

ZIMBABWE



NATIONAL MONEY LAUNDERING  
RISK ASSESSMENT  
SUMMARY OF FINDINGS

2024

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## ACRONYMS AND ABBREVIATIONS

AML	Anti Money Laundering
BDC	Bureaux de Change
BO	Beneficial Ownership
CDD	Customer Due Diligence
CFT	Counter Financing of Terrorism
COBE	Company and Other Business Entities
CSA	Competent Supervisory Authority
CTR	Cash Threshold Reports
CVR	Central Vehicle Registry
EAC	Estate Agents Council
EDD	Enhanced Due Diligence
EMA	Environmental Management Agency
ENRC	Environmental and Natural Resource Crimes
FATF	Financial Action Task Force
FI	Financial Institutions
FIU	Financial Intelligence Unit
ICO	Initial Coin Offerings
KYC	Know Your Customer
LEA	Law Enforcement Agency
LSZ	Law Society of Zimbabwe
ML	Money Laundering
MTA	Money Transfer Agencies
NRA	National Risk Assessment
TCSP	Trust and Company Service Providers
SECZim	Securities Exchange Commission of Zimbabwe
TF	Terrorist Financing
UBO	Ultimate Beneficial Ownership
VA	Virtual Asset
VASP	Virtual Asset Service Providers
ZIMRA	Zimbabwe Revenue Authority

## FOREWORD

In the face of a rapidly evolving global financial landscape, the challenge of combating money laundering (ML) and terrorist financing (TF) remains a critical priority for nations around the world. For Zimbabwe, the National Risk Assessment (NRA) is a vital instrument in identifying, assessing, prioritising and understanding risks associated with ML which emanate from both within and outside our borders. By undertaking this third NRA, having carried out previous assessments in 2014-2015 and 2019-2020, Zimbabwe is not only aligning with international standards but also reinforcing the country's commitment to safeguarding the safety and integrity of the national as well as the global financial systems.

The assessment provides a comprehensive evaluation of the money laundering threats facing the country as well as identifying the vulnerabilities in the AML/CFT system that can be exploited by criminals to launder ill-gotten wealth. The results of the assessment will inform the crafting and adoption of the country's AML/CFT Strategy for 2025-2029 on the policies and measures needed to mitigate the identified risks. All relevant stakeholders in the AML/CFT value chain need to be guided by the results of the assessment in undertaking institutional or sectoral risk assessments and deploying mitigatory measures.

I would like to thank the over 80 stakeholder institutions and their staff who devoted their expertise and time participating in the meetings and activities of the various working groups over a period of 12 months. Finally, special appreciation and gratitude are extended to the Hon. Minister of Finance, Economic Development and Investment Promotion and his team for the unwavering support and policy leadership from the start to the end of the process.



O. Chiperesa

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## 1. INTRODUCTION

This report presents the findings of Zimbabwe's third National Risk Assessment (NRA) and four concurrent thematic assessments that were conducted using the World Bank NRA tool. The main World Bank NRA tool is structured into eleven modules, whereby the first two modules (namely National Threat Analysis and National Vulnerability Analysis), are cross-cutting.

The remaining nine modules look at sectoral vulnerabilities. These sectors include Financial Institutions (FIs) (banking, securities/capital markets, insurance) and Other non-bank Financial Institutions (OFIs), as well as Designated Non-Financial Business and Professions (DNFBPs) (accountants, car dealers, casinos, lawyers, dealers in precious metals and precious stones, real estate). The World Bank NRA tool also provided four standalone risk assessment modules that were conducted independently from the main assessment. These are:

- i. Environmental and Natural Resources Crimes;
- ii. Legal Persons and Legal Arrangements;
- iii. Virtual Assets and Virtual Asset Service Providers; and
- iv. Tax Crimes.

Zimbabwe undertook its first NRA in 2015 and the second one in 2019. The latest NRA was conducted during the period November 2023 to November 2024, culminating in the adoption of the NRA results by the National Task Force on AML/CFT (NTF) and the National Anti-Money Laundering Advisory Committee (NAMLAC). The process involved the direct participation of over 80 stakeholder institutions from the public and private sectors who were members of the various modules.

