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## FOREWORD BY THE GOVERNOR OF THE RESERVE BANK OF ZIMBABWE: DR. G. GONO

1. Internationally, more and more anti-money laundering (AML) compliance issues which have a direct impact on individuals, institutions and countries at large are being enforced.
2. These issues are no longer optional; non compliance can result in hefty US Dollar based fines and can also have negative effects on institutions' international standing.
3. Globally too, the main international compliance issues at this point relate to OFAC (Office of Foreign Assets Control in the USA) requirements which are enforced with very serious and costly actions in the event of non-compliance. Other compliance criteria which are too numerous to mention include:
  - i. The forty (40) recommendations by the Financial Action Task Force on Money Laundering (FATF) and the nine (9) special recommendations on anti-terrorism financing and monitoring.
  - ii. The United Nations (UN) Conventions on terrorism financing and the fight against corruption.
  - iii. The Eastern and Southern Africa Anti- Money Laundering Group (ESAAMLG) of which Zimbabwe is a member.
  - iv. The Bank for International Settlements (BIS) Prevention for Criminal Use of the Banking System for the Purpose of Money Laundering.
  - v. The BIS Know Your Customer (KYC) standards as issued in the Customer Due Diligence for Banks Guidelines.
4. As Monetary Authorities we have always appealed to financial institutions and the public at large to promote the Reserve Bank's clean money policy, report suspicious transactions as well as desist from activities that fuel parallel market activities.
5. Despite our repeated appeals, we have noted with concern, increasing tendencies of indiscipline by some financial institutions in the handling of currency and undesirable transaction activities which are in direct contravention of anti money laundering requirements.
6. The exchange rate has always been used as an excuse for grey market activities. With measures announced in the Third Quarter, 2005 Monetary Policy Review Statement, the exchange rate should obviously no longer be an issue and there is absolutely no need for anyone to trade in the grey market.
7. Hence, we find this an opportune moment to introduce higher levels of surveillance on the general movement of funds within our economy.
8. With effect from the 1<sup>st</sup> of November 2005, the Reserve Bank will be introducing the Electronic Financial Surveillance (eFS) System in order to strengthen its monitoring capacity of money flows within the financial system.
9. Any institution or individual that upholds the international laws and standards on anti-money laundering

- has nothing to fear.
10. We are proud to be the first country to use the eFS product which was introduced to us by our partner Perago, a global player in the financial sector and a SWIFT partner for 21 countries in Africa.
  11. Through their visionary focus in software provision, Perago have ensured that we harness the benefits of our investment in SWIFT and optimise our reporting capabilities on the array of information generated by the systems they support.
  12. In implementing this product, I am aware of elements in our society and the world at large who will be quick to see sinister motives behind this development as if we are supposed to be followers all the time, instead of being pioneers.
  13. The investment in financial surveillance is therefore our well considered response to the ever increasing pressure on compliance with international best practice. It marks the setting up of a software platform on which further surveillance solutions can be built.
  14. The Electronic Financial Surveillance (eFS) system will be launched before the end of October in order to have it ready for the 1<sup>st</sup> November 2005 compliance reporting commencement date.

### **Measures for tracking and accounting for precious minerals**

15. In a similar development, the Reserve Bank has partnered with an international organisation in conceptualising the implementation of a system for tracking and accounting for our precious minerals in order to curtail side marketing and smuggling of our mineral wealth. The market will be advised of further developments in this area before the end of the year.
- 1.6 The system which has already been implemented in other countries with documented success will be attached to mining houses starting with gold.

