



AACB-ABCA/29/OM-RO/2005#1

**ASSOCIATION OF AFRICAN
CENTRAL BANKS (AACB)**

**29th ORDINARY MEETING OF
THE ASSEMBLY OF GOVERNORS**

DRAFT REPORT ON THE 2004 SYMPOSIUM

(Yaounde, July 28, 2004)

(Accra, July 29, 2005)

1. The Association of African Central Banks (AACB), on 29th July 2004, organized a symposium at the *Palais des Congrès*, in Yaounde, Cameroon, on the theme "the *Central Banks and their Role in Anti-Money Laundering Efforts: Co-operation and Exchange of Experiences*".
2. The opening ceremony of the symposium was marked by the welcome address delivered by Mr. Jean-Felix Mamalepot, Governor of Banque des Etats de l'Afrique Centrale (BEAC) and Vice-Chairperson of AACB and the opening remarks made by Mr. Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda and Chairperson of the Association.
3. In his address, Governor Mamalepot expressed the appreciation to participants and indicated that the enthusiasm shown for AACB symposia which is growing stronger year after year, was evidence of their interest in this meeting of the Association Governors.
4. He also made a few remarks on the selected theme, stating in particular that money laundering had become the most perverse scourge of contemporary financial system. Apart from disturbing the allocation of international liquidity, this scourge has harmful consequences on the socio-economic and political life of countries, especially those that do not have an adequate prevention and control system. He further recalled the efforts made by the international community to establish legislative and regulatory mechanisms enabling banks and financial institutions to gradually protect themselves against illicit transactions.
5. Mr. Mamalepot thanked the International Monetary Fund (IMF) and the Financial Action Task Force (FATF) against money laundering for having accepted to participate in the discussion of this phenomenon and then moved on to recall their recent initiatives in this regard.
6. He concluded his address by wishing that the meeting will make relevant recommendations despite the complex nature of the issue.
7. Mr. Tumusiime-Mutebile, Governor of Bank of Uganda and current Chairperson of the AACB expressed his deep appreciation to Governor Mamalepot and the Government of Cameroon for the warm hospitality extended to the participants and thanked him for having accepted to host this year's symposium, which is evidence of his commitment to the Association.
8. He stressed the extreme importance of the theme symposium pointing out that the issue of money laundering was a major challenge to the stability and integrity of financial systems throughout the world including our own continent. Over the past two decades, African countries have liberalized their financial sectors in order to solve their inefficiency problems. This has led to a rapid expansion of the banking and financial sector, which remains, however, confronted with the challenge of money laundering control. Thus, the absence of adequate measures to fight this phenomenon in certain countries and its negative impact on the economies highlight the need to put in place appropriate laws to combat it.
9. He concluded his speech by thanking the presenters for having accepted to make presentations during this symposium and assured the participants of their rich experience in their respective fields with the money laundering issue.

10. The symposium proceedings were organized into two sessions revolving around the main topic:

- *Central Banks and their Role in Anti-Money Laundering Efforts: Co-operation and Exchange of Experiences;*
- *Experiences of Anti-Money Laundering efforts in Africa.*

First session: "Central Banks and their Role in Anti-Money Laundering Efforts: Co-operation and Exchange of Experiences"

11. This session was chaired by Mrs. L.K. Mohohlo, Governor of Bank of Botswana. Mr. Daudi T.S. Ballali, Governor of Bank of Tanzania, Mr. Mohammed Laksaci, Governor of Banque d'Algérie acted as moderators.

12. The topic was introduced by Mr. Christian Durand, Responsible for Technical Assistance for Africa in the Department of Monetary and Financial Systems at the International Monetary Fund (IMF), Mr. Stuart Yikona, Consulting Counsel in the Legal Department of the IMF and Mr. Patrick Moulette, the Executive Secretary of GAFI.

13. In his presentation, Mr. Durand first indicated that the IMF was dealing with these issues because since the Bretton Woods Agreements, the international Community has conferred on it the responsibility for ensuring the economic and financial stability of member States against the threats of money laundering and financing of terrorism. This threat can be directly exerted when money laundering has harmful effects on some economic variables, particularly the exchange rate or indirectly through certain transactions putting at risk the financial system which sooner or later achieves overall economic stability. This provides the justification for IMF's involvement with organising the international financial community's anti-money laundering efforts, in collaboration with the World Bank and FATF which has spearheaded the fight against this scourge since 1989.