Module 1 of the World Bank NRA tool, (Threat analysis module), assesses the country's exposure to ML risk. This involves an analysis of the major financial crimes that generate illicit proceeds that can then be laundered by criminals in the economy. The national ML threat is measured on a rating scale from **Low**,

**Medium Low, Medium, Medium High to High.** The higher the amount of illicit financial proceeds being generated through various financial crimes (referred to as predicate crimes), the higher the threat level.

Module 2, that is, the National Vulnerability module, assesses the strengths of the country's overall ability to effectively combat ML. This involves assessing the strengths and weaknesses of the various institutions and systems involved in the AML value chain, from detection, investigation, prosecution and seizure of illicitly acquired funds/assets.

Modules 3 to 11 complete the vulnerability assessment, moving away from the cross-cutting national vulnerabilities and looking at the sectoral vulnerabilities, sector by sector (banking, securities, insurance, real estate, car dealers, casinos, precious stone dealers, among others).

The country's level of vulnerability to ML is measured using the same rating scale used to rate the threat level. A measurement of the country's ML **risk** is, therefore, a function of the **threat** level (exposure to ML) and **vulnerability** level (the overall ability to deter, detect, investigate, prosecute and penalise ML).

This is illustrated by the equation, **Money Laundering Threat + Vulnerability = Money Laundering Risk.**

## 2. RESULTS OF ZIMBABWE’S MONEY LAUNDERING NATIONAL RISK ASSESSMENT

Zimbabwe’s ML risk was rated **medium**, being a function of the national threat level of **medium low** and a national vulnerability rating of **medium high**. Since the initial risk assessment in 2015 the money laundering risk rate has declined from medium high to medium in the subsequent risk assessments of 2019 and 2024. While the overall risk level remained at medium, there have been shifts in threat and vulnerability ratings across different sectors. The summary of the 2024 results is as shown in the Heat Map below:

Overall Threat							
		H	M	M	MH	H	H
		MH	M	M	MH	MH	H
		M	ML	M	M	MH	MH
		ML	ML	ML	M	M*	M
		L	L	ML	ML	M	M
		L	ML	M	MH	H	
Overall Vulnerability							

**NB:** L = Low; ML = Medium Low; M=Medium; MH = Medium High; H = High

\* The assessed ML risk for Zimbabwe

### 2.1 National ML Threat

Under the current NRA, Zimbabwe’s ML threat level was rated as **medium low**, down from **medium** under the 2019 NRA.

Sixteen predicate crimes were identified and analysed, and six crimes emerged as the major predicate crimes generating the most illicit proceeds that feed into the national ML threat level.

**Table 1: Top six predicate crimes**

	<b>Predicate crime</b>	<b>Illicit proceeds generated From 2019 – 2023 (<i>estimates</i>)</b>
1	Smuggling	US\$ 920,000,000
2.	Illegal dealing in gold and precious metals / stones	US\$ 880,000,000
3.	Corruption	US\$ 730,000,000
4.	Fraud	US\$ 500,000,000
5.	Tax evasion	US\$ 300,000,000
6.	Illegal dealing in drugs	US\$ 170,000,000

*Source: Law Enforcement Agencies Statistics and Intelligence Information*

Law enforcement data from 2019 to 2023 revealed that recorded proceeds of crime amounting to US\$ 2.65 billion were generated from the sixteen predicate crimes. A broader estimate suggests that the total proceeds from all sixteen predicate crimes could be around US\$ 6.15 billion over the same period, translating to about US\$ 1.23 billion annually. This equates to approximately 3.4% of Zimbabwe's 2023 Gross Domestic Product (GDP) of US\$ 35.2 billion.

An analysis of the illicit proceeds by origin indicated the following:

- **Domestic proceeds:** Crimes committed and laundered within Zimbabwe accounted for 55% of total proceeds.
- **Foreign proceeds:** ML originating from crimes committed outside Zimbabwe and subsequently laundered domestically accounted for 15% of total proceeds.
- **Combined local and foreign:** Proceeds from both domestic and foreign criminal activities accounted for 20% of the total proceeds of crime.
- **Unknown origin:** ML activities with unclear origins accounted for 10% of total proceeds.

