



THE KINGDOM OF ESWATINI

MONEY LAUNDERING NATIONAL RISK

ASSESSMENT

2023

Acronyms

ACC	Anti-Corruption Commission
AG	Attorney General
AML	Anti- Money Laundering
AML/CFT	Anti-Money Laundering/ Counter Financing of Terrorism
CBE	Central Bank of Eswatini
CDD	Customer Due Diligence
CFI	Centre for Financial Inclusion
CFT	Counter Financing of Terrorism
CMD	Capital Markets Division
DFI	Development Finance Institutions
DFS	Digital Financial Services
DNFBPS	Designated Non-Financial Business Professionals
DPP	Director of Public Prosecutions
ESAAMLG	Eastern and Southern Africa Anti- Money Laundering Group
EFIU	Eswatini Financial Intelligence Unit
ERS	Eswatini Revenue Services
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FSRA	Financial Services Regulatory Authority
FSRB	FATF Style Regional Bodies
GDP	Gross Domestic Product
GNP	Gross National Product
GoE	Government of Eswatini
IMF	International Monetary Fund
KoE	Kingdom of Eswatini
KYC	Know Your Customer
LEAs	Law Enforcement Agencies

MF	Micro-Finance
MFI	Micro-Finance Institutions
MFU	Micro-Finance Unit
ML	Money Laundering
MoF	Ministry of Finance
MoJCA	Ministry of Justice and Constitutional Affairs
MoU	Memorandum of Understanding
MVTS	Money Value Transfer Services
NFIS	National Financial Inclusion Strategy
NRA	National Risk Assessment
PF	Proliferation Financing
RBA	Risk Based Approach
REPS	Royal Eswatini Police Services
MoJCA	Ministry of Justice and Constitutional Affairs
RFEDP	Rural Finance and Enterprise Development Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIA	Swaziland Institute of Accountants
SSB	Standard Setting Bodies
TF	Terrorism Financing
WB	World Bank

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1. Executive Summary

1.1 Overall National Risk

The assessment of the country's money laundering threats revealed that the country has Medium High threat levels. The data analysed revealed that the four (4) high proceeds generating predicate offences are fraud, drug possession, tax evasion and corruption. This was reflected by the high number of these predicate offenses investigated by the country's LEAs and the STRs filed with the EFIU by accountable institutions.

The country also has a very low ML prosecutions rate as only six ML cases were prosecuted in the period under review commencing 2018 to 2022. In the period under review the country had not made any ML conviction. From the six (6) ML prosecutions, there was only one acquittal, and the others were still pending in court at the time of compiling this report. This low ML prosecutions rate was mainly caused by the lack of parallel financial investigations by the country's LEAs. The LEAs mainly concentrated on predicate offenses investigations and not paying attention on the financial crime aspect. The ML cases prosecuted mainly involved the Banking sector, real estate sector, and dealers in motor vehicles sector. The predicate offenses committed were fraud, tax evasion, and corruption.

In terms of cross border threats, the assessment revealed that the largest in-flows were from South Africa, the United States, Great Britain, and Nigeria. The largest out-flows were to South Africa, the United States, Great Britain, and Hong Kong China. The highest flows of funds were with South Africa making up a considerable 85% of all the flows. The assessment also exposed that large sums of cash moved across the borders of Eswatini and South Africa and this was seen from the cash declarations data collected at the country's borders. The porous nature of the borders between the 2 countries means there were also undeclared monies in amounts which were not determined. There are 2 known ML investigations involving foreign nationals in Eswatini. However, there were no convictions at the time of compiling this report.

The country's vulnerability to money laundering is rated MH. Eswatini has put in place legal framework to manage ML risks. The MLFTP Act 2011 (as amended) is generally a comprehensive AML/CFT legislation. However, the legislation is currently under review to address some technical deficiencies which were identified during the recent mutual evaluation by ESAAMLG. Major vulnerabilities identified by the NRA include the absence of a national AML policy. The country had developed National AML Strategy in 2018 which was however not informed by the country's AML risk exposure.

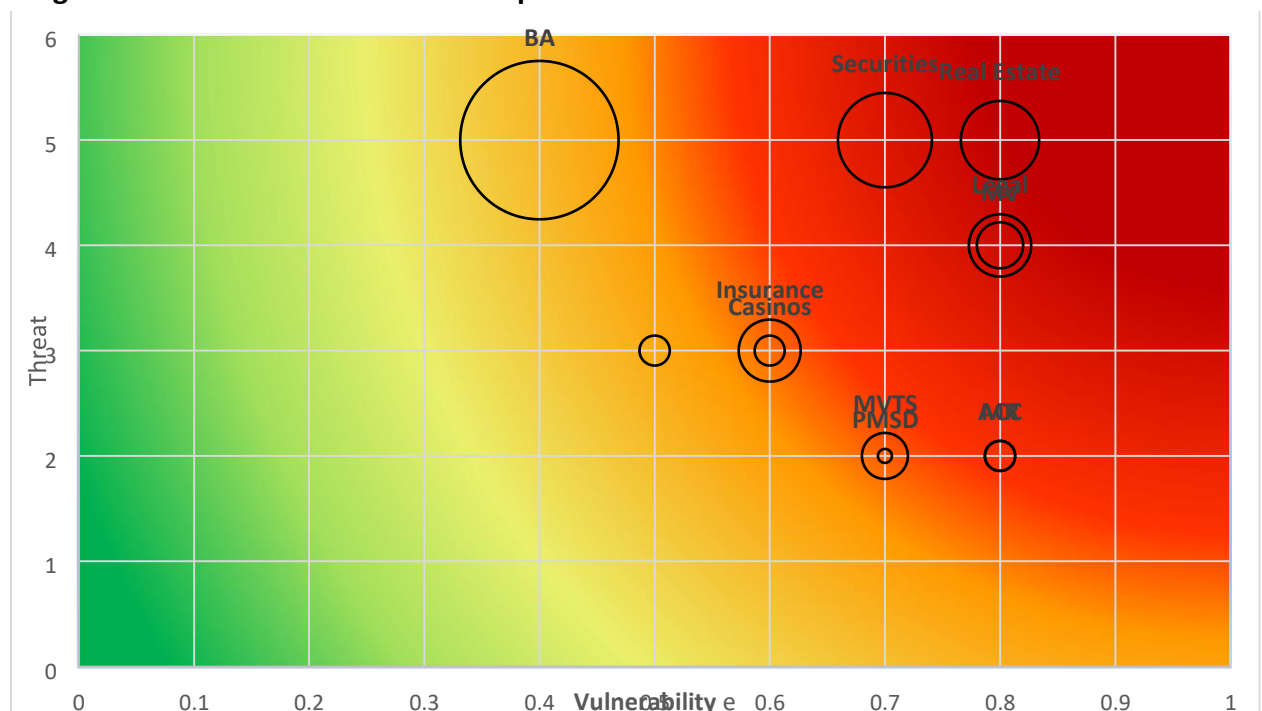
The country also has porous borders and known illegal crossings connecting both South Africa and Mozambique which render the country vulnerable to illegal and unauthorized smuggling of bulk cash, precious stones, cars, trade goods, people, and drugs. The country's LEAs responsible for investigating ML cases and associated predicate offenses are not adequately structured, funded, and staffed by persons with appropriate training and skills in dealing with financial crimes. Parallel financial investigation was rarely done in the period under review. These LEAs do not effectively use the financial intelligence disseminated by the FIU. The country also has a few Prosecutors.

The kingdom has put in place judicial processes to handle cases related to ML and has enough Judges to handle ML cases. The country has no financial crimes specialized Courts. The country also does not have enough Courts to effectively complete all cases allocated to the High Court as there is only one High Court sitting in one region of the four regions present in the country.

The country has a secure ID system with government-issued identity documents under the ministry of Home Affairs. However, these IDs are forged by scammers to fraudulently open Bank accounts. The country's Company's Act does not provide for the collection of beneficial ownership information for legal persons. As such, the country does not have a beneficial ownership register which hinders detection and investigation of illicit financial flow and increase the country's vulnerability to ML.

1.2 Sectorial Risk Rating

Diagram 1: Eswatini Sectorial Heat Map



Banking Sector

The sector's ML threats level is high. The banking sector is the second most significant sector with a total asset value of USD 2.2 billion as of June 2022 and this is a significant growth for the sector which had an asset value of USD 1.85 billion as of December 2020. Furthermore, the sector's significance extends to the fact that it is vulnerable to money laundering since transactions in the sector are huge, swift and attract all kinds of customers carrying various money laundering and terrorist financing risk levels. All the six (6) ML cases prosecuted in the period under review involved movement of funds in the Banking sector. Most of the STRs filed with the EFIU emanate from the Bank sector.

The banking sector's vulnerability to ML is rated at medium high. The sector's CDD framework has some loopholes as some Banks are not linked to the country's ID system for ease of customer verification at on-boarding. Banks also do not access UBO information for verification of Legal persons. The CBE has limited human resources to adequately cover all accountable institutions in its purview. Some of the Banks do not consistently follow their own policies and procedures. Most Banks Compliance departments are understaffed which compromises the effectiveness of their internal policies and procedures. The knowledge levels are low amongst Banks front line staff on the identification of suspicious transactions. However, the Central Bank has started conducting risk-based supervision for the sector and identified risks are remediated by the Banks. The Central Bank has also issued RBA guidelines for the Sector. All Banks do conduct their ML risk assessments and share the results of their assessments with the Central Bank.

Non-Banks Financial Institutions

These comprises of insurance sector, securities sector, credit and savings providers, Money Remitters, Foreign exchange dealers and Money or Value Services transfers. The analysis looked at the prevalence of predicate offenses in these sectors due to the absence of data on money laundering activities. Most of these sectors have medium low threats level except for the securities sector with a medium high threat level. In the period under review there has been a number of fraud investigations by LEAs involving these sectors. There were six (6) fraud investigations within the Insurance sector, five (5) fraud investigations within the securities sector and only one (1) with the Micro Lenders sector. These sectors have also filed a few STRs with the EFIU in the period under review.

Within the Securities sector, the Country's authorities are currently investigating a Ponzi scheme where local individual investors lost over E400 Million after investing their monies with [one] Investments Advisors who are no longer in the country.

These sectors' vulnerability to ML is rated medium. The primary supervisor, FSRA, has limited human resources to adequately cover all accountable institutions in its purview. Some entities have not developed comprehensive AML frameworks. Most of these entities have not conducted their AML risk assessments. Some entities do not have designated AML Compliance Officers. AML risk management within these entities is at infancy level.

Designated Non-Financial Businesses and Professions (DNFBPs)

These comprise of Real Estate sector, Legal Practitioners sector, Casinos and Gaming Houses, Dealers in Precious Metals and Stones, Dealers in Motor vehicles and Accountants. The Real Estate sector and Legal Practitioners (Layers) are exposed to high ML threat. The other sectors are exposed to medium high ML threat. In the period under review, the Country's LEAs have investigated four (4) fraud predicate offenses involving players in the Real Estate sector and one (1) fraud case involving a lawyer. In the six (6) ML prosecuted cases in the period under review, two of these cases involved the Real Estate sector and one (1) involved a Lawyer. It is worth mentioning that there has been a number of fraud incidents involving unregistered Real Estates Agents and Lawyers sourced from the country's leading newspapers. However, LEAs have not been conducting parallel financial investigations.

These sectors' vulnerability to ML is rated medium high. This rating is mainly attributed to the non-AML regulation and monitoring of all the DNFBP sectors. All the Country's DNFBPs were not supervised for AML purposes. These entities have not developed their AML frameworks. They have not designated AML Compliance Officers. DNFBPs have not started executing their AML compliance obligations. The EFIU has just started rolling out the AML supervision for these sectors. However, their Regulator (EFIU) has limited human resources to adequately cover all accountable institutions in its purview.

1.3 Eswatini NRA Action Plan

Pursuant to the identification of the National AML Risk Assessment, the Kingdom of Eswatini developed the below action plan which comprises three (3) expected outcomes, each of which requires certain tasks to be performed.

The Expected Outcomes are:

Outcome 1: AML/CFT interventions are collaborative.

Outcome 2: AML/CFT interventions are based on current and emerging risks.

Outcome 3: Money laundering is detected and disrupted, and criminals are prosecuted and deprived of proceeds of crime;

Tasks Envisaged

The following tasks are envisaged:

Outcome 1 Tasks

- i. Establish formal international arrangements and procedures for exchanging information.
- ii. Establish and activate AML/CFT case management system accessible to the competent authorities.
- iii. Use risk assessment to identify jurisdictions relevant to AML/CFT collaboration, and to identify successes and challenges in accessing it.
- iv. Improve domestic cooperation and collaboration.
- v. Register all financial institutions and DNFBPs with the EFIU to report STRs.

Outcome 2 Tasks

- i. Establish and update ML risks.
- ii. Conduct periodic risk assessments.
- iii. Produce quarterly reports on typologies of local and regional ML.
- iv. Develop AML national risk assessment framework.
- v. Establish database on beneficial ownership of legal entities conducting business in Eswatini.
- vi. Prepare and disseminate Policy briefs on measures to pre-empt or mitigate ML.
- vii. Increase staff capacity to give priority where risks are higher.
- viii. Rollout AML supervision for all DNFBPs, prioritizing those sectors posing higher risk.
- ix. AML Supervisors to increase enforcement of AML/CFT obligations, including through the use of proportionate sanctions for non-compliance Improve AML Supervision for all Non-Bank financial institutions.

- x. Enforce a requirement to establish CRMPs in all financial institutions and DNFBPs and develop Legal framework for VA/VASPs

Outcome 3 Tasks

- i. Identify and develop skill sets to investigate and prosecute financial crime and money laundering.
- ii. Increase the number of investigators and prosecutors trained to investigate financial crime and money laundering.
- iii. LEAs to conduct parallel financial investigations for all identified predicate offenses.
- iv. Increase the number of successful money laundering prosecutions.
- v. Improve the recovery and management of tainted assets.
- vi. Keep proper statistics for ML investigations, prosecution and convictions.

2. Introduction

2.1 Context and Purpose

Context

This is the Kingdom of Eswatini's second National Money Laundering Assessment (NRA), since the initial National Risk Assessment conducted in 2018. This NRA was conducted at a crucial time for the country following the Second Round of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Mutual Evaluation Report, 2022. The first NRA established that a significant percentage of criminal proceeds which are laundered in Eswatini are from within the country mainly from the following crimes: corruption (in particular, in the public sector), tax evasion, fraud and illicit drug trafficking. When comparing the results of the 2018 and 2022 NRA high income generating predicate offenses, there does not seem to be a change but there is an increase in the significance of each predicate offense. Eswatini is also exposed to foreign ML threats arising from smuggling of goods and cash including drug trafficking.

The Kingdom of Eswatini is a member of the ESAAMLG; a regional body subscribing to Financial Action Task Force (FATF) standards to combat money laundering and the financing of terrorism and proliferation. As a member of ESAAMLG, Eswatini is committed to the implementation of the 40 Recommendations of the FATF, wherein, Recommendation 1 requires countries to identify, assess and update their Money Laundering and Terrorist Financing (ML/TF) risks.

Eswatini's first NRA did not cover the Money Laundering assessment of key sectors in the economy; including legal persons and arrangements, and Virtual Assets and Virtual Assets Service Providers (VA & VASPs). Therefore, the development of the second NRA incorporates the ML risk assessment of these key sectors, to fully understand the extent to which each sector could be misused for ML purposes.

This NRA was carried out using the Money Laundering Tool developed by the World Bank. This also includes the assessment of environmental crimes risk assessment.

Purpose of the ML Risk Assessment

- The objective of the NRA is to enhance the understanding of ML risks the Kingdom of Eswatini is exposed and to guide the efficient allocation of resources for the prevention, investigation, and prosecution of ML as well as to mitigate those risks.
- This exercise will assist the Government understand the major predicate crimes generating proceeds in Eswatini or coming into Eswatini and the ML/TF threat they pose. This will not only assist the Government of Eswatini determine and understand the weakness in the legal framework, by considering the criminal and administrative justice system, and existing preventative systems, but will also assist the various sectors assessed identify the overall ML and TF vulnerabilities.
- These various sector assessments will form part of considerations aimed at assisting the Government, LEAs, supervisory bodies, and the private sector in prioritizing and aligning combatting efforts. Within the public sector or at State level, outcomes of this NRA can guide authorities in making informed policy and strategic decisions as well as direct implementation efforts. In the private sector, objects of the NRA can be achieved by implementing and exercising risk-based procedures and internal controls. This risk-based approach to combating ML/TF/PF risks will also ensure the Kingdom's framework is aligned to international standards and best practices, in particular the FATF Recommendations.

2.2 Risk Assessment Methodology

The World Bank tool was used in conducting the national risk assessment for the Kingdom of Eswatini. Consideration was also given to NRA approaches followed by other countries in conducting their national risk assessments as well as guidance and recommendations as set out by the Financial Action Task Force and other key international bodies. The World Bank's role and involvement in the country's risk assessment was limited to the deployment of the excel template, provision of technical assistance and guidance in the effective use of the excel template.

Data was collected and populated into the template. Findings, interpretations, and judgments of the exercise were solely the work of the Working Groups and do not reflect the views of the World Bank.

Participants and Working Groups

The teams that formed part of the NRA process included stakeholders from the government and private sector. The National Technical Committee was the head of the coordinating committee for the NRA; there were also 3 national coordinators from the Eswatini Financial Intelligence Unit, Central Bank of Eswatini and the Financial Services Regulatory Authority who were chosen to coordinate the project.

The participants were drawn from different sectors that play a crucial role in the fight against Money Laundering, Terrorist Financing and Proliferation Financing. The participants were drawn from the Ministry of Finance, Central Bank of Eswatini, Financial Service Regulatory Authority, Eswatini Financial Intelligence Unit, Anti-Corruption Commission, Eswatini Royal Police Service, Attorney General Chambers, Office of Director of Public Prosecutions, Registrar of Companies under the Ministry of Commerce, Swaziland Institute of Accountants, Eswatini Gaming Board, Law Society of Eswatini, Eswatini Bankers Association and Eswatini Environmental Authority. Private sector representatives came from the banking, insurance, securities, savings, and credit institutions sector.

Fourteen working groups were formed and made up of about 40 members and were introduced to the World Bank tool in a three-day workshop that was set up at the start of the project.

Data and Sources

Data for the NRA was collected through the following methods:

- Databases for Registrar of Companies, DPP, Law Enforcement Agents, EFIU, CBE, FSRA, EEA, Registrar of Deeds Office, Law Society, Gaming Board.
- Questionnaires administered to accountable institutions (Banks, Non-Banks and DNFBPs).
- Face to face interviews and meetings with representatives from accountable institutions.
- Public information sources including Eswatini 2022 Mutual evaluation report, previous risk assessment and media publications.
- Review of the relevant legislations: MLTFP Act 2011(as amended), Prevention of Organised Crime Act, Financial Institutions Act, Suppression of Terrorism Act.
- The country also considered FATF and FSRB guidance and typology reports; Egmont typologies; academic papers; reports from international organizations.

