



Anti-money laundering and counter-terrorist financing measures

Tanzania

2nd Enhanced Follow-up Report & Technical Compliance Re-Rating
September 2023

Follow-Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 20 countries and also includes a number of regional and international observers such as COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

For more information about the ESAAMLG, please visit the website: www.esaamlg.org

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

This report was approved through a written process by the ESAAMLG Task Force of Senior Officials in July 2023.

Citing reference:

ESAAMLG (2023), *Anti-money laundering and counter-terrorist financing measures - Tanzania, 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating*, ESAAMLG, Dar es Salaam

<http://www.esaamlg.org>

© 2023 ESAAMLG. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission. Applications for such permission, for all or part of this publication, should be made to:

The ESAAMLG Secretariat, P. O. Box 9923, Dar es Salaam, United Republic of Tanzania

P. O. Box 9923, Dar es Salaam, United Republic of Tanzania

Tel: +255 22 2221350/51

Email: executivesec@esaamlg.org

Tanzania 2nd Enhanced Follow-Up Report with Request for Re-rating

I. INTRODUCTION

1. The ESAAMLG evaluated the Anti-Money Laundering and Countering the Financing of Terrorism and counter Proliferation Financing (AML/CFT/CPF) regime of the Republic of Tanzania under its Second Round of Mutual Evaluations (MEs) from 1 to 12 July 2019. The ESAAMLG Council of Ministers adopted the Mutual Evaluation Report (MER) in June 2021¹. This draft Follow-up Report (FUR) analyses Tanzania's progress in addressing the technical compliance deficiencies identified in its MER, relating to 8 Recommendations. Re-ratings are proposed where sufficient progress has been made.
2. Overall, the expectation is that countries will have addressed most if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report needs to consider the progress that Tanzania has made to improve its effectiveness.

II. FINDINGS OF THE MER

3. According to the MER, 30 out of the 40 Recommendations of the FATF were rated Partially Compliant (PC) and Non-Compliant (NC) representing 75% for Technical Compliance. Details of the ratings are provided in the Table below:

TABLE 2.1: Technical Compliance ratings², June 2021

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

4. In view of the above ratings, the country was placed under enhanced follow up in terms of Paragraph 105 of Procedures for the ESAAMLG 2nd Round of AML/CFT Mutual Evaluations and Follow Up Process. Following the adoption of the MER in

¹ https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/438

² There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC).

June 2021, the Tanzania has made some progress to address deficiencies outlined in the Report. The following experts (assisted by Muluken Yirga Dubale and Valdane Joao from the Secretariat) assessed Tanzania's request for TC re-ratings and prepared its follow-up report: Mr. James Manyonge (Kenya); Ms. Chanda Lubasi Punabantu (Zambia); Mr. Kennedy Mwai (Kenya); Mr. Masautso Ebere (Malawi); Ms. Gashumba Jeanne Pauline (Rwanda); and Ms. May Paule Rabat (Seychelles).

III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

6. This section summarises Tanzania's progress made in improving its technical compliance by addressing some of the TC deficiencies identified in the MER.

3.1. Progress to address technical compliance deficiencies identified in the MER

7. Tanzania has made progress to address the technical compliance deficiencies identified in the MER in relation to Recommendations 6, 10, 12, 13, 17, 18, and 19. As a result of this progress, Tanzania has been re-rated in all these Recommendations.

3.1.1. Recommendation 6-Targeted Financial Sanctions Related To Terrorism And Terrorist Financing (*originally rated NC- upgraded to PC*)

8. The main findings of the MER were that: a) the legislation in URT to freezing assets does not meet the 'without delay' requirements as set out in the FATF Standards; b) there is no requirement to request another country to give effect to the actions initiated under the freezing mechanisms or provide as much identifying information and specific information supporting the designation as possible; c) there is no legal authority, procedures, or mechanisms to implement the requirements under Criterion 6.3, 6.5(c-d); and d) there is no requirement for the freezing to be done without prior notice.

9. The Minister of Home Affairs, upon the recommendation of the Committee, is the competent authority responsible for proposing persons or entities to the 1267/1989 Committee for designation; and for proposing persons or entities to the 1988 Committee for designation (Regulation 18 (1) of the POTA Regulations). The Permanent Committee established under Regulation 12 of the National Security Council Regulations and with members from Defense Force, Tanzania Police and Intelligence Service, 2013 advises the Minister responsible for Home Affairs to propose persons or entities to the 1267/1989 Committee for designation; and for proposing persons or entities to the 1988 Committee for designation. the Committee may set out sub-committees as it considers necessary to assist it in the discharge of its functions. The Committee may also co-opt into such subcommittee, such persons whose presence, participation, knowledge or skill are necessary to assist it in the discharge of its function (Regulations 6 and 18 of the POTA Regulations). The Committee is also mandated to set out or review mechanisms for identification of parties for designation