## **2.2 Zimbabwe's ML Vulnerability**

The assessment rated Zimbabwe's overall **vulnerability to ML** as **medium high**. Under the previous NRA of 2019, the vulnerability was rated as **medium**. The country's vulnerability to ML was informed by the following key factors:

- High informalisation of the economy;



- Widespread use of US\$ cash (which makes transactions difficult to trace); and
- Limited resources and capacity of law enforcement agencies to effectively investigate ML cases.

Sectoral vulnerabilities of specific sectors such as banking, real estate, car dealers and dealers in precious metals and stones also contributed significantly to the overall national vulnerability. The World Bank tool used in the assessment combines the sectoral vulnerabilities with other cross-cutting national vulnerability factors, such as the overall national ability to detect, deter, identify, investigate and prosecute ML cases and seize proceeds of crime.

**Table 2: Summary of risk ratings per sector**

Sector	Threat Rating	Vulnerability Rating	ML Risk
Banking	Low	Medium High	Medium
Securities	Low	Medium Low	Medium Low
Insurance	Low	Medium Low	Medium Low
Bureaux de Change	Low	Medium Low	Medium Low
Money Transfer Services	Low	Medium	Medium Low
Microfinance Institutions	Low	Medium Low	Medium Low
Mobile Money Payment Services	Low	Medium Low	Medium Low
Casino	Low	Medium Low	Medium Low
Car Dealers	Medium High	High	High
Lawyers	Medium Low	Medium High	Medium
Accountants	Low	Medium Low	Medium Low
Precious Metals and Precious Stones	Medium High	Medium High	Medium High
Trusts and Company Service Providers	Low	Medium Low	Medium Low
Real Estate Agents	Medium High	Medium High	Medium High
Overall ML	Medium Low	Medium High	Medium

## 2.3 Banking Sector

The ML risk for the banking sector was rated as medium, a result of a low threat rating and a vulnerability rating of medium high. The banking sector is the biggest sector in terms financial transactions and volumes and, as such, carries significant weight in the country's overall ML risk.

The assessment highlighted six banking products or services which are susceptible to be misused for ML purposes. The risky products / services include corporate and institutional banking, private banking, trade finance, prepaid cards, money market investments, and small to medium enterprises (SME)/business banking.

While there are products/services that make the sector inherently vulnerable, there are some measures in place that help to mitigate the ML risk. It is worth noting that the strength of AML measures varies from bank to bank.

The mitigating factors in place in the banking sector include:

- Comprehensive legal and regulatory anti-money laundering framework;
- Significant improvements in AML risk based supervision;
- Implementation of internal policies and procedures by most banks; and
- The understanding of AML/CFT obligations by bank employees.

### **Key recommendations for the banking sector**

- a) Enhance and capacitate human resources of the AML/CFT supervisor.
- b) Improve human and technical resources of banks' compliance functions.
- c) Strengthen AML/CFT offsite monitoring tools.
- d) Impose deterrent and dissuasive sanctions against noncompliant banks.

## 2.4 Securities Sector

The ML risk for the securities sector was rated medium low. The rating comes from a combination of low threat level and medium low vulnerability. Transactions in the sector are largely electronic, thus, the sector has little exposure to proceeds of crime. The services that rank relatively high in terms of ML vulnerability include stock brokering, investment management, collective investment, and custodial services. The relative risk attaching to these

activities arises due to the size of transactions, liquidity of products, types of clients served, and the high value of assets.

The assessment rated the ML vulnerability of asset managers, custodians, and trustees as medium, while securities dealers, financial advisors and transfer secretaries were rated as medium low. The bonds subsector was rated medium low vulnerability, while equities, general unit trusts, property investments, and derivatives sub sectors were rated as medium. However, Contracts for Differences (CFDs), which were newly introduced at the Victoria Falls Exchange (VFEX), posed a medium high vulnerability.

To mitigate the vulnerabilities identified in the various securities' subsectors, market players were noted to be implementing AML measures, including conducting customer due diligence, ongoing monitoring of customer activity, reporting suspicious transactions and training employees on AML obligations.

It was also noted that the Securities and Exchange Commission of Zimbabwe (SECZim), the regulator, now has a unit dedicated to AML/CFT supervision, in line with best international practices. The human resources in this regard are, however, not adequate to match the workload and sectoral risk profile.