Other pieces of legislation that support the fight against money laundering, terrorist financing and related activities and relevant to the criminalisation of predicate offences were also included as sources. These are;

- The Criminal Matters (Mutual Assistance) Act, 2001;
- The Extradition Act, 1968;
- The Suppression of Terrorism Act, 2008;
- The Prevention of Corruption Act, 2006;
- People Trafficking and People Smuggling (Prohibition) (Act of 2009);
- Electronic Records (Evidence) Act 2009;
- The Prevention of Organised Crime Act 2018;
- Witness Protection Act 2018; and
- Sexual Offenses and Domestic Violence Act 2018.

2.3 Limitations and Caveats

The NRA faced several limitations as outlined below:

- ML and TF issues are still relatively new to many stakeholders in Eswatini. As such, there was the invariable need to sensitize and educate most sectors of the different modules used in the national risk assessment.

- For LEAs, there is no centralised database on AML cases investigated and prosecuted from which information can be easily accessed for the NRA purposes. With some LEAs still handling data manually, this made data collection difficult.
- In some instances, inadequate to no data was available from the targeted sources such as LEAs, DNFBPs and VASPs. This limitation also meant there were also challenges in the verification and validation of some sourced data.

3. National Money Laundering Threat

3.1 Domestic

An analysis of the available data reveals that the ML threat in the country is high. In the past five (5) years commencing 2018 to 2022, the Kingdom of Eswatini detected and investigated a total of 24 823 ML predicate offenses, prosecuted 17 328 cases, and executed 10 908 convictions where a total of 18 580 persons were convicted. The convictions are not in respect of money laundering charges, but they relate to the predicate offenses committed. The table below shows the statistics of the predicate offenses identified, investigated by the country’s LEAs, prosecutions, and convictions.

Table 2: Statistics of Predicate Offenses identified investigated from 2018 to 2022.

Offence/year	2018	2019	2020	2021	2022	Total
Detected/investigated	5 264	6 177	5 413	4 870	3 099	24 823
Prosecuted	4 368	4 387	3 956	2 758	1 860	17 329
Convictions	2 312	3 602	2 149	1 807	1 038	10 908
No of People convicted	2 515	3 267	2 319	6	483	8 590

The year 2019 has the highest number of predicate offenses investigated contributing to 25% of the cases investigated in the period under review. The low numbers in 2022 reflects a record of only 6 months from January 2022 to June 2022. The analysis of the figures in the above table highlights a high number of investigations compared to prosecutions. Some of the cases were not properly investigated by the country’s LEAs; hence they could not be prosecuted. There is a need

for the country to capacitate its LEAs on both predicate crimes' investigations and financial crimes investigations.

It also takes time for the country to prosecute some of the investigated cases which further highlights the need for the country to adequately resource the DPP's office. There is a backlog in cases to be prosecuted as the country does not have enough courts to handle the high volumes of cases. In 2020, the country experienced a decline in the number of predicate crimes investigations, prosecutions, and convictions. This was caused but by the effects of Covid 19 in 2020 on to 2021.

The country's LEAs do not keep a proper record of the amounts of proceeds involved in each predicate offense identified and investigated.

The table below shows the statistics of the predicate offenses identified, investigated by the country's LEAs, prosecutions, and acquittals.

3.1.1 Main Proceeds Generating Predicate Offenses

The highest proceeds generating predicate offenses in the Kingdom of Eswatini are drug trafficking and possession, fraud, tax evasion and corruption. In the past 5 years, these predicate offenses translated to a total of 13 796 investigations. A total of 11 826 cases which translates to 86% of the cases were prosecuted. From the 11 826 prosecuted cases, there were 7 910 convictions. Drug trafficking and possession cases contributed 77% of the investigated cases with 10 617 cases in the period under review. All the drug trafficking and possession cases investigated were prosecuted and a total 6 981 cases had convictions.

Fraud follows with a total of 2 839 investigations with a low prosecution rate of 36%. From the 2 839 investigations, 1 022 cases were prosecuted and only 734 had convictions on the fraud predicate offense. Tax Evasion follows with 219 investigations, and 195 prosecutions. In all the prosecuted tax evasion cases, there was 100% convictions.

The final high proceeds generation predicate offense is corruption with a total of 121 cases investigated in the past five (5) years. Of these 121 cases, only two (2) of these cases were prosecuted and there has been no conviction for corruption in the Kingdom in the past five (5) years.

The country's LEAs do not keep proper records of the level of proceeds generated by each of these predicate offenses. There is need for the country's LEAs to start capturing the value of proceeds generated by all predicate offenses committed.

Tax evasion crimes distort and erode the economy of the country as well as stifle growth. The main perpetrators of tax evasion in the country seems to be the politically exposed persons. Corruption is mostly prevalent within the public sector resulting in poor service delivery. For example, the Health Sector has been identified as one of the public sectors where corruption is rife and has actually collapsed the public health value chain. The private sector is usually an enabler of these nefarious practises. Most of these predicate offenses are done by locals. However, some of these are also committed by foreign nationals The country’s LEAs do not keep updated statistics on the nationalities of individual offenders.

The table below highlights the statistic of the high proceeds generating predicate offenses in the Kingdom.

Table 3: Main Proceeds Generating Predicate Offenses in the Kingdom of Eswatini

Predicate Offense	Investigations	Prosecutions	Convictions	Prosecution Rate	Conviction rate
Drug Trafficking and Possession	10 617	10 617	6 981	100%	65%
Fraud	2 839	1 022	734	36%	72%
Tax Evasion	219	195	195	89%	100%
Corruption	121	2	0	1.70%	0%
Total	13 796	11 836	7 910	86%	57%

Environmental Crimes Threats

The predominant environmental crimes in the Kingdom are poaching, illegal fishing and illegal dumping of waste which seem to generate illicit profits. The major consequences of these environmental crimes are the loss of genetic resources for the country having an impact on assets benefits sharing. The overall rating for the environmental and natural resource crime combating ability is low. However, there is no data to assess environmental crimes money laundering threat. It is recommended that the country improves its identification of financial flows associated with Environmental Crimes as environmental and natural resources crimes are predicate offenses to ML.

The Artisanal Small Scale Gold Mining (ASGM) is a threat as there is no data which shows the extent of the problem and there has not been any analysis of the financial flows from this activity, yet it provides an enabling environment for money laundering as the amount of money dealt with is high.

Money Laundering Investigations and their Sectorial Origins

There were 151 ML investigations during the period under review. Most of the money laundering cases investigated relate to drug trafficking and possession. About half the cases investigated relate to drug trafficking and possession predicate offense. The assessment identified a total of thirteen (13) sectors involved in money laundering activities in the Kingdom of Eswatini. The table below highlights the number of drug trafficking and possession money laundering cases and the various sectors through which ML is suspected to have occurred in the past five (5) years.

Table 4: Sectorial Origins of Money Laundering Investigations

Sector	Number of ML Investigations	Sector Contribution
Banking	26	17%
Exchange Offices	12	8%
Insurance	6	4%
Securities	5	3%
Remittances	4	3%
Real Estate	4	3%
Lawyers	1	1%
Public Sector	6	4%
Micro Loans Providers	1	1%
Public Sector	6	4%
Health Care	1	1%
Leisure	1	1%
Revenue Services	5	3%
Other	73	48%
Total	78	

Most of the money laundering cases investigated emanated in the Banking sector with 26 cases which translates to 17% of the total number of cases investigated in the five (5) year period. STRs are predominately from the Banking sector which shows that reporting compliance in the Banking sector is high. Most of these were reported by the Banks as suspicious transactions reports (STRs) to the Eswatini Financial Intelligence Unit (EFIU). After analysis by the EFIU, disseminations were made to the country's LEAs. These LEAs are Royal Eswatini Police Services (REPS), Anti-Corruption

Commission (ACC) and Eswatini Revenues Services (ERS). It is worth noting that the Country's LEAs have not been conducting parallel financial investigations for the better part of the reporting period. LEAs started conducting financial crime investigations around 2019/ 20 when the country was preparing for the ESAAMLG MER. There is need for the country's LEAs to keep proper statistics on all ML investigations per sector which can be verifiable.

Some of the sectors affected are the Exchange houses, Insurance sector, Securities sector, real estate sector, lawyers, and Revenue Services.

Money Laundering Prosecutions, Convictions

Out of the 151 ML investigations conducted in the period under review, only six (6) resulted in prosecutions. One of the cases resulted in an acquittal and the 5 are pending. Predicate offenses which were accompanied by ML charges were 4 fraud cases, 1 tax evasion and 1 robbery. The table below highlights a breakdown of the six (6) money laundering cases prosecuted:

Table 5: Money Laundering Prosecutions

Prosecuted	Pending	Acquitted	Convictions
6	5	1	0

The total amount of proceeds seized or frozen with ML charges amounts to E9,529,234.66. A large part of this amount comes from one 1 case of tax evasion in the amount of E7,310,134.66. The balance is made up of proceeds from 3 fraud cases which were dealt with through the civil forfeiture process. All have been finalized and the proceeds have been forfeited. The table below highlights seized and confiscated proceeds:

Table 6: Seized and Confiscated Proceeds

Seizure/ Confiscations	Amounts (Emalangeni)	Amounts (US Dollar)
Seized / frozen without ML Charges	15.5 M	815 789
Confiscated without ML Charges	2.2 M	115 798
Seized / frozen with ML charges	9.5 M	500 000
Forfeited through Civil forfeiture	2.2 M	115 789
Proceeds Total	29.4 M	1 547 368

No person has been convicted of ML during this period and consequently no proceeds have been confiscated upon conviction. The tax evasion case is the first case in which a restraint order has been granted under the Prevention of Organised Crime Act of 2018. All the ML offenses were

committed locally and are self-laundering cases. However, the tax evasion case involves both self-laundering and third-party laundering in that some of the proceeds were laundered locally by the person who had committed the offenses locally and other proceeds were laundered by a co-director of the accused both in South Africa and Great Britain.

3.1.2 Threats, and typologies employed in ML.

ML threats that have been identified are drug trafficking and possession, fraud, tax evasion and corruption. In terms of typologies, it has been noted that some proceeds are channeled through the real estate sector. Also, some are channeled through the purchase of motor vehicles especially from the grey import dealers. Some laundering also happens in the public transport business and in some businesses legitimate income is co-mingled with proceeds of crime. There is also suspected laundering in relation to soccer teams which have no commercial viability or substantial profits which are owned by individuals.

The table below highlights summaries of the six (6) ML cases prosecuted in the period in the period under review:

Summaries of Money Laundering Cases Currently Pending in Courts
<p>Case 1</p> <p>An employee of a hotel defrauded her employer an amount of E5 046 199.18 by making fraudulent payments from the Hotel Bank's accounts to her bank account. With the proceeds of this fraudulent activity, she built a house which the state has preserved and subsequently forfeited. The ML case is presently pending before the High Court, but the trial has commenced.</p>
<p>Case 2</p> <p>A person was charged with theft of E1 354 040.00, malicious damage to property and money laundering. The charges emanated from bombings of ATMs (forced entry of an ATM by using explosives) and the purchase of various items with the money obtained from the bombed ATMs. The fraudster would sometimes deposit some of the dirty money into his bank accounts. The money found in his bank account was preserved by the state. The accused was however acquitted and discharged of the charges at the end of the trial.</p>
<p>Case 3</p> <p>An employee of the office of the Master of the High Court colluded with an outsider and defrauded an estate that had not yet been wound up of an amount of E860 000.00. They were charged with fraud and money laundering. The proceeds, which were two motor vehicles, and a mobile kitchen were preserved and subsequently forfeited. The case is still pending, and not yet finalized.</p>

Case 4

An employee of a micro lender colluded with an outsider, one of whom was his wife, to defraud his employer an amount of E533 116.00. They were charged with fraud and money laundering. Some of the proceeds which were still in a bank account were preserved. The case is proceeding before the High Court.

Case 5

A bogus estate agent colluded with an attorney and defrauded a person of an amount of E347 000.00 by selling to him land that belonged to an estate. They were charged with fraud and money laundering. The proceeds, which were two motor vehicles were preserved and subsequently forfeited. The case is pending before the High Court.

Case 6

A company evaded paying tax for several years. During those years it was filing nil returns with the Eswatini Revenue Services implying that it was not trading during those years. It turned out that the company had actually been trading and receiving millions in various currencies including US Dollars, Euros and Pounds. The company and the director were charged with tax evasion and money laundering. The money in the bank accounts was restrained. The case is pending before the High Court.

Emerging ML threats

Emerging threats that have been noted include the smuggling of goods and cash through the country's porous borders. This happens mainly through the borders between Eswatini and South Africa. Another emerging threat that has been noted involves the opening of accounts at hardware stores where customers deposit their funds to build houses in the future for both residential and commercial purposes. Hardwares are currently not regulated for AML/CFT purposes and as such Launderers take advantage of this weakness and launder their ill-gotten funds through Hardwares.

3.2 Cross Border ML Threats

In considering the cross-border threat, analysis of financial in-flows and out-flows of funds was conducted. The analysis focused on the countries with huge funds inflows into the country (inflows) and those countries to which Eswatini sends huge funds to (outflows). The results of the analysis are reflected in the table below:

Table 7: Analysis of Country Funds inflows and Outflows

Financial Inflows	Financial Outflows
South Africa	South Africa
United States	United States
Great Britain	Great Britain
Nigeria	Hong Kong China

The largest in-flows were from South Africa, the United States, Great Britain, and Nigeria. The largest out-flows were to South Africa, the United States, Great Britain, and Hong Kong China. The highest flows of funds were with South Africa making up a considerable 85% of all the flows.

There have been 2 investigations relating to foreign nationals. One concerned a South African national and the other concerned was a Nigerian national. However, none of these investigations resulted in an arrest. Despite the huge flows of funds, there has been no MLA requests relating to ML during the period under review. However, there were 7 outgoing MLA requests, but none related to ML. There have been no ML prosecutions and consequently no ML convictions of nationals of these countries locally. Although there have been 2 investigations involving foreign nationals, none of these investigations resulted in the seizure or freezing of assets.

4. National Vulnerability

4.1 Analysis of Intermediate Variables

4.1.1 Quality of AML Policy and Effectiveness of ML Definition

The quality of AML Policy and ML definition is rated medium. The country does not have an AML Policy in place. Instead, the Kingdom of Eswatini developed a five-year National AML Strategic Plan commencing 2018 to 2022. However, the AML strategy developed in 2018 was not informed by a national risk assessment. A risk-based approach was not used by the country in allocating resources and setting priorities to the implementation of preventative and mitigating measures.

The country has a designated coordinating committee for the development of the country's AML strategy and policy. This national coordinating committee known as the AML/CFT Task Force was set up in 2011. There is the National Task Force comprising the Council, at policy level, and the Technical Committee, at operational level, which together comprise the country's main AML/CFT policy development tool. The committee is comprised of officials from relevant governmental departments and representatives from the private sector.

There is the political commitment and support to fight money laundering in the kingdom. Eswatini has also taken major steps in strengthening both its legal and institutional framework on AML/CFT and these national efforts are on-going. This includes passing the following laws and regulations: Money Laundering and Terrorism Financing Prevention Act, 2011 (as amended), Anti-Money

Laundering (United Nations Security Council Resolutions) Regulations, 2016; Medicines and Related Substances Control Act, 2016; Prevention of Organised Crime Act, 2018; Police Service Act, 2018; Witness Protection Act, 2018; Suppression of Terrorism (Amendment) Act No. 11 of 2017 and Sexual Offences and Domestic Violence Act 2018. The forfeiture laws of Eswatini extend to the proceeds and instrumentalities of ML and its predicate offenses, profits derived from those offenses, and property of corresponding value held by the criminal defendant or third parties

The country has defined ML offense comprehensively in its MLFTP Act, 2011 (as amended). The crime of money laundering is applicable to all the serious offenses, including the widest range of predicate offenses, including tax crimes. The Law provides for a wide range of dissuasive and proportionate penalties for money laundering offenses. However, for a natural person committing ML offense, the term of imprisonment is fixed at 10 years which impedes the court to impose a dissuasive and proportionate sanction. Criminal penalties are also applicable to appropriate offenses ancillary to the offense of money laundering. However, counselling as an ancillary offense to ML is not criminalized in the country. Criminal penalties can be applied to both natural and legal persons.

4.1.2 Quality of Cross Border Controls on Cash and Similar Instrumentalities.

The country's vulnerability on cross border controls on cash and similar instrumentalities is rated high. The geographic location of the country and border mechanism makes it an attractive transit route for illegal trading with South Africa and Mozambique. Eswatini is a landlocked country, which is 90% surrounded by the Republic of South Africa and 10% by Mozambique. There are fourteen (14) points of entry and exit in the kingdom of Eswatini. There is one (1) operational airport and thirteen borders (13). Out of the thirteen (13) borders, eleven (11) of these connect the country with the Republic of South Africa and only two (2) borders connect the country with Mozambique. Over and above the official points of entry and exit, there are also 20 unofficial borders connecting both South Africa and Mozambique.

This renders the country vulnerable to illegal and unauthorized smuggling of bulk cash, precious stones, cars, trade goods, people, drugs, and other cash similar instruments. The country's borders are generally porous and loose. The screening procedures at the borders are manually executed. The scanner is only available at the operational airport which is owned by the aviation company.

The country has a comprehensive legal and regulatory framework that informs all travellers entering and leaving the country about their AML/CFT related declaration or disclosure obligations

and the consequences of any wrongdoing and allows the authorities to effectively detect and deter any unauthorized physical cross-border transportation of cash and similar instruments. This is covered in the country’s Customs and Excise Act, 1972 and MLTFP Act, 2011 (as amended). The country uses its cash and BNI declaration system to intercept and seize cash at the ports of entry and exit. However, the seizure rate in the period under review is very low. The Immigration authority in the country does not have adequate human, technical and capital resources to execute the manual physical checks of travellers. The country does not have robust systems and equipment in place to control to detect the physical cross- broader transportation of currency and bearer negotiable instrument as the country uses a declaration system for incoming and outgoing cross boarder transportation of currency and bearer negotiable instruments.

4.1.3 Quality of Criminal Investigation and Prosecution

Eswatini’s vulnerability on quality on criminal investigation and prosecution is rated medium high. The country has an administrative Financial Intelligence Unit established by the MLTFP Act. 2011 (as amended). The EFIU is a central government Agency responsible for receiving, requesting, analysing, and disseminating financial intelligence to LAEs to counter ML and TF risks.

In the period under, the EFIU has made a total of 358 proactive disseminations to LEAs as follows;

Year	2018/19	2019/20	2020/21	2021/22	Total
LEAs	201	56	62	39	358

Most of the intelligence reports are disseminated to ERS, followed by REPs and last to ACC.

