organisation (Interpol) to process requests to obtain information in a timely and expeditious manner. There are no similar powers in respect of which other competent authorities, such as Immigration, ACB and MRA can provide the widest range of international cooperation. Instead, the authorities advised of reliance on bilateral (e.g. MoUs) and multilateral arrangements. Besides, the ACB has powers upon being authorized by the Attorney General to conduct investigations abroad jointly with the authorities of the foreign State (Art. 80 (c) of Law no 4/2017).

Criterion 40.2 – (Partly met)

- h) The GIFiM, SERNIC and supervisory authorities have legal basis to render international assistance and exchange information (see c. 40.1). There are no specific legal basis for competent authorities such as Immigration, MRA and ACB to provide assistance on request from foreign counterparts. The PPO is legally authorised to provide assistance only on criminal matters concerning the ACB. The authorities advised that they enter into bilateral or multilateral arrangements or agreements on the basis of reciprocity mainly to set out procedures and processes relating to provision, protection and use of information requested and provided.
- i) In terms of the laws described under c. 40.1, the competent authorities are allowed to take appropriate measures with respect to assisting a requesting State. However, this provision is not explicit on competent authorities being allowed to use the most efficient means to co-operate.
- j) The GIFiM does not have clear and secure gateways, mechanisms or channels such as the EGMONT secure web system that facilitate the transmission and execution of requests in Mozambique. However, the Police and Immigration use the INTERPOL system. ARINSA website is a medium for exchanging information by LEAs and Prosecution.

d-e)- There are no processes which allow prioritisation and timely execution of requests as well as for safeguarding the information received in Mozambique.

Criterion 40.3 – (Mostly met) The legal framework for GIFiM, SERNIC and Supervisory authorities to cooperate with foreign counterparts is not predicated on prior conclusion of bilateral or multilateral arrangements or any arrangement. Competent authorities are members of specialised regional organisations or networks (e.g. AU, UN, SAPRCO, ARINSA, SADC-CISNA, CPLP) which they use for purposes of cooperation on supervision, investigation and prosecution. Competent authorities provide assistance and exchange information as may be requested, if the purpose of the request meets the set criteria. In respect of timeliness when membership to these regional organisations is done, the authorities indicated that there are no set time-frames as generally conclusion of such arrangements is dependent on the nature and the complexity of the assistance and cooperation required.

Criterion 40.4 – (Not Met) The competent national authorities exchange information with their foreign counterparts, but feedback on assistance and exchange of information between the requesting authorities and the requested competent authorities regarding the use and usefulness of the information exchanged is not obtained or captured.

Criterion 40.5 – (Mostly Met)

a) Mozambique does not refuse a request for assistance on the grounds that the request is also considered to involve fiscal matters or that laws require financial institutions or DNFBBs to maintain secrecy or confidentiality.

b) Articles 20 and 26 of the AML Law No. 14/2013 override secrecy obligations and allow sharing of information by financial institutions or DNFBBs.

c) The authorities could not demonstrate that a request cannot be refused on the basis that there is an inquiry, investigation or proceeding underway in Mozambique, unless the assistance required would impede that inquiry, investigation or proceeding;

d) Mozambique does not prohibit exchange of information or place restrictive conditions based on the nature or status of the requesting authority being different from that of its foreign counterpart.

Criterion 40.6 – (Partly Met) Except for the GIFiM (Art. 3 of Law No. 2(2018) and Art. 29(2)(b) of Decree No. 49/2019) the other competent authorities do not have provisions to control and safeguard information exchanged with other competent authorities to ensure that it is used only for the purpose for, and by the authorities, for which the information was sought or provided, unless prior authorisation has been given by the requested competent authority. They generally rely on conditions set out in bilateral or multilateral arrangements with foreign counterparts or on a case-by-case arrangement to safeguard and protect information provided.

Criterion 40.7 – (Partly Met) Other than the GIFiM, which is required to satisfy itself of the confidentiality and security of the information received or exchanged with foreign counterparts (Art. 29(2)(b) of Decree No. 49/2019), there are no requirements for other competent authorities to refuse to provide information to a foreign counterpart agency, if the information cannot be effectively protected.