### **Key recommendations for securities sector**

- a) Increase SECZim staff responsible for AML/CFT supervision, commensurate with the workload.
- b) Enhance enforcement of civil sanctions against noncompliant regulated institutions.
- c) Enact a legal framework that prohibits pyramid schemes and Ponzi schemes that have been proliferating over the years.

## **2.5 Insurance Sector**

The ML risk for the insurance sector was rated medium low. This was as a result of low threat level (minimal exposure to proceeds of crime) and medium low vulnerability. Transactions in the sector are largely electronic, making it difficult to launder illicit proceeds in the form of cash.

The insurance sector's medium low vulnerability was underpinned by moderately strong anti-money laundering measures and effective AML/CFT supervision in the sector. In a significant step, the Insurance and Pensions Commission which is responsible for AML/CFT supervision of players in the sector, has created a dedicated AML/CFT unit, separate from the prudential supervision department.

The AML/CFT unit is, however, not adequately resourced.

### **Key Recommendations for the insurance sector**

- a) Enhance and capacitate staff responsible for AML/CFT supervision, commensurate with the workload and the medium low risk level of the sector.
- b) Enhance enforcement of civil sanctions against noncompliant institutions.

## **2.6 Other Financial Institutions**

This module covered various types of FIs that fall outside the banking, insurance, and securities sectors. The regulated entities that were assessed are tabulated below:

**Table 3: Vulnerability ratings for other financial institutions**

Sector	Vulnerability	Rating
Money Transfer Agencies	Medium	0.58
Bureaux De Change	Medium- low	0.33
Microfinance Institutions	Medium	0.52
Mobile Money Payment System Providers	Medium - Low	0.22

### **2.6.1 Money Transfer Agencies**

These were identified as the most vulnerable in the other FIs category. This was attributed to the high volumes and values of cross border transactions that are processed through the sector. There was also a high prevalence of unregulated money value agencies such as Hawalas that facilitate the illegal movement of funds across the borders. Regulatory authorities and LEAs should, therefore, develop robust controls and impose strict penalties for noncompliance. Addressing integrity breaches and enhancing commitment by senior

management to AML practices were also identified as key factors in improving the compliance levels in the sector.

## 2.6.2 Bureaux de Change and Mobile Money Payment Service Providers

These had vulnerability ratings of medium low. The sectors have strong entry controls, and their operations are well regulated for prudential requirements by the Reserve Bank of Zimbabwe which reduce their vulnerability to money laundering. The transaction values are low, and their clientele is mostly comprised of people who are less vulnerable to ML. Ongoing training of staff in these sectors is required to ensure that illicit transactions are identified and reported.

## 2.7 Designated Non-Financial Businesses and Professions (DNFBPs)

This module of the risk assessment covered seven DNFBP sectors namely, accountants, casinos, car dealers, lawyers, real estate agents, trust and company services providers, and dealers in precious metals and stones.

Accountants, casinos, and trust and company service providers had a vulnerability rating of medium low, while estate agents, precious metals and precious stones and lawyers were rated medium high. Car dealers came out with the highest ML risk, with a ML vulnerability rating of high. Sectors that had the highest exposure to cash transactions tended to have higher vulnerability and risk ratings. Car dealers came out top, not only on account of the cash intensive nature of the transactions, but also because car dealers remain unregulated.

**Table 4: Vulnerability Rating for DNFBPs**

Sector	Vulnerability	Rating
Accountants	Medium- Low	0.33
Casinos	Medium- Low	0.33
Car dealers	High	0.86
Lawyers	Medium High	0.65
Precious stones and precious metals	Medium High	0.71
Trust and company service providers	Medium low	0.37
Real estate	Medium High	0.67

### 2.7.1 Accountants

The risk for accountants' sector was rated medium low with a vulnerability rating of medium low and low threat level. Services offered by accountants are relatively less attractive vehicles to launder proceeds of crime. Awareness of AML/CFT obligations in the sector increased significantly since the last NRA review, as has the implementation of the risk based AML/CFT supervision by the Financial Intelligence Unit. The assessment noted that only a few accounting firms engage in designated activities that require the implementation of AML/CFT obligations.

### 2.7.2 Casinos

The ML risk of the sector was rated medium low with a vulnerability rating of medium low and low threat. While in some countries casinos are reported to be highly vulnerable to ML, in Zimbabwe casinos are not among the preferred options for criminals who want to launder significant proceeds of crime.