The EFIU has powers to access a wide range of information to enable it to conduct its analysis adequately. The EFIU has the legal authority to disseminate information and its financial intelligence to relevant authorities, both spontaneously and upon request. However, the EFIU does not have adequate human and financial resources to enable it to operate optimally. The EFIU is not fully independent since it has a Board of Directors. The EFIU has not started producing strategic reports. Currently, the EFIU is producing operational reports. The country’s FIU is still not a member of Egmont group of FIUs. The FIU has just started the Egmont membership application process.

REPs, ACC, and ERS are the competent authorities responsible for the investigation of ML cases, associated predicate and proceeds of foreign predicate offenses. The country has put in place policies with, ERS, ACC, and REPS that ensure that the integrity of investigators is preserved. The

law also empowers the country's LEAs to institute asset forfeiture processes without political or social pressure, corruption, intimidation, or abuse of office. However, the country's LEAs are not adequately structured, funded, and staffed by persons with appropriate training and skills in dealing with financial crimes. Parallel financial investigation was rarely done in the period under review. These LEAs do not effectively use the financial intelligence disseminated by the FIU. The three LEAs do not effectively cooperate with each other when investigating financial crimes. However, cooperation with international investigatory agencies is done adequately.

The Office of the DPP is responsible for the prosecution of ML cases, associated predicate offenses and proceeds of foreign predicate offenses. DPP is also empowered by law to conduct asset forfeiture actions. Prosecutors dealing with financial crime have an acceptable level of integrity and independence. Out of the four main predicate offenses identified by this assessment, corruption has a prosecution rate of 1.7%, compared with the 36% for fraud, 89% for tax evasion and 100% for drug trafficking and possession. Corruption cases are more complex in nature, and more heavily reliant on strong financial investigation, which explains the disparity between the prosecution rates. Prosecutors do have access to all necessary documents, information, and witnesses and/or other relevant individuals for use in prosecutions. The DPP office is also empowered by law to work with forensic experts to support ML cases.

However, the office is not adequately resourced in terms of human and financial resources. Eswatini had only prosecuted six (6) money laundering cases in the period under review and no money laundering conviction in the same period. There is a low ML prosecution rate in the country. The few Prosecutors have limited skills and knowledge that would enable them to understand the flow of proceeds of crime and present such cases to the court.

4.1.4 Quality of Adjudication

Eswatini's vulnerability on the quality of adjudication is rated medium high. The assessment is based on two input variables which are capacity and resources of judicial processes and integrity and independence of judges. The kingdom has put in place judicial processes to handle cases related to ML, associated predicate offenses including proceeds of foreign predicate offenses and asset forfeitures. All money laundering cases are allocated to the High Court of Eswatini. The country does not have ML specialized Courts. The country has enough Judges who can handle ML cases and related predicate offenses. However, the country does not have enough Courts to effectively complete all cases allocated to the High Court. This compromises the speedily finality

of cases allocated to the High Court. The allocation prioritization of ML case to judges is minimal. In the period under review, there were six (6) ML prosecutions and only one was finalized. This was an acquittal. The other five (5) cases were pending. High Court Judges are mostly trained on handling predicate offenses. Judges not adequately trained on handling financial crimes.

The constitution of the country safeguards the integrity and independence of the Judiciary. Judges presiding over prosecutions for ML offenses, associated predicate offenses, proceeds of foreign predicate offenses and asset forfeiture matter are able to function without fear or favour. Safeguards are in place to preserve the integrity of the Judges. Trials of alleged ML and related financial crime offenses are conducted without interference, political or social pressure, corruption, intimidation, or abuse of office. Asset forfeiture proceedings affecting powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner. However, the pace of concluding ML cases in the High Court is slow, which increases the variable's risk rating. There is low allocation of ML cases to Judges which further compromises the country's quality of ML adjudication. ML prosecution rate is low in the country.

4.1.5 Quality of Assets Forfeiture Framework

Eswatini's vulnerability on the quality of assets forfeiture framework is rated medium low. The country has an effective and comprehensive legal framework for assets forfeiture. The MLTFP Act, 2011 (as amended) provide ML and asset forfeiture investigators powers to use compulsory measures to get records held by financial institutions, DNFBPs, and other natural or legal persons, for the search of persons and premises, for taking witness statements, and for the seizure and obtaining of evidence during ML investigations. POCA allows for LEA to identify assets without prior notice to the owner.

The country's assets forfeiture laws extend to the proceeds and instrumentalities of ML and its predicate offenses and property of corresponding value held by the criminal defendant or third parties. The Laws also permits LEAs to identify and trace the proceeds or property and to carry out rapidly provisional measures, such as seizing or freezing proceeds of crime, to prevent the transfer or disposal of the proceeds. Non-conviction-based forfeiture is also legally permitted by the country. However, the laws do not cover the seizure of profits derived from ML offenses. The Country also executed seizures in the period under review. The below table highlights the various confiscations effected by the country from 2018 to 2022.

Table 8: Seized and Confiscated Proceeds

Seizure/ Confiscations	Amounts	Crimes Linked
Seized / frozen without ML Charges	E15.5M	Drug Possession and Smuggling
Confiscated without ML Charges	E2.2M	Drug Possession and Smuggling
Seized / frozen with ML charges	E9.5M	Tax Evasion and Drug Possession
Forfeited through Civil forfeiture	E2.2M	Fraud
Proceeds Total	E29.4M	

The EFIU can trigger and support both ML and assets forfeiture investigations. However, the effectiveness of the EFIU is hampered by the fact that the EFIU has not yet gained access to Home Affairs, Registrar of Deeds, Registrar of Companies databases. The country's financial crime investigators agencies and Prosecution agency do not have adequate human and financial resources to effectively identify, trace, and initiate the freezing and seizing of assets derived from the criminal activities. The country's assets forfeiture investigators, Prosecutors and judges are independent. The policies of LEAs, Prosecutors and Judges that ensure that the integrity of investigators is preserved. However, there is need to up skill the assets forfeiture investigators, Prosecutors, and judges through regular training.

To enhance domestic cooperation on ML and assets forfeiture issues, the country has developed and launched the Inter-Agency Coordination Framework in 2022. This framework seeks to prioritize financial investigations and establish multi-agency task forces. This framework involves supervisory agencies, law enforcement agencies and accountable institutions.

In terms of international cooperation, the country has a legal basis to provide and seek mutual legal assistance, extradition, and other forms of cooperation related to ML offenses. However, the law has gaps as its scope is limited to designated countries which may compromise the legal basis to rapidly provide the widest possible mutual legal assistance. In the period under review, Eswatini received international requests from South Africa and Zambia which were attended to and provided feedback to the requesting countries timeously. However, the country has not made any international request on ML and assets forfeiture issues.

4.1.6 Access of Reliable Information and Evidence

Eswatini's vulnerability on the access of reliable information and evidence is rated medium. The assessment of this variable is based on the reliability of financial records, the quality of CDD framework, and formalization level of the economy

4.1.6.1 Reliability of Financial Records

The country has a tax framework that provides transparency of financial matters of citizens and residents, and the sharing of information by the tax authorities and law enforcement agencies, where appropriate. Most of the country's business institutions and professions are committed to good corporate governance, tax compliance, and a generally acceptable level of business ethics. However, there are cases of tax evasion by both legal persons and natural persons.

The country's system requires both natural and legal persons to provide comprehensive information about their income and assets to ERS. LEAs access to information held by the tax authorities when investigating tax evasion and money laundering offenses by a taxpayer. In the period under review, there is only one money laundering case emanating from tax evasion and it is still pending in court. The country's tax authorities also shared information with the United Kingdom Tax Authorities on the Tax evasion prosecuted case. Investigators can rely on financial records of the businesses to trace the money flow when investigating ML cases.

The independent auditors/audit firms conduct audits in accordance with generally accepted auditing standards (GAAS) as there are Peer reviews conducted by ACCA to ensure compliance, and whether the auditing standards meet the international standard. The country's independent auditing practices has sound practices as there is rotation of the audit teams every 3/4 years, there are no reported cases on integrity breaches. Furthermore, it is a professional requirement for the audit firm to disclose audit fees separately from any other work. In an organisation where there's an audit committee, engagements are made before the start of the audit to discuss the audit plan. There has not been a communication between reporting entities supervisory authority, and audit firms. It is a professional requirement to disclose issues of conflict of independence.

The level of formalization of the economy is medium low because our economy is predominately cash based. However, there has been a surge in financial inclusion products such as mobile money and other non-account-based banking products which improves the formalization of the country's economy. With the proliferation of these financial inclusion products in the country, it assists to bring under the radar the previously unaccounted movements of funds with the country.

4.1.6.2 Quality of CDD Framework

The country's vulnerability on the quality of CDD framework is rated medium high. The assessment is based on the availability of identification Infrastructure, availability of independent information sources and the availability and access to beneficial ownership information. The country has an ID system in place where other third parties can verify identities of individuals. The country's ID system is secure with government-issued identity documents under the ministry of Home Affairs. There are two identity documents issued by the Government and these are the national identity Cards and national passports. Most AML regulated Entities are able to identify potential customers through the national ID cards and the passports issued by the Eswatini Government. The regulated entities usually use passport's identity documents to identify non-Swazi potential client at customer on-boarding.

However, the verification of these ID documents poses a challenge for some accountable institutions since their on-boarding systems are not directly connected the Government ID databases. Some of the Commercial Banks are directly connected to the national ID database for verification purposes whilst others are not connected. For the entities which are not connected to the national ID database, identity verification is conducted through the comparison of the client's physical appearance against the picture in the Identity document. Identity documents (passports) for non- Swazi clients are not independently verified at customer on-boarding which exposes the country's systems to heightened AML risk exposure. The country also has a challenge with fake national identity documents used to open accounts with commercial Banks. There are cases of identity theft recorded emanating from these fake identity documents manufactured locally.

The country has adequate independent information sources used by AML regulated entities to conduct their customers due diligence processes. Accountable institutions have access to client's information from credit bureaus, details from client's previous Bankers and employers and utility bills to confirm customer due diligence information collected at customer on boarding. The country's Company's Act does not provide for the collection of beneficial ownership information for legal persons. As such, the country does not have a beneficial ownership register and AML regulated entities do not collect beneficial ownership information for legal persons on boarding which exposes the country system to heightened AML risk exposure.

4.2 Legal Persons and Arrangements

Introduction

The Registrar of Companies is a Department under the Ministry of Commerce Industry and Trade with its mandate being ensuring legal formation and operations of companies in Eswatini through the registration of companies and non-profit making associations. This National Risk Assessment unpacks risks and threats in processes and procedure for the formation of Legal Persons and Legal arrangements in Eswatini. It also looks at the maintenance of legal persons, members of a company information, updating of company files and the availability of ultimate beneficial information.

Company registration process includes several processes that includes online registration process. The back-end processes require new business registration documents to be delivered to the registry to complete the registration by means of data entry by office staff. Submitted documents are inspected by the registry staff for compliance with legislation (Swaziland Companies Act No.08 of 2009).

Mapping of Legal Structures

Eswatini hosts about 62 540 legal persons in total. The different types of registered legal persons Eswatini has include Limited Liability Companies which are operational companies, Public limited Companies which are made of investment holdings, financial services, and insurance. The legal persons list also includes Company Limited by Guarantee, Cooperative, Association and Foundation also referred to as non-profit making associations. Associations promote religion, education, sciences, charity, and wildlife. From the statistics provided below it is necessary to note that not all the total number of entities in existence operate at a 100% as 60% LLCs are dormant and a further 50% of the PLCs and Associations are dormant. The dormant Legal persons are those entities which have not renewed their trading licenses with the Registrar of Companies.

The table below displays the number of new legal persons per year and per type of legal person.

Table 8: New legal persons per year and per type of legal person per year

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Total Registered Entities
Limited liability Company (LLC)	2 318	2 589	2 835	2 945	2 949	57 868

Public Limited Company (PLC)	29	31	31	12	17	1566
Company Limited by Guarantee	1	0	0	0	0	1
Cooperative	Not defined	Not defined	Not defined	Not defined	Not defined	731
Association	213	231	234	253	205	2 374
Total	2 561	2 851	3 100	3 210	3 171	62 540

General AML Controls

The country's vulnerability on the General AML controls of Legal Structures is rated medium high. The registrar of companies currently hosts about 62 540 registered companies. The registry maintains both digital and manual record keeping methods, as documents are filed manually after being captured into the system. The registry is run in two ends. The front end, being an online platform for registration of companies and the back end being the manual submission of company documents for updates. Basic company information on legal persons is kept in the registry which is open to be accessed by anyone. Any changes which may include changes in directorship and shareholding made are to be submitted to the office of the Registrar within 21 days. Central database is accessible to all reporting entities on a verification platform. A company including a foreign company, shall not earlier than 1st July or later than 31st August of any calendar year, lodge with the Registrar the annual return, in the prescribed form and accompanied by the prescribed fee, specifying the following particulars regarding the company.

However, the Registrar of Companies does not collect information on beneficial ownership of legal persons and arrangements. Non-compliance by companies in submitting updated information and sanctions are non-dissuasive. There is no online function for any maintenance including annual return filing. The workflow is typical of a paper-based registry. Lodgements are reviewed by a team of officers to ensure all documents are attached. Access to company registry is manual to some reporting entities. Some of the accountable institutions do not have access to the registry link. At the time of conducting this assessment, some of these accountable institutions had not formally requested the link with the Registrar of Companies.

Comprehensiveness of AML Legal Framework

The MLFTP Act 2011 (as amended) is generally a comprehensive AML/CFT legislation, albeit with some deficiencies which were identified during the recent mutual evaluation which identified recommendation 24 (Transparency and beneficial ownership of legal persons) as non-compliant and recommendation 25 (Transparency and beneficial ownership of legal arrangements) where the legislation is partially compliant. Beneficial Ownership information and Beneficial ownership registry has been a biggest challenge in Eswatini. The Eswatini Companies Act of 2009 does not embrace modern technology to simplify incorporation and present critical information and services to the public via an online interface which is a concern for update, hosting, and availability of accurate and current data.

Threats Assessments

Money laundering (ML) is a significant threat to Eswatini's financial system. The country's geographical placement makes it a transit point for drug trafficking and possession and other criminal activities, and there is a high level of corruption in the public sector. Very large amounts of money move across the borders of Eswatini and South Africa and this can be seen from the cash declarations held by the ERS. The porous nature of the borders between the 2 countries means there is also undeclared monies in amounts which are not determinable. Evidence of legal persons involved in money laundering is very low. There has been only 1 (one) reported case of a legal person's involvement in money laundering. This is one of the 6 ML cases prosecuted. However, there is no conviction reported as the case is still pending.

Table 9: Legal Structures Vulnerable to Abuse

Domestic Legal Structures	Foreign Legal Structures
Private limited liability companies	Private limited liability companies
Public limited liability companies	Public limited liability companies
Non-profit Making Associations	Non-profit Making Associations

Entity Risk Assessment

Domestic Legal Structures

Existence of ML/TF Typologies is rated very high.

Scale

There is a high number of registered structures around 65950, with a medium estimated value of pass-through financial flows/ assets held in jurisdiction.

Cross-Border Risk Exposure

Levels of foreign ownership or controls are low. There are low levels of foreign ownership and control with low levels of ownership and control of secrecy jurisdictions. Legal persons have high levels of exposure to top jurisdictions of origin for proceeds of crime. The main location of business is mainly domestic.

Ease, Speed & Costs of Formation/Registration

There is a medium level of effectiveness of cost of formation and administration with ease and speed of formation or registration of legal persons.

Attractiveness for Non-Resident Use

There are no residency requirements with medium rate of flexibility. There is a requirement for natural person with a medium tax attractiveness.

Quality & Accessibility of Basic Information

Comprehensiveness of basic Information together with accuracy and quality of basic information are at a medium level. Domestic legal Structures have small access restrictions to basic information.

Quality & Accessibility of BO Information

Beneficial Ownership disclosure requirements do not exist. The accuracy and quality of BO information is not analysed.

Existence of ML/TF Typologies

Movement of funds from one entity to another is low. The use of fake directors and shareholders, convenient incorporation, unlawful trade, and illicit transactions are all low.

Foreign Legal Structures

The existence of ML/TF Typologies is rated low. Foreign legal structures' overall score is rated medium with a score of 0.46. **Scale**

The estimated value of pass-through financial flows/ assets held in foreign jurisdictions is medium.

Cross-Border Risk Exposure

There are high levels of exposure to high-risk sectors in jurisdictions with a medium level of exposure to top jurisdictions of origin for proceeds of crime.

Effectiveness of international Cooperation with foreign jurisdiction

Cooperation through informal channels and cooperation through MLA is low.

Attractiveness for Non-Resident Use in your jurisdiction

Local registration requirements exist with medium tax attractiveness. There is also a requirement for a natural person representative.

Quality & Accessibility of Basic Information

Comprehensiveness of Basic Information together with accuracy and quality of basic information are at a low level. Foreign legal Structures have small access restrictions to basic public information.

Quality & Accessibility of BO Information

Accuracy & Quality of BO information is very low, with no BO information.

Vulnerability Risk Assessment

Attractiveness for Non-Residence Incorporation (ANRI)

Eswatini ANRI score shows a medium high level of jurisdiction's attractiveness at ~~0.61~~. The size & influence of offshore Company Formation Business Sector rates at a low level, as there is close to 1000 offshore companies and less than a quarter of the total number of foreign company

members of locally registered companies. Advertising to non-residents is limited. Eswatini Investment Promotion Authority and other trade facilitating institutions provide such services.

There is a high level of Political and economic stability. Eswatini is a small economy and has not been exposed to specialized industries. The political situation is stable. There is a medium strength of rule of law. Our courts are well set up whilst legislation aligned to the setting up of businesses and ease of doing business are sufficient. The effectiveness of the legal framework for assets protection is currently medium. Private property legal frame has to be worked on, whilst civil forfeiture and confiscation statutes have recently been effected in the country.

Corruption from executive, business executives, business and service providers has not been explicit in recent years. The country has a very low beneficial ownership transparency, as it does not have an explicit BO framework. The country relies on the listed members of legal persons and other legal arrangements. Eswatini has a high tax attractiveness. Attractive tax incentives are awarded to foreign investors and investments. The country also established Special Economic Zones that also afford tax incentives to investment setting up in those zones. Our tax administration is substantial to support foreign investment.

Strength of Mitigation Measures

The overall score for Strength of Mitigation Measures is Low. Assessment was based on the analysis of the variables below:

Quality of Regulation & Supervision of TCSPs

Quality of Regulation & Supervision of TCSPs have a low rating of effectiveness. Legal practitioners are administered and regulated by the law society. Accountants and auditors are regulated by the Institute of Accountants. However, we do have individuals who call themselves agents yet are not formalized. The Law Society and Eswatini Institute of Accountants do not cover AML controls in their supervision.

Effectiveness of Enforcement of Sanctions/Fines

The effectiveness of Enforcing Sanctions/Fines is rated low. The Swaziland Companies Act provides for sanctions on offenses of non- disclosure and late update of basic information. However, the sanctions are not proportionate and are non-dissuasive. Administrative errors are sanctioned, and submission of deliberate information is sanctioned. The sanctions are however not proportionate and dissuasive. There are no sanctions for non-disclosure of beneficial information.