and delisting (Reg 6 (1)(e)). It further collects or solicits information relating to designations or delisting of parties (Reg 6 (1)(h)). In this regard, the Committee or an institution that is assigned to investigate a possible designation, delisting or to perform any other task pursuant to the Regulations is empowered to all information including confidential information in order to accomplish its task (Reg. 27). The Committee has a Secretariat which the National Counterterrorism Centre (Reg.8) and a proposal may also be made to the Secretariat and referred to the Committee by any person or public sector institution upon becoming aware of any information relevant to the designated party [Regulation 6(3)]. Once the necessary information is solicited or collected, it analyses the received proposal for designation and the information received from any person and make the appropriate recommendation to the Minister (Reg. 6(1) (c)) who has powers by regulation 18 of new POTA Regulations to submit the proposed designation to the relevant Committee of the United Nations Security Council subject to following the procedures provided by the relevant committee, including using standard forms for listing, adopted pursuant to the relevant Committee and providing a statement of facts containing details on the basis for the listing, including specific information supporting a determination that the party meets the relevant listing criteria (Reg. 18(2)(b)(ii)). The Committee has a power to consult and seek from any person or institution or public sector agency that is authorised to conduct investigations to investigate the matter as may be necessary, in order to determine whether on reasonable grounds, there is sufficient evidence to support the designation or delisting of a party (Reg. 6(2) of the POTA Regulations). The process is administrative in nature and does not pass through a criminal proceeding. In submitting details of the designated party to the relevant Committee of the United Nations Security Council for listing pursuant the Minister is required to follow procedures provided by the relevant committee, including using standard forms for listing, as may be adopted pursuant to the Security Council (Reg 18 (2) (b) of the POTA Regulations). Regulation 18 (2) (b) (ii) of the POTA Regulations lay out enough provision for providing as much relevant information as possible on the proposed name for designation including a statement of the case which contains as much detail as possible on the basis for the listing. However, the law is silent on the procedure regarding whether or not the government should make known its designating status to other UN member states. **Therefore, c6.1 is Mostly Met.**

10. The new POTA Regulations, 2022 sets out the procedures for designation compatible to those of UNSCR 1373. The Permanent Committee advises the Minister responsible for Home Affairs and the Minister designates a person as a designated party for the purposes of UNSCR 1373 or any other international obligations including from a third party or based on the motion from URT to foreign jurisdictions (Regulations 5, 9, 10 and 11 of the POTA Regulations). Moreover, the mechanism(s) for identifying targets for designation, based on the designation criteria set out in UNSCR 1373 are provided under Section 12A of the POTA and Regulation 9 of the POTA Regulations. With regard to designations based on requests from other countries, the Ministry

responsible for foreign affairs should without delay submit the request to the Minister responsible for Home Affairs and the Minister should immediately send the request to the Permanent Committee for its determination as to whether there are reasonable grounds to designate the entity as a designated party under the Regulations (Reg. 10 (2) of the POTA Regulations). However, this process appears to be applicable only on an entity and not natural persons. In terms of Reg 3 of the POTA Regulations, the term 'entity' signifies either a legal person or arrangement. Where the Permanent Committee determines that there are reasonable grounds to designate a party as a designated party under the POTA and its Regulations, it should advise the Minister for Home Affairs to immediately designate the party as a designated party. The Minister may, upon the recommendation of the Committee and, after being satisfied on reasonable grounds that a party has met any of the designation criteria provided under regulation 9, declare such party a designated party (Regs. 5(1) and 6(2)). The existence of reasonable grounds is also required when third-party jurisdictions request URT for designation in terms of Reg. 10(3). Tanzania has a requirement to request another country to give effect to the actions initiated under the freezing mechanisms or provide as much identifying information, and specific information supporting the designation, as possible (Regulation 11 (2) of the POTA regulation). **Therefore, c6.2 is Mostly Met.**

11. The Committee is the competent authority responsible for collection or soliciting information relating to designations or delisting of parties (Regulation 6 (1) (h) of the POTA regulation). There are procedures or mechanisms to operate *ex parte* against a person or entity who has been identified and whose (proposal for) designation is being considered (Reg. 5(3)). However, the *ex parte* procedure only applies in the case of UNSCR 1373 and there is no similar provision for a person whose (proposal for) designation is being considered as per the requirements of UNSCR 1267 and its successive resolutions. **C6.3 is Partly Met.**
12. As per Reg. 4 (1) of the POTA Regulations, designation of a party for targeted financial sanctions made by the Security Council has effect and should be enforced without delay in URT. In terms of Reg.3 of the same Regulations (as amended 2023), the term 'without delay' has a maximum threshold of 24 hours. The FIU is mandated to circulate the designated list to the competent authorities including the security organs and, the supervisory authorities to circulate the same to the reporting upon its receipt. The designated party is subject to targeted financial sanctions without delay as provided under Regulations 19, 20, 25 and 26 until such time when the designation is revoked by the Security Council (Reg.4(2)). This means taking the TFS measures starts once the Minister issues order to the reporting persons and other persons to freeze the funds. However, this process will take more than 24 hours and therefore, no TFS without delay. **Therefore, c6.4 is not met.**