Criterion 40.8 – (Met) The authorities are able to conduct inquiries on behalf of foreign counterparts, and exchange with their foreign counterparts all information that would be obtainable by them if such inquiries were being carried out domestically. The GIFiM can make enquiries on behalf of a foreign counterpart/agency if the requested assistance falls under its powers in terms of the Mozambican law. The GIFiM has a wide-range of powers to access information held by a broad number of private and public institutions such as law enforcement agencies, supervisory bodies and any public authority or person, and FIs and DNFBBs (see R.29). SERNIC is able to carry out an investigation on behalf of a domestic counterpart, based on a request for information made by a foreign counterpart. It may also trace assets following a request received from ARINSA, where the foreign counterpart has supplied

sufficient evidence that the property to be traced is proceeds of crime. The supervisory authorities may also exchange information relating to their regulated entities with foreign counterparts and the law does not prohibit these agencies to conduct enquiries on behalf of foreign counterparts. The ACB is able to conduct enquiries on behalf of its foreign counterparts after securing authorisation from the PPO.

Exchange of information between FIUs

Criterion 40.9 – (Met) Pursuant to Art. 48(1) of AML Law No 14/2013, Art. 3(1)(f) of Law 2/2018 and Art. 29 of Decree 49/2019, the GIFiM has a legal basis for providing co-operation on ML, associated predicate offences and TF.

Criterion 40.10 – (Partly Met) The law neither bars nor makes provision for GIFiM to provide feedback to foreign counterparts on the use of information and the outcomes achieved. The authorities explained that provision for this could be made in an MoU entered into pursuant to Art. 29 of Decree 49/2019.

Criterion 40.11 – (Met)-Mozambique has no express limitation on the information that may be provided by GIFiM to another FIU and is able to exchange: (a) all information required to be accessible or obtainable directly or indirectly by the FIU, in particular under R. 29; and (b) any other information which GIFiM has the power to obtain or access, directly or indirectly, at the domestic level, subject to the principle of reciprocity.

Exchange of Information between Financial Supervisors

Criteria 40.12 – (Met) The country has mechanisms in place to enable supervisors to share supervisory information related to and relevant for AML/CFT purposes, with other foreign financial supervisors (Art. 29(2)(i) of AML Law No. 14/2013).

Criteria 40.13 – (Met) BoM can exchange domestically available information with foreign counterparts (Art. 57(2) of Banking Law 15/99, as amended by Law 9/2004), on a reciprocal basis and in the context of co-operation agreements that the bank has entered into, regarding information necessary for the supervision of credit institutions and finance companies with head offices in Mozambique and equivalent institutions with head offices in those other states. ISSM, through its membership to Committee of Insurance, Securities and Non-Bank Financial Supervisors (CISNA), Lusophone Insurance Supervisors Association (ASEL), International Organisation of Pensions Supervisors (IOPS) and International Association of Insurance Supervisors (IAIS), can exchange information on supervision of the sector.

Criteria 40.14 – (Met) Financial supervisors can exchange information relevant for AML/CFT purposes, in particular, with other supervisors that have a shared responsibility for FIs operating in the same group:

- a) BoM can exchange regulatory information on the supervision of financial institutions with headquarters in Mozambique and institutions of equivalent nature with headquarters in countries with supervisory authorities of other states, under reciprocity basis. The ISSM can exchange information with any national and international supervisory authority (Art. 136 of Decree n. 30/2011).
- b) BoM and ISSM can exchange information with other institutions that supervise banking and the insurance and securities markets, both in the country and abroad, (Art. 19 (5) of Law 15/99, as amended by Law 9/2004). Shared information may include FI's business activities, fitness and propriety of managers and the board of directors, BO information (Art. 25 (1)(b), (4) of

Law 15/99, as amended by Law 9/2004, Art. 29(1)(a) as read with Art. 29(1)(i) of AML Law No. 14/2013).

- c) The sharing of information by financial supervisors on AML/CFT internal control procedures and policies of FIs, CDD information and samples of accounts and transaction information is not specified in the available laws.