Quality of Corporate Registry

There are limited exemptions for coverage in the quality of corporate registry. All legal persons and non-profit making associations are registered under the corporate registry. Eswatini does not have a trust legislation and does not have a trust registry, yet trusts exist in the kingdom.

The level of accurate and up-to-date information has a medium rate of effectiveness. Accuracy of information for local members can be verified at the Ministry of Home Affairs in the population register database. The challenge is with foreign national company members as they cannot be verified in the domestic database.

Adequacy of resources has a medium level of effectiveness. The registry runs on two ends. The front end is the online registry for company registration, whilst the back end is for updating company information. Staffing and financial resources have always been a challenge.

While automatic alerts do not exist, online access exist with limits. Basic information is shared online with all stakeholders and reporting entities for free. The public however is required to make payment for access of basic information. This then results in highly effective quality of data format and search options. Database is searchable with different information. It can be accessed by date of registration, Company name, name of director and name of shareholder. The registry is held in a standardized format.

Quality of Information obtained through CDD.

CDD by FIs has a medium rating of effectiveness. Financial Institutions have an online access to the company registry. As they perform their CDD, they do a verification process of company directors and members. However, the company registry does not host a BO registry. Financial institutions still require Beneficial Ownership as a process in their CDD.

CDD by TCSPs and CDD by other “gatekeeper” professionals have a low level of effectiveness, as they do not have structures to verify information. AML/CFT risk awareness of TCSPs has a very low rating of effectiveness because the level of understanding is low. There is no legal framework for BO at the company registry. A majority of TCSPs have not been exposed to the BO concept and the understanding that BO should always be a natural person and the complexity of legal structures for concealment of the Beneficial Owners of the entities. Quality of risk based enhanced CDD measures exist with mixed effectiveness.

Accessibility of Beneficial Ownership Information

The country's company registry does not provide BO documents and information. Quality of Data format and search options do not exist. The company registry does not provide BO documents and information.

Existence & Effectiveness of BO Verification Mechanisms

Quality of routine verification does not exist as there is no verification of BO information, due to absence of BO registry in the country. The company registry does not provide BO documentation and information. Cross-checks with other data sources and the red flagging for enhanced checks does not exist.

Quality of Controls against Opaque Structures

Existence and Quality of BO Transparency Measures for Foreign Structures and the level of transparency on PEPs as BO do not exist. The current Companies registry legal framework does not provide for BO identification. Issuance of bearer shares is not permitted in Eswatini. Quality of controls against deceptive entity names exists and it is highly effective, as supported by section 37 of the Companies Act. The quality of Nominee Regulation exists with low effectiveness. Nominee directors are approved by the Board. If a nominating director instructs duties and instructions to a nominee, such is communicated to the Secretary to the Board. They have the same duties, responsibility, and liability as the nominating director. Sanctions are provided. However, the sanctions are not proportionate and dissuasive.

The level of BO transparency for structures owned/controlled by trusts together with the level of BO Transparency for structures with corporate directors does not exist. There is no Trust legislation in the country. Trusts are kept with Legal practitioners.

Effectiveness of International Information Exchange

The International exchange of AML information has very low-level effectiveness. There has been no international exchange of information on legal structures in the period under review. International exchange of tax information also has a low level of effectiveness.

Effectiveness of domestic interagency information exchange

The effectiveness of domestic interagency information exchange is highly effective. The company registry has channels for the sharing of information to all reporting entities and law enforcement

agencies. An online verification platform has been designed for all the agencies to have access to basic information.

5. Sectorial Risk Assessment

5.1 Banking Sector

Banking Sector Description and Segmentation

The country's Banking Sector is rated medium high risk. The sector in Eswatini comprises four (4) commercial Banks and one (1) Building society. There are three foreign-owned and one locally owned Bank in Eswatini. One of the local Banks is wholly owned by government. The building society which is also locally owned is considered under this sector for the sole reason that its main transactions are deposits and withdrawals...

The Banking sector is the second most significant sector with a total asset value of E 41.8 billion (USD 2.2 billion) as of June 2022 and this is a significant jump for the sector which had an asset value of E 35.2 billion (USD 1.85 billion) as of December 2020. The financial sector in Eswatini is developing and dominated by the retirement funds with an asset size of USD 4 billion (40% owned by one large state-owned Public Service Pension fund), distantly followed by the banking sector with asset size of about USD 2.2 billion (about 30% of GDP), and insurance (USD0.4 billion).

Furthermore, the sector's significance extends to the fact that it is vulnerable to both money laundering and terrorist financing.

Transactions in the sector are huge, swift and attract all kinds of customers carrying various money laundering and terrorist financing risk level. About 90 percent of the banking sector assets are held by foreign Banks. Banks generally face higher inherent risks, mainly due to their larger customer base, higher transaction volume and the cross-border nature of some transactions.

They offer a wide range of products and services and serve a broader spectrum of corporate and individual customers, including higher risk customers such as PEPs and high net worth individual customers.

In terms of the legal framework, the sector is governed by The Money Laundering and Financing of Terrorism Prevention Act 2011, (as amended), the UNSCR regulations of 2016, The Financial Institutions Act 2005 and various Directives/circulars issued by The Central Bank of Eswatini on implementation of prudential obligations and some AML/CFT obligations.

Banking Sector Threats

The country's Banking sector ML threat is very high. Even though there has been no ML conviction in the period under review in the country, ML threats emanating from the Banking sector have been observed. The banking sector was identified as the main sector at risk of being used to launder proceeds derived from predicate offenses. In the period under review. The Banking sector has filed a total of 8 544 STRs with EFIU. A total of 26 ML cases emanating from the Banking sector was investigated by LEAs in the past five (5) years. This constitutes 18% of the ML cases investigated by LEAs. All the six (6) ML prosecutions executed in the period under review involved movement of funds within the Banking sector.

There have been cases wherein fake bank accounts have been deliberately opened using false identities solely for the purpose of receiving illicit funds. Proceeds from ATM bombings have at some instances been directly deposited into legitimate bank accounts and further transferred in an attempt to layer the proceeds. In some instances, predicate offenses are committed outside the borders, but funds deposited into local bank accounts of foreign denominations. The most recent case involved a PEP's bank account that was used. The ML threats in the Banking sector have also been ascribed to the ever revolving and introduction of new business technologies for ease of transacting.

Banking Vulnerabilities and AML Controls

The effectiveness of the overall Banking sector AML controls is rated medium low.

Quality of CDD Framework

The effectiveness of the sector on the Quality of CDD Framework is rated medium low. The Central database kept at the Ministry of Home Affairs is accessible to all Commercial Banks in the country.

Banks are also able to access customer credit information kept by the local credit bureau. The Banks are having issues with their customer identity verification. Some of the Banks are linked to the Government identity database for customer verification purposes. However, these verification efforts are watered down by the inability to verify the physical appearance of the potential customers at on-boarding. There have been instances of Banks opening accounts using faked IDs through identify theft scams Access to the credit information system is a paid service to the Banks.

Access to Legal Person's registry also pose a challenge to the Commercial Banks as it is accessed through a manual process. The system for verifying legal persons held with the Ministry of Commerce has a high downtime. This compromises the Legal persons CDD verification processes

of Banks. The Registrar of Companies under the ministry of commerce currently does not collect and keep ultimate beneficiary ownership data for Legal Persons. As such, Banks are unable to adequately obtain and verify UBOs when engaging with Legal persons.

The current use of independent information source data is limited to verification of proof of customer residence. Banks require customer utility bills to verify customers’ physical addresses.

Quality of AML Supervision

The effectiveness of the Banking sector on the quality of AML Supervision is rated medium. The MLTFP Act, 2011 (as amended) mandate the CBE to impose administrative penalties on noncompliant accountable institutions. The sanctions are in a form of penalties, reprimands, directives, restrictions, and suspensions. The Central Bank has a comprehensive AML/CFT regulatory and supervisory framework. The CBE conducts both offsite and onsite inspections. The CBE conducts risk-based supervision and all the Banks are risk rated according to their vulnerabilities to ML and TF risk exposures. However, the CBE has limited human resource to adequately cover all accountable institutions in its purview. In the period under review, the CBE has conducted only six (6) onsite inspections as seen in the table below:

Table 10: Banking Sector Supervision

Year	Compliance meeting	Compliance workshop	Onsite inspection	Offsite monitoring (remedial action plans)
2018	0	0	1	0
2019	3	0	3	0
2020	0	2	0	3
2021	3	2	0	5
2022	0	0	2	6

The CBE has not imposed AML/CFT dissuasive sanctions in the period under review. The CBE has only sanctioned through AML/CFT remedial actions in the period, 2018-2022. The table below highlights statistics on the administrative sanctions imposed under the Banking Sector in the period under review.

Table 11: Banking Administrative Sanctions

Year	Remedial actions	Restrictions	Monetary penalties	Reprimands
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2018	0	0	0	0
2019	0	0	0	0
2020	3	0	0	0
2021	5	0	0	0
2022	6	0	0	0

Compliance of Banks Staff

The effectiveness of the sector on compliance of Banks staff is rated medium low. Most bank staff discharge their duties with integrity. The banks have clear policies and procedures including a staff recruitment process which involves police screening and background checks with relevant authorities. Further, senior management staff of banks are vetted by the CBE. Financial institutions train their staff through internal training and the CBE academy also provides AML training to the industry. Most banks have effective independent compliance functions that are comprehensive, and risk based.

However, there are isolated instances of fraud perpetuated by Banks staff members. Knowledge levels are low amongst front line staff despite being trained in AML/CFT issues. This might be caused by the poor quality of AML/CFT training provided to staff. Some banks do not comply with their own policies and do not conduct AML/CFT training on an annual basis. Compliance functions are understaffed in comparison with the size and volume of transactions they handle. Criminal sanctions have not yet been enforced on the banks, their directors or senior management. The table below highlights statistics of fraud incidences in the banking sector in the period under review:

Table 12: Banking Fraud Statistics

Bank	2018	2019	2020	2021	2022
A	1	2	2	1	2
B	0	1	2	2	1
C	4	6	4	2	2
D	1	0	0	3	1
E	0	1	2	1	1

Commitment and Leadership of Banks Management

The effectiveness of the Banking sector on the commitment and leadership of Banks Management is rated medium high. The sector has adequate market entry controls to prevent criminals and their associates from holding or being a beneficial owner of a significant interest or holding a management function in financial institutions or law/accounting firm. Bank Directors, executive officers, and senior management officials do not assume their respective roles without prior approval from the CBE. There are adequate corporate guidelines in place and ownership of the AML/CFT/PF risk management is the ultimate responsibility of the board of directors.

However, currently there has not been any sanctions/personal liability in cases of breach. AML/CFT understanding by Banks Management and Leadership is at infancy. Management AML training is still inadequate.

Quality of Internal AML Policies and Procedures

The effectiveness of the sector and quality of internal AML policies and procedures is rated medium high. The Banking sector has put in place adequate internal AML policies and procedures including the risk-based approach to managing ML, TF, and PF risks. Banks have placed suitably qualified independent Compliance Officers. Banks Board of Directors are involved in the development of AML/CFT programs. However, some of the Banks do not consistently follow their own policies and procedures. Most Banks Compliance departments are understaffed which compromises the effectiveness of their internal policies and procedures. This analysis is the same across all Banks in the country (domestic and foreign owned Banks).

Quality of Bank Operations

The effectiveness of the Banking sector on the quality of Bank operations is rated medium. Most Banks have automated systems for transaction monitoring which assists the banks to identify suspicious transactions and activities. However, some banks under utilize the automated systems to monitor transactions aimed at identifying every suspicious transaction and this has resulted in missing out of certain suspicious transactions. This is compounded by inadequate staff to analyse alerts generated by the systems, and low knowledge levels among front line staff despite being trained on AML/CFT issues. Furthermore, knowledge levels are low amongst front line staff on the identification of suspicious transactions. The number of STRs filed by Banks in the period under review are as follows:

Table 13: Statistics of STRs filed by Banks

Bank	2018	2019	2020	2021	2022
1	41	66	146	113	292
2	1 302	1 145	2 451	3 156	1 548
3	76	216	262	266	249
4	127	113	94	47	54
5	64	247	224	245	172

Bank Sector Products Assessments

The most vulnerable top 5 products/services are legal persons' accounts, transactional accounts, online banking, ATMs, and Cell phone banking.

Legal Persons' accounts are highly vulnerable to AML abuse within the Banking sector. The client base profile is rated as high risk as they are comprised of SMMES, sole proprietors and range of sector activity such as agriculture, transport, construction, financial services, food, medical, manufacturing, and other services. The level of cash activity is rated as high, and the frequency of international transactions is rated high as well. Other vulnerability with this account is the inability to identify beneficial ownership for both local and foreign legal persons holding accounts in the country.

Online banking has an asset size of E39 billion in inputs and E75 billion in outputs as of June 2022. The client base profile is rated high risk since they execute online transactions non-face to face, and they are comprised of all clients with transactional accounts. Other vulnerabilities that come with this delivery channel is, there is increased probability of fraud and the transmission of compromised information. Online banking makes it more difficult to verify identity due to the inherent lessening of transparency and the immediacy of the transaction. The many forms of electronic funds payment services present risks of account takeover and laundered funds

Transactional accounts allow for flexibility of the product making it vulnerable to ML/TF risk. It also allows for digital banking which brings the element of anonymity and funds can move very quickly. ATM transactions allow depositors to be anonymous. Banks ATMs are usually used by third parties not known to the Banks for cash withdrawals. These unknown third parties usually receive the funds through e-wallet services sent by the Bank's clients. Cell phone banking can be exploited through the non-face to face nature of cellphone banking transactions. As control measures, both ATM transactions and cell phone banking transactions have low daily limits.

5.2 Securities Sector

Securities Sector Description and Segmentation

The country's securities sector is rated high risk. The Financial Services Regulatory Authority Act of 2010 and the Securities Act of 2010 provide the Capital Markets Development Division (CMDD) authority to supervise entities. The objective of the CMDD is to develop all aspects of capital markets in the Kingdom of Eswatini, with a particular emphasis on the elimination of impediments to investments, obstacles to development, and the prevention of criminals and their associates from abusing the securities sector for financial crime, including AML/CFT. In addition to these two pieces of legislation, the CMDD monitors industry compliance with the Capital Markets Rules and Regulations as per Section 5 of the Securities Act of 2010 and the MLFT Act of 2011 (as amended), Regulations and Directives.

The securities industry included 23 participants as of 30 June 2022 and the segmentation is as follows;

- 11 investment advisers;
- 5 Collective investment plans;
- 1 Stock exchanges;
- 2 Stockbrokers;
- 3 Trustees; and
- 1 Exempt Dealer

The stock market was worth SZL4.293 billion as at 30th June 2022. Asset Managers (Investment Advisers and Collective Investment Schemes) managed a total of E31.2 billion in assets.

Securities Sector Threats

ML threat under the country's securities sector is high. In the period under review, LEAs investigated a total of five (5) fraud cases. However, LEAs did not conduct parallel financial investigation. From these investigated cases, there were no prosecutions and convictions. The entire industry filed only 4 STRs with the EFIU in the period under review. Most of the accountable institutions under this sector do not file STRs with the EFIU.

The main threats facing the sector include tax evasion as some institutions are subsidiaries of companies abroad and Ponzi schemes where investors who bought financial products promising high-interest rates were unable to cash their investments at maturity which resulted in more than four civil cases awarded to applicants at the Eswatini supreme court. The Country's authorities are

currently investigating a Ponzi scheme where local individual investors lost over E400 Million after investing their monies with one Investments Advisor that is no longer in the country.

Securities Sector Vulnerabilities and AML Controls

The effectiveness of the country's overall securities sector on AML controls is rated medium low.

Quality of AML Supervision

The effectiveness of the securities sector on the quality of AML supervision is rated medium low. Despite the availability of the supervisory powers provided in the FSRA Act 2010 and MLFPA as amended in 2016 which include, monetary penalties, removal of key persons and suspension and /or withdrawal of licenses. The FSRA has not effectively imposed sanctions and remedial measures to non-compliant accountable institutions.

The FSRA's risk-based approach supervisory framework (RBA) is still at infancy level and is yet to be fully implemented. This is a result of inadequate resources in terms of budgetary constraints and human capital. The AML unit is under capacitated as currently it only has two (2) AML/CFT officers. The current staff complement is insufficient to effectively supervise since there are 362 institutions under the FSRA's purview. Although, the AML/CFT supervision is also carried out by the FSRA staff under the prudential sectors, the training provided to the FSRA staff is inadequate as it is generic and not role specific.

Commitment and Leadership of Management in Securities Firms

The effectiveness of the sector on the commitment and leadership of management is rated low. All securities sector's leadership and management during the licensing stage and in the event of change of key person, are subjected to the FSRA Fitness and probity tests. However, there were some breaches on this process on one of the entities currently under investigation by the country's LEAs for defrauding investors over E 400 million.

Further, the leadership of the securities sector ensures that their entities respect the powers of the FSRA by adhering to the FSRA Act, Securities Act, MLTP Act statutory requirement, such as appointment of AMLO at senior management, submission of ML/TF risk assessments. Additionally, most of the supervised entities have appointed compliance officers, who are independent and report directly to the board. However, the compliance units are not adequately staffed. Most of the entities have only one compliance Officer managing the AML risks for the entity.

Quality of Internal AML Policies and Procedures

The effectiveness of the sector on the quality of internal policies and procedures is rated medium low. The entities in securities sectors developed their internal policies and procedures using the MLFTP Act which largely addresses AML/CFT concerns such as CDD, record keeping, EDD for PEPs, dependence on CDD by third parties, tipping-off, and secrecy.

However, entities do not conduct annual risk assessments, thus the compliance function is not informed by the prevailing risks. Entities do not take disciplinary action but rather provide training for staff who are in breach. Entities reported that they have internal audit functions; but these are not AML specific. In addition, entities reported difficulty in finding skilled AML external auditors. Most entities do not execute their transaction monitoring and reporting obligations. Only four (4) STRs were reported by the sector in the period under review.

Staff Compliance in Securities Firms

The effectiveness of the sector on staff compliance is rated medium. The legal framework has a diverse range of criminal sanctions applicable in cases of non-compliance with ML/TF laws and regulations. There have been reported incidents of integrity failure where unsuspecting clients were defrauded more than E400 Million. There are records of securities sector employees being involved in criminal activity/corruption. Vetting of employees in the securities sector is generally done at onboarding and client facing staff is vetted more frequently. The ongoing vetting and monitoring of client facing staff is further enhanced by the fact that all client facing employees of regulated FIs under the Securities Sector's purview are required to be re-licensed on an annual basis where a full fit & proper test is conducted.

Quality of Operations in Securities Firms

The effectiveness of the sector on the quality of operations is rated low. Only a few supervised entities utilize automated transactions monitoring system under the sector. Most of the entities do not have transaction monitoring systems to enable effective suspicious activity monitoring. Hence, most entities under the sector do not comply with their STR reporting obligations. The reporting of STRs is low. In the period under review, only four (4) STRs were filed with the FIU from the sector. Most entities under the sector do not have sanction and PEP screening systems and solutions.