13. The freezing order under 1267 and 1373 List takes place immediately after the FIU disseminates the List to the competent authorities including to the Minister responsible for Home Affairs and the Minister requires the reporting persons and other persons to freeze the assets without at a maximum 24 hours. These obligations apply to all natural and legal persons and the term “party” under Regulation 3 of the Regulations include an individual, a group, an undertaking or an entity. The definition of “fund and economic resources” is broad enough to cover the FATF definition under Regulation 3. The comprehensive prohibitions on any transaction involving such fund or economic resources effectively meet the definition of “freeze” accounting to the FATF Methodology, as they prohibit the transfer, conversion, disposition, or movement of any funds or other assets that are owned or controlled by designated or listed parties. Since it also requires any person to immediately refrain from performing any action, the “freeze” applies without delay and without prior notice. The freezing obligation is extended to: (i) economic resources, or financial or other related services, wholly, jointly, or are for the benefit of designated persons and entities or entities owned or controlled, directly or indirectly, by designated persons or entities (section 19 (1) (a) POTA regulations). furthermore, the funds and assets are not limited to those that can be tied to a particular terrorist or proliferation act, plot or threat (section 19 (3) POTA regulations). (ii and iii) Funds or other assets derived or generated from funds or other assets wholly or jointly owned or controlled, directly or indirectly by the designated party; and (iv) Funds or other assets that are wholly, jointly or partly owned by a person acting on behalf, or at direction, of a designated party. Tanzania prohibits their nationals, or any persons and entities within their jurisdiction, from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless authorised by the Minister or by the Security Council (Regs 19 and 20 of the POTA Regulations 2022). Section 12 (1) (a) of the POTA Regulations 2022 provides mechanisms for disseminating information to reporting persons, competent authorities, or any other person for enforcement. As per Reg.4(4)(b) of the POTA Regulations (as amended in 2023), the supervisory authorities are empowered to issue guidance on TFS obligations for the reporting entities under their purview. Though URT has provided guidance to the reporting persons, who may be holding targeted

funds or other assets, on their obligations to take action under freezing mechanisms, there is a scope issue in a sense that some parts of the guidelines are not covering persons other than the reporting entities. There is also a threshold amount of 5% in the guideline when the reporting persons consider taking TFS measures against shares owned by the designated persons. Regulation 20(4) of the POTA Regulations requires the reporting and any other person to inform the Minister without delay the freezing of the funds or other assets upon freezing. However, the reporting obligation does not cover on the attempted transactions. Tanzania has adopted measures which protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 6 (Regulation 22(1) and (2) & (4), of POTA regulations 2022). The definition of reporting persons under Section 3 of the AMLA (as amended in 2022) now designates the TCPS and casinos (as “cash dealers”) as reporting persons. In the case of AMLPOCA (as amended in 2022) TCPS are now covered as reporting persons in terms of Section 3, while the operation of casinos business is prohibited in Zanzibar. *Criterion c6.5 is Mostly Met.*

14. Regulation 15 of the new POTA Regulations provides delisting procedures for persons and entities designated pursuant to UNSCR 1267/1989 and 1988. However, this section needs to be further amended to meet the obligations of criterion 6.6(a), which is focused on procedures for submitting de-listing requests by the country, when the country is of a view that that a person or entity no longer meets the criteria for designation. The legal authorities and procedures or mechanisms to de-list and unfreeze the funds or other assets of persons and entities designated pursuant to UNSCR 1373, that no longer meet the criteria for designation pursuant to requirement of the Standards is set out in the new POTA Regulation 15(6)-(12). The designations made pursuant to UNSCR 1373 are accompanied by procedures to allow, upon request, review of the designation decision before a court in a form of judicial review (Reg. 17). Tanzania has publicly known procedure for submitting de-listing requests to the UNSC, either directly to the UN Office of the Ombudsperson or the Focal Point as the case may be or via Tanzania (Regs. 15 (a-b) and 24 of the POTA Regulations). Tanzania has publicly known procedure for unfreezing due to a false positive match in relation to both UNSCR 1267 and 1373 (Regs. 24 (1), (2) and (3) and 12(4) of the POTA Regulation). Regulation 12 of the POTA Regulations sets out the mechanisms for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action. Though authorities have not issued any guidance to the reporting persons on this issue, there is a scope

issue in a sense that some parts of the guidelines are not covering persons other than the reporting entities. *Criterion c6.6 is Partly Met.*