The sector is relatively small, with a total of ten licenced casinos. The transaction volumes and values are also relatively low, driven by a low gambling culture in the country and relatively low disposable incomes. Because of the relatively small size of the sector, low risk nature, low volumes and low values, the sector is well supervised for AML/CFT purposes commensurate with the risk levels. The assessment noted that the Lotteries and Gaming Board is not adequately resourced, hence the involvement of the FIU in the AML/CFT supervision of the sector.

The assessment noted the proliferation of gaming/betting houses that do not fall under the definition of casinos. While there is a case for stronger regulation of the various betting activities, the values and volumes involved do not pose a significant ML concern.

#### **Key recommendations for the sector**

- a) Enhance staffing and training of personnel of the Lotteries and Gaming Board dedicated to AML/CFT supervision, commensurate with the relatively low money laundering risk posed by the sector.

### 2.7.3 Car Dealers

The ML risk for the car dealers was rated high with a high vulnerability rating and a medium high threat. The heightened vulnerability mainly emanates from the cash intensive nature of transactions that make it difficult to trace the source of the funds.

The sector is not subject to licensing or other regulatory requirements. While car dealers are designated businesses for AML/CFT purposes, the sector is yet to be subjected to AML/CFT supervision or monitoring. The high ML risk of car dealers is further heightened by the continued growth of the sector. There has been a 25.27% increase in the country's vehicle population from 1,239,807 in 2019 to 1,583,700 in 2023. It was noted that 95% of the sampled population of car dealers import vehicles and sell them exclusively in United States Dollars cash.

#### **Key recommendations for the sector**

- a) Enact a legal framework for the licensing and regulation of the sector.
- b) Raise awareness and enforce implementation of AML/CFT obligations by car dealers.
- c) Subject car dealers to AML/CFT supervision and/or monitoring to mitigate the high money laundering risk.

### 2.7.4 Lawyers

The ML risk was medium with a vulnerability rating of medium high and threat medium low. The legal profession offers various specialized services that are attractive to money launderers. Such services include intermediating the buying and selling of real estate, whereby the transactions largely involve cash, whose source is difficult to trace. Lawyers also offer company and trust formation and management services, including structuring complex and opaque corporate vehicles and shelf companies that are handy tools for ML.

Lawyers trust accounts are also open to be misused for ML purposes, allowing clients to move funds under cover of lawyers' accounts, potentially for illicit

purposes without the transactions being readily identifiable with the real owners of the funds.

The Law Society of Zimbabwe (LSZ), in close collaboration with the FIU has made strides in raising awareness of AML/CFT obligations among lawyers and enforcing compliance with AML/CFT obligations. Of significance is the fact that the LSZ now makes AML/CFT training a pre-requisite before every lawyer renews their annual practicing licences.

The LSZ has, however, not employed and deployed adequate human resources, commensurate with the ML risk to which the profession is exposed to. Although a handful of suspicious transactions have been reported by lawyers in recent years, the number of such reports falls short considering the risk profile of the sector.

#### **Key recommendations for the sector**

- a) The LSZ should employ and deploy adequate human and budgetary resources commensurate with the profession's ML risk.
- b) LSZ to enhance enforcement of administrative sanctions for AML/CFT breaches by its members.
- c) Intensify risk based AML/CFT supervision and/or monitoring of members of the profession, in line with the risk profile.

#### **2.7.5 Dealers in Precious Metals and Precious Stones**

The ML risk in dealers in precious metals and precious stones were rated as medium high with vulnerability and threat level of medium high. The assessment found that there was a relatively high level of gold smuggling, during the assessment period (2019 to 2023), thereby exposing the sector to funds from illicit sources. Awareness of AML/CFT obligations in the sector was noted to be relatively low.

#### **Key recommendations for the sector**

- a) Conduct AML/CFT awareness and training for the sector.



- b) Capacitate the Ministry of Mines and Mining Development, as the licensing authority for gold dealers to enable it to effectively discharge its AML/CFT supervisory responsibilities.
- c) Improve controls to address gold leakages in the sector.
- d) Ensure gold is traded through licenced and regulated dealers.
- e) Tighten controls at ports of entry, exit and along our border lines.
- f) The FIU, Ministry of Mines and Mining Development and the ZRP Criminal Investigations Department (CID) Minerals Flora and Fauna Unit (MFFU) should enhance enforcement of sanctions for AML/CFT breaches by dealers.