5.3 Insurance Sector

Insurance Sector Description and Segmentation

The country's Insurance sector is rated medium risk. The insurance sector in Eswatini is regulated and supervised by the Financial Services Regulatory Authority under the Financial Services Regulatory Authority Act, 2010. The insurance sector comprises of the life insurers (7), non-life insurers (8), reinsurance companies (2) and the insurance intermediaries. Most of the industry players provide life cover insurance products and they have processes to check clients against their AML Compliance programs. The Eswatini financial sector contributes 7% to the country's GDP, as of June 2022. The insurance sector accounted for 5% of the financial sector with total assets of E6.569 592 billion. As of 30 June 2022, life insurance (long term) sector accounted for majority on the insurance industry with 79% of assets valued at E5.171 494 billion and 55% in premium size, premiums valued at E497 795 million. Whilst the non-life (short term) insurance sector accounts for only 21% of the insurance sector with E 1.398 097 billion assets and 45% at E 407 862 million in premiums.

Insurance sector heavily relies on intermediaries for the distribution of products. This applies to both life insurance and general insurance products. Intermediaries assist in the collection of client commission and documents and revert to the insurers who screen the client at underwriting stage. Intermediaries also assist in the processing of claims. However, the insurer decides on the validity of a claim and pay-out is paid directly to the policyholder or beneficiary. There are two types of insurance intermediaries that support insurance companies with the distribution of insurance products within the industry and these are insurance agents and insurance brokers.

Insurance Sector Threats

ML threat under the country's security sector is medium. In the period under review, LEAs investigated a total of six (6) fraud cases. There were no ML investigations under this sector in the period under review. There were no ML prosecutions and convictions in the sector. The entire industry filed only 6 STRs with the EFIU in the period under review. Most of the accountable institutions under this sector do not file STRs with the EFIU.

Insurance Sector Vulnerabilities and AML Controls

The effectiveness of the overall Insurance sector on the quality of AML controls is rated medium low.

Quality of AML Supervision

The effectiveness of the sector on the quality of AML supervision is rated medium low. The FSRA (Insurance Sector Regulator) has adopted an AML/CFT Risk Based Supervisory Framework albeit in its early stages and has supporting tools which have been used in the identification of risks and supervisory interventions, however, there are low levels of effectiveness due to inadequacy of resources dedicated for AML supervision. The MLFTP Act, 2011 provides the FSRA with a wide range of remedial measures and financial sanctions and empowers the Authority to enforce compliance with AML/CFT obligations. The FSRA has applied remedial actions and sanctions to insurers in the sector however, the applied sanctions are not dissuasive. These sanctions were applied since some of the institutions could not conduct their risk assessments. Further there were no administration sanctions taken against individuals.

Commitment and Leadership of Insurance Companies' Managements

The effectiveness of the sector on the commitment and leadership by management is rated medium. Legislation has comprehensive provisions for registration and licensing of insurance companies and insurance intermediaries. Further, the FSRA has put in place guidelines to enable assessment of persons participating in the insurance sector for fitness and probity to ensure that only competent, persons of integrity and sound character participate in the industry. Sector Management is vetted during registration. Most insurance entities have designated compliance officers, who are not at senior management level limiting the level of influence on the compliance culture of the insurance company. The compliance functions are not robust and have not fully adopted the risk-based approach to AML/CFT compliance programmes. As it has also been seen in the allocation of resources which were not commensurate to the level of the insurer's risk.

Quality of Internal AML Policies and Procedures

The effectiveness of the sector on the quality of internal AML policies and procedures is rated medium low. Most of the insurance institutions with foreign parent companies (accounting for 40% of the sector) were found to have adequate AML/CFT frameworks and possess adequate capacity to implement robust AML/CFT compliance frameworks. However, locally owned entities were found to be less proactive in the implementation of AML/CFT frameworks. Most entities have deficiencies on CDD relating to identification and verification of legal arrangements; beneficial ownership, and beneficiaries of insurance policies which affects the AML policies and compliance programmes.

Deficiencies identified during supervision include inadequate AML/CFT risk framework, inadequate CDD, EDD, inadequate reporting of suspicious transactions, inadequate record keeping and transaction monitoring measures, inadequate policies and procedures and training in addition to limited corporate governance issues. Very few insurers conducted audits on their compliance programs and policies.

Compliance of Insurance Companies' Staff

The effectiveness of the sector on the quality of internal AML policies and procedures is rated medium low. The lack of the application of criminal sanctions has negatively influenced the sector's full compliance with the AML/CFT legal framework. Staff in insurance companies are screened at onboarding stage. The screening generally includes criminal checks with the national police, previous employment reference checks for integrity breaches and credit record checks are conducted before potential employees and individuals are hired. The staff vetting is performed to ensure that the prospective employees are of good character. However, the staff screening is not performed on a continuous basis to identify and track integrity breaches.

AML knowledge of staff in insurance companies and brokers is still at a basic level. Whilst insurers have training policies and programs which include AML/CFT related matters, it was found that the trainings carried out by insurers was the same for all members of staff and was not customised for the different functions or roles within the companies.

Quality of insurance Companies Operations

The effectiveness of the sector on quality of insurance operations is rated medium low. A minority of the insurers conduct client profiling and can monitor changes in their client's profile. Although some of the information relevant for profiling is collected at the inception of policies, the information is used only for underwriting and assessment of affordability only. Despite such efforts, effectiveness of suspicious transactions monitoring and reporting is still very low. Most entities have ineffective manual systems for monitoring transactions resulting in limited reporting of suspicious transactions. Reports from the EFIU indicate low number of STRs filed in the period under review from the insurance sector.

Designated Non-Financial Businesses and Professions (DNFBPs)

5.4 Real Estate Sector

Real Estate Sector Description and Segmentation

The country's real estate sector is rated high risk. The real estate sector is involved in the buying and selling of immovable property. Real Estate Agents facilitate the buying and selling of real estate but do not carry out the actual transfer of properties. The actual transfer is only executed by conveyancers in the kingdom. The sector is growing at a very high pace. In the period under review, there were 99 active companies registered with the Registrar of Companies trading as Real Estate agents and there is also large number of sole traders which is difficult to quantify.

This sector is largely unregulated and there is no market entry controls. In terms of the MLFTP Act, this sector is being supervised by the EFIU for AML purposes due to the fact that there is no sector supervisor. In the period under review, the EFIU had conducted an outreach to the sector and raised awareness of their AML/CFT obligations under the MLFTP Act.

The volumes of transactions for buying and sale of real estate is very high. The table below highlights the analysis of property transactions in the past five (5) years sourced from Registry of Deeds;

Table 14: Value of Real Estate Transactions from 2018 to 2022

Region	Year 1	Year 2	Year 3	Year 4	Year 5
Manzini	450 689 609	377 048 730	398 045 135	299 016 309	791 649 943
Hhohho	896 225 754	360 903 092	314 313 783	1 807 584 837	660 241 475
Shiselweni	88 999 407	54 285 208	40 966 580	60 460 626	80 795 039
Lubombo	20 541 707	28 066 322	50 860 500	53 153 040	39 417 098
Total	1 456 456 477	820 303 352	804 185 998	2 220 214 812	1 572 103 555

Real Estate Sector Threats

ML threats of the country's Real Estate sector are very high. In the period under review, the sector players did not file any STRs to the EFIU. LEAs investigated four (4) ML cases involving the sector. Two (2) of these cases are still under prosecutions and these cases have not been concluded. The prevalent predicate offences/threats in this sector are theft by false pretenses in particular in the

sale of properties situated under Swazi Nation Land (SNL). There are also cases of fraud in particular transaction handled by Legal professionals who defraud the clients by failing to remit funds paid to them as purchase price of properties. This sector has also been used to launder proceeds from other predicate offenses. Launderers use the proceeds to purchase real estate. An increase in the involvement of Agents in the sale of Swazi National Land (controlled by the traditional leaders) has been noted during the period under review. The sale of property situated in the Swazi Nation Land is largely cash and there are no records of transactions of sale of property under Swazi Nation Land. Money Laundering typologies for the real estate sector is that illicit funds largely generate from corruption, drug trafficking and possession and tax evasion is being channeled to purchase real estate.

Real Estate Sector Vulnerabilities and AML Controls

The effectiveness of the overall Real Estate sector on the quality of AML controls is rated low.

Quality of AML Supervision

The effectiveness of the sector on the quality of AML supervision is rated low. AML/CFT supervision is non-existent in this sector. This sector is fragmented and unregulated. There is no entry regulation nor any law regulating the activities of players in particular the estate agents. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision by conducting awareness program for the Real Estate sector. The EFIU is collaborating with the Ministry of Housing and Urban Development in engaging industry players on their AML /CFT compliance obligations. The MLTFP Act, 2011 does provide administrative sanctions which have not yet been enforced as the Regulation is still at infancy level.

Commitment and Leadership of Management

The effectiveness of the sector on the commitment and leadership of management is rated very low. There is no Regulator in this sector and there is no market entry requirement. Mostly they register as a company with the Registrar of companies and sometimes they obtain trading licences from Ministry of Commerce. But there is no legal requirement that they are supposed to register as a company nor obtain trading licence. Some Individuals practice as Real Estate Practitioners without being registered nor obtaining any trading license. These Individuals do not even have offices nor premises where they work. They just advertise in social media platforms their services and the properties which they sell.

These Individuals and Companies operating as Estate Agents do not implement AML/CFT/CPF controls in their operations.

Quality of AML Policies and Procedures

The effectiveness of the sector on the quality of AML policies and procedures does not exist. Real Estate Agents perform the sale and buying of immovable on behalf of their clients. There are no AML/CFT/CPF controls implemented in their operations. Real estate agencies do not have any AML/CFT/CPF policies and procedures.

Compliance Level of Staff

The effectiveness of the sector on the compliance level of staff is rated very low. This sector does not implement AML/CFT/CPF controls and the EFIU have just started to roll out supervision. Most Estate Agents do not have compliance staff as well as compliance function.

Quality of Operations

The effectiveness of the sector on the quality of operations is rated very low. This sector does not implement AML/CFT/CPF controls in their business operations. They do not have compliance function and do not even report suspicious transactions.

5.5 Legal Practitioners / Lawyers

Legal Practitioners Sector Description and Segmentation

The country's Legal Practitioners sectors is rated high risk. The legal profession is regulated by the Law Society of Eswatini (LSE) established under section 34 of the Legal Practitioner's Act 1964. As of 2022. LSE had a membership of 667 registered legal practitioners and 122 law firms. The country has 2 Notary Publics and 17 Conveyancers. The number of legal practitioners varies from year to year as new lawyers are admitted to the bar each year. Once a lawyer is admitted into the Bar, he or she becomes a general practitioner. He or she can practice in almost every type of work. This includes managing client's money or trust funds, securities or other assets, registration of business entities and creation of trusts and other legal arrangements. Only conveyancers may facilitate transactions in sale or buying of real estate and notary publics render services for trusts formation.

The Law Society is the supervisory authority for the legal profession in Eswatini. Their enabling legislation does not, however, incorporate AML/CFT obligations. The MLFTP Act in Schedule 3

categorise Legal professionals as Accountable Institutions when they perform the following functions;

- Buying and selling of immovable property;
- Managing of client money or trust funds, securities, or other assets;
- Management of bank, savings, or securities accounts;
- Organisation of contributions for the creation, operation, or management of companies; ➤
Formation agent for creation of legal arrangements

Legal Practitioners Sector Threats

ML threats under this sector is rated high. In the period under review, there were no STRs filed by Legal practitioners. LEAs investigated only one ML case involving Legal practitioners. This case has been prosecuted and it is still pending in court. The total size/volume of lawyers and legal practitioners is considered high. The sector is vulnerable to ML risk and, the main contributing factors being high prevalence of cash activity, the possibility to use trust accounts for anonymity purposes and concealing beneficial ownership, difficulty in tracing transactions as there is no record keeping and customer due diligence does not exist.

Defrauding clients and concealing proceeds of crime in their trusts accounts on behalf of their clients is the most prevalent predicate offence in this sector and the illicit funds are laundered through purchasing property and motor vehicles. This affects the ML threat in the real estate and motor vehicle sectors. At the time of this assessment there were a number of disciplinary cases pending against lawyers mainly for defrauding their clients. One lawyer was struck off the role of Attorneys for defrauding a client at the time of the assessment.

Legal Practitioners Sector Vulnerabilities and AML Controls

The effectiveness of the Legal Practitioners sector on AML controls is very low.

Quality of AML Supervision

The effectiveness of the sector on the quality of AML supervision is rated low. AML/CFT supervision is non-existent in this sector. The primary Regulator in this sector, which is the Law Society of Eswatini does not conduct AML/CFT supervision. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision by conducting awareness program for the DNFBPs sectors.

Commitment and Leadership of Management

The effectiveness of the sector on commitment and leadership of management is rated very low. There is a distinct and comprehensive framework for entry into the Legal Profession. The Law Society of Eswatini is the authority responsible for regulating this sector. The Law Society does conduct fitness and probity assessment before admission into the sector. However, the Law Society does not incorporate AML/CFT/CPF aspects in their supervision. The MLFTP Act does provide for criminal sanctions for breach of the Act which has not yet been enforced.

Quality of AML Policies and Procedures

The effectiveness of the sector on the quality of AML policies and procedures is non-existent. Law firms which perform some of the activities which are categorised as Accountable Institution do not have AML/CFT/CPF policies and procedures. There are no AML/CFT/CPF controls implemented in their operations. The MLFTP Act is the primary legislation regulating ML/FT/PF across the Accountable Institutions including the DNFBPs sectors. The Act is currently undergoing amendment to address a number of gaps identified during the last mutual evaluation.

Compliance Level of Staff

The effectiveness of the sector on the compliance level of staff is non-existent. This sector does not implement AML/CFT/CPF controls and the EFIU have just started to roll out supervision. Most Law firms do not have compliance officers as well as compliance functions.

Quality of Operations

The sector is rated high risk on quality of operations. This sector does not implement AML/CFT/CPF controls in their business operations. They do not have compliance function and do not even report suspicious transactions.

5.6 Casinos and Gaming Houses

Casinos and Gaming Houses Sector Description and Segmentation

The country's Casinos and Gaming sector is rated medium risk. Casinos, Lotteries and Bookmakers are regulated by the Eswatini Gaming Control Board, a statutory board established by section 11 of the Gaming Control Act of 2022. However, the AML/CFT supervision is not done by the sector's primary Regulator, hence the EFIU has assumed responsibility. There are currently three (3) registered lottery license holders, (3) Casinos and 2 Bookmakers in Eswatini.

Casinos

The three casinos are Nhlanguano Casino Royale located in Nhlanguano, Piggs Peak Hotel located in Pigg's Peak, and Happy Valley Casino located in Ezulwini. These three are not linked to any Casino chain. There is very minimal activity in Nhlanguano Casino Royale and Piggs Peaks. Most activity is at the Happy Valley, being the largest casino in the country. Happy Valley is located within the corridor of the two largest cities of Eswatini. Furthermore, it is located in one of the largest tourist areas in the country.

There is no available study to determine that the overall contribution of the sector to the GDP of Eswatini. The only busiest casino, the Happy Valley casino recorded the following number of guest visits in for bets in the past five years commencing 2018 to 2022.

Table 15: Guest Visits at the Happy Valley Casino

Year	2018	2019	2020	2021	2022
Guest Visits	44 320	50 538	23 121	27 919	38 459

Gaming transactions use a combination of both cash and electronic funds transfers modes. Some machines use cards on which credit for playing is loaded. For other machines (especially lotteries) credit is loaded directly at the cash desk. A few have utilised Electronic Funds Transfers which have a threshold of E25 000 as minimum. Other machines have bill acceptors for inputting notes. For tables, chips can be purchased at the tables or from cash desks.

Lotteries

The lottery license holders operate a number of lotteries machines. It is estimated that there are currently 530 lottery machines operating in the country under the ownership of the three (3) registered lottery license holders. The customer base for lotteries could not be determined as it was not available. It was stated that most customers are walk-in casual players. They are not recorded, and CDD processes are not done. During the interviews it transpired that customer information is not kept due to the low amounts involved, ranging from ten (10) Emalangeni to five hundred Emalangeni. The players are mainly low-income earners who do not pose considerable AML risks.

Bookmakers

This is a new sector in the country in which the first license was granted in 2020. It is an industry that is relatively popular amongst the youth for sports betting. In all the operators, the transactions are conducted via the country's mobile money operators and Banks. Customer KYC is collected by the Mobile money operators and Banks. In the period under review, there are close to 90 000 online betting customers.

Casinos and Gaming Houses Sector Threats

ML threats within this sector is rated medium. Casino clients mostly include PEPs and tourists from other countries who are inherently high-risk for ML. These casinos have loyalty programs and advertise through billboards. There is limited data on clients with foreign business or personal interests, clients with business links to known high risk jurisdictions or clients with criminal records. Gaming is a very high cash intensive business. There is no cap to the amount of cash a player can spend at a time. Winnings are paid out through cash and through transfers to the client's Bank accounts Cash payments mitigate attractiveness for ML and transfers to clients increase ML risks.

In the period under review, only one STR was filed by the sector. This only STR was filed by the Happy Valley casino. LEAs have not conducted any ML case involving this sector. No ML prosecutions and convictions involving this sector.

Casinos and Gaming Houses Sector Vulnerabilities and AML Controls

The effectiveness of the Casinos and Gaming Houses sector of AML controls is rated medium low.

Quality of AML Supervision

The effectiveness of the sector on the quality of AML supervision is rated low. AML/CFT supervision is non-existent in this sector. The primary Regulator in this sector does not conduct AML/CFT supervision. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision by conducting awareness program for the DNFBPs sectors. Casinos have been trained on their ML Compliance obligations.

Commitment and Leadership of Management

The effectiveness of the sector on the commitment and leadership of management is rated medium low. There is a distinct and comprehensive framework for entry into the Gaming industry

for casinos and lotteries. The Eswatini Gaming Board is the authority responsible for licensing, development of legislation and guidelines for the industry. Fitness and probity tests are done for industry management. The supervisor further deals with the renewal of licenses on an annual basis. However, the framework does not include AML related preventative measures. There is a due diligence process adopted at the point of market entry to prevent criminals from holding controlling stake in the gaming sector. The Casinos are owned by both domestic and foreign interests.

Quality of AML Policies and Procedures

The effectiveness of the sector on the quality of AML policies and procedures is rated low. The entities under this sector do not have AML/CFT/CPF policies except for one Casino. There is no AML/CFT/CPF controls implemented in their operations.

However, subsidiary legislation for the gaming sector, does not incorporate AML requirements and obligations. The MLFPA is the primary legislation regulating ML/FT/PF across the Accountable Institutions including the gaming sector. The Act is currently undergoing amendment due to number of gaps identified during the last mutual evaluation.

