

AML/CFT TYPOLOGY BULLETIN 3/2019

ML and Forex dealing through Mobile Money Services

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Financial Intelligence Unit

Issued in terms of Section 6B of the Money Laundering and Proceeds of Crime Act, [Chapter 9:24]

1. Targeted Circulation

- Mobile Network Operators
- Banks

2. Background

It has come to the attention of the Financial Intelligence Unit that some agents of mobile financial service providers are involved in illegal dealing in foreign currency and money laundering through mobile money platforms.

3. General Operations of Agents of Mobile Financial Service Providers

The agents are mandated to give cash in and cash out services to members of the public.

4. Methods and Trends observed

- Some Large cash movers are transferring large amounts of money into the trust accounts of mobile financial service providers for the account of certain agents.
- The agents would make large “agent to agent” transfers, for the purpose of making illegal foreign currency purchases.
- Other agents use their wallets to purchase forex from members of the public.
- Transactions on the agents’ accounts are characterised by few big deposits into the agents’ accounts and the majority of the transactions are smaller chunks of outflows.
- Such agents usually make a large number of transactions, per day.
- Most of the agents have abandoned the prescribed service fees and are charging members of the public premiums of up to 50% for cash outs.

5. Indicators/Red Flags

The following may be considered to be potential indicators that may assist Mobile Financial Service Providers and banks to identify Suspicious transactions, with a potential for money laundering, through Mobile Money services. The indicators 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 profiling and a prompt for further investigations and enquiries. They are not definitive descriptors of criminal activity warranting immediate action. However, applicability of multiple indicators may be a reasonable ground for suspicion.

- Large transfers, into mobile financial service provider’s trust account, by a third party on behalf of an agent.
- Large “Agent to Agent” transfers, and very little cash in and/or cash out transactions.

- Numerous high value transactions by an agent
- Transactions inconsistent with known history of the agent's profile
- Increase in transfers from bank to Mobile wallet account
- Transfer from bank followed by an immediate equivalent transfer to another mobile wallet account.

6. Impact

These agents are very vulnerable to abuse by money launderers who may want to clean up proceeds of crime by converting them into different currencies. They also give opportunity to cash couriers who need to convert money into forex before smuggling it across borders. They also give opportunity to possible financiers of terror, who may use our country to raise funds for terrorism before using such agents to convert it to foreign currency before moving it to terrorist hot spots. Some of the realised foreign currency may be used to purchase gold, on the black market, which is smuggled out of the country. Illegal foreign currency dealing also has an impact of causing market distortions in terms of exchange rates, which in turn affects prices.

7. Recommendation

This report therefore serves to advise all Mobile Financial Service Providers and Banks to be aware of these trends and methods, and the possible money laundering implications. The Unit proposes a few preventative measures as follows,

- Increase transaction monitoring of Agents of Mobile Financial Service Providers, by both Banks and Mobile Financial Service Providers.
- Report all suspicious transactions to the FIU

- Mobile Financial Service Providers are encouraged to continue carrying out customer due diligence with a view to flush out illegal foreign currency dealers.

A handwritten signature in black ink, featuring a large, stylized 'M' and 'C' that are interconnected. The signature is written over a horizontal line.

M E Chiremba
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