14. The IMF's actions are conducted in two separate areas. The first one deals with financial monitoring using, in particular, financial sector assessment programmes. The second area covers technical assistance programmes, which gradually includes a component on anti-money laundering efforts and financing of terrorism. The IMF also provides technical assistance to central banks with a view to helping member States promote sound and efficient banking and financial systems as well as effective monetary and exchange policies. Lastly, national and regional seminars and workshops are organized for financial controllers, legislators and law-enforcement agencies.

15. In conclusion, Mr. Durand indicated that anti-money laundering efforts is now given a specific status at the IMF which ensures its sustainability while remaining at the disposal of member States to assist them in combating this scourge.

16. Mr. Durand's presentation was supplemented by that of Mr. Yikona who described the main challenges confronting the African countries in terms of combating money laundering and the specific role of Central Banks. These challenges include embezzling public money, trafficking of arms, precious stones, human beings and drugs, terrorist activities and their financing as well as unions of car robbers.

17. Concerning Central Banks, Mr. Yikona indicated that they play a decisive role as supervisors of banks and a category of non-bank institutions in view of the confidence that these institutions place in them. Indeed:

- Central Banks are partly responsible for handling this issue through a series of directives to the banks and specific entities under their supervision (strict customer identification procedures, records keeping, detection and declaration of suspicious transactions, reward of complacent money laundering agents, education and training of bank employees);
- Central Banks hold the power of imposing sanctions on the entities concerned and their management and revoking licenses.

In this regard:

- Central Banks should co-operate with other institutions involved in anti-money laundering efforts;
- Central Banks must be vigilant in overseeing how the financial resources deposited with them are used.

18. After these two presentations by the IMF, Mr. Patrick Moulette, the Secretary-General of FATF introduced his institution, which, as the name indicates is a Financial Action Task Force against money laundering and financing of terrorism created in 1989. FATF's membership includes 33 States; it is a light structure manned by ten people with a revolving chairpersonship which will be assumed by South Africa over the 2005-2006 period.

19. FATF's role is to issue international standards against money laundering and financing of terrorism, to study trends in terms of methodologies and techniques of these phenomena and to assess the anti-money laundering and terrorism financing systems of its member States.

20. FATF's recommendations comprise of 40 international standards issued for the first time in 1990, revised in 1996 and 2003 in view of the fast changing nature of the scourge. Mr. Moulette focused on the most important standards relating to:

- the need for member States to apply the regulation to all serious violations;
- developing detailed measures concerning the financial sector, in particular, requiring financial institutions to maintain appropriate vigilance. These preventive measures are the greatest in number and substance and consist notably in identifying and checking customer and recipient identity and being constantly vigilant about the business relations involved;
- allowing enough flexibility in view of risk level in the management of the phenomenon;
- applying FATF's recommendations to some non-financial professions;
- the need to have appropriate resources and powers;
- importance of international co-operation in combating money laundering and financing of terrorism.

21. The next stage in the process of reinforcing these recommendations at the level of FATF and the international financial community consisted in their effective implementation, followed by their assessment in 2005.
22. Mr. Moulette also informed the meeting of the existence of regional groups similar to FATF in Southern and Eastern Africa, Western Africa notably the intergovernmental action task force against money laundering (GIABA), in Central Africa namely the action task force against money laundering in Central Africa (GABAC), in the Middle East and Northern Africa where the project is being developed.
23. He briefly alluded to the key roles that Central Banks play in their supervision of the banking and financial system, the establishment of anti-money laundering structures and legislations, raising the financial system's awareness of the phenomenon.
24. To conclude his presentation, Mr. Moulette emphasised that money laundering and financing of terrorism posed some very serious threats from which no continent or region is safe. Preventing this threat requires co-ordinated response from all countries, with the application of criminal measures in addition to the existing legal ones and the very active participation of financial systems.
25. **Main conclusions** reached after the presentations and discussions:
 - in view of the responsibilities conferred on them over financial sector issues, Central Banks must play a leading role in countering money laundering and financing of terrorism;
 - financial sectors in Africa must face up to the challenge of countering money laundering ;
 - money laundering and financing of terrorism are global problems affecting not only the security but also economic growth potential and the international system.

Second Session: "Experiences of Anti-Money Laundering Efforts in Africa"

26. The session was chaired by Prof. Charles Soludo, Governor of the Central Bank of Nigeria. During this session, the experiences of different African sub-regions with anti-money laundering efforts were presented.