Compliance Level of Staff

The effectiveness of the sector on the compliance level of staff is rated low. This sector does not implement AML/CFT/CFP controls and the EFIU have just started to roll-out supervision. Most industry players do not have compliance staff except for one Casino. Operational staff members for the industry players have not been trained on their ML obligations. As such, they do not comply with their AML compliance requirements.

Quality of Operations

The effectiveness of the sector on the quality of operations is rated low. This sector does not implement AML/CFT/CPF controls in their business operations except for one Casino which is Happy Valley Casino. They do not have compliance function and do not even report suspicious transactions. Only one STR was filed by the active Casino in the period under review.

5.7 Dealers in Motor Vehicles

Dealers in Motor Vehicles Sector Description and Segmentation

The country's Dealers in Motor Vehicles sector is highly vulnerable. This sector deals in the buying and selling of motor vehicles and motor vehicle parts. On assessment of this sector, it was

established that there were 99 active formally registered motor vehicle dealers as of December 2022. The country has dealers who deal in local motor vehicle models as well as dealers of import/grey car dealers. Both types of dealers are licensed by the Ministry of Commerce Industry and Trade. The sale of local models is usually financed through banking finance which reduces ML risk exposure. The attractiveness of this method for ML may depend on the repayment terms of this motor vehicle loans. The biggest ML threat is with the Import/grey car dealers which is mainly operated by Asian dealers in particular Pakistani Nationals. They sell low-cost second-hand cars, and most sales are done in cash. Customers are not obligated by the dealers to transfer the name of the owner as presented in the Bluebook, and car registration documents into the name of the customer. The buyers of the import's cars are not even required to declare the source of funds when they purchase the vehicles in cash. The table highlights the number of registered Motor Vehicles dealers by geographic location;

Table 16: Numbers of Registered Motor Vehicles Dealers by Region

Region	Number of Dealers	Percentage Contribution (%)
Manzini	83	85%
Hhohho	11	11%
Lubombo	1	0%
Shiselweni	3	3%

Dealers in Motor Vehicles Sector Threats

The ML threats posed by this sector is high. The risk is heightened by the fact that trade in imports motor vehicle is predominantly cash based and there is no verification of source of funds when customers pay for the vehicles. The sales transactions of imports motor vehicles allow for customer anonymity and in some instances the vehicles are not even registered in the name of the actual buyers. This is done to conceal ownership and makes transactions in the sector difficult to trace.

Fraud and tax evasion schemes exist in the industry.

There are a number of ML typologies on the abuse of this sector which include purchasing of vehicles using illicit funds and using fronts to purchase vehicles. The threat in this sector is conspicuously high. There is also high prevalence of tax evasion as there is no records of transactions particularly in the sale of imports motor vehicles. In the period under review, no STRs

were filed by industry players. However, this sector was involved in two prosecuted ML cases. These two cases are still pending in courts. The predicate offenses were conducted outside the sector and the proceeds were used to purchase the vehicles.

Dealers in Motor Vehicles Sector Vulnerabilities and AML Controls

The effectiveness of country's Motor Vehicle sector on AML controls is very low.

Quality of AML Supervision

The effectiveness of the sector on the quality of AML supervision non-existent. The motor vehicle sector does not have a regulator or supervisor. AML/CFT supervision is non-existent in this sector. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision for the DNFBPs.

Commitment and Leadership of Management

The effectiveness of the sector on the quality of AML supervision is rated very low. This sector is not regulated and AML/CFT/CPF supervision is non-existent. Industry players are registered as companies and licensed by Ministry of Commerce which does not exercise any form of supervision. There is no due diligence process adopted at the point of market entry to prevent criminals from holding controlling stake in this sector.

Quality of AML Policies and Procedures

The effectiveness of the sector on the quality AML policies and Procedures is non-existent. Motor Vehicle Dealers are categorised as Accountable Institution in terms Schedule 3 of the MLFTP Act. However, they currently do not have AML/CFT/CPF policies and procedures. There are no AML/CFT/CPF controls implemented in their operations.

Compliance Level of Staff

The effectiveness of the sector on the compliance level of staff is non-existent. This sector does not implement AML/CFT/CPF controls and the EFIU has just started to roll out supervision. All the Motor Vehicle Dealers do not have compliance staff as well as compliance function.

Quality of Operations

The effectiveness of the sector on the quality of operations is rated very low. This sector does not implement AML/CFT/CPF controls in their business operations. They do not have compliance function and do not report suspicious transactions to the EFIU.

5.8 Dealers in Precious Metals and Stones

Dealers in Precious Metals and Stones Sector Description and Segmentation

The country's Precious Metals and Stones sectors is rated medium risk. Precious minerals have a high value, compact and therefore easy to smuggle, the trade is often conducted in cash, and they are negotiable worldwide. They may also be used as a form of currency. They are durable, virtually untraceable, odourless, and therefore difficult to detect in case of smuggling, can be held anonymously without a need for records to be kept, and are considered a safe investment. It is for these reasons that they are highly attractive to launderers.

The Dealers in Precious stones and metals sector is regulated by department of geology and mines under the Ministry of Natural Resources. The Mining department is headed by the Commissioner of Mines who act as the secretariat of the Minerals Management Board. The Minerals Management Act, defines precious stones and metals as follows:

- Precious stones, namely agate, amber, amethyst, cat's eye, chrysotile, diamond, emerald, garnet, ruby, sapphire, turquoise, and any other precious stones that are prescribed; and,
- Precious metals, namely gold, silver, Platinum, or other metal of the platinoid group in an unmanufactured state and, any other rare earth metals that are prescribed;

The only available precious metal and stone in the country is gold and there is only one active gold mine licensed to operate in the Northern part of the country. There is also one defunct Diamond mine in Dvokolwako and there is no activity since that mine was closed. There is minimal possibility of illegal mining taking place from the closed diamond mine since it is guarded by members of the national army. There is also the risk of illegal gold mining in the Northern part of the country, the Northern Hhohho region.

There are currently six (6) licenced players in the industry which are categorized as follows;

- Mining (2)
- Refineries (2)
- Traders. (2)

Dealers in Precious Metals and Stones Sector Threats

ML threat on this sector is low. The size of sector is relatively small as there are only 6 licensees in the country. The profile of the precious stones and metals business is high risk as Gold is highly attractive to launderers and the trades in gold are mostly cross border transactions. Money Laundering typologies may include possibilities that producers may not declare the real value of their production to the authorities (particularly gold) in order to minimize their tax exposure. Secondly, precious metals and stones can be purchased with illicit funds, such as the proceeds of drug trafficking and possession, corruption and trade in precious stones and metals can be utilized for tax evasion purposes. Thirdly, precious minerals are attractive because they can be used in trade-based money laundering (TBML) schemes, as a cover for laundering illegal funds generated by other crimes, for example through price manipulation or false invoices covering fictitious sales of gold or diamonds when, in fact, the money was generated by various offenses.

However, an analysis of gold trade transaction from data and information sourced from the Central Bank indicate a number of entities and individuals who are not licensed but who are involved in gold trade. This indicates a possibility of a trade-based laundering, illicit proceeds being channelled to purchase gold and being utilised as conduit for tax evasion. There is also the threat of illegal gold mining in the Northern Hhohho region.

Dealers in Precious Metals and Stones Sector Vulnerabilities and AML Controls

The effectiveness of this sector on the overall AML control is low.

Quality of AML Supervision

The effectiveness on this sector on the quality of AML Supervision is rated very low. AML/CFT supervision is non-existent in the Dealers in Precious Stone & Metal sector. The primary Regulator in this sector does conduct AML/CFT supervision. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision but still embryonic.

Commitment and Leadership of Management

The effectiveness of the sector on the commitment and leadership of management is rated medium low. There is a distinct and comprehensive framework for entry into the sector of Dealers in Precious Stones and Metals. The Minerals Management Board is the authority responsible for licensing at market entry into this sector. However, the framework does not include AML/CFT/CPF due diligence at market entry.

There is no due diligence process adopted at the point of market entry to prevent criminals from holding controlling stake in this sector.

Quality of AML Policies and Procedures

The effectiveness on this sector on the quality of AML policies and procedures is non-existent. The entities under this sector do not have AML/CFT/CPF policies and procedures. There are no AML/CFT/CPF controls which are being implemented in their operations. The subsidiary legislation for this sector, which is the Mining Act, also does not incorporate AML requirements and obligations. All players under this sector do not have compliance function and AML/CFT/CPF is not being implemented due to lack of supervision over the years.

Compliance Level of Staff

The effectiveness of the sector on the compliance level of staff is non-existent. This sector does not implement AML/CFT/CPF controls and the EFIU has just started to roll out supervision. The industry players do not have compliance staff. Operations staff are not subjected to AML compliance requirements.

Quality of Operations

The effectiveness of this sector on the quality of operations is non-existent. This sector does not implement AML/CFT/CPF controls in their business operations. They do not have compliance function and do not even report suspicious transactions.

5.9 Accountants and Auditors

Accountants and Auditors Sector Description and Segmentation

The country's Accountants sector is rated medium risk. Accountants in Eswatini are regulated by the Eswatini Institute of Accountants (EIA). The Eswatini Institute of Accountant is established under Section 3 of the Accountants Act No.5 of 1985. However, there is no supervision of Accountants profession for AML/CFT purposes and there is no market entry control to prevent criminals from holding controlling stakes in accounting firms. The EIA has the following categories under its supervision.

Table 17: Categories of Accountants under Eswatini Institute of Accountants

Category	Number
Registered Practicing Chartered Accountants	18

Registered Non-Practicing Chartered Accountants	103
Registered Accountants	322
Audit Firms	13

Accountants and Auditors Sector Threats

The threats posed by Accountants in facilitating ML in the Kingdom is low. No ML investigations involving this sector were done in the period under review. No STRs were filed by Accountants in the period under review. There is possibility that services of Accountants may be utilised for tax evasion purposes by falsifying audited financial statements and also for committing fraud. There is a possibility of unregistered accountants performing some of the activities which are designated as Accountable such as formation agent of legal arrangement or companies, managing clients' funds, providing an address for legal arrangement or company, and rendering tax related services without any form of supervision by the sector regulator and without implementing AML/CFT controls. There is growing trend of unregistered Accountants advertising those services in the media.

Accountants and Auditors Sector Vulnerabilities and AML Controls

The effectiveness of this sector on AML controls is rated low.

Quality of AML Supervision

The effectiveness of this sector on the quality of AML supervision is rated low. AML/CFT supervision is non-existent in this sector. The primary Regulator in this sector, which is the Eswatini Institute of Accountants does not conduct AML/CFT supervision. The EFIU has assumed the role of being AML/CFT Regulator and has just started rolling out supervision by conducting awareness program for the DNFBPs sectors. However, the large Chartered Accounting firms which are subsidiaries of international firms with a global footprint does incorporate AML/CFT/CPF controls in their business operations.

Commitment and Leadership of Management

The effectiveness of this sector on the commitment and leadership of Management is rated medium low. There is a distinct and comprehensive framework for entry into the accounting profession. The Eswatini Institute of Accountant is the authority responsible for licensing and regulating this sector. The Institute of Accountants does not incorporate AML/CFT/CPF aspects in

their supervision. There is no due diligence process adopted at the point of market entry to prevent criminals from holding controlling stake in this sector.

Quality of AML Policies and Procedures

The effectiveness of this sector on the quality of AML policies and procedures is rated low. Accountants which perform some of the activities which are categorised as Accountable Institution do not have AML/CFT/CPF policies and procedures. There is no AML/CFT/CPF controls which is being implemented in their operations except for the firm. However, the large accounting firms which are franchises/subsidiaries of international firms do incorporate AML/CFT/CPF controls in their operation. The sector subsidiary legislation, the Accountants Act of 1985, do not incorporate AML requirements and obligations. The Institute of Accountants does not conduct AML/CFT/CPF.

Compliance Level of Staff

The effectiveness of this sector on the compliance level of staff is rated medium low. This sector does not implement AML/CFT/CPF controls and the EFIG has just started to roll out supervision.

Most Accounting firms do not have compliance staff as well as compliance function. However, the subsidiaries of foreign firms do train their staff on AML/CFT/CPF, and they have Compliance functions.

Quality of Operations

The effectiveness of this sector on the quality of operations is rated medium low. Some Accountants do not implement AML/CFT/CPF controls in their business operations except for subsidiaries of foreign firms who do have compliance functions. Accounting firms and Accountants do not report suspicious transactions largely because they do not conduct AML/CFT/CPF monitoring in their operations.

Other Financial Institutions

5.10 Credit and Savings Providers

Credit and Savings Providers Description and Segmentation

This sector is rated medium risk. This sector consists of 191 licensed entities which include the following categories:

- Building Societies (2)
- Development finance institutions (3)

- Money lenders (118)
- Credit retail providers (7)
- Savings & credit co-operatives (61)

The total assets of this sector amounts to E11,323,898.99 which constitutes 15.74% of the GDP.

Credit and Savings Providers Sector Threats

The Credit & Savings Providers ML threat is rated low. This is attributed by the fact that the number of cases investigated versus the statistics of STRs reported is negligible with only one case under prosecution and there are no convictions reported during the period under review. In the period under review, only one STR was filed with the EFIU from this sector.

In terms of statistics provided by LEA, only one case was under investigation in relation to fraud conducted in a credit provider, in 2022, this case emanated through an intelligence that was submitted to the EFIU by the Banking Sector. In this incident, a Staff member of a credit provider engaged in a fraudulent activity of a substantial amount in 2020 wherein the staff member conspired with a client to secure a fraudulent loan and deposited it into several bank accounts, and the illicit funds were later used to acquire an asset for business purposes. In this sector, there are incidents of fraudulently obtained business loans facilities where credit providers staff members collude with fraudsters. The loan applications are done by submitting forged orders to the credit providers.

Credit and Savings Providers Sector Vulnerabilities and AML Controls

The effectiveness of this sector on AML controls is rated medium low.

Quality of AML Supervision

The effectiveness of this sector on the quality of AML supervision is rated medium low. Through the MLTFPA, the FSRA has the jurisdiction and capacity to oversee the Credit & Savings Sector. To direct its supervision, the FSRA has adopted an AML/CFT Risk Based Supervisory Framework and associated instruments. However, there is a relatively small staff dedicated to AML supervision within FSRA resulting in insufficient oversight of the 362 institutions covered by the FSRA. A relatively small number of AML/CFT onsite inspections were conducted, and the scope and intensity of the supervision was found to be inadequate as it has not been informed by any risk assessment. FSRA has access to a variety of corrective actions and monetary penalties for noncompliant entities. However, FSRA has only implemented a small number of administrative sanctions and corrective actions.

Commitment and Leadership of Managements

The effectiveness of this sector on the commitment and leadership of management is rated medium low. The FSRA does conduct fitness and probity tests for entity management when deciding whether to grant a license or not. The FSRA takes into account a person's reputation, character, financial integrity, and dependability, as well as their financial situation, capacity to carry out specific tasks honestly, and reliability. The ML principal Act, however, has shortcomings with UBO registration and verification. Most entities under this sector have appointed Compliance Officers. However, these do not focus on AML issues. They mainly focus on compliance with Consumer credit act. The Compliance departments are also inadequately staffed.

Quality of AML Policies and Procedures

The effectiveness of this sector on the quality of AML policies and procedures is rated medium low. Most entities under this sector have not developed adequate and effective AML policies and procedures. Entities under this sector have not started implementing Risk based approach to managing their ML risks.

Compliance Level of Staff

The effectiveness of this sector on the compliance level of staff is rated low. The training levels are low, despite the fact that development finance institutions train all of their employees on AML/CFT and provide refresher trainings while evaluating compliance activity reports. The limited trainings offered are general and simply cover the fundamentals of AML/CFT. The results of on-site inspections show that there are no attendance records for the DFIs' training sessions, the staff is not effectively trained on AML/CFT reporting and regulations, and neither the board nor the staff members are informed of the repercussions of violations. The FSRA educates the industry on AML administrative sanctions on violations in an effort to address the inadequacies found, however DFIs have not yet received any such sanctions.

Quality of Operations

The effectiveness of this sector on the quality of operations is rated medium low. Monitoring for suspicious activities was graded as having low effectiveness. Credit Institutions have mechanisms in place for tracking and reporting STRs, but they are not used because no STRs have been reported in the period under review. There are manual monitoring systems which are not commensurate

with the size of the institutions and transactions. DFIs maintain records in accordance with the Act, and they have manual processes for identifying large and complex transactions.

5.11 Money Remitters

Money Remitters Sector Description and Segmentation

The ML vulnerability of this sector is rated medium. There are only 3 licensed entities under this sector. MoneyGram, Shoprite, Mukuru are institutions in the money remittance sector. Two of these services are offered as a product under a licensed bank, Standard bank; these are MoneyGram and Shoprite. MoneyGram is offered at Standard Bank branches and has a designated teller while Shoprite remittance services are provided by Shoprite stores country wide. Moreover, Mukuru is offered through its branches in both Mbabane and Manzini city centres. The money remittance products and services offer domestic and cross border services, with MoneyGram allowing for both in-ward and outward payments internationally, Shoprite offering domestic transfers and inward cross-border payments only whereas Mukuru only offers in-ward payments from various international countries.

Money Remitters Sector Threats

ML threat for this sector is rated low. The likelihood of anonymity is reduced because most of the items in the sector do not permit transactions that are not made in person. Although there is a non-face-to-face delivery channel for money and value transfer services, this may nevertheless attract money launderers due to the quick movement of funds in real time and the elusiveness of the product after cash is taken. There are however daily remittances limits to curb ML risks. In the period under review, this sector has not filed a single STR with the EFIU. LEAs have not conducted ML investigations involving this sector. No ML prosecutions and convictions under this sector.

Money Remitters Sector Vulnerabilities and AML Controls

The effectiveness of the sector on AML controls is rated medium high.

Quality of AML Supervision

The effectiveness of this sector on the quality of supervision is rated medium high. Because one institution has not had its AML/CFT procedures reviewed on a desktop or in person since receiving its license, the sector's oversight of money transfers has not been adequate. However, all of the players have been consistently monitored off-site by the prudential regulator and AML support. Analysis based on an on-site investigation of the institution's associated with the bank revealed

that poor CDD procedures were used for walk-in clients and that transaction monitoring of the products/services was not integrated with the banking system. For institutions proven to be in violation of their AML responsibilities, appropriate criminal punishments are in place. However, none of the institutions in the sector have received these sanctions.

Commitment and Leadership of Managements

The effectiveness of this sector on the commitment and leadership of management is rated medium high. The Central Bank evaluates sector licensing requests in accordance with its license standards, which include fitness and probity examinations for senior management, board members, and owners to ensure their integrity. One of the institution's applications during the time under review was put on hold, among other reasons, because of differences in the entity's structural risk. Financial institutions are also given licenses for a set length of time to ensure ongoing evaluation of entry controls.

