



BANCO DE MOÇAMBIQUE

SECTORAL RISK ASSESSMENT OF MONEY LAUNDERING, FINANCING OF TERRORISM AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

MAPUTO CITY, OCTOBER/NOVEMBER 2023

STRUCTURE

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1. BACKGROUND

- In 2019, Mozambique underwent a mutual assessment by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), in order to assess its level of compliance with the 40 recommendations of the Financial Action Task Force (FATF), and measure the effectiveness of the domestic systems of AML/CFT;
- From this assessment, the ESAAMLG concludes that several crimes pose high risks of AML/CFT for the country, namely: corruption, drug trafficking, human trafficking, wildlife trafficking, illegal trading in precious stones and metals and tax evasion.

1. BACKGROUND CONTD.:

- On the other hand, between July 2020 and March 2021, Mozambique carried out the National Risk Assessment (NRA) of money laundering (ML), and financing of terrorism (FT) in order to identify the threats and vulnerabilities and understand the current risks in the AML/CFT framework, underpinned by the recommendations of the Financial Action Task Force (FATF), for a risk-based approach;
- Following the NRA, the financial sector was considered medium-high risk, as the crimes identified in the ESAAMLG mutual assessment, pose a major ML/FT threat.

2. SECTORAL ASSESSMENT OF AML/CFTP RISKS

- According to the FATF's recommendations, as well as the applicable Mozambican legislation, supervisory authorities shall carry out an ML/FTP sectoral risk assessment (SRA) at least once every two years or whenever it proves necessary;
- The ML/FTP SRA does not replace the National Risk Assessment, given that they are complementary activities.

2.1. GOAL

- The SRA aims to improve the awareness and understanding between entities and institutions of ML/FTP threats and vulnerabilities, so as to set priorities for allocating resources, and ultimately mitigate identified risks, supported by a risk-based approach.

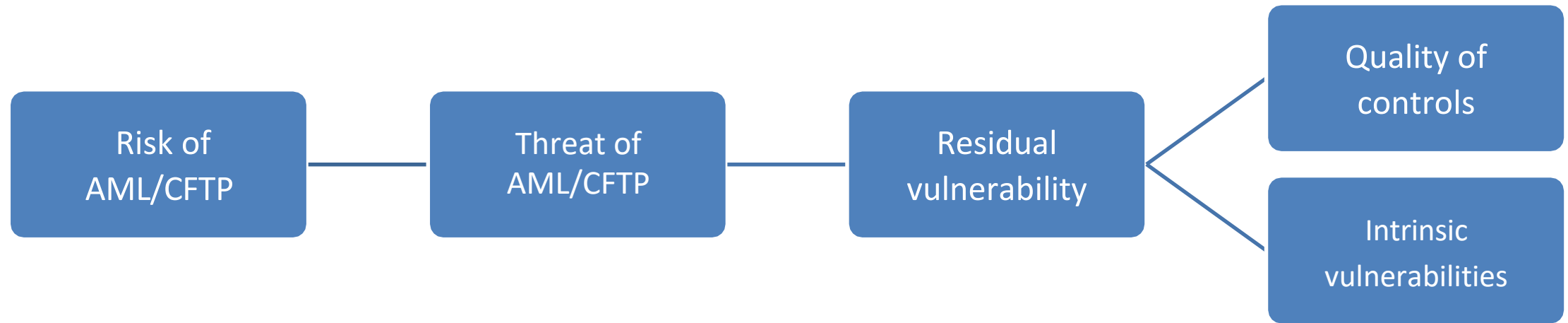
2.2. METHODOLOGY

- The methodology will depend on the organization of the sector supervised by the Banco de Moçambique. So, in this light, the supervised institutions are organized into five groups of institutions, namely:
 - Credit institutions;
 - Microfinance institutions;
 - Foreign exchange offices;
 - Financial Service Providers (money of payment aggregators and mobile money institutions);
 - Virtual asset service providers.

2.2. METHODOLOGY CONTD.:

- For each group of institutions, the risk aspects concerning the main products/services, customers, distribution channels, and geographical location will be analyzed.
- In order to ascertain the ML/FTP risk, the degree of residual vulnerability resulting from the combination of the quality assessments of controls for AML/CFTP and intrinsic vulnerabilities, as well as sector threats, should be assessed for each group of institutions, as per the figure below.

2.2. METHODOLOGY CONTD.:



2.2. METHODOLOGY CONTD.:

- In order to assess the quality of the AML/CFTP for each of the institution groups, ratings will be assigned to a set of factors that determine the robustness of control measures, namely:
 - The current regulatory framework;
 - The AML/CFTP oversight/inspection;
 - Administrative measures and sanctions;
 - Criminal sanctions;
 - Procedures for controlling access to the business/profession;
 - Suitability and qualification of managers and other employees;
 - Regulatory compliance control;
 - Monitoring and reporting suspicious transactions;
 - Information on beneficial owners;
 - National identification system and independent sources of information.

2.2. METHODOLOGY CONTD.:

- The assessment of the degree of intrinsic vulnerability of each of the institutional groups will result from the measurement and weighing of a set of context factors and a list of intrinsic vulnerabilities, assessed by each product, service, or business, namely:
 - Contextual factors: result from the identification, analysis, and evaluation of the importance of the activity in the national economy, measured by variables such as the size of the product, overall value of operations, number of obliged entities, average value of operations and ML/FTP risk profile of the standard customer;
 - Intrinsic vulnerabilities: include general vulnerabilities and vulnerabilities identified in the NRA 2020/2021, assessed by their likelihood of occurrence and impact on the sector, highlighting:

2.2. METHODOLOGY CONTD.:

- Cash use in the business;
- Hardships in learning the source of funds;
- Transnationality of operations;
- Use of agents, distributors or other forms of intermediation in the business;
- Business customer anonymity;
- Anonymity of the beneficial owner of the customer;
- Difficulty of traceability of documents and records of support of operations;
- Hiring without the physical presence of the customer;
- Usual use at home and abroad of the business for ML/FTP.

2.2. METHODOLOGY CONTD.:

- The threat assessment will consider the crimes identified in the mutual ESAAMLG, namely corruption, drug trafficking, human trafficking, wildlife trafficking, illegal trading in precious stones and metals, and tax evasion.

3. CONCLUSION

- The Banco de Moçambique calls for collaboration by supervised entities;
- Throughout the work, there may be a need to request additional information or working meetings with the institutions;
- It is herein reiterated that there will be no sanctioning measure or specific determination, as the objective is only to evaluate the sector and not a specific financial institution.



THANK YOU