



**THE ECONOMICS ASSOCIATION OF ZAMBIA**

**THE ROLE OF THE FINANCIAL INTELLIGENCE CENTRE IN THE FIGHT AGAINST  
CORRUPTION**

**PARLIAMENTARY SUBMISSION**

## **FINANCIAL INTELLIGENCE CENTRE**

The Financial Intelligence Centre is a sole statutory agency dedicated to providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and foreign designated authorities in order to eliminate financial crimes in Zambia. This is the main reason for the Centre's existence.

The FIC positions itself to grow in terms of quantity and quality of products and services it delivers in order to meet the AML/CFT within and outside the country. Its main target is for a stable financial system free from financial crimes.

## **SUFFICIENCY OF THE LEGAL AND POLICY FRAMEWORK OF THE FINANCIAL INTELLIGENCE CENTRE**

The Financial Intelligence Centre operates within a legal framework and policy framework shaped by the Financial Intelligence Centre Act No.46 of 2010. The FIC as an agency has engaged the Banking sector through the Bank of Zambia (central bank), Securities and Exchange Commission (SEC), Pensions and Insurance Agency (PIA) to cater for insurance industry.

However, the sufficiency of the framework is hampered by its inability to track casino's and betting company's whose operations make it difficult to report suspicious transactions owing to the complexity of the betting business.

Other areas that weigh the sufficiency of the FIC are mostly the informal sector such as car dealers, marketers that are not obliged in any way to report suspicious transactions or rather it still is difficult to track suspicious transactions in the sector. As such the FIC should then be looking of ways or proxies of monitoring potential financial crimes in the informal sector. Suffice to say the FIC operations are tailored to track financial activity in the formal sector but not the informal sector which poses a huge threat to financial crime build up.

## **ROLE OF THE FINANCIAL INTELLIGENCE CENTRE IN CORRUPTION FIGHT**

- I. The Financial Intelligence Centre role is to provide providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and foreign designated authorities in order to eliminate financial crimes in Zambia.
- II. The FICs role is to understand the complexities of the financial landscape and track all opportunities that criminals would aim to use to conceal proceeds of crime. This entails the FIC being conversant with the stock market, government securities markets, crypto currency markets, betting markets and all other complex avenues with which proceeds of crime could be concealed.
- III. The FICs role hinges of financial stability clean of financial crime proceeds which then translates to decent cash flows that instil confidence in the financial system. Illicit flows are a huge cost on fiscal coffers and distort the productivity function of any nation.

- IV. The FICs role is to understand the global financial system to which Zambia is a part of and this will enable traceability of funds flows especially those that are externalised to secret haven jurisdiction.

## **COLLABORATION BETWEEN FIC AND OTHER LAW ENFORCEMENT AGENCIES**

Collaboration between FIC and other law enforcement agencies is at two levels namely local and global.

- I. **Local Collaboration.** The Financial Intelligence Centre works hand in hand with law enforcement agencies such as the Zambia Police (ZP), Zambia Revenue Authority (ZRA), Drug Enforcement Commission (DEC) and the Anti-Corruption Commission (ACC). This will happen as the FIC follows up on suspicious transactions of AML/CTF with other financial and capital market players in the web of securities and cash transfers which include the Securities and Exchange Commission (SEC), Pensions Insurance Authority (PIA), Bank of Zambia (BOZ) and Zambia Revenue Authority (ZRA).
- II. **International Collaboration.** Recently admitted to the Egmont Group of Financial Intelligence Units following the endorsement made by Heads of Global Financial Intelligence Units [FIU's], the FIC is expected to collaborate with international law enforcement agencies to track global financial crimes. Admittance to the Egmont group boosts confidence in the country's financial system which has a huge positive bearing on the credit rating system. Understanding the global financial system to which Zambia is a part of and this will enable traceability of funds flows especially those that are externalised to secret haven jurisdiction.

## **STRATEGIES PUT IN PLACE IN THE FIGHT AGAINST CORRUPTION AND FINANCIAL CRIMES**

- I. Third Party Screening and enhanced due diligence.
- II. Data Quality Management
- III. Suspicious Transaction Reporting
- IV. Joint coalitions locally and globally
- V. Increasing local and global Awareness of illicit funds flows and financial crimes in institutions. The true cost of financial crimes must be understood and shared.
- VI. Information sharing between public and private entities at local and cross border level
- VII. The use of innovation in the fight against financial crime will need greater budget funding.

## **CHALLENGES FACED IN THE COLLABORATIVE WORK**

- I. The cost of fighting financial crime is costly as the current FIC maybe underfunded to effectively execute their role. Effective operation of the FIC requires investment in

data analytical tools, transport factors, quality data build up etc. Increased funding is highly recommended.

- II. The current FIC framework does not cater for casino's and the informal sector and as such financial crimes monitoring is incomplete.
- III. The FIC may not have the tools to monitor virtual asset transfers such as crypto currencies which have become targets for illicit funds flow and money laundering.
- IV. The complexity of the financial system and the need for Zambia keep abreast may hamper Financial Intelligence Operations. The FIC's membership of the Egmont Group is a giant step in the global direction to enhance collaboration with the international players. Suffice to say the FIC does not have enough capacity to address cross border transactions.
- V. There is a very weak follow up mechanism and lack of quality data renders investigations an academic exercise.
- VI. The use of innovation in the fight against financial crime will need greater budget funding.

## RECOMMENDATIONS

- I. Greater funding budget for human capital development required to match the competitiveness of the required operations and investment in data bases and analytics tools needed to spur investigations.
- II. Widening of frameworks to cover informal sector such as marketeers and car dealers as opposed to just the formal banked sector. These areas that are not catered for provide opportunity for criminal activity and concealing of proceeds of crime.
- III. There must be deliberate effort to follow up on investigations commenced for subsequent closure. Incomplete investigations weigh of the confidence of the FIC and the financial system as a whole.
- IV. More and more deliberate awareness on financial crimes, its costs and adverse effects on the financial system is required. As such greater and stiffer punishments for those in breach would send the right signal to the markets as a whole.