### **2.7.6 Real Estate Agents**

ML risk of the sector was rated medium high with a vulnerability and threat rating of medium high. The vulnerability was mainly due to the cash intensive nature of the country's economy in general and the real estate sector in particular, coupled with the high values of the transactions.

Although awareness and implementation of AML/CFT obligations has been improving, compliance levels still fall short considering the relatively high vulnerability and risk level in the sector. The assessment noted that while the Estate Agents Council (EAC) has made progress in collaborating with the FIU to ensure AML/CFT compliance by the sector, the EAC human and budgetary resources falls short considering the level of risk to which the sector is exposed.

#### **Key recommendations for the sector**

- a) The EAC should allocate adequate human and budgetary resources to strengthen AML/CFT supervision / monitoring capacity.
- b) The EAC and/or the FIU should strengthen the implementation of Risk Based AML/CFT supervision and / or monitoring of the sector, in line with the risk profile.
- c) The EAC and/or the FIU should enhance awareness raising and training on AML/CFT obligations of estate agents.
- d) Estate agents should upscale filing of suspicious transaction reports with the FIU.

- e) The EAC and/or the FIU should institute deterrent and dissuasive sanctions on estate agents for breach of AML/CFT obligations.

### 2.7.7 Trust and Company Service Providers

ML risk for the sector was rated medium low with a vulnerability rating of medium low and low threat rating. The relatively low vulnerability and risk to ML is mainly due to the small size of the sector and the low risk nature of most of their clientele who largely take part in the services for legitimate business needs.

Trust and company service providers (TCSPs) offer services related to the formation and management of companies and trusts. Trusts and shell companies as well as complex and opaque corporate vehicles are handy tools for concealing and moving proceeds of crime. As such TCSPs play an important gate keeper role to prevent their services from being misused for illicit purposes.

Some lawyers and accountants also offer such services and are regulated separately for AML/CFT purposes. There is, however, a population of TCSPs that fall under the licensing and regulation of the Registrar of Companies.

#### Key recommendation for the sector

- a) The Company Registry should be adequately resourced to carry out AML/CFT supervision/monitoring of TCSPs.

### 2.8 Priority ranking of assessed sectors

Overall, based on the assessment results and recommendations, priority at national level should be given in line with the following ranking of the sectors as tabulated below.

**Table 5: Priority ranking of sectors**

SECTORS	PRIORITY RISK RANKING
Car Dealers	1
Dealers in Precious Metals and Precious Stones	2
Real Estate	3

Banking	4
Lawyers	4
Money Transfer Agencies	6
Micro Finance Institutions	7
Securities	8
Trust Companies Service Providers	9
Insurance	10
Bureaux de Change	11
Casino	11
Accountants	11
Mobile Money Payment Services	12

### 3. STAND ALONE RISK ASSESSMENTS

The following are the four special risk assessments that were carried out concurrently with the main NRA.

- a) **Environmental and Natural Resource Crimes:** Assesses the ML risk arising from environmental crimes.
- b) **Legal Persons and Legal Arrangements:** Assesses the special ML risks posed by different types of corporate vehicles.
- c) **Tax Crimes:** Assesses the ML risk arising from tax-related crimes.
- d) **Virtual Asset and Virtual Asset Service Providers:** Assesses the ML and terrorism financing risks arising from the use of Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs).

#### 3.1 Environmental and Natural Resource Crimes Risk Assessment

The overall ML risk of Environmental and Natural Resource Crimes (ENRC) Risk Assessment was rated medium high. This involved an assessment of five categories of environmental crime, namely: wildlife, forestry, fishery, waste and mining related crimes.

The exercise involved assessing the prevalence of these crimes in Zimbabwe and the extent to which each of the crimes generates financial gain for those involved. This gives a measure of the potential ML crimes that can be undertaken in the sector. The assessment also looked at the effectiveness of policies and measures in place to combat the predicate crimes and the resultant ML risk.

The ML threat of the sector (prevalence of the crimes and the extent of the illicit profits) was rated as medium high, meaning that environmental and natural resource related crimes are fairly prevalent in the country, and they do generate significant profits for the players, which can then potentially be laundered into the economy. The high threat level was largely influenced by mining related crimes, especially in relation to gold mining.