15. Regulation 21 (1-4)- of the POTA Regulations provides for the procedures that authorise the access to frozen funds or other assets (under UN Resolutions 1267 and 1373) which have been determined to be necessary for basic expenses, for the payment of certain fees. As per Regulation 21 (5) of the POTA Regulations (amended in 2023), where the Minister determines that the funds or other assets are to be used for the purposes specified in the regulation, the Minister will notify the relevant United Nations Sanctions Committee of his intention not to object to the application. The Minister should then notify the listed party and provide guidance to reporting persons and any other person in possession of funds or assets of designated party, of the decision of the United Nations Sanctions Committee upon being made, provided that for ordinary expenses, in the absence of a decision within the five working days of the notification under subregulation (5), it will be deemed that the relevant United Nations Sanctions Committee has not objected to the use of the funds or other assets, or any part thereof. *Criterion 6.7 is Met*

Weighing and Conclusion

16. Tanzania has brought a number of amendments to its AML/CFT framework to address some of the requirements of TFS in relation to TF. Some minor and moderate outstanding deficiencies remains outstanding, this may include the issue of implementing TFS without delay which are serious and affect the overall rating. Thus, the rating of R6 is considered PC from the previously rating of NC.

3.1.2 Recommendation 10- Customer Due Diligence (originally rated PC- upgraded to LC)

17. The main findings in the MER, were that: a) in Zanzibar, the requirements to identify a customer or beneficial owner, to understand the purpose and intended nature of business relationship, to verify the that a person purporting to act on behalf of a customer is so authorised and conduct ongoing due diligence are not set out in law; b) the requirements have limited scope in view of the narrow definition of a 'financial institution' in the AML Act and AMLPOCA; d) FIs are exempted from verifying the identity of other reporting entities such as bureaux de change and DNFBPs and the basis of such exemptions has not been explained; and e) although insurers are required to identify and verify the identity of a beneficiary at the time of payout, they are not required to include the beneficiary of a life insurance policy as a risk factor in determining whether or not to apply enhanced CDD measures.

18. Section 15 (1) (c) of the AMLA Amendments 2022 and Section 10C of AMLPOCA as added in 2022 prohibit FIs from keeping anonymous accounts or accounts in obviously fictitious names. **C10.1 is Met.**
19. FIs are obliged to carry out CDD measures when: (a) establishing business relations [Section 15A(1) (a) (i) of the AMLA (as amended in 2022) and new Section 10C(a)(i) of the AMLPOCA as amended in 2022] (b) carrying out an occasion transaction [Section 15A(1)(a)(ii) of AMLA and Section 10A(1)(a)(ii) of the AMLPOCA]; (c) carrying out occasion transactions that are wire transfers covered under R.16 and the obligations apply to all types of transaction and irrespective of the amount involved; [15A(1)(a)(ii) of AMLA and Section 10A(1)(a)(ii) of AMLPOCA]; (d) there is suspicion of ML/TF [15A(1)(a)(iii) of AMLA and new Section 10A(1)(a)(iii)]; and (e) The FI has doubts about the veracity or adequacy of previously obtained customer identification data [section 15A(1)(a)(iv) of AMLA and new Section 10A(1)(a)(iv)]. **C10.2 is met.**
20. Reporting person are required to identify the customer (whether permanent or occasional, and whether natural or legal person or legal arrangement) and verify that customer's identity using reliable, independent source documents, data or information (identification data) (sections 15A of AMLA and 10A of the AMLPOCA). **C10.3 is met.**
21. Sections 15A(2) of AMLA and 10C of AMLPOCA require FIs to verify that any person purporting to act on behalf of the customer is so authorised, and identify and verify that person's identity. Therefore, **c10.4 is met.**
22. Due to changes in the Law, FIs are required to identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner, using the relevant information or data obtained from a reliable source, such that the financial institution is satisfied that it knows who the beneficial owner is (15A(1)(a) of AMLA and new section 10C(1)(c) of AMLPOCA). Therefore, **c10.5 is met.**
23. Regulation 15A(1)(a) of AMLA and 10C(1)(c) of AMLPOCA, require FIs to understand and, as appropriate, obtain information on, the purpose and intended nature of the business relationship. Therefore, **c10.6 is met.**
24. Section 10C(1)(b) of AMLPOCA and Section 15A(1)(b) of AMLA require reporting person to conduct ongoing due diligence on the business relationship, including scrutinising transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the financial institution's knowledge of the customer, their business and risk profile, including where necessary, the source of funds. Furthermore, sections 10C(1)(b) of AMLPOCA and new Section 15A(1)(b) of AMLA requires Reporting person to conduct ongoing

due diligence on the business relationship, including insuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers. Therefore, **c10.7 is met.**