Compliance Level of Staff

The effectiveness of this sector on the compliance level of staff is rated medium. The AML/CFT risk returns that are annually submitted to the institutions for population show that all money transfers show a moderate level of comprehension of their AML duties. With one institution, the lack of a local compliance department has jeopardized several AML/CFT standards, including transaction monitoring, reporting suspicious transactions, and the accuracy of KYC criteria. Through its Group, the other financial institution connected to a bank has compliance officers in Eswatini and South Africa. These officers collaborate to ensure administration and monitoring of the AML/CFT program of the regional service.

Quality of Operations

The effectiveness of this sector on the quality of operations is rated medium high. Two of the money transfers have full-fledged compliance departments, each with a senior management-level compliance officer who is presumed to be independent. Although the risk-based approach to AML compliance has been applied in bank-led goods and services, the fragmented transactional monitoring system prevents seamless oversight and quick oversight of suspicious transaction warnings. The surviving financial institution does not have a full-fledged compliance function, but they have assigned their group compliance officer to oversee the service in the nation, which hinders the function's efficacy and raises the risk of non-compliance.

5.12 Money and Value Transfers Service Providers

MVTS Sector Description and Segmentation

The sector is rated medium risk. In Eswatini, mobile money is mostly used to provide money transfer services (MVTS). Mobile money services are made possible in the Kingdom via Mobile Money Transfer. This service, which serves the underserved and unbanked by utilizing agents and banks to facilitate the nationwide distribution of mobile money, is an important driver of financial inclusion. Players under this sector are MTN Fintech Services, E-Mali Limited and InstaCash. In the period under review, all the three (3) entities had registered over 1 018 879 subscribers for mobile money. MTN is the leading with about 77% market share, followed by E-Mali and InstaCash. This sector has experienced exponential growth over time. These entities interoperate with each other and Banks.

Since MVTS do not currently provide cross-border transfers, all transactions are conducted domestically. Two of the MVTS' offer a larger variety of products, such as bill payments, bank push and pull, the ability to buy goods and peer-to-peer transactions, while the remaining institution only offers cash in and cash out services because to piloting limits.

MVTS Sector Threats

The ML threat level for this sector is low. Fraud risk is high as unsuspecting members are public are defrauded through these mobile money platforms. These include cash for jobs scams where individuals are promised jobs and are requested to deposit upfront cash through these platforms. The ability of the product to accept numerous deposits and multiple withdrawals within the daily limitations has made the MVTS sector more susceptible to being used to assist pyramid schemes as wallet sizes and daily limits have increased. The product's non-face-to-face feature has also encouraged criminals to broaden their strategies for obtaining money illegally; customers who are unfamiliar with the mobile money platform are intimidated through phone calls or fictitious messages into sending the criminal money through the platform in unusual ways. In the period under review, the sector filed a total of 671 STRs with the EFIU and most of these are fraud related. No AML investigations and prosecutions were conducted. Prosecutions and convictions were done for the fraud predicate offense.

MTVS Sector Vulnerabilities and AML Controls

The effectiveness of this sector on AM controls is rated medium.

Quality of AML Supervision

The effectiveness of this sector on the quality of supervision is rated medium high. The MLFTP Act gives the Central Bank the authority to monitor the sector both on- and off-site. The sector's prudential regulator and AML support perform combined inspections to evaluate the effectiveness of payment system controls and AML/CFT controls, respectively, as part of the sector's specialized prudential and AML/CFT supervision. Within the 2018–2022 review period, the Central Bank conducted a joint inspection for all three sector players, including a test evaluation of one system prior to a product pilot. Although the Central Bank's workforce is competent and the regulator prioritizes officer capacity growth, the AML function is not adequately staffed in the period under review the Regulator had not imposed administrative AML sanctions in this sector.

Commitment and Leadership of Managements

The effectiveness of this sector on the commitment and leadership of management is rated medium high. Central Bank is a competent body that registers and issues licenses to MVTs. The Central Bank has suitable processes in place to guarantee the competence and integrity of senior management and key directors through ongoing fit and probity assessments. The Bank also sees to it that the resources and internal controls required for a successful company are reviewed. Most Entities under these sectors have appointed compliance officers although the compliance units are not adequately staffed.

Quality of AML Policies and Procedures

The effectiveness of this sector on the quality of AML policies and procedures is rated medium high. Almost all the entities under this sector have developed comprehensive AML policies and procedures. However, the staff complement of the compliance functions is low. All MVTs providers have an operational compliance function, with a senior management-level compliance officer who is independent and reports to the Board. Seniority of the compliance officers was attained after remedial action plan exercises on two MVTs. However, the players' compliance operations only have a small staff, with only two officers, including the compliance officer, working for an MVTs with a customer of over 100,000. The human resource's limited capability makes it difficult to comply with regulatory standards, such as training necessary staff members and completing STR reporting deadlines.

Compliance Level of Staff

The effectiveness of this sector on compliance level of staff is rated medium high. Through initial and ongoing trainings, the sector is prepared to assure comprehension of ML/TF laws and regulations. The fact that most pertinent staff participate in broad AML/CFT training and inconsistent role-specific trainings are performed is a serious flaw in the sector. Institutions also seldom conduct typology studies, and they do not review training materials to ensure that the content is relevant considering increasing dangers. Notably, the extent of the institution's training manuals on the topics of ultimate beneficiary owner, terrorist financing, proliferation financing, and targeted financial penalties is constrained due to the paucity of information in laws and regulations on these topics.

Quality of Operations

The effectiveness of this sector on the quality of operations is rated medium. All MVTs providers have an operational compliance function, with a senior management-level compliance officer who is independent and reports to the Board. Only one institution out of the three can guarantee transaction monitoring against their clients' profiles. All MVTs providers have automated mechanisms to assure adequate transaction monitoring. One of the institutions has not yet made sure that their customer on-boarding process can effectively risk rate their clients based on the four business hazards. The absence of STR submissions from the other institution to the EFIU may be the result of a system that is inefficient. Due to a lack of human resources to carry out timely investigations, all financial institutions are unable to meet the two-day STR reporting deadline.

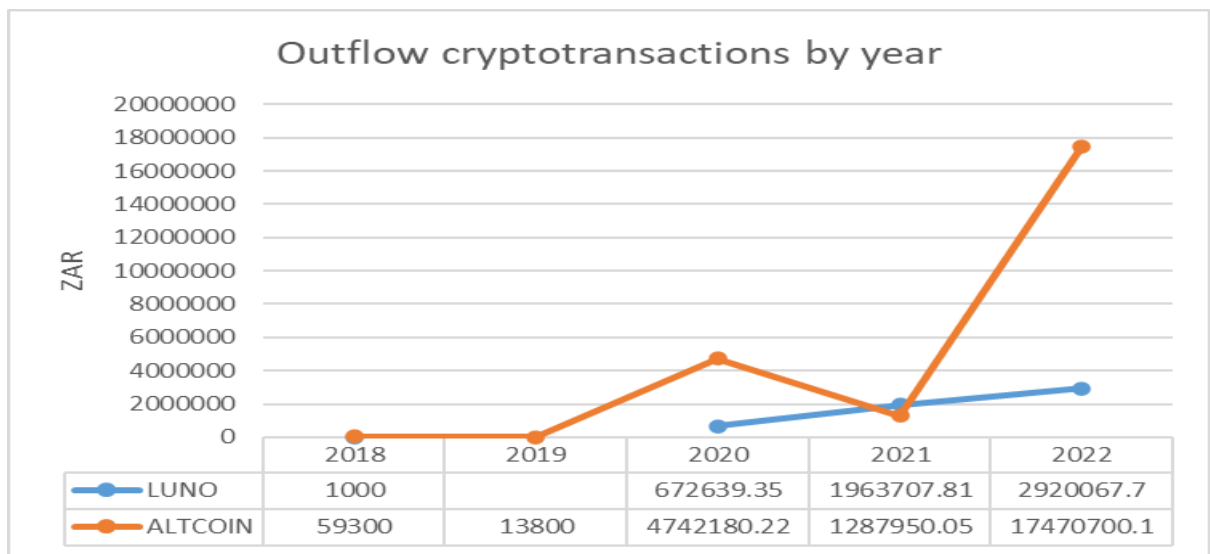
5.13 Virtual Assets and Virtual Assets Services Providers Assessment

VA and VASPs Sector Description and Segmentation

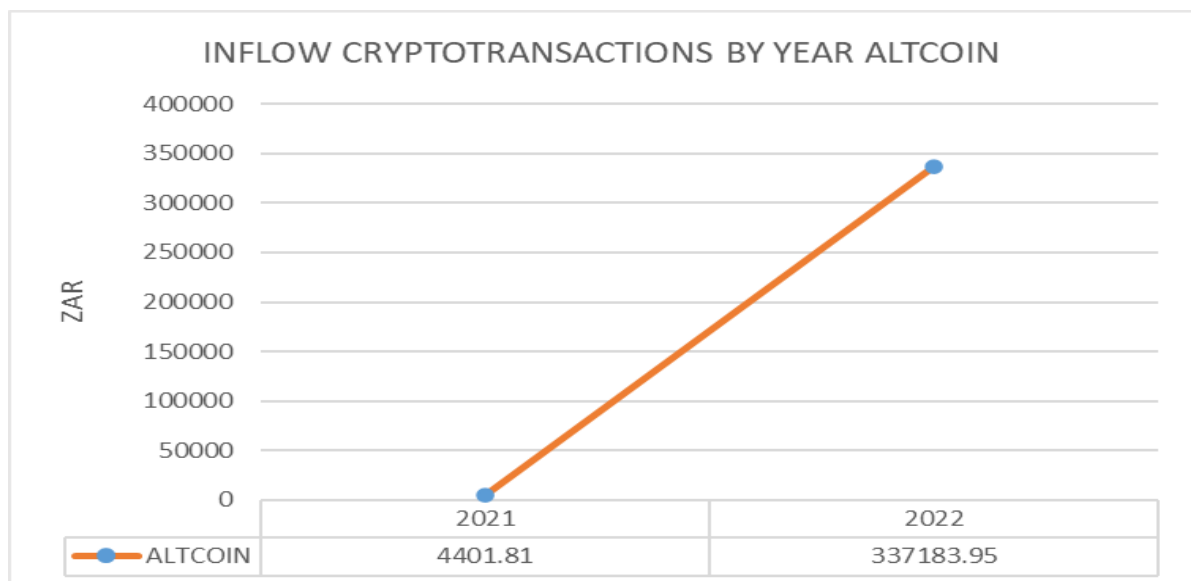
Due to VAs not being issued, regulated, or backed by a central authority and further VASPs not being licensed in Eswatini, many types of operators could exist on the market. However, research and data on the ground has found that no actual VA is issued locally. During the research, two VASP Exchanges were found to be supported in the local market and a number of quasi brokers who promote and educate people on how to buy VAs were found to be active in the local market. The Central Bank of Eswatini through their Exchange Control division realized a surge in transactions linked to VASP activities, the analysis has showed that these transactions are cross border, and they are remittances towards the Altcoin Trader Platform and Lunar Trading Platform,

which are popular Platforms/ Exchanges in neighboring South Africa. The Altcoin Trader Exchange/Platform allows investors access to trade in Bitcoin, Ethereum, Ripple, Tether, Menero, and also precious Gold and Silver. The Lunar Exchange/ Platform allows investors access to trade Bitcoin, Bitcoin Cash, Ethereum, Lite coin, Uniswap and Ripple. The two graphs below show the activity in transactions linked to VASP activities.

Graph 1: Outflows of funds to accounts operated by the two VASPs in South Africa to purchase VA year on year



Graph 2: Inflows of funds from VASPs to Local Banks year on year



Research and data on the ground further revealed that of the 7 types of VASPs recognized by FATF, Eswatini only has realized activity from two (2) Virtual Asset Exchanges. The other activity realized was from Persons/Companies who market the above platforms and VAs domiciled across the Eswatini borders and further educate on VAs. Upon closer analysis of the functions of these persons/companies, non were found to meet the VASP definitions by FATF and as such were deemed to be beyond the Assessment scope. However, the presence and activities of these quasi brokers were seen as a threat to the Eswatini market.

Pseudonymity: The two traced VASPs which are Altcoin Trader Exchange and Lunar Exchange were found to offer pseudonymity VAs. The pseudonymity by VAs, combined with weaknesses in the AML/ CFT regime locally may become attractive to local criminals to move funds and hide their identity.

Based on research data, various types of VAs have been traced from the two popular exchanges in which cross boarder remittances have been realized. Further, various types of VAs has been realized to be linked activity in VASPs locally.

Virtual Asset Exchanges

- Lunar Exchange - The Lunar Exchange/ Platform allows investors access to trade Bitcoin, Bitcoin Cash, Ethereum, Lite coin, Uniswap and Ripple.

- Altcoin Trader Exchange - The Altcoin Trader Exchange/Platform allows investors access to trade in Bitcoin, Ethereum, Ripple, Tether, Menero and also precious Gold and Silver.

The VA exchanges provide a digital online platform to facilitate virtual asset transfers and exchanges. Exchanges can be online, platform-based or in-person, such as trading platforms that enable peer-to-peer.

Types of VASP Exposure in Eswatini:

- Virtual Asset Wallet Providers - 0
- Virtual Asset Exchanges - 2 (These two Exchanges are established in South Africa)
- Virtual Asset Broking/Payment Processing - 0
- Virtual Asset Management Providers - 0
- Initial Coin Offering Providers - 0
- Virtual Assets Investment Providers - 0

➤ Validators Miners and Administrators – 0

Risks

Unregulated Market - The Buying and selling of VAs is outside the wholesome remit of Eswatini regulators and as such these present opportunities for unregistered fraudsters to take advantage of this market by offering investments in VAs which could result in major losses, systemic risks, and ML/TF risks.

Jurisdictional Concerns – The two traced and other VA entities are not domiciled in Eswatini nor registered locally as VASP by any Authority. The VASPs are registered in South Africa where VA/VASPs have recently been legitimized. However, due to the complexity and pseudonymity by VASPs and lack of arrangements pertaining to VASPs specifically, any investigations relating to criminal activities linked to VA/VASPs may be a problem. Further, tax gain remissions and foreign threat from fraud, corruption may seem to be a problem due to the jurisdictional discord.

VA and VASP Sector Threats

The overall ML/TF threat of VA and VASPs in Eswatini per the World Bank tool and inputted variables is high. However, on closer analysis and the actual activity on the ground this rating can be deemed to be Low due to controls in the cross-border jurisdictions wherein rife activity in VASPs has been realized. However, the activity still poses spillover effects into the Eswatini economy.

The Altcoin Trader Exchange/Platform allows investors access to trade in Bitcoin, Ethereum, Ripple, Tether, Menero and also precious Gold and Silver. The Lunar Exchange/ Platform allows investors access to trade Bitcoin, Bitcoin Cash, Ethereum, Lite coin, Uniswap and Ripple. The two traced VASPs platforms were found to offer pseudonymity VAs e.g., Ethereum that offers a nearanonymous state in which a user has a consistent identifier that is not their real name. The pseudonymity by VAs, combined with weaknesses in the AML/ CFT regime locally may become attractive to criminals. However, these two VASPs used by the Swazis are regulated in South Africa for AML /CFT purposes.

Eswatini has realized an increase in money inflows related to VA from Altcoin. These are transactions where funds come from Altcoin Bank account to a Bank account in Eswatini. The VAs is redeemed for fiat currency. Recorded data from the CBE Exchange Control department has recorded an amount of E350 000 as inflows between the years of 2021 and 2022. The limited oversight on these transactions and the source(s) of these funds exposes Eswatini to foreign threat e.g., drug trafficking and possession, fraud, and human trafficking as foreign criminals can use

proceeds of drug or human trafficking (fiat money) by converting it to digital or virtual currencies for money-laundering purposes. This exposure is further heightened by limited oversight on monitoring transactions in relation to inflows from foreign VASPs as there are no further STR filed with EFIU which may trigger investigations.

Eswatini has also experienced an increase in money outflows related to VA. Recorded data from the CBE shows that between the years 2018 and 2022, a total of E2.8 billion was remitted towards Bank accounts linked to VASPs.

(Altcoin: E1.7 billion and Luna: E 1.1 billion). It was noted that between the years 2021 - 2022 a total of E 23 642 425. 56 was recorded as outflows remitted to VA, however during the same period E 350 000.00 was imported to Eswatini as returns towards VA investments thus signalling Capital Flight risk as VA/VASP money outflows are exceed money inflows.

The assessment team further realized threats from Eswatini's unlicensed or unregulated quasi brokers or agents who offer training to individuals and companies on VAs and further assist them to register with foreign VASPs. Due to these brokers being unlicensed, there is lack of oversight on their internal controls, educational material, the type of service providers (VA/VASPs) that they market, the type of VAs and jurisdiction domiciled

Based on telephone conversations, beyond providing training on VA/VASPs, some of these quasi brokers accept cash or deposits from local investors and subsequently trade on their behalf. This arrangement is realized as a threat to the infiltration of illicit funds into the financial system as it is unknown if this quasi brokers/ agent have appropriate internal controls e.g., KYC procedures in place. Further, the deposit taking element by these quasi brokers also presents illegalities in terms of the Financial Institutions Act 2005 as they encouraged people to deposit money into their personal or company accounts without required approvals from the central bank. Further, due to the absence of regulatory frameworks governing the operation of these quasi brokers, this exposes them to being prone to being used for money laundering risks purposes through the concealment of funds whose sources of origin cannot be detected. In light of this, Eswatini may pose a threat to other jurisdictions.

Through carrying out open-source research to trace service providers and trading platforms that might be operating in the country, the following quasi brokers were identified;

- QZ Assets Management;
- Crypto Lovers Academy;
- Vault Markets Swaziland;

- Crypto Currency Exchange Eswatini; and
- Swaziland NFT Networking (Alt coin trader).

The EFIU has realized a surge in the number of STRs related to VA/VASPs between January 2018 and December 2022. All the recorded STRs were received from the banking sector. The reported analysis by the EFIU on the filed reports was that the transactions were remittances to foreign VASP and there no predicate offences linked to the transactions. Most of the suspicious were triggered by the high amounts deposited by the Bank clients which did not correspond to the client profile and these funds are usually transferred to VASPs in South Africa immediately after the huge the deposits. Further, the EFIU did not have statistics on the value amounts of these STRs. The EFIU also highlighted that they have not received STRs on VA in relation to inflows. This was a limitation of the assessment as no threat were identified through the statistics.

Table 18: STR's Involving Crypto currency

PERSONS	Months	2018	2019	2020	2021	2022
	Jan	0	17	5	5	3
	Feb	2	4	20	2	4
	March	0	2	12	6	6
	Apr	4	2	4	5	4
	May	9	10	3	3	3
	Jun	14	16	5	5	4
	Jul	11	12	8	5	3
	Aug	5	7	12	2	3
	Sep	3	9	12	3	3
	Oct	5	5	7	2	3
	Nov	1	7	4	5	2
	Dec	2	3	4	2	3
Total	56	94	96	45	41	

Some of the STR filed to EFIU emanated from quasi brokers using their Current and Savings Accounts for deposit taking and subsequent dissemination. In light of this, VA transactions were viewed as threat for ML/TF risks. It was observed that there is a high activity in VA that has been

realized through the outflows and inflows as well as through quasi brokers/ agents operating in the shadow market. The country has unlicensed brokers, and they might also be receiving illicit funds then convert these funds into VA.