The vulnerability of the sector was rated as medium, which means there are considerable weaknesses in terms of prevention and enforcement.

### **Key recommendations**

- a) Enhance preventive and enforcement measures in the sector by relevant regulatory bodies and sectoral authorities such as the Environmental Management Agency (EMA), Zimbabwe Parks and Wildlife Management Authority, Ministry of Mines and Mining Development and the ZRP Criminal Investigations Department (CID) MFFU.
- b) Strengthen inter-agency cooperation among the relevant stakeholders; and
- c) Formulate and implement measures to combat corruption in the environmental and natural resources sectors.

### **3.2 Legal Persons and Legal Arrangements Risk Assessment**

The overall ML risk of Legal Persons and Legal Arrangements was found to be medium high. This was derived from a medium threat level and a medium high vulnerability rating.

This thematic risk assessment assessed the various types of legal/corporate structures that are prevalent in Zimbabwe and identifying those that are susceptible to ML. Corporate vehicles are prone to be misused to conceal or move proceeds of crime and can be used to obscure the identities of the beneficial owners of illicitly acquired assets. Certain types of legal structures, such as trusts, shelf companies and foreign incorporated structures are particularly vulnerable to ML.

The national threat of legal structures was mainly based on analysis of enforcement statistics, credible open source information and perceptions of public and private sector experts. The overall national vulnerability rating was based on the attractiveness of Zimbabwe as a formation or incorporation centre for legal structures by non-residents, and the strength of mitigatory measures.

An analysis of the level of risk posed by nine types of registerable legal structures in Zimbabwe revealed that limited liability companies had the highest exposure to ML risk. The following predicate offences were noted as prevalent among legal structures in Zimbabwe: fraud (especially procurement

fraud); smuggling; corruption (criminal abuse of office, bribery and concealing transactions); and tax evasion.

### **Key recommendations**

- a) Require all companies to register online by a set deadline.
- b) Enhance capacitation of the office of the Registrar of Companies, Deeds and Intellectual Property.
- c) Align relevant laws (including the Deeds Registry Act [Chapter 20:05], Companies and Other Business Entities Act [Chapter 24:31](COBE Act), Money Laundering and Proceeds of Crime Act [Chapter 9:24](MLPC Act) and the Zimbabwe Investment Development Agency Act [Chapter 14:37]) to Financial Action Task Force standards including the definition of “beneficial owner” and sufficiently regulating foreign registered structures that have significant business links to the country.
- d) Enforce dissuasive and deterrent sanctions against persons and entities that fail to comply with obligations imposed by the Companies and Other Business Entities Act.

### **3.3 Tax Crimes Risk Assessment**

The overall tax crime risk was assessed to be medium. The risk rating resulted from a combination of a medium level of threat and a medium low level of vulnerability.

Tax crime is globally recognized as a major financial crime that generates illicit proceeds for perpetrators. There is a need for enhanced measures by all relevant stakeholders to combat both the predicate tax crimes and the ML resulting from the illicitly acquired profits. The risk assessment identified specific forms of tax crimes that include underreporting income, understating sales, failure to register for tax, failure to file tax returns, failure to pay taxes and using offshore or fraudulent schemes to evade tax.

The assessment identified areas of weakness in the tax administration processes that require strengthening. Some sectors were identified as posing a greater risk of tax evasion. These include cash intensive businesses; informal sector

businesses; self-employed individuals, and offshore corporate structures that are used to conceal income and assets.

Tax crimes are closely linked to ML, with proceeds from tax evasion being laundered through formal financial channels to conceal their illicit origins. Identifying proceeds from tax evasion is particularly difficult compared to identified proceeds from other crimes as the former are more closely commingled with legitimate income.

### **Key recommendations**

- a) Enhance collaboration between relevant governmental bodies including ZIMRA, the FIU and law enforcement agencies to improve detection, investigation, prosecution and recovery.
- b) Broaden the scope of investigation of tax crimes to include ML.
- c) Enhance compliance monitoring processes and regular compliance checks to detect discrepancies and anomalies.