25. Section 15A (2) of the AMLA and new section 10C(2) of the AMLPOCA Tanzania obliges reporting persons to understand the ownership and control of the legal person or arrangement including information on the nature of each customer's business. Therefore, **c10.8 is met.**

26. The AMLA and AMLPOCA regulation require FIs to identify the customer and verify its identity through the name, legal form and proof of existence; (b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and (c) the address of the registered office and, if different, a principal place of business. Therefore, **c10.9 is met.**

27. Section 4 (b)(I) AMLA and Regulations 4 (7) (b) POCA requires Reporting persons to identify and take reasonable measures to verify the identity of the beneficial owner using reliable, independent source documents, data or information. Moreover, Regulation 3 (e) (i) of AMLA regulation and Regulation 6 (a) of AMLPOTA regulation requires for customers that are legal persons, reporting person are obligatory to identify and take reasonable measures to verify the identity of beneficial owners through to the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means, and where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official (Regulation 3 (e) (i) of AMLA regulation and regulation 6 (b) of AMLPOTA regulation). Therefore, **c10.10 is met.**

28. The requirements CDD measures are extended to beneficiary that is designated by characteristics or by class or by other means – obtaining sufficient information concerning the beneficiary to satisfy the financial institution that it will be able to establish the identity of the beneficiary at the time of the payout (paragraph G(ii) of the AMLA and regulation 8 (8) of the AMLPOCA. The requirements CDD measures applies for both cases in items (i) and (ii) of this paragraph, the verification of the identity of the beneficiary shall be conducted or made at the time of the payout

paragraph g (ii) of the AMLA and regulation 8 (8) of the AMLPOCA. Therefore, **c10.12 is met.**

29. Paragraph h (ii) of the AMLA and regulation 8 (9) of the AMLPOCA require Reporting person to include a life insurance policy beneficiary as a relevant risk factor in determining whether enhanced CDD measures are applicable. If the financial institution determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, it should be required to take enhanced measures which should include reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary, at the time of payout (AMLA and AMLPOCA). Therefore, **c10.13 is met.**

30. FIs are required to verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers; or may complete verification after the establishment of the business relationship, provided that this occurs sooner as reasonably practicable ((i) AMLA and (10) (a) of the AMLPOCA). Reporting persons are required to verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers; or may complete verification after the establishment of the business relationship, provided that this is essential not to interrupt the normal conduct of business. ((i) AMLA and (10) (b) of the AMLPOCA). Reporting persons are required to verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers; or may complete verification after the establishment of the business relationship, provided that money laundering, terrorist financing or proliferation financing risks are effectively managed (line i of the AMLA and regulation 10 (c) of the AMLPOCA regulation). Therefore, **c10.14 is met.**

31. Section 15A(1)(a)(d) of the AMLA (Amendment) permits a business relationship to commence pending the verification process under proven low risk. Section 10C(1)(a)(d) of the AMLPOCA (Amendment) also requires reporting persons not to commence a business relationship when it is not possible to complete customer due diligence, except, under proven low risk, business relationship may be allowed. However, there are no requirements for FIs to adopt risk management procedures concerning the conditions under which a customer may utilise the business relationship prior to verification. Therefore, **c10.15 is partly met.**

32. FIs are required to apply customer due diligence requirements to existing customers on the basis of materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when customer due diligence measures have previously been undertaken and the adequacy of data obtained (paragraph J of the AMLA and regulation 11 of the AMLPOCA regulation). Therefore, **c10.16 is met.**
33. Reporting persons are required to perform enhanced due diligence where money laundering, terrorist financing and proliferation financing risk associated with a particular customer has not been determined, enhanced customer due diligence measures shall be applied (Regulation 7 (2) (c) and (3)). Therefore, **c10.17 is met.**
34. FIs are permitted to apply simplified CDD measures where lower risks have been identified through an adequate analysis of risks by the country or the financial institution (Regulation 7 (2) (c) and (3)). There are also requirements on FIs that the simplified measures should be commensurate with the lower risk factors, but such measures are not allowed to be taken whenever there is suspicion of ML/TF, or specific higher risk scenarios apply (Section 15(14) of AMLA and S 10A (c) of AMLPOCA). Therefore, **c10.18 is met.**
35. Where reporting persons are unable to comply with relevant CDD measures, it is required in terms of Regulation 3 (K) (i) of AMLA regulation and Regulation 12 (a) of AMLPOCA regulation not to open the account, nor commence the business relationship or perform the transaction or terminate the business relationship. Moreover, where a reporting person are unable to comply with relevant CDD measures, it is required in terms of Regulation 3 (K) (ii) of AMLA regulation and Regulation 12 (b) of AMLPOTA regulation, to consider making a suspicious transaction report in relation to the customer. Therefore, **c10.19 is met.**
36. Regulation 3 (l) of AMLA regulation and Regulation 13 of AMLPOCA regulation requires that reporting person does not proceed with the identification process if there is reason to believe that the process may tip-off the client and must continue to file a suspicious transaction or suspicious activity report. Therefore, **c10.20 is met.**

Weighing and conclusion

37. Tanzania has addressed, to a large extent, most of the requirements of customer due diligence. Therefore, reviewers are of the view that recommendation 10 is to be upgraded from PC to LC.

