



19-20 JULY 2023
Royal Swazi Sun

AML/CFT
INDABA

“Countering illicit financial flows to promote
sustainable economic growth”

The AML/CFT Regime in Eswatini

Address by Chairperson of the Council

Presented by Dr. Phil Mnisi





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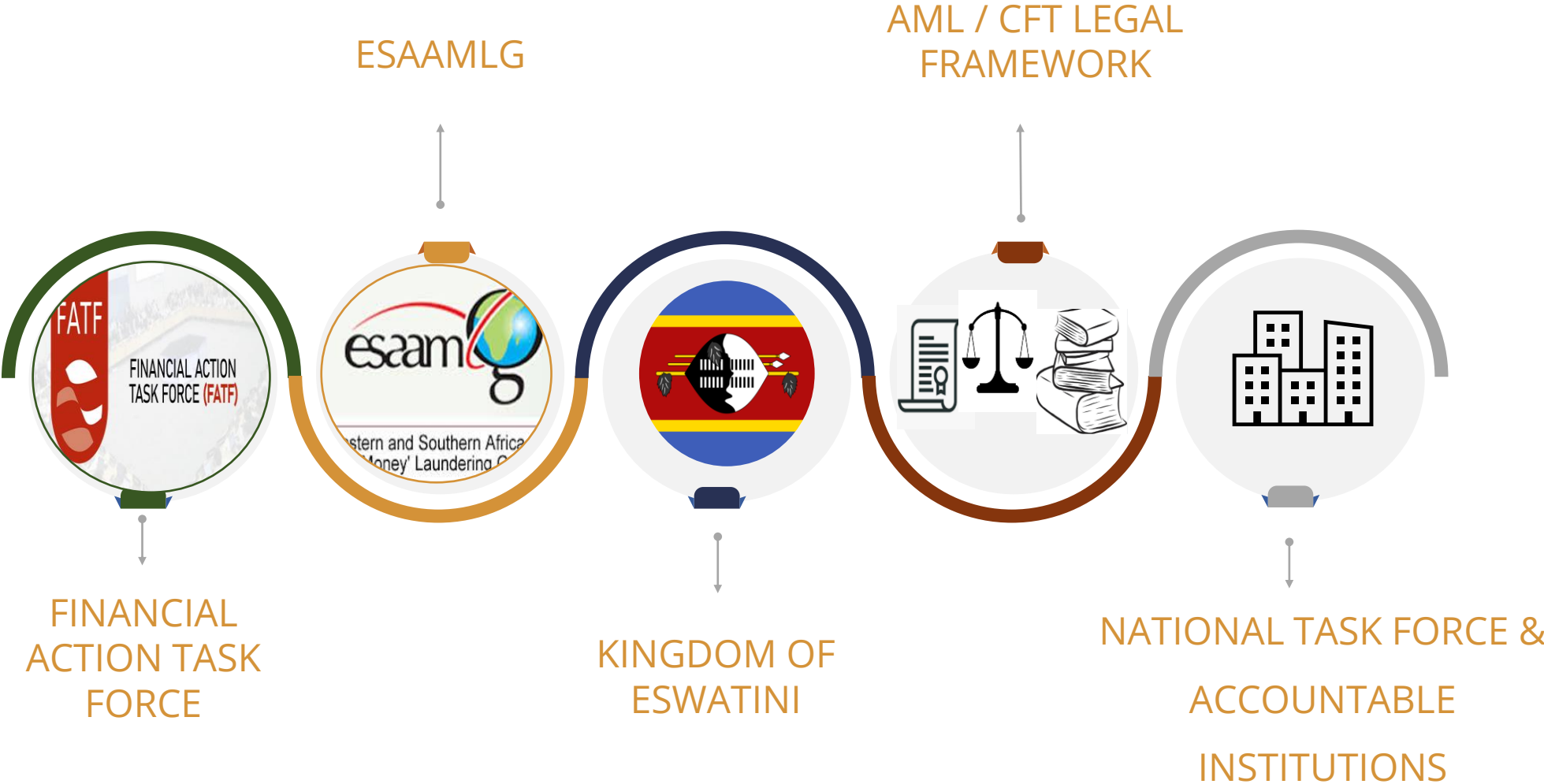
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Presentation Outline