Criteria 40.15 – (Not Met) There is no specific provision to enable financial supervisors to conduct inquiries on behalf of foreign counterparts, and authorise or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country, in order to facilitate effective group supervision, although BoM has co-operation agreements and ISSM is a member to CISNA, ASEL and IAIS.

Criteria 40.16 – (Partly Met) - The BoM has appropriate confidentiality provisions which guide the sharing and dissemination of information with other parties (Art. 58 of Law 15/99, as amended by 9/2004). Disclosure or dissemination of information exchanged, or its use for other purposes by the foreign counterparts, may only be done after authorisation, in writing, from the concerned party. ISSM does not have similar requirements.

Exchange of information between law enforcement authorities

Criterion 40.17 – (Met) Law enforcement authorities can exchange domestically available information with foreign counterparts on the basis of a bilateral or a multilateral framework for intelligence sharing or investigative purposes in respect of ML, TF and predicate crimes including identification and tracing of assets and instrumentalities of crimes under investigation. SERNIC is a member of INTERPOL and SARPCCO which enables provision of information to its counterparts in a secured manner. All requests from foreign counterparts are received at Interpol National Central Bureau in the SERNIC Headquarters in Maputo, and are channelled to a relevant unit within the Police to investigate using its domestic powers to collect information on behalf of its counterparts. Furthermore, the SERNIC and the PPO are members of the ARINSA, since 2017, which has further links with other asset tracing regional and international networks such as Camden Asset Recovery Inter-Agency Network (CARIN) which they use to identify and trace illicit assets.

Criterion 40.18 – (Mostly Met) LEAs can use their respective powers, including investigative techniques available within national laws, to carry out inquiries and gather information on behalf of foreign counterparts. For instance, SERNIC uses cooperation channels within Interpol, SARPCCO and ARINSA to initiate investigation and obtain information on behalf of foreign counterparts. However, Art 80 of Law No 4/2017, which provides for the powers of ACB does not include carrying out inquiries and gathering information on behalf of foreign counterparts.

Criterion 40.19 – (Met) Law enforcement agencies in Mozambique rely on legal powers and other mechanisms, such as bilateral and multilateral arrangements to enter into and participate in joint investigative teams with foreign counterparts in relation to ML, TF and associated predicate offenses. Within SARPCCO’s investigation cooperation arrangements, there are Simultaneous Joint Operations in which members can send their police officers to foreign countries, or carry out simultaneous investigation at home on the same matter and provide the information collected to a foreign counterpart.

Exchange of information between non-counterparts

Criterion 40.20 – (Not met) There is no legal or regulatory basis which gives authority to the competent authorities to exchange information indirectly with foreign counterparts.

Weighting and Conclusion

Mozambique is rated Met with Criteria 40.8-9, 40.11-14, 40.17 and 40.19; Mostly Met with Criteria 40.1, 40.3, 40.5, and 40.18; Partly Met with Criteria 40.2, 40.6 - 7, 40.10, and 40.16; and Not Met with Criteria 40.4, 40.15 and 40.20. Competent authorities apply the requirements of other forms of cooperation through laws and other arrangements at a bilateral and multilateral level to provide assistance to foreign counterparts. While Mozambique meets or mostly meets the majority of the criteria under R.40, there are deficiencies which weigh less on the overall compliance with the requirements. These include lack of feedback on usefulness of information by competent authorities, generalised timelines to respond to a request and absence of authority to competent authorities to exchange information indirectly with foreign non-counterparts

