



Financial Intelligence Centre  
Republic of Zambia

# Suspicious Transaction Reporting Guidelines

**Zambia Development  
Agency (ZDA)**

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## **1.0 INTRODUCTION**

In keeping with international obligations and ensuring that Zambia's financial institutions and other non-financial businesses and professions are not abused by persons involved in money laundering or the financing of terrorism, the Financial Intelligence Centre ( 'the Centre') was established to receive suspicious transaction reports from reporting entities and supervisory authorities, analyze and disseminate intelligence to law enforcement agencies, pursuant to the Financial Intelligence Centre Act No 46 of 2010 ( 'the Act').

It is the responsibility of the Centre to issue these guidelines to ensure that you comply accordingly with the provisions of the Act.

The purpose of these guidelines is to explain common reporting situations under the Financial Intelligence Centre Act and assist ZDA to comply with the Act. These Guidelines are provided as general information only and as such do not represent all the requirements under the law.

These Suspicious Transaction Reports (STRs) Guidelines have been issued in accordance with section 56 and pursuant to section 29 of the Act. One of the cardinal responsibilities of supervisory authorities is to disclose to the Centre where there is suspicion that a transaction may arise from the commission of a crime or may be linked to the financing of terrorism.

### **1.1 Zambia Development Agency ( ZDA)**

The Zambia Development Agency (the Agency or ZDA) was established in 2006 by an Act of parliament (ZDA Act, No. 11 of 2006) and became operational in January 2007 after the amalgamation of five statutory bodies that till then operated independently. These institutions were the Export Board of Zambia (EBZ), Small Enterprise Development Board (SEDB), Zambia

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Export processing Zones Authority (ZEPZA), Zambia Investment Centre (ZIC) and the Zambia Privatisation Agency (ZPA).

ZDA is mandated to foster economic growth and development in Zambia through promoting trade and investment and an efficient, effective and coordinated private sector led economic development strategy. The Agency is also responsible for developing an internationally competitive Zambian economy through innovations that promote high skills, productive investment and increased trade.

In view of the activities that the Agency undertakes, it is apparent that the Agency may be abused by Money Launderers as well as Terrorist Financiers if no controls are put in place.

In section 2 of the Act, ZDA is designated as a Supervisory Authority. One of the responsibilities of a supervisory authority is to disclose to the Centre information bordering on Money Laundering, Terrorist Financing and other serious crime as they conduct their day to day activities.

## **1.2 Establishing the Beneficial Owners of Companies**

ZDA should be able to obtain, or have access in a timely fashion to, adequate, accurate and current information on the beneficial ownership and control of companies and other legal persons (beneficial ownership information) that are investing in the country. ZDA will require certain basic information about the company, which, at a minimum, would include information about the legal ownership and control structure of the company. This would include information about the status and powers of the company, its shareholders and its directors. In addition, among other checks, ZDA should require registered entities to hold up-to-date information on the companies' beneficial owners.

## **1.3 Scope of the ZDA STR Guidelines**

The ZDA guidelines have incorporated essential elements of the Act, relevant FATF-Recommendations and other international best practices on

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AML/CFT regime. These guidelines cover among others the following key areas of AML/CFT policy; Customer due diligence, the AML/CFT Compliance programme; monitoring and responding to suspicious transactions.

The STR Guidelines are provided as general information only and as such do not represent all the requirements under the law as the obligations imposed by the Supervisory Authority. To this effect, the guidelines do not constitute legal advice and are not intended to replace the Act or any other guidelines, directives or regulations issued by ZDA.

## **2.0 DEFINITION OF KEY TERMS**

**Attempted Transaction:** Is one where a customer intended to conduct a transaction and took some form of action to do so. It is different from a simple request for information, such as an enquiry as to the fee applicable to a certain transaction. An attempted transaction includes entering into negotiations or discussions to conduct the transaction and involves concrete measures to be taken by either you or the customer.

**Financial Action Task Force (FATF):** Is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations

**Investor:** Means any person, natural or juristic, whether a citizen of Zambia or not, investing in Zambia in accordance with the Zambia