1. Context and international standards
2. Concepts
3. Mutual Evaluation
4. Achievement and Action Plan in Progress

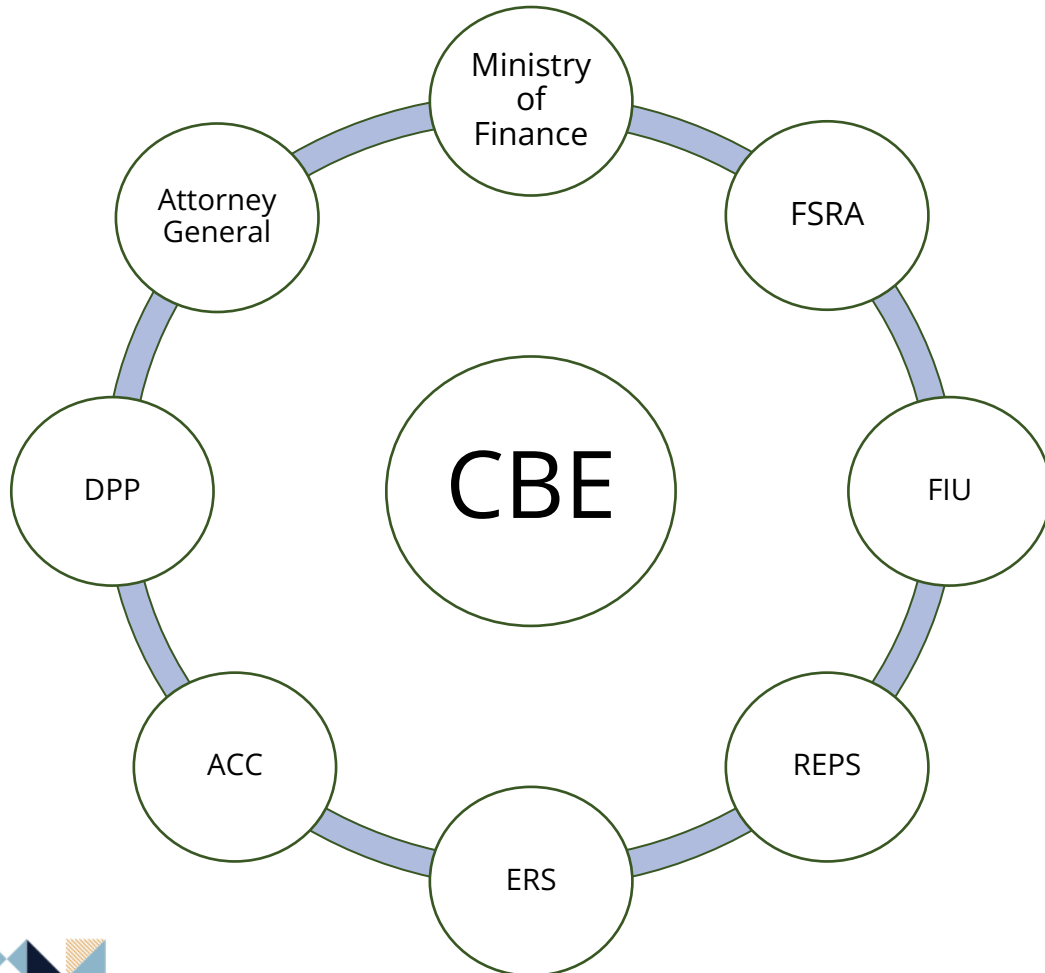
Context & International Standards



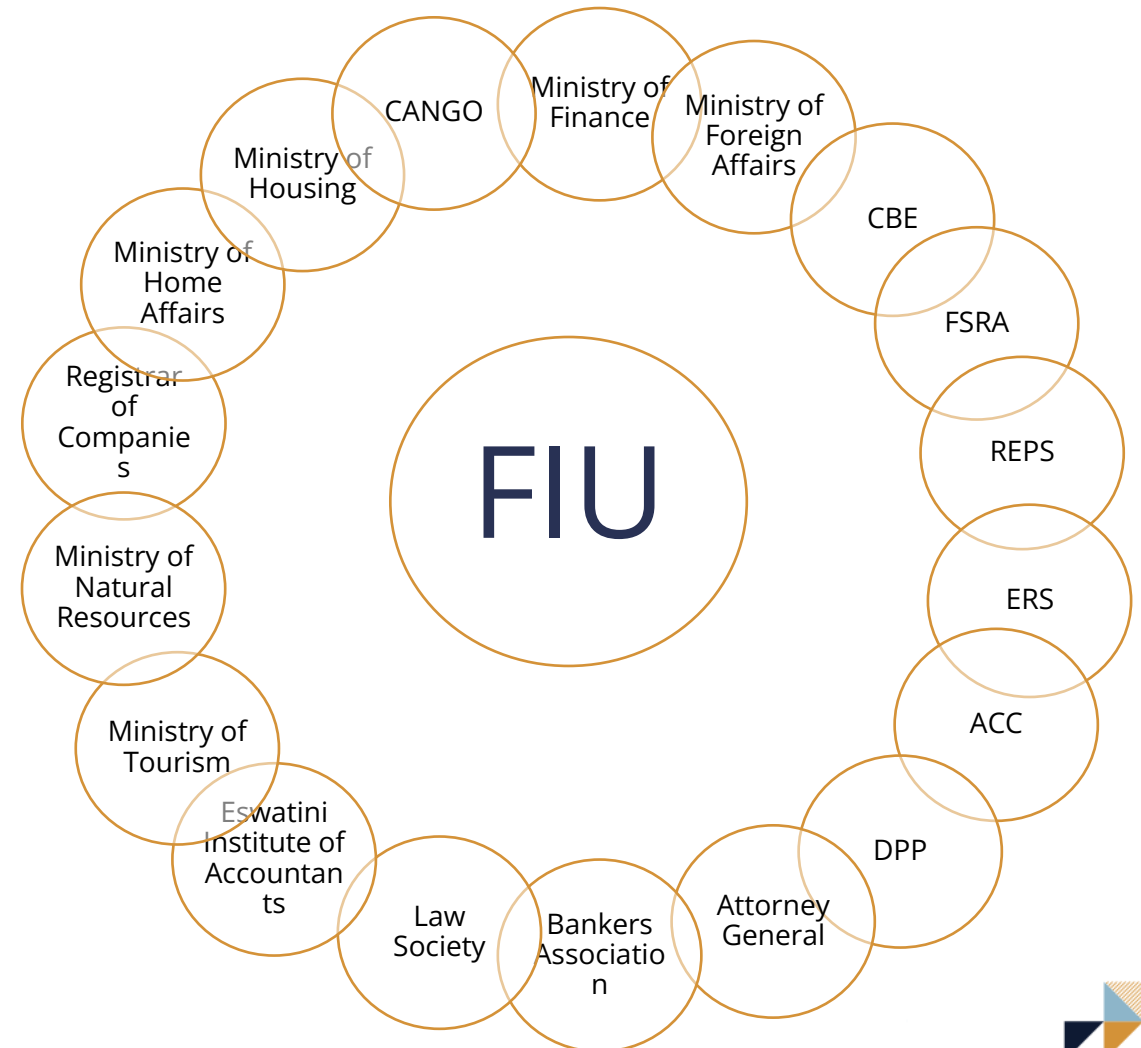
The National Task Force

The Task Force is established by section 38 of the Money Laundering & Terrorist Financing (Prevention) Act 2011, (as amended)

Council



Technical Committee



Definition of Money Laundering

Engaging in activities that will ;

Conceal or Disguise

Conceal or disguise the true nature, origin, location, movement of property from its origin.

1



2

Knowing or having reason

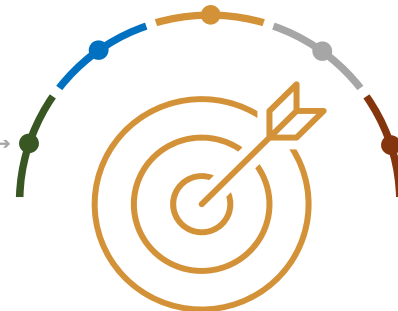
Knowing or having reason to believe that property is derived directly or indirectly from criminal activities.



3

Retaining property

Retaining property that one knows or suspects that it is derived directly or indirectly from criminal activities.



Money Laundering

Scheme of Money Laundering



Definition of Financing of Terrorism and Proliferation

1

Financing of Terrorism



- Providing financial resources to support terrorist activities with the main purpose of compelling a government to do or refrain from doing something.
- The source of funds can be legitimate, it is the purpose that is questionable

2

Financing of Proliferation of Weapons of Mass Destruction



Proliferation financing can be described as;

- Providing financial services for the transfer and export of;
- Nuclear, chemical or biological weapons, their means of delivery and related materials

The Mutual Evaluation of Eswatini

June 2022 Report







ESAAMLG conducted a mutual evaluation on Eswatini and issued a report in April 2022.



Methodology

The country was evaluated to test whether it has adequate laws to incorporate international standards (Technical Compliance) and whether the measures put in place to implement the laws were effective (Effectiveness).

Technical compliance ratings

Compliant	C	There are no shortcomings.	
Largely compliant	LC	There are only minor shortcomings.	
Partially compliant	PC	There are moderate shortcomings.	
Non-compliant	NC	There are major shortcomings.	
Not applicable	NA	A requirement does not apply, due to the structural, legal or institutional features of a country.	