Central Africa

27. The experience of Central Africa was presented by Mr. Jean-Felix Mamalepot, Governor of BEAC, in his capacity as Chairperson of the AACB Sub-regional Committee for that zone. He described, in particular, the actions undertaken as part of efforts to combat money laundering and financing of terrorism.
28. In the Central African Economic and Monetary Community (CEMAC), the action task force against money laundering in Central Africa (GABAC) was established through an additional Act to the CEMAC Treaty. A regulation was adopted on 14th April 2002 by the Ministerial Committee of the Central African Monetary Union (UMAC) specifying the statutes of this body headed by a Permanent Secretary appointed by the Conference of Heads of State. The Central Bank that led the process of developing and adopting the regulatory framework, acts as a subordinate and a regulating authority.

29. The GABAC does not have any direct investigative role. It assists member States with a view to co-ordinating and boosting anti-money laundering efforts, assesses the results and effectiveness of actions undertaken and maintains relations with similar institutions. A regulation establishing prevention and repression of money laundering and financing of terrorism was adopted on 4th April 2003 and enforced.
30. In São Tome & Principe, an anti-money laundering law is being prepared under the aegis of the Central Bank and the Justice Ministry. In the absence of a legal framework in this area, the Central Bank required banks to check their customer identity, and banking groups apply the anti-money laundering standards governing their parent company.
31. In the Democratic Republic of Congo, the Central Bank hosts a task force against money laundering as part of the national strategy for combating corruption, money laundering and organised transnational criminality arrested by the Authorities in November 2002. Moreover, a bill aimed at fighting money laundering and financing of terrorism, designed in collaboration with external partners and based on international standards was adopted by the Council of Ministers in March 2004 and is being examined by the Transition Parliament. Pending its promulgation, the Central Bank published, on 4th March, 2003 a Banking Law Directive requiring all credit institutions to report suspicious transactions.
32. Generally speaking, the Central Banks of the Central Africa Sub-region play a central role in implementing the legal and regulatory framework for combating money laundering and financing of terrorism. They resolutely get involved in the global dynamics in this area.

Western Africa

33. At the level of the Economic Community of West African States(ECOWAS), at their December 10 1999 meeting the Conference of Heads of State and Government established within the framework of their strategy for combating this scourge an Intergovernmental Action Task Force against money laundering in West Africa (GIABA). The goal pursued by this institution is to protect the banking and financial systems of ECOWAS member States against crime money, to improve their anti-crime money laundering efforts and to strengthen co-operation between them.
34. Mr. Charles Konan BANNY, Governor of Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) made a presentation on the role of BCEAO in combating money laundering and financing of terrorism in member States of the West African Monetary Union (WAMU).
35. At the level of the West African Economic and Monetary Union (WAEMU), the actions undertaken by BCEAO within the framework of organising anti-money laundering efforts, centred on two main points, notably developing an anti-money laundering legislation and supporting international initiatives on fighting the financing of terrorism pending the establishment of a specific tool to fight it.
36. The process unfolded in three stages:
 - sensitisation to the problem of money laundering through a regional seminar organised, in July 2000, to undertake a collective reflection on this issue and attended by representatives of all the public services concerned, the

- financial sector, monetary authorities, in collaboration with other organisations operating in this area (United Nations Office for Drug Control and Crime Prevention, FATF and partners of the Franc Zone);
- formulation of a draft community directive on fighting money laundering in WAEMU member countries adopted in September 2002 by the Council of Ministers;
 - formulation of a uniform Bill on combating money laundering and derived from the afore-said directive. This Law introduced the principle of international competence regarding international co-operation in legal matters, thereby turning WAEMU into a unique legal space that can ensure an effective control of money laundering.
37. Regarding control of financing of terrorism, and in particular, since the September 11, 2001 events, BCEAO has made the following provisions:
1. implementation of measures on close control of bank transactions and fund transactions, with the active participation of credit institutions;
 2. formulation of a framework regulation making it binding on member States, to comply with the decisions on imposing a freeze on funds, taken by the Sanctions Committee of the UN Security Council.
38. A process has also been initiated within the BCEAO to provide member States with a specific legislation for indicting and repressing terrorism and its financing.
39. Bank of Ghana illustrated its experience in this area by citing the assistance that the Supreme Court of Ghana provided it and the Government, ten years ago, in settling the case of a person whose properties were confiscated following his indictment for drugs trafficking. The problem of money laundering was not so much in focus then across the country.
40. Thus, Bank of Ghana requested the participation of the Supreme Court in the formulation of anti-money laundering legislation. The draft document was enriched with the contributions of the IMF and State security agencies. This document is being discussed within the Government, and the involvement of the Supreme Court heightened hopes of seeing these provisions enforced when they become a law.