### **3.4 Virtual Assets and Virtual Asset Service Providers Risk Assessment**

The assessment found that Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs) pose a medium low money laundering risk, low terrorism and proliferation financing (ML/TF/PF) risks in Zimbabwe. The relatively low ML/TF/PF risk level is attributed to the limited use and adoption of virtual assets in Zimbabwe.

Zimbabwe conducted its first ML and terrorism financing risk assessment focused on the use of VA and Virtual Asset Service Providers (VASPs). The objective was to assess the extent to which Zimbabwe is exposed to the use of virtual assets (also referred to as crypto assets or crypto currencies) and the level of ML, terrorism financing and proliferation risks arising from such exposure.

Information was gathered from players in the sector, from a United States based company and credible open source information. The US-based company carries out on-chain analysis which involves the in-depth analysis of the on ramp and

off ramp activities to track and assess virtual asset traffic to, from and within Zimbabwe.

The use of virtual assets is not currently regulated in Zimbabwe. The absence of regulation does not, however, make the use of virtual assets illegal, nor is there a prohibition against firms that offer virtual asset related services. VASPs can either operate within or outside Zimbabwe while offering their services to Zimbabwean residents using internet-based platforms.

The assessment identified four primary VASP categories operating in Zimbabwe and assessed the different levels of ML, terrorism or proliferation financing risks they pose:

- a) **wallet services providers** (hosting of virtual asset wallets);
- b) **virtual asset exchanges** (facilitating conversion of virtual assets to fiat currency or vice versa or from one virtual asset to another);
- c) **initial coin offerings** (launching a new virtual asset and offering it to the public); and
- d) **information providers** (specializing in offering information and advice relating to virtual assets).

Wallet service providers offer custodial and non-custodial wallet services. Non-custodial wallets were found to pose a medium high risk to ML and terrorism financing. Initial coin offerings and virtual asset exchanges were found to present a medium low risk, while custodial hot wallets and information providers were found to pose low ML and terrorism financing risk. Despite the low usage in Zimbabwe, criminals may potentially find virtual assets as an attractive vehicle for ML or terrorism financing. This is due to lack of regulation of VASPs in Zimbabwe.

### **Key recommendations**

- a) Enact a regulatory framework that requires VASPs to be licenced/registered and supervised for AML/CFT/CPF.



- b) The FIU and law enforcement agencies should be capacitated to identify and investigate money laundering and other financial crimes committed using virtual assets to combat ML/TF/PF.

#### 4. OVERALL RECOMMENDATIONS

In addition to the sector specific recommendations aforementioned, several cross-cutting recommendations were proposed for all stakeholders involved in the AML/CFT value chain. These recommendations aim to improve overall AML/CFT compliance within the country. The following recommendations were made, among others:

- a) Implementation of a comprehensive risk based supervisory and monitoring framework across high-risk sectors. The assessment highlighted the need to strengthen sector supervision by equipping supervisors with effective tools to prevent money laundering and other financial crimes. To enhance their capacity, increased resources should be allocated to both supervisors and regulators.
- b) Inter-agency cooperation must be enhanced to ensure a concerted effort to fight money laundering and illicit flows in the country. This includes FIU, supervisors and LEAs cooperating in the investigation, application of criminal and civil sanctions, prosecution of ML cases and forfeiture of tainted properties.
- c) Synchronisation of capacity building including training and awareness programmes in the AML value chain. It is important that all stakeholders are aligned with programmes that are employed in fighting financial crimes. FIs and DNFBPs must be aware of strategies that are deployed by other players such as LEAs so as to focus on areas of high risk.
- d) Implementation of effective data collection systems to ensure all relevant data on AML is accounted for, to avoid using estimates for risk assessments.
- e) Expedite the re-registration of companies and provide up to date information including beneficial ownership.

## 5. CONCLUSION

Over the years, Zimbabwe has established a robust AML/CFT legal framework aligned with international standards. To foster a shared understanding of ML/TF/PF risks, the findings of the NRA will be disseminated to all relevant stakeholders. Moving forward, the country remains committed to effectively implementing the NRA's recommendations to strengthen the integrity and stability of the financial system.

To support this effort, a comprehensive five-year strategic plan (2025–2029) has been developed, outlining targeted strategies to mitigate identified risks. This plan will serve as a roadmap to enhance risk management, regulatory compliance, and institutional capacity, ensuring a proactive approach to combat money laundering and other financial crimes.