Mozambique is rated Largely Compliant with the requirements of Recommendation 40

Summary of Technical Compliance – Key Deficiencies

Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating (This table should set out the rating, and a summary of all the factors contributing to each rating)
1. Assessing risks & applying a risk-based approach	[PC]	<ul style="list-style-type: none"> • Low understanding of ML/TF risks • Mozambique has not yet conducted a NRA • The country does not have an AML/CFT policy or strategy • No prioritised allocation of resources according to high risk
2. National cooperation and coordination	[PC]	<ul style="list-style-type: none"> • There are no national AML/CFT policies in place. • There are no cooperation mechanisms to ensure AML/CFT requirements comply with data protection and privacy rules. • There are no mechanisms to facilitate coordination to combat the financing of proliferation of weapons of mass destruction.
3. Money laundering offences	[PC]	<ul style="list-style-type: none"> • The offences of migrant smuggling and fraud, illicit trafficking in stolen and other goods, insider trading and market manipulation are not criminalised under the Mozambican law. • The scope of ML under the AML Glossary is limited to a financial or commercial transaction introduced into a financial system.
4. Confiscation and provisional measures	[PC]	<ul style="list-style-type: none"> • No measures to identify, trace and evaluate property that is subject to confiscation. • • No measures to take steps that will prevent or void actions that prejudice the country's ability to freeze or seize or recover property that is subject to confiscation • No mechanisms for managing and, when necessary, disposing of property frozen, seized or confiscated.
5. Terrorist financing offence	[PC]	<ul style="list-style-type: none"> • Attempting to commit a TF offence is not criminalised • No legal provision to criminalise the financing of the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training. • Participating as an accomplice in a TF offence or attempted offence is not criminalised.

6. Targeted financial sanctions related to terrorism & TF	[NC]	<ul style="list-style-type: none"> • No mechanisms that complement supranational mechanisms to implement the TFS. • No requirement for financial institutions and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions. • No mechanisms requiring the delisting of a person or an entity that no longer meets the criteria under the 1267/1989 or 1988 Committees and 1373.
7. Targeted financial sanctions related to proliferation	[NC]	<ul style="list-style-type: none"> • No measures to implement proliferation financing requirements.
8. Non-profit organisations	[NC]	<ul style="list-style-type: none"> • Absence of review of the NPO sector to identify sub-sectors vulnerable to TF abuse. • No TF awareness raising and outreach has been done for the sector. • Absence of measures to ensure effective cooperation, coordination and information sharing among authorities. • Inadequate legal and regulatory framework, which is not regularly reviewed. • No framework to respond to international requests for information.
9. Financial institution secrecy laws	[C]	<ul style="list-style-type: none"> • The Recommendation is fully met.
10. Customer due diligence	[PC]	<ul style="list-style-type: none"> • FIs are not required to verify that any person purporting to act on behalf of the customer is so authorized and to identify and verify the identity of the person. • FIs are not required to identify and take reasonable measures to verify the identity of BOs through information set out under criteria 10.10 (b) and (c). • For customers that are legal arrangements, FIs are not required to identify the customer and verify its identity through name, legal form and proof of existence. • There are no requirements for FIs to conduct CDD measures on beneficiaries of life insurance and other investment related insurance policies. • No requirements for FIs to adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification. • There are no provisions permitting FIs not to pursue the CDD process and instead file an STR, where they form suspicion of ML/TF and reasonably believe that performing the CDD process will tip-off the customer
11. Record keeping	[LC]	<ul style="list-style-type: none"> • While FIs are required to make all CDD information and transaction records available to competent authorities ,

		there is no specific requirement for this information to be made swiftly.
12. Politically exposed persons	[LC]	<ul style="list-style-type: none"> • No legal provision requiring FIs to take appropriate measures to determine whether the beneficiaries and/or, where required, the BO of the beneficiary of a life insurance policy are PEPs. • Further, no provision is provided requiring FIs to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.
13. Correspondent banking	[LC]	<ul style="list-style-type: none"> • Relating to payable through accounts, the law limits the CDD aspects to be performed by FIs (limited to verification and continuous monitoring) • No provision requiring FIs to satisfy themselves that correspondent FIs do not permit their accounts to be used by shell banks.
14. Money or value transfer services	[NC]	<ul style="list-style-type: none"> • No legal framework providing for MVTS providers in Mozambique. • No action has been taken with a view to identify natural or legal persons that carry out MVTS without a license or registration • No legal provision stipulating conditions under which agents for MVTS providers are to be licensed or registered by a competent authority • Agents of MVTS providers are not required to be included in MVTS providers' AML/CFT programmes neither are they monitored for compliance with the programmes
15. New technologies	[NC]	<ul style="list-style-type: none"> • The country and FIs (with the exception of large/international banks and MVTS providers) have not identified and assessed the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. • The legal and institutional framework for VAs and VASPs is not provided.
16. Wire transfers	[PC]	<ul style="list-style-type: none"> • No requirements for cross-border wire transfers in batched files to contain required originator information and full beneficiary information. • No legal framework regulating MVTS as well as the MVTS providers that would meet requirements under c. 16.16. • No legal framework regulating MVTS that would meet requirements under c.16.17(a), (b). • No provision creating an obligation for FIs when processing wire transfers to take freezing measures pursuant to UNSCRs 1267 and 1373 and successor resolution.