3.1.3 Recommendation 12- Political Exposed Persons (originally rated NC- upgraded to PC)

40. The main findings of the MER were that: a) there were no enforceable requirements on financial institutions relating to correspondent banking relationships; and b) the new FATF Recommendation has added a requirement to prohibit relationships with shell banks. In relation to foreign PEPs, Section 15A (2) (i) of AMLA and Section 2 (a) of AMLPOCA require FIs to put in place risk management systems to determine whether a customer or the beneficial owner is a PEP and obtain senior management approval before establishing (or continuing) such business relationships for existing customers. The new section 15A of AMLA and section 10C (2) (c) of the AMLPOCA (as amended in 2022) require FIs to establish the source of fund of a PEP. The FIs are required to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs (Regulation 3 (n) of AMLA Regulations and sub-Regulation (15) of the AMLPOCA). **C12.1 is Met.** Reporting person are required to take reasonable measures to determine whether a customer or the beneficial owner is such a person (Section 15A(2)(b)(i) of the AMLA and Section 10C (3) of the AMLPOCA). The word Politically Exposed Person has been re-defined in both legislation (AMLA and AMLPOCA) to cover both domestic PEPs and persons who have been entrusted with a prominent function in international organizations. The new section 15A of AMLA and section 10C (2) (c) of the AMLPOCA (as amended in 2022) require FIs to establish the source of fund of a PEP. Regulation 7(2)(c) of AMLA Regulations 2022 and Regulation 7(2)(c) of AMLPOCA require reporting person to apply enhanced due diligence measures in high-risk scenarios. These measures, as per the definition of “enhanced due diligence measures”, include obtaining senior management approval before establishing such business relationship and conducting enhanced monitoring of the business relationship. However, the law requires the FIs to take enhanced CDD measures on domestic PEPs under all circumstances and not based on a risk sensitive basis. **C12.2 is Partly Met.**
41. FIs are required to apply the relevant requirements of criteria 12.1 and 12.2 to family members or close associates of all types of PEP (Section 3 of AMLA and Section 2 of AMLPOCA). **C12.3 is Met.**
42. Regulation 8 (g) (iii) of AMLA and Regulation 8 (8) (c) of the AMLPOCA, in relation to life insurance policies, Reporting Persons are required to take reasonable measures to determine whether the beneficiaries and/or, where required, the beneficial owner of the beneficiary, are PEPs. This should occur, at the latest, at the time of the payout. Where higher risks are identified, Reporting persons are required to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report. **Therefore, c12.4 is met.**

Weighing and conclusion

43. Tanzania has addressed all the identified deficiencies against Recommendation 12. Therefore, the rating of NC for **Recommendation 12 is to be upgraded to PC from NC.**

3.1.4 Recommendation 13-Correspondent Banking (originally rated NC- upgraded to PC)

44. The main findings of the MER were that: a) FIs are not obliged to clearly understand the respective AML/CFT responsibilities of each institution; and b) they are not specifically prohibited from entering into or continuing a correspondent banking relationship with shell banks.

45. Regulation 12(1) (a) of the AMLA Regulations and Regulation 12 (1) (a) of AMLPOCA Regulations require Reporting Persons to gather sufficient information about a respondent institution to understand the nature of the respondent's business fully, and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to an ML/TF investigation or regulatory action. Moreover, Reporting Persons are required to assess the respondent institution's AML/CFT controls (Regulation 12(1) (b) AMLA and Regulation 12 (1) (b) of AMLPOCA). Reporting persons are required to assess the respondent institution's AML/CFT controls (Regulation 12(1) (c) AMLA and Regulation 12 (1) (c) of AMLPOCA). Reporting Person are required to obtain approval from senior management before establishing new correspondent relationships (Regulation 12(1) (c) AMLA and Regulation 12 (1) (c) of AMLPOCA). Reporting Person are required to clearly understand the respective responsibilities of each institution (Regulation 12(1) (d) AMLA and Regulation 12 (1) (d) of AMLPOCA). **Therefore, c13.1 is met.**