**I Thank You.**



**DR G GONO  
GOVERNOR  
RESERVE BANK OF ZIMBABWE**

**20 OCTOBER 2005**

## **1. ELECTRONIC FINANCIAL SURVEILLANCE**

- 1.1 In recent years, countries throughout the world have found themselves under increasing pressure to respond to compliance issues and international standards in the fight against money laundering and the financing of illegal and suspicious activities.
- 1.2 As part of the international community, Zimbabwe responded to this by promulgating the Bank Use Promotion and Suppression of Money Laundering (BUPSML) Act, Chapter 24:24 in April 2004.
- 1.3 Apart from giving legal basis to the fight against money laundering, this legislation also helped in strengthening the activities of the Reserve Bank and law enforcement agents in dealing with, inter alia:
  - a) Parallel or grey market activities
  - b) Externalisation of foreign currency
  - c) Transfer pricing on exports and imports
  - d) Hoarding of foreign currency and local currency
- 1.4 Zimbabwe is also a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which was formed in 1999. The country acceded to the ESAAMLG Memorandum of Understanding on Anti-Money Laundering in 2002 when we joined the Group.
- 1.5 The application of the BUPSML Act requires the cooperation of stakeholders who are charged with various responsibilities under this Act. These include financial institutions, law enforcement agents and any designated institutions required to provide information under this legislation.

## **2. ILLEGAL TRANSFER OF FUNDS THROUGH ELECTRONIC SYSTEMS**

- 2.1 Electronic funds transfers are fast becoming the main means for settling transactions around the globe.
- 2.2 The need for speed, efficiency and provision of better services to customers has been the major driving force behind this development.
- 2.3 Since economic activity involves some form of payment and settlement in one way or another, electronic funds transfers therefore play a critical role in supporting economic activity. The payments industry modernisation efforts which the Reserve Bank and financial institutions are involved in are based on this thinking.
- 2.4 While electronic means of payment offer greater convenience and efficiency in the provision of financial services, they can also be used as a tool for money laundering and illegal transfer of funds.
- 2.5 In some instances, such funds have been used to finance heinous acts of terrorism with deadly results. The September 11, 2001 catastrophe and the July London bombings, among other terrorist activities, have pointed to use of electronic funds transfers of one form or another to finance those activities.

- 2.6 Needless to say that such transfers can be done at supersonic speed from one point to another, given the wide range of electronic systems now available through advanced technology.
- 2.7 For this reason, the issue of suspicious activity reporting has been raised to the top of the agenda of most central banks.
- 2.8 The need to be able to track, trace and take corrective measures against any undesirable financial behaviour has become a firm priority for any economy.

### **3. IMPLEMENTATION OF (eFS) SOFTWARE PLATFORM**

- 3.1 It is in this regard that the Reserve Bank is introducing the Electronic Financial Surveillance (eFS) software platform with effect from the 1<sup>st</sup> of November 2005. All financial institutions using the SWIFT messaging system for making payments, will from this date be required to electronically submit specific information to the Reserve Bank on a daily basis.
- 3.2 With the implementation of the eFS solution, Reserve Bank has taken yet another step towards ensuring Zimbabwe's compliance with international requirements on financial surveillance. Zimbabwe also makes history as the first user of the eFS product.

### **4. HOW THE ELECTRONIC FINANCIAL SURVEILLANCE (eFS) OPERATES**

- 4.1 All financial flows will be analysed electronically, with suspicious transactions being pin pointed and documented. The system will therefore manage the life cycle of suspicious transactions and any groups of people linked to suspicious transactions.
- 4.2 Apart from assisting the Reserve Bank Financial Intelligence Unit and law enforcement agents in their investigations, this information will also be used to comply with international requirements on anti-money laundering.

### **5. BENEFITS OF IMPLEMENTING THE SYSTEM**

- 5.1 Provides an electronic means of monitoring transactions as opposed to using manual processes.
- 5.2 Enables full trace functionality as to source and destination of funds.
- 5.3 Contributes to Zimbabwe's compliance with anti-money laundering reporting requirements.
- 5.4 Provides an audit trail of suspicious funds through management of the life cycle of such transactions.
- 5.5 No additional requirements to banking community procedures and government departments.
- 5.6 It is quick to implement as the link involved is only interfacing to existing infrastructure.

## 6. CONCLUSION

- 6.1 As part of its strategy of eradicating elements that slow down economic progression, the Reserve Bank will continuously search for solutions that will assist in increased compliance with international standards for fighting illegal activities.
- 6.2 These international compliance issues are no longer optional and failure to enforce them can have far reaching implications for financial institutions and the economy as a whole.
- 6.3 Banks are therefore urged to be proactive in this regard and take steps that will ensure adequate monitoring of their banking transactions in real time.

## NOTES

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