17. Reliance on third parties	[C]	<ul style="list-style-type: none"> The Recommendation is fully met.
18. Internal controls and foreign branches and subsidiaries	[LC]	<ul style="list-style-type: none"> No provisions for financial groups to implement group-wide programmes against ML/TF, which should be applicable and appropriate to, all branches and majority owned subsidiaries of the financial group.
19. Higher-risk countries	[NC]	<ul style="list-style-type: none"> No provisions requiring FIs to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. No demonstration that the country can apply countermeasures proportionate to the risk when called upon to do so by the FATF and independently of any call by the FATF to do so. No measures in place to advise FIs on weaknesses in the AML/CFT systems of other countries.
20. Reporting of suspicious transaction	[PC]	<ul style="list-style-type: none"> Migrant Smuggling, illicit trafficking in stolen and other goods, insider trading and market manipulation which are mentioned under the FATF Glossary are not predicate offenses/not criminalised under the Mozambican law (see R.3.2). This means that reporting entities have no obligation to report STRs relating to these offences.
21. Tipping-off and confidentiality	[C]	<ul style="list-style-type: none"> The Recommendation is fully met.
22. DNFBPs: Customer due diligence	[PC]	<ul style="list-style-type: none"> The deficiencies identified under R.10, 11, and 12 are equally relevant to DNFBPs. No legal provisions requiring DNFBPs to comply with new technologies and reliance on third-parties.
23. DNFBPs: Other measures	[PC]	<ul style="list-style-type: none"> Deficiencies identified in respect of Internal Controls (R.18), Higher Risk Countries (R.19) and Reporting of Suspicious Transactions (R. 20), also apply.
24. Transparency and beneficial ownership of legal persons	[NC]	<ul style="list-style-type: none"> The ML/TF risk assessment to determine which types of legal persons created in Mozambique are likely to be exposed to ML/TF risk has not been done. Aauthorities could not demonstrate legal requirements for creation of legal persons. No specific provisions enabling foreign competent authorities to access information kept with the Registrar of Companies. Legal entities are not required to keep records for a period of 5 years after the date of dissolution of the company. There are no mechanisms to prevent abuse of nominee shares. Inadequate understanding and gathering of information on BO.
25. Transparency and beneficial ownership of legal arrangements	[NC]	<ul style="list-style-type: none"> Legal arrangements, such as trusts are not permitted in Mozambique.

