



*30 July 2017*

Bank Use Promotion & Suppression of Money Laundering Unit

**Hoarding and selling of cash for speculative purposes**

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**1. Background**

Strategic Analysis reports (Typologies) are guided by the FATF Recommendation two (2) and Recommendation twenty nine (29) which obligates the Financial Intelligence Unit to disseminate relevant strategic analysis information to competent authorities in pursuit of its functions as per section three (3) of the Money Laundering and Proceeds of Crime Act, number 4 of 2013

**2. Strategic Analysis**

There has been an acute shortage of cash in the country due to increasing trends in the hoarding and selling of cash. An analysis of reports received by this Unit revealed that many businesses, both formal and informal, individuals, illegal forex dealers and foreigners are involved. The analysis also found out that there is a downward slope on the banking trend by these parties. Section 11 of the Bank Use Promotion Act requires all traders and parastatals to Bank surplus cash in an account within a certain time.

**3. Findings/Modus Operandi**

This typology bulletin is intended to inform stake holders about the techniques which criminals are using to hoard and sell cash and launder the proceeds from

these illicit activities. Criminals are mopping cash from most of the cash intensive businesses using swipe cards or RTGS money transfer systems.

The Unit has noted that, retailers, supermarkets, service Stations, CIT companies, Individuals, amongst a number of traders are involved in the cash hoarding and selling activities. Below are the trends and methods being used in mopping cash and selling it for a premium:

### **CASE STUDIES**

#### **Individuals hoarding and selling cash**

Shopping has become a night mare with these individuals pestering customers for cash and offering to swipe. The individuals move around supermarkets and any other cash intensive business that offer POS service in possession of various bank cards loaded with money. If a customer is buying using cash they ask to pay for the customer's goods using their numerous cards on the POS machine and get the cash from the customer.

Till operators have also been reported to be carrying around various cards as well and tend to swipe for cash paying customers and pocket the cash.

#### **Illegal forex dealers**

The illegal forex dealing is one contributing factor to the hoarding of cash in the market, players in this illicit activity are withholding cash for transacting in their business. These partook a big role in mopping out the United States Dollar and selling it for Band notes to foreign businesses operation in the country. Illegal forex dealers are common in the Road Port area, Copa Cabana in Harare, Fort Street in Bulawayo, many other selected points around the country and many busy Bureau de Changes targeting clients who would have received funds from their relatives in the diaspora. This illicit activity has continued and has a large number of players which means that there are reasonable proceeds being realised.

### **Cash In Transit (CIT) Companies**

An inspection on retailers showed that some were not banking the daily collected cash into their accounts but a third party company was depositing the equivalent collected cash through RTGS. An investigation to try and follow the money revealed that a CIT company was responsible for collection the daily takings on a daily basis, which is the norm with all large businesses. However the CIT Company would not deposit the cash but instead transfer the equivalent amount from their company account into the retailer's account. This meant the collected cash was not brought back into the official system and was being used for other illicit activities.

### **Service stations**

Petrol attendants and some service stations have been noted to be banking coins only. Inspections by the Unit revealed that in some cases the Service stations management are involved while in other cases the Petrol attendants are acting on their own to their benefit.

In most of these cases motorist buy very little petrol but the petrol attendant swipes a large amount for the motorist and give him cash back at a premium which is usually 10%.

Individuals connected to these fuel stations are also found milling around these service stations waiting to swipe for cash paying motorists.

An increase in the banking of coins only has been as a result that the money hoarders mostly want to carry paper money that is easy for couriering hence they again target service stations and collect the notes cash leaving the coins.

### **Bulk airline vendors**

A trend has been noted that cash barons loaded with funds in the accounts are transferring funds into individual accounts of various persons who would have accepted to have their bank cards to be used by these cash barons for a while.

The cash barons approach individuals or relatives and ask to use their idle bank cards for a while and for a fee. The individuals are attracted by this lucrative deal and surrender their bank cards.