46. FIs are required, in respect to "payable-through accounts," to be satisfied that the respondent bank has conducted customer due diligence on the customers having direct access to accounts of the correspondent bank and that it is able to provide relevant customer due diligence information upon request to the correspondent bank (Regulation 12(1) (e) AMLA and Regulation 12 (1) (e) of AMLPOCA). **Therefore, c13.2 is met.**

47. Regulation 12(2) AMLA and Regulation 12 (2) of AMLPOCA prohibited Reporting persons from entering into or continuing a correspondent banking relationship with shell banks. Furthermore, Regulation 12(3) AMLA and Regulation 12 (3) of AMLPOCA require the FIs to satisfy themselves that respondent institutions do not permit their accounts to be used by shell banks. **Therefore, c13.3 is met.**

Weighing and conclusion

48. Tanzania has enacted several Regulations to address to all the identified shortcomings in the MER on Recommendation 13. **The rating of NC for Recommendation 13 is therefore to be upgraded to C.**

3.1.5 Recommendation 17 (originally rated NC- No rerated to PC)

49. In its second round MER, Tanzania was rated PC on R.17. The main findings were that: There are no legal provisions to comply with criterion 17.1 – 17.3.

50. Regulation 13(2) AMLA and Regulation 13 (2) of AMLPOCA allow reporting persons to rely on a third party to conduct one or more elements of customer due diligence, and may only do so if and to the extent that the necessary customer due diligence information is immediately obtained from the third party. Regulation 13(3) (b) AMLA and Regulation 13 (3) (b) of AMLPOCA allow FIs to rely on a third party to conduct one or more elements of customer due diligence, may only do so if and to the extent that adequate steps are taken to satisfy himself that certified copies of the documents used to undertake the relevant elements of customer due diligence will be available from the third party on request without delay. Regulation 13(3)(c) (i) (ii) AMLA and Regulation 13 (3) (c) (i) (ii) of AMLPOCA require FIs to satisfy themselves that the third party is regulated and supervised or monitored for, and has measures in place for compliance with, CDD and record-keeping requirements in line with Recommendations 10 and 11. However, the law refers to reliance on a third party to conduct “one or more elements of customer due diligence”. There is no way of knowing if this covers elements (a)-(c) of the CDD measures set out in Recommendation 10 (identification of the customer; identification of the beneficial owner; and understanding the nature of the business). **Therefore, c17.1 is not met.**

51. Regulation 13(7) of AMLA and Regulation 13 (7) of AMLPOCA require the FIs to make sure that a third party is having policies that mitigate any high-country risk (relevant to cr.17.3(c)) there is specific provisions particularly referring to the determination in which countries the third party that meets the conditions to rely on for CDD measures, can be based. The current requirement addresses mitigation of risk and not the issue of having regard to information available on the level of country risk at point of determining in which countries the third party that meets the conditions can be based. **Therefore, c17.2 is met.**

52. Regulation 13(4) of AMLA and Regulation 13 (4) of AMLPOCA) require Reporting Person to relying on a third party or an introduced business which is part of the same financial group to have regard to the following: (a) – the group applies same or stricter measures under R.10, R.11 and R.18. Regulation 13(4) (b) of AMLA and Regulation 13 (4) (b) of AMLPOCA require FIs to relying on a third party or introduce business which is part of the same financial group to apply CDD and record keeping requirements, AML/CFT/PF programmes and supervised at group level by the group head office. Regulation 13(4) (c) of AMLA and Regulation 13 (4) (c) of AMLPOCA requires that any

higher risks at a national level are sufficiently mitigated by the financial group's AML/CFT policies. **Therefore, c17.3 is met.**

Weighing and conclusion

53. Tanzania has enacted several Regulations to address to some of the requirements of reliance on third parties though still remains with some moderate shortcomings. **Therefore, the rating of NC for Recommendation 17 is to be upgraded to PC.**

3.1.6 Recommendation 18- Internal controls and foreign branches and subsidiaries (originally rated NC- rerated to C)

54. The MER found that: a) there are no obligations in law or regulations for financial groups to implement group-wide programmes against ML/TF; b) there are no obligations in law or regulations which requires FIs with foreign branches or majority owned subsidiaries to apply AML/CFT measures which are consistent with home country; and c) FIs licensed by CMSA and TIRA are not required to have independent audit function.