East Africa

41. Concerning the AACB Eastern Africa Sub-region, Dr. Andrew K. Mulei, Governor of Central Bank of Kenya made a presentation on recent experience, regional co-operation and the role of Central Banks in the zone in countering the financing of terrorism.
42. In the absence of effective regimes designed to fight money laundering, it is relatively easy, according to the presenter, to launder money in most of the countries in the sub-region. This situation contributed to a considerable increase in the related social, economic, human and political costs (negative socio-political consequences including in particular, corruption, drug, narcotics and arms trafficking, degradation of banking and financial system integrity as well as interference with the implementation of economic policies).

43. The factors supporting money laundering in the sub-region are linked to widespread use of cash in payment systems, absence of legislation, existence of underground banking activity and fund transactions, law enforcement difficulty, existence of unstable neighbouring regimes and border permeability.
44. The Commonwealth played a catalyst role in putting in place in August 1999, an action task force against money laundering in Eastern and Southern Africa of which four countries of East Africa are members (Kenya, Uganda, Mauritius and Seychelles). However, steps have been taken to establish a group like FATF, following the example of similar bodies put in place in Central, West and North Africa.
45. The Central Banks of the sub-region must continue to be the driving forces behind the initiatives on anti-money laundering efforts in the sub-region. In this capacity, they should continue working towards developing the appropriate legal framework, improving national payment systems, banning underground banking activity, controlling underground fund remittance and reviewing foreign banks licensing.

Southern Africa

46. The representative of the South African Reserve Bank indicated, inter-alia, that a perception of the country is that its financial system is used for money laundering because of the size of its informal sector. Because of the pressure from the rest of the world to criminalize money laundering, a number of Parliamentary acts have been adopted most important among which was the creation of a structure (Financial Intelligence Centre Act) to combat money laundering activity and assist in consolidating the relevant legislation.
47. New anti-money laundering measures in line with international standards have also been introduced and institutions have been put in place by this structure to advise, in particular, the Minister of Finance, national monitoring authorities and the Stock Market. The other actions undertaken focus on the need for banks to know their customers better, to keep records and to establish internal anti-money laundering working groups that would supplement the Central Bank's efforts to ensure that the measures applied comply with enacted standards.
48. In conclusion, the speaker recalled the responsibility of the South African Reserve Bank for bank supervision through ensuring that banks have the appropriate structures to deal with money laundering activities and that investigation agencies have the legal means to obtain information from the banks.

North Africa

49. The Governor of the Central Bank of Egypt made a presentation on the country's experience with anti-money laundering efforts indicating that an independent unit was created within the Central Bank for this purpose. This unit has full powers to receive information from banks and financial institutions, to lead investigations and propose relevant measures where irregularities have been observed.
50. The Central Bank of Egypt has formulated a new regulation applicable to banks the provisions of which relate to the opening of new accounts, a manual to be used by staff involved notably in the detection of irregular transactions, a new handbook on money laundering activities.

51. Main conclusions reached through the presentations and discussions:

- African countries are at different stages in implementing the legal and regulatory framework for controlling money laundering. Indeed, while some have adopted relevant measures, the majority has not yet done so;
- the absence of anti-money laundering measures in certain African countries can hinder the realization of the macro-economic convergence of the various sub-regional groupings most of whose members are still recording budgetary deficits and high money supply growth rates and current account deficits;
- as regulators and supervisors of financial systems and to make them competitive, African Central Banks need to take every step to put in place anti-money laundering legislation. They therefore have an important role to play in controlling this scourge;
- some progress has been made on all issues relating to money laundering in Africa and there is an increasing recognition of this fact;
- obviously, notwithstanding these efforts, the scope of money laundering phenomenon is still difficult to grasp in an environment in which the question is to know who launders what and how ?
- Low awareness of money laundering problem stems from some laxity in the 1980s when the necessity to act vigorously against this scourge did not appear clearly enough in Africa because one is less prepared to fight dirty money when one is poor.
- While this awareness has evolved positively given its global character, Africa's specificities remain even though it is a strong obligation today for African countries to combat this phenomenon.
- The environment which is marked by the liberalization of the economies is in contrast with the need to exercise freedom and control in order to be able to control money laundering.

52. At the end of the proceedings, the current Chairperson of AACB thanked the participants for the quality of their presentations and discussions. Besides, Mrs. Trovoada Silveira Maria Do Carmo, Governor of Central Bank of São Tome & Principe moved, on behalf of the Assembly of Governors, a Vote of Thanks to the Government of the Republic of Cameroon and the BEAC Authorities.