The cash baron transfers a substantial amount of cash in that individual account and goes around swiping on POS machines for cash.

### **Wholesale retailers and supermarkets**

Retailers and supermarkets have also resorted to not banking their cash. An investigation to follow up their daily collections have revealed that they are using the daily takings to purchase forex on the black market.

Some shops have resorted to two tier pricing on the guise that they are offering incentives for cash customers and also trying to lure customers to use cash and improve circulations but in real fact they are hoarding cash.

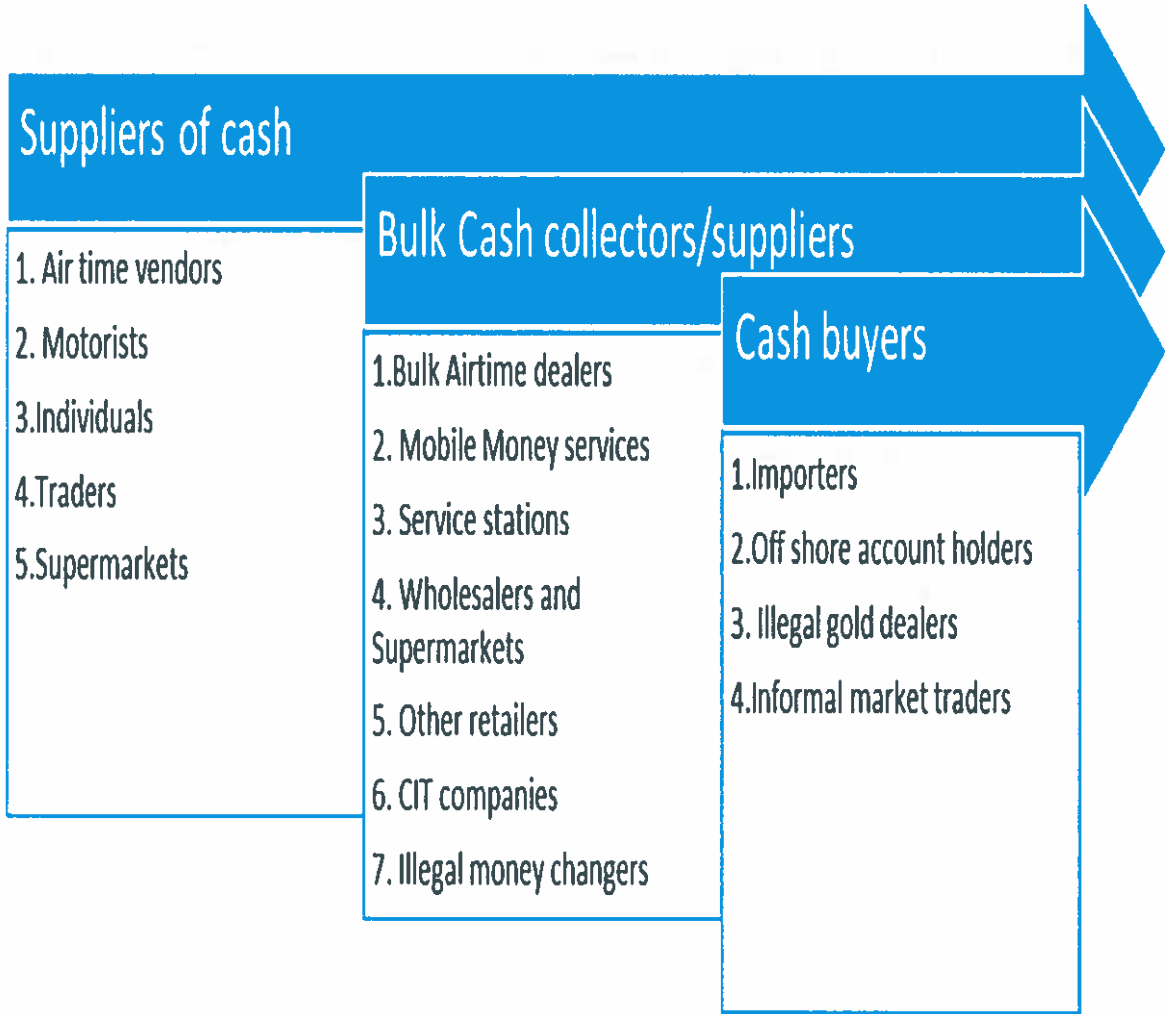
Another trend observed is that wholesalers are giving out goods to small tuckshop owners so that they sale and pay later in cash. This is done so as to mobilise cash.