		<ul style="list-style-type: none"> • Authorities could not demonstrate measures in place to determine participation of foreign trusts in Mozambique.
26. Regulation and supervision of financial institutions	[NC]	<ul style="list-style-type: none"> • Financial sector supervisors are not identifying beneficial owners at market entry. • Financial sector supervisors are not applying the risk-based approach to supervision and monitoring. • Frequency and intensity of supervision and monitoring of FIs is not informed by ML/TF risks. • No provision in law or mechanisms which require or demonstrates that supervisors review the risk profiles of FIs at regular intervals.
27. Powers of supervisors	[PC]	<ul style="list-style-type: none"> • BoM and ISSM have powers to supervise or monitor and ensure compliance with AML/CFT requirements. • Prevention of Terrorist financing is not explicitly covered under powers of supervisors in the AML law. • The supervisors have authority to conduct inspections of FIs. • Supervisors have authority to compel production of information, however, the AML law is not clear to require FIs to maintain records of account files and business correspondence, thus limits the power of supervisors on the type of information they can obtain. • There is a range of proportionate and dissuasive financial and disciplinary sanctions are available to supervisors.
28. Regulation and supervision of DNFBPs	[PC]	<ul style="list-style-type: none"> • All DNFBP are subject to AML/CFT regulation and supervision in Mozambique, and they have adequate powers to perform their functions, although <i>Article 27</i> of AML law is not explicit on prevention of terrorism financing. • None of the DNFBPs supervisors take measures to identify and screen beneficial owners. • All DNFBP supervisors have not started conducting AML/CFT supervision, monitoring of their sectors, or applying risk-based supervision. • Sanctions are provided in cases of violations of the AML Law by DNFBPs.
29. Financial intelligence units	[LC]	<ul style="list-style-type: none"> • GIFiM is not a member of nor has it made an unconditional membership application to join the Egmont Group
30. Responsibilities of law enforcement and investigative authorities	[PC]	<ul style="list-style-type: none"> • Limitations on LEAs, other than SERNIC, to investigate ML.
31. Powers of law enforcement and investigative authorities	[PC]	<ul style="list-style-type: none"> • Limitations on the range of investigative techniques that may be utilised by LEAs, other than SERNIC.
32. Cash couriers	[PC]	<ul style="list-style-type: none"> • Sanction regime is not sufficiently dissuasive. • LEAs have no clear powers to make further enquiries about the source and intended use of the currency or BNIs detected.

		<ul style="list-style-type: none"> • The declaration requirement only covers foreign currency and not currency in general as required under the criterion.
33. Statistics	[PC]	<ul style="list-style-type: none"> • No comprehensive statistics maintained by competent authorities on ML/TF investigations, prosecutions convictions and confiscations. • Lack of a good quality information management system.
34. Guidance and feedback	[PC]	<ul style="list-style-type: none"> • Only BoM, ISSM and GIG have sector-specific guidance, with the rest of the DNFBP supervisors yet to issue for their sectors. • BoM had begun to provide feedback to commercial banks following AML/CFT inspections, with the rest of competent authorities, supervisors and SRBs yet to provide feedback to reporting entities, and in particular the detection and reporting of suspicious transactions.
35. Sanctions	[PC]	<ul style="list-style-type: none"> • TFS legal framework does not provide for sanctions for failure to freeze funds without delay; there is no provision that prohibits any person from dealing with funds or economic resources of a listed person; no requirements for FIs and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions. • NPOs are not regulated and there are no sanctions in place. • There are dissuasive and proportionate sanctions applicable to financial institutions and DNFBPs, and to their directors, senior management and employees.
36. International instruments	[PC]	<ul style="list-style-type: none"> • Authorities could not demonstrate how and to what extent, the Vienna, the Palermo, the Merida and the Terrorist Financing Conventions have been fully implemented/ domesticated.
37. Mutual legal assistance	[PC]	<ul style="list-style-type: none"> • No provision for rendering MLA on associated predicate offenses to ML. • The requirements for the timely prioritisation and execution of requests are not provided. • Mozambique does not have a formally designated central authority for MLA requests. • Mozambique has not criminalised migrant smuggling and fraud, illicit trafficking in stolen and other goods, forgery, insider trading, and market manipulation which affects MLA in respect of these offences.
38. Mutual legal assistance: freezing and confiscation	[PC]	<ul style="list-style-type: none"> • No mechanisms for managing and disposing of property frozen, seized or confiscated in respect of Mutual Legal Assistance. • No enabling mechanisms or provisions to provide MLA in cases where the request is related to non-conviction based confiscation proceedings and related provisional measures. • Procedures for international judicial cooperation on asset recovery regarding some of the predicate offenses as per the risk profile of Mozambique are not covered

39. Extradition	[LC]	<ul style="list-style-type: none">• No case management system for extradition requests.
40. Other forms of international cooperation	[LC]	<ul style="list-style-type: none">• No requirements for feedback on usefulness of information by competent authorities• There are no set time-frames to provide responses on foreign requests.• Competent authorities are not authorised to exchange information indirectly with foreign non-counterparts.