Technical Compliance Rating

R.1 - Assessing risk & applying risk-based approach Partially Compliant	R.2 - National co-operation and co-ordination Partially Compliant	R.3 - Money laundering offence Largely Compliant	R.4 - Confiscation & provisional measures Largely Compliant	R.5 - Terrorist financing offence Partially Compliant	R.6 - Targeted financial sanctions related to terrorism & terrorist financing Non-Compliant
R.7- Targeted financial sanctions related to proliferation Non-Compliant	R.8 Non-profit organisations Non-Compliant	R.9 – Financial institution secrecy laws Largely Compliant	R.10 – Customer due diligence Partially Compliant	R.11 – Record keeping Largely Compliant	R.12 – Politically exposed persons Partially Compliant
R.13 – Correspondent banking Largely Compliant	R.14 – Money or value transfer services Partially Compliant	R.15 –New technologies Non-Compliant	R.16 –Wire transfers Non-Compliant	R.17 – Reliance on third parties Partially Compliant	R.18 – Internal controls and foreign branches and subsidiaries Partially Compliant
R.19 – Higher risk countries Non-Compliant	R.20 – Reporting of suspicious transactions Compliant	R.21 – Tipping-off and confidentiality Largely Compliant	R.22 - DNFBPs: Customer due diligence Partially Compliant	R.23 – DNFBPs: Other measures Partially Compliant	R.24 – Transparency & Beneficial Ownership of legal persons Non-Compliant

Cont.

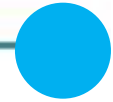
<p>R.25 - Transparency & Beneficial Ownership legal arrangements</p> <p>Partially Compliant</p>	<p>R.26 - Regulation and supervision of financial institutions</p> <p>Partially Compliant</p>	<p>R.27 - Powers of supervision</p> <p>Compliant</p>	<p>R.28 - Regulation and supervision of DNFBPs</p> <p>Partially Compliant</p>	<p>R.29 - Financial intelligence units</p> <p>Largely Compliant</p>	<p>R.30 - Responsibilities of law enforcement and investigative authorities</p> <p>Compliant</p>
<p>R.31 - Powers Law Enforcement and investigative authorities</p> <p>Largely Compliant</p>	<p>R.32 - Cash couriers</p> <p>Partially Compliant</p>	<p>R.33 - Statistics</p> <p>Partially Compliant</p>	<p>R.34 - Guidance and feedback</p> <p>Partially Compliant</p>	<p>R.35 - Sanctions</p> <p>Largely Compliant</p>	<p>R.36 - International instruments</p> <p>Largely Compliant</p>
<p>R.37 - Mutual legal assistance</p> <p>Partially Compliant</p>	<p>R.38 - Mutual legal assistance: freezing and confiscation</p> <p>Largely Compliant</p>	<p>R.39 - Extradition</p> <p>Partially Compliant</p>	<p>R.40 - Other forms of international cooperation</p> <p>Partially Compliant</p>		

Effectiveness Ratings

Effectiveness ratings

High level of effectiveness

The Immediate Outcome is achieved to a very large extent.
Minor improvements needed.



Substantial level of effectiveness

The Immediate Outcome is achieved to a large extent.
Moderate improvements needed.



Moderate level of effectiveness

The Immediate Outcome is achieved to some extent.
Major improvements needed.



Low level of effectiveness

The Immediate Outcome is not achieved or achieved to a negligible extent.
Fundamental improvements needed.



Cont.

All are rated  **RED: As low level of effectiveness**

IO.1 – Risk, Policy and Coordination	IO.2 – International Cooperation	IO.3 - Supervision	IO.4 – Preventative Measures
LE	LE	LE	LE
IO.5 – Legal Persons and Arrangements	IO.6 – Financial Intelligence ML/FT	IO.7- ML Investigation and Prosecution	IO.8 -Confiscations
LE	LE	LE	LE
IO.9 – TF Investigation and Prosecution	IO.10 – TF Preventative Measures and Financial Sanctions	IO.11 – Proliferation Financing - financial sanctions	
LE	LE	LE	

Warning to the Country

WARNING LETTER



- The FATF took into account the shortcomings and issued a warning to the nation to swiftly implement the report's recommendations.
- Eswatini is under observation and has 12 months to make significant progress in remediating the findings. The country is to submit progress reports every 6 months to ESAAMLG
- Failure to make significant progress in remediating the findings will result in Eswatini being grey listed. And considered a **high-risk country**

IMPACT



- The country's appeal to investors will be greatly impacted
- Loss of economic activity
- Increased prospect of de-risking Eswatini to minimize compliance expenses for Respondent banks
- Reputational damage on Eswatini
- Negative impact on Financial Stability

Achievements & Action Plan in Progress



Achievements

- ❑ Trained technical staff of stakeholders on the FATF Recommendations and FATF Methodology in May 2022
- ❑ Launched the Intergovernmental Agency Framework in July 2022 and we already have some cases in court through the implementation of this framework
- ❑ Commissioned Illicit Financial Flows Committee in January 2023



Action plan in progress

- Draft Omnibus Law in progress
- National Risk Assessment in progress
- Strategy and Action plan in progress
- Commissioned Supervisors Forum:
- Cash Threshold Transaction Reporting Requirement Issued
- Commissioned Virtual Assets Policy Paper



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