### **Mobile cash services, Eco-cash, Telecel and One wallet**

Mobile money service agents, individuals, retailers, small tuck shop owners and other traders in general are abusing the mobile money services by charging a premium for transacting using the mobile money transfer system. Eco-cash agents and merchant are the chief culprits in this trend. Most of the long ques being experienced at Banks are for individuals withdrawing cash and then proceed to sale it to the mobile money service dealers for a premium.

According to the above various methods being used by criminals to hoard and sell cash the Unit extrapolated the following diagram depicting the possible movement of cash in the hoarding and cash selling circle.

**Diagram showing hoarding and selling of cash illegally**



#### **4. INDICATORS/RED FLAGS**

The following may be considered to be potential indicators that may assist reporting entities and the general stakeholders to identify potential money laundering activities involving hoarding and selling of cash by traders and individuals. They are also intended for use by law enforcement agencies in their investigations and understanding the methods being used by criminals. It is very important to note that these are indicators only, and are intended to aid to profiling and a prompt for further investigations and enquires. They are not definitive descriptors of criminal activity warranting immediate action, however applicability of multiple indicators may be a reasonable grounds for suspicion.

- Bulk cash on person's body
- Request of large bank transfers inconsistent with customer's profiles
- Several bank cards of different people on person
- Several bank cards in the person's name with different banks
- Suspicious or unjustified frequency movement across borders
- Cash on person is only declared individual is intercepted
- Numerous mobile money transactions
- Company making large bank transfers inconsistent with business profile
- Business not banking or banking far less than its daily collections
- Possession of large amounts of money without adequate explanation
- Businesses involved in two tier pricing

#### **5. INTERPRETATION**

This report therefore serves to advise you to be aware of these trends and their possible money laundering implications and to treat them accordingly. Banks are expected to report such transactions to the Unit and to advise their clients against the practice.

## **5.1 Banking Sector**

The banking sector is urged to strictly monitor such transactions in both individual and traders' accounts and report them as STRs

## **5.2 Eco net (Eco-cash), Net one (One-wallet) and Telecel (Tele-cash)**

Mobile money service providers are encouraged to report any suspicious transactions and reduce daily transactions to curb large volume transactions.

## **5.3 Police**

They should investigate these cases for ML and not concentrate on predicate offences.

## **5.4 ZIMRA**

Tax authorities are encouraged to investigate for ML during their audits of company accounts and personal accounts.

## **5.5 Immigration**

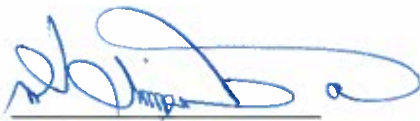
All the above units are encouraged to share information about foreigners involved in ML through hoarding and selling of cash so as to help Immigration officials with background information on would be applicants for residence and business permits in Zimbabwe. Many of the culprits that have been identified so far indicate that foreigners constitute the bulk of those involved in the hoarding of cash so as to externalise or smuggle the cash out of the country to offshore accounts.

## **5.6 Zimbabwe Anti-Corruption Commission**

They should investigate corruption cases with a view to establish ML. Zimbabwe is one of the highly ranked countries in terms of corruption offences.

### **5.7 Office of The President and Cabinet**

The above case studies indicate large movements of both cash and wire transfers. Terrorists Financiers may take advantage this increase in cash movements.



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