Eswatini's Very High-Risk level of ML threats to VA and VASP is further attributed to the nature of the products offered by the platforms and further the lack of robust financial and human resources, adequate training, and systems for combating ML/TF risks associated with VA and VASP.

The popular exchanges operating in Eswatini offer access to VA whose characteristics include anonymity and/or pseudonymity. The characteristics of these VAs may offer cross boarder transfer to high-risk jurisdictions. The assessment team found that all remittances to the platforms and further transactions are done online devoid of face to face. Currently Eswatini does not have resources and tools to trace VAs on any blockchain save to trace monies which were paid towards VA/VASPs via however only Bank KYC information. It was found that VA transactions are swift and the lack of traceability, monitoring, and detection tools on any blockchain by Eswatini poses a very high risk for use of criminal activities. Further, the lack of oversight e.g., KYC into the platforms allows access to criminals into the VA platforms who may exploit the VA ecosystem. With lack complete oversight, VA can be used to pool funds which may be used to fund illegal acts and/or terrorist activities.

The assessment team found that some of the VAs accessed in the 2 platforms can be used to purchase items in the dark web. With access to platforms either directly or via a quasi-broker, locals can transact with each other, buying and selling goods/services within their community and the lack of regulation pose a great risk.

With no supervisory framework and lack of oversight on the gains/losses in VA, this may attract criminals to tax evasion endeavours through non remission of 10% withholding tax on gains, in contravention of Section 32c of the Income Tax Order of 1975. With no supervision, high speed transfer and non-face to face characteristics, the locally found VAs may be used to fund terrorism. Lastly, the assessment team also found that Eswatini does not have tools, human capital, and technology to trace and seize VAs.

VA and VASP Vulnerabilities and AML Controls

The overall national vulnerability for Eswatini is rated **Very High Risk**. This is because the country has no VA/VASP framework to license, regulate, and supervise VA/VASP activity in Eswatini. Further, this rate is attributed to the lack of a regulatory framework to provide wholesome

oversight into the VA/VASPs activity which are domiciled abroad thus involves high cross border transactions.

The operating VASPs in Eswatini are large, have international links, they are further complex, and shareholders are not known thus the lack of efficient supervision into the activity poses vast ML/TF risks to Eswatini.

Whilst the Central Bank of Eswatini is able to track outflowing and inflowing remittances to and from VA/VASPs and further Banks are able to view same, there is a lack of dedicated internal controls to deal with the supervision of this activity. There is a further lack of transparent oversight into the products/services and activities the investors engage on post remitting into the VA platforms by any of the financial regulators and/or institutions.

A questionnaire was sent to non-bank financial institutions regarding participation in VA/VASPs products/services and it was reported that no VA/VASPs investments were being undertaken and as such did not have any VA/VASP related internal controls.

In Eswatini, most VA/VASPs offer their services/products via Internet via non-face to face platforms thus allowing criminals, PEPs to partake in the space. The lack of supervisory, regulatory and oversight onto these VA/VASPs is thus deemed high risk. There is also lack of oversight by Eswatini Authorities into the qualification(s), internal controls, material(s) and content disseminated by quasi brokers to Eswatini investors during seminars and as such consumer protection is not guaranteed. Eswatini's Very High-Risk level of ML/TF vulnerability to VA and VASP is further attributed to the nature of the products offered by the platforms and further the lack of robust financial and human resources, adequate training, and systems for combating ML/TF risks associated with VA and VASP.

In Eswatini all VA/VASPs have been traced to be domiciled abroad. The operating VASPs in Eswatini are large, have international links, they are further complex, and shareholders are not known. The offered VA/VASPs are deemed attractive to criminals and/or organized crime and the lack of supervisory framework in Eswatini encourages activity in these. Currently, partakers in the market are unknown as only remittances are known via Exchange Control. Locally offered VA/VASPs were realized have access/exposure to high-risk jurisdictions through internet channels. With no supervisory framework locally, the Eswatini economy is therefore prone to very high ML/TF risks. Local data has shown that most remittances involving VAs are towards South African domiciled VA/VASPs and the limited oversight on these VA/VASPs is regarded as risky for ML/TF purposes. Research has shown that the VA/VASPs offered locally offer enhanced anonymity and/or

pseudonymity e.g., Ripple, Tether, Menero etc. Research has shown that VA transactions occur rapidly within the CMA region where there is a free flow of funds. Lastly, research has shown that the popular VASPs in Eswatini are not regulated in neighbouring South Africa where they are domiciled.

ML /TF Mitigation Measures

The overall national effectiveness of mitigation measures of Eswatini is rated as non-existent, at **0%** effectiveness in mitigating the ML/TF threats and vulnerabilities exposure. This stemmed from a lack of dedicated legislation, dedicated regulatory framework for licensing, monitoring, and supervision of VA/VASPs. Due to the lack of VA/VASP mitigation measures being non-existent, all variables were rated as Does Not Exist per the World Bank Tool.

VA / VASP Interaction

This part provides observations on the impact of VA/VASPs activities on Traditionally Obligated Entity Sectors. Due to the lack of data, the assessment relied on information gathered from open source, supervisory and information from law enforcement authorities to draw conclusion on the exposure of risks in these sectors.

- **Banks (High Risks):** The assessment revealed that banks in Eswatini are currently the only conduit towards remittances in VA platforms across the Eswatini borders. Research has shown that currently Standard Bank and Nedbank are currently having high activity in VASP remittances.
- **Non-Bank Financial Institutions (Low Risk):** No activity was realized in this sector.
- **Gambling and Gaming Sector (Low Risk):** No activity was realized in this sector.
- **DNFBPs (Low Risk):** No activity was realized in this sector.
- **Notaries (Low Risk):** No activity was realized in this sector

VA and VASPs Conclusion

The conclusions are informed from the fact that little is known about this sector and given the known typologies, the result is high risk. What seems to be known is that traditional channels (Banks) are sending and receiving funds to/from register VASP bank accounts in SA.

Domestically, there are some persons who seem to be acting on behalf of others (brokers), receiving funds and transferring to the VASP bank accounts. It is not clear if they are receiving funds as they are

promoting an unregistered investment scheme. There may also be Ponzi schemes operating where collected funds are being laundered through these VASPs. At present Eswatini has not taken a position on VA or VASP and there is no legal framework in place.

Annexure 1. Implementation Schedule

Outcome 1: AML/CFT interventions are collaborative								
Task	Activities	Inputs	Responsibility	Partners	Estimated cost (E)	Expected Outputs	Time Frame	Performance indicators
1. Establish formal international arrangements and procedures for exchanging information	Review mutual assistance treaties and arrangements	Mutual legal assistance treaties	DPP	MoFA, AG, REPS, ACC, ERS	250 000	Amended MLA Act	July 2024	Sharing of information with more countries
	Examine the utility of SACU for mirror trade statistics sharing	Data generated in terms of the SACU	ERS	MOF	0	Consolidated review report, with recommendations on changes and framework required	October 2024	Trade transparency facilitation framework Enhanced Unit for the exchange of tax information with international counterparts
		Data generated in implementing the Global Forum	ERS	MOF, MoFA	0			
	Comply with the Global Forum standards							
	Examine implications of AfCFTA on risks of TBML	IFFs risks based analysis of AfCFTA	Ministry of Commerce		300 000			

2. Establish formal domestic arrangements and procedures for exchanging information	Amend the Interagency coordination framework to incorporate comprehensive domestic cooperation	Inter-Agency Coordination Framework	TC	Ministry of Justice	300 000	Amended Interagency coordination framework	March 2024	A framework that facilitates the collaboration of all Task Force members
3. Establish and activate AML/CFT case management system accessible to the competent authorities	Analyse gaps in the developing/existing criminal case management system, including a review of the Concept Note	Concept note on establishing and activating case management team	DPP, REPS	Ministry of Justice, RSTP, EFIU	300 000	Gap analysis report Amended concept note	Dec 2023	Functional case management system based at the FIU established
	Establish AML/CFT case management system if existing system cannot be adjusted		FIU		DPP, REPS, ACC, ERS			300 000
	Train competent authorities to use the AML/CFT case management system.	Training			300 000			
4.	Identify countries of interest for collaboration	National Risk Assessment	DPP	MoFA, REPS, ERS, ACC	0	Collaboration with identified jurisdictions	March 2024	Report on jurisdictions relevant to AML/CFT

Use risk assessment to identify jurisdictions	Establish mechanisms for collaboration				0		July 2024	collaboration, and on successes and
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relevant to AML/CFT collaboration, and to identify successes and challenges in accessing it.	Develop a Monitoring tool to identify and measure successes and shortcomings				0		July 2026	challenges in accessing it
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5. Register all entities identified to be vulnerable to money laundering or terrorist financing in the NRA with the FIU	Identify all accountable institutions	Data from regulators	FIU	CBE, FSRA, Ministry of Commerce – Company Registration , Ministry of Home Affairs, CANGO, Law Society	0	List of all accountable institution	Jan 2024	At least 75% of all entities registered with the FIU	
	Develop electronic register for all entities	Electronic register for accountable entities	FIU			Electronic register in place	April 2025		
	Train identified entities on electronic registration	Training workshops			1, 200 000				
	Train officials on conducting sectoral risk assessments				500, 000				

	Collect data for sectoral risk assessment							
	Conduct training on risk assessments for accountable institutions							

TOTAL cost for Outcome 1 (E): 3, 450, 000

Outcome 2: AML/CFT interventions are based on current and emerging risks

Tasks	Activities	Inputs	Responsibility	Partners	Estimated cost	Expected Outputs	Time Frames	Performance Indicators
1. Establish and update trends of ML/TF/PF	Share sectoral trends to the FIU	Data from accountable institutions	TC	CBE FSRA FIU	0	Sectoral trends reports	Quarterly every year from April 2024 (two weeks after the quarter)	ML/FT/PF trend analysis reports produced quarterly
	Conduct trend analysis from reported data	Empirical research	FIU	DPP, ACC, REPS, ERS	0	ML/FT trend analysis report		
2. Produce an annual report on	Study typologies and report findings	Framework for typology study report	FIU CBE FSRA	DPP, REPS, ACC, ERS, Accountable institutions	0	Annual reports on typologies of local and regional ML/FT and PF	Annual reports from December 2023	At least an annual report on typologies of local and regional ML/FT and PF

typologies of local and regional ML/FT and PF	Assess the implementation of typology reports	Data required for the typology study			0			
	Participate in the ESAAMLG RTMG				3,000,000			
	Disseminate typology report from ESAAMLG				0			
3. Conduct AML/CFT national risk assessment	Adopt and adapt the World Bank methodologies to conduct national risk assessment	AML/CFT risk assessment framework	FIU CBE FSRA	Competent Authorities	20,000	AML/CFT risk assessment framework developed		AML/CFT national risk assessments conducted every three years

	Identify and train national risk assessors	Financial resources			0	Trained risk assessors	December 2025	
	Establish data collection and management systems/tools	Training workshops			20,000			
	Develop circulars, guidance notes, guidelines (legislative framework) for	Data on proceeds of all predicate activities			1,800,000			
		Data on illicit financial flows						

	conducting risk assessments	Comparative guidelines on conducting risk assessments						
	Disseminate the National Risk Assessment Report (sanitized version)	Workshops Printing of NRA Report	TC	AML/CFT Council, Cabinet	500 000 (350 000 for workshop and 150 000 for printing and publication)	Media briefings Industry consultations Cabinet presentation	March 2026	General understanding of ML/TF/PF risks by stakeholders

4. Conduct periodic sectoral risk assessments	Review/ develop methodology to conduct risk assessment	World Bank Tool	TC		0	Sectoral risk assessment methodology	June 2024	At least 75% of sectors vulnerable to AML/FT assessed
	Train officials on conducting sectoral risk assessments	Sectoral Data from identified entities			150 000	July 2024		
	Collect data for sectoral risk assessment				0	Sectoral risk assessment report	Aug 2024	
	Conduct training on risk assessments for accountable institutions				150 000	Annually from Dec 2024		
5. Enforce requirements to establish Risk Assessment Programs in all DNFBPs	Conduct sectoral risk assessment in all DNFBP sectors Assist with business level risk assessments in DNFBPs	NRA 2023 FATF Recommendations	FIU	CANGO, Law Society	100 000	DNFBP sectoral risk assessments Business level risk assessments in DNFBPs	December 2025	Risk Assessment Programs in 50% of all DNFBPs
6. Establish database on beneficial ownership of legal	Collect data on BO of legal entities	Re-registration process	Ministry of Commerce - Registrar of Companies	AG, FSRA, CBE, ERS	0	Database on beneficial ownership of legal entities	December 2024	Comprehensive database on beneficial ownership of legal

entities conducting	Amend Companies Act to include	Amendment to Companies Act				conducting business in Eswatini		entities conducting business in Eswatini
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business in Eswatini	mandatory disclosure by legal entities of BO				2,000,000		July 2024	
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7. Develop the ML/TF/PF Policy and disseminate Policy briefs on measures to preempt or mitigate ML, FT, PF	Develop ML/TF/PF Policy	AML/CTF/CPF Strategy	AML/CFT Technical Committee	MOF	300 000	Policy document	March 2024	AML/CFT/CPF Policy
	Train Technical committee in preparation of Policy Briefs	Training workshops			300 000	Policy Briefs Briefings to parliament Media briefings	April 2024 - April 2028	Policy Briefs disseminated annually
	Prepare Policy Briefs				0			

TOTAL cost for Outcome 2 (E): 8, 340, 000

Outcome 3: Money laundering is detected and disrupted, and criminals are deprived of resources

Tasks	Activities	Inputs	Responsibility	Partners	Estimated cost	Expected Outputs	Time Frames	Performance indicators
1. Identify and develop skill sets to investigate	Conduct overview of money laundering investigation training	Comparative training manuals		DPP, FIU, ACC, ERS	300 000	Standard Operating	Feb 2024	Parallel financial investigations

financial crime and money laundering	Develop training manual for investigators		REPS		0	Procedures for Parallel financial investigations	Biannual training workshops by September 2024	Parallel financial investigations conducted in 75% of predicate crimes
	Train Law Enforcement Authorities to investigate money laundering	Face to face and online training workshops			300 000	Parallel financial investigations		

	Encourage LEAs to be professionally accredited				0	Certified LEAs	Annually from December 2024	Increased numbers of Certified LEAs
2. Identify and develop skill sets to prosecute financial crime and money laundering	Conduct overview of money laundering prosecution training	Money laundering prosecution training manuals	DPP	FIU, REPS, ACC, ERS	600 000	Skill sets profiled and documented	Annual training workshops by September 2024	Improved ML prosecution rate
3. Increase the number of investigators trained to investigate	As in 1 above	Money laundering investigation training manuals	REPS	DPP, FIU, UNODC	0	Parallel financial investigations	Biannual training workshops from January 2024	50% increase in the number of police investigators trained to investigate money laundering

financial crime and money laundering	Motivate for the increase in number of investigators	Motivation for increasing investigators	REPS, ACC, ERS		9,000,000	Increased number of trained investigators	December 2024	50% increase in the number of investigators at the ACC trained to investigate money laundering
								50% increase in the number of investigators at the ERS trained to investigate IFFs
4. Increase the number of prosecutors trained to	Assess technical needs of prosecutors	Needs assessment Comparative training manuals	DPP	FIU	0	Training manual in regular use		50% increase in the number of prosecutions of
	Develop training manual for prosecutors				600,000			
prosecute money laundering	Regularly update training manual				0			money laundering cases
	Motivate for the increase in number of Prosecutors	Motivation for increasing prosecutors	DPP		3,000,000	Increased number of trained Prosecutors	December 2024	
5 Increase the number of successful money	Prioritise money laundering prosecutions by directive	Directive to prosecutors	DPP	REPS, FIU	0			
		Guidance to investigators						

laundering prosecutions	Request for prioritization of financial crimes cases	Assistance with parallel investigations MER, PIEP, NRA	Chairperson of the Council	AG, DPP, REPS, ACC	0	Increased number of finalized ML cases	By December 2026	50% increase in number of finalized cases
	Motivate for financial crimes bench	MER, PIEP, NRA	Chairperson of the Council		0	Dedicated bench for ML cases		
6 Improve the recovery and management of Tainted Assets	Review Asset forfeiture laws	Asset forfeiture law	DPP	FIU, ERS	150 000	Amended Asset forfeiture law	July 2024	25% escalation by value in tainted assets recovered
	Establish Tainted Asset management capacity	Comparative asset management systems			5, 000 000	Improved asset forfeiture system	December 2025	
Total cost for Outcome 3 (E): 18, 950, 000								

Outcome 4: Terrorism and proliferation financing are detected and disrupted, and terrorists are deprived of resources.								
Tasks	Activities	Inputs	Responsibility	Partners	Estimated Cost	Expected Outputs	Time Frames	Performance Indicators
1 Increase number of terrorist financing investigators and prosecutors	Identify and develop skill sets to investigate the financing of terrorism	Skills audit	FIU	REPS, UNODC	300 000	Increase in the number of investigators and prosecutors able to tackle terrorist financing cases		25% increase in the investigators and prosecutors able to investigate and prosecute terrorist financing
	Identify and develop skill sets to prosecute the financing of terrorism	Training manual			0			
	Develop Training manual on the investigation and prosecution of terrorist financing	NRA			0			
	Conduct training in investigating and prosecuting terrorist financing	Training workshops			300 000			
2 Raise awareness of risks and mitigatory measures relevant to FT/PF	Brief government departments, accountable institutions and key stakeholders in politics on risks of FT/PF	Briefing seminars	TC		300 000	Awareness programs	By January 2025	Better informed policy makers

3 Create and sustain networks to support CFT in susceptible	Convene local discussions with business, religion, professional intermediary sectors	Fact sheets on NPOs	Technical Committee	CANGO, UNDP	300 000	Media releases	Annual briefings from January 2025	Better informed communities
sectors and entities	and civil society structures on FT risks				1, 200 000			
	Participate in regional discussions on CFT	Briefing papers						
		NRA						
		Sectoral risk assessments						
TOTAL cost for Outcome 4 (E): 2, 400, 000								
Review the Implementation of Strategic Plan	Establish review framework	Framework for review	Technical Committee	Council	150 000	Reviews completed	Annual review of the Implementation plan	Improvements in implementation in the 2 nd half of Strategic Plan
	Undertake internal review	Comparative review reports			0			

	Commission external/independent review				0		Mid-term internal review at halfway stage, final review at the end of the Strategic Plan	
Cost of review (E): 150, 000								
SUB-TOTAL: E33, 290, 000								
CONTINGENCY (calculated at 10% of the sub total): TC retreat at E400, 000								
TOTAL for 2023 - 2027: (Costing was annually) E33, 690, 000.00								