53. Section 18(1) (g) of the AMLA and to be read with Regulation 9(c) of the AML Regulations, 2022 as well as Section 13(1) of the AMLPOCA require FIs to have compliance management arrangements (including the appointment of a compliance officer at the management level). Furthermore, to designate a natural person as money laundering reporting officer, to whom its employees shall report any actual or suspicious activities or transactions in terms of money laundering, terrorist financing, proliferation financing or any other criminal activity which comes to the attention of employees in the course of work. The FIs are required to screening procedures to ensure high standards when hiring employees (Section 18(1) (g) of the AMLA and Section 13(1) of the AMLPOCA). They are required to screening procedures to ensure high standards when hiring employees (Section 18(1) (g) of the AMLA and Section 13(1) of the AMLPOCA). Regulation 24 (1) (c) of AMLA and Regulation 38 B of AMLPOCA requires Reporting person to an ongoing employee training programme. Sections 18(1)(h) of AMLA and 13(1)(h) of AMLPOCA requires FIs to have an independent audit function to test the system. **Therefore, c18.1 is met.**

54. Section 19 of the AMLA and new section 14 of the AMLPOCA to be read together with the common Regulation 13(4A) of their respective regulations require reporting person to have policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management. Reporting person are required to have provision, at group-level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information and analysis of transactions or activities which appear unusual (if such analysis was done)⁶¹. Similarly branches and subsidiaries should receive such information from these group-level functions when relevant and appropriate to risk management (Section 19 (1) (a) of AMLA and Section 13(4a) (b) of AMLPOCA). Reporting person are required to have adequate safeguards

on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off (Reg 13 A (c) of AMLA and regulation 4A (c) of AMLPOCA). **Therefore, c18.2 is met.**

55. Reporting person are required to ensure that their foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements, where the minimum AML/CFT requirements of the host country are less strict than those of the home country, to the extent that host country laws and regulations permit (sections 19 (1) (b) ,(c) ,(d), and (e) of the AMLA and Section 14(1) (b) (b) ,(c) ,(d), and (e) of the AMLPOCA). **Therefore, c18.3 is met.**

56. Paragraph (g) and sub regulations (2) and (3) to Regulation 10 of both the AMLA and AMLPOCA require FIs to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. **C18.4 is Met**

Weighing and conclusion

57. Tanzania has enacted several Regulations to address to all of the requirements of Recommendation 18. **Therefore, the rating of NC for Recommendation 18 is to be upgraded to C.**

4.1.7 Recommendation 19- Higher Risk Countries (originally rated NC- rerated to C)

58. The MER finds that FIs in Zanzibar are not required to apply EDD proportionate to the risks when dealing with persons and legal persons from countries for called to do so by the FATF.

59. Paragraph (g) and sub regulations (2) and (3) to Regulation 10 of both the AMLA and AMLPOCA require FIs to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. **C19.1 is Met.**

60. As per Paragraph (g) and sub regulations (2) and (3) of Regulation 10 of both the AMLA and AMLPOCA, *counter measures proportionate to the risks shall apply in the United republic of Tanzania - when called upon to do so by the FATF; and independently of any call by the FATF to do so.* **C19.2 is Met.**

61. As per Paragraph (g) and sub regulations (2) and (3) of Regulation 10 of both the AMLA and AMLPOCA, the competent authorities are mandated to issue guidelines on measures to ensure that reporting persons are advised of concerns about weaknesses in the anti-money laundering, counter terrorist financing and counter proliferation financing systems of other countries. **C19.3 is Met.**

Weighing and conclusion

62. Tanzania has enacted laws to address to all of the requirements of Recommendation 19. **Therefore, the rating of NC for Recommendation 19 is to be upgraded to C.**

CONCLUSION

63. Tanzania has made significant overall progress in resolving the technical compliance shortcomings identified in its MER and ratings for 7 Recommendations have been revised. The jurisdiction has addressed the deficiencies in respect of Recommendations 10 (PC), 13(PC), , 18(NC) and 19 (NC). The reviewers recommend to upgrade the rating for Recommendations 12, 13, 17, 18 and 19 with Compliant (C) and Recommendation 10 with Largely Compliant (LC). In relation to Recommendations 6, 12 and 17 (initially rated NC), the Reviewers recommend re-rating for the recommendations with Partial Compliant (PC) since moderate shortcomings still remain on the recommendation.
64. Given the progress made since adoption of its MER, Tanzania’s technical compliance with the FATF Recommendations has been revised as shown in the table below:

Table 2. Technical compliance following revision of ratings, June 2023

| Recommendation | R6 | R10 | R12 | R13 | R17 | R18 | R19 |
|------------------------|-----------|------------|------------|------------|------------|------------|------------|
| Previous Rating | NC | PC | NC | PC | NC | NC | NC |
| Re-rated to | PC | LC | PC | C | PC | C | C |

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

65. Overall, in light of the progress made by Tanzania since the adoption of its MER, the re-ratings for its technical compliance with the FATF Recommendations should be considered and approved by the ESAAMLG Task Force of Senior Officials Plenary as follows:

Table 3. Technical compliance following revision of ratings after the adoption of the Tanzania MER, July 2023

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

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

66. Tanzania will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving and implementing its AML/CFT measures.