



Bank Use Promotion & Suppression of Money Laundering Unit

Use of loans in buying and selling of cash

1. Preamble

This typology bulletin is issued in fulfilment of the Financial Intelligence Unit's mandate to disseminate Strategic Analysis reports (Typologies) as guided by the FATF Recommendation two (2) and Recommendation twenty nine (29), whereby Financial Intelligence Units will disseminate relevant strategic analysis information to relevant stakeholders in the fight against Money Laundering and Terrorist Financing.

2. Strategic Analysis

The hoarding and selling of cash is continuing in the market with the perpetrators devising new methods. An analysis of reports received by this Unit has noted a trend where some companies are borrowing money, from banks, and using the proceeds to buy cash on the black market. The loans are usually borrowed for the purpose of either "working capital" or "capital expenditure", but the proceeds are then moved through a network of bank accounts before being transferred to accounts of cash generating businesses, where they buy cash. The cash is either smuggled out of the country or used to buy gold, which is then smuggled out of the country, usually to fund offshore bank accounts. Some of the companies use locally registered trust accounts to move the funds. In one of the cases that is now under police investigation, the local company deposited the proceeds into the account of a trust. The company then "borrowed" money from the trust and used the local bank to register the trust through the RBZ's External Loans Committee.

The loan would then be used to siphon more money out of Zimbabwe, under the guise of “loan repayments”.

3. Modus Operandi

This typology bulletin is intended to inform stakeholders about the techniques which criminals, through loan facilities, are using to buy and sell cash and launder the proceeds from these illicit activities.

- Criminals are applying for loans from lending institutions and then use the funds to buy cash
- After receiving the funds into their Bank account, the criminals make numerous transfers into their other bank accounts held with various banks.
- The funds would then be further removed from those accounts and transferred in batches to mobile wallets and various third parties using swipe cards, RTGS money transfer systems, mobile wallets and Zipit.
- On following the money movement it is clear that the applied loan was not committed towards the intended cause.
- An analysis of the bank statements receiving these funds indicates that the transactions being made are consistent with trends of buying and selling cash.
- In some instances, some funds are being deposited back into the account as USD for facilitation of telegraphic transfer payments, while in some cases no deposits will be made.
- On those accounts where no deposits and being made back into the accounts it is highly likely that the bought funds would have been smuggled out of the country to offshore accounts or used to illegally purchase gold which again is smuggled out of the country.

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 buying and selling of cash through loans. 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 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.

- Numerous bank transfers of loan proceeds into other personal accounts which are usually not related to the stated intended purpose of loan.
- Numerous bank transfers to third party accounts
- Large transfers followed by USD deposits and the telegraphic transfers
- Request of large bank transfers inconsistent with customer's profiles
- Using several accounts in the person's name or related entities with different banks
- Suspicious or unjustified frequent movement of funds across borders
- Transfers of large amounts of money onto mobile money wallets.
- Company making bank transfers inconsistent with business profile or reason for loan application

5. Recommendation

This report therefore serves to advise Banks and Law Enforcement Officers (LEAs) 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 transactions emanating from funds acquired through loans in both individual and traders' accounts and report them as STRs. Banks should also monitor adherence to declared purpose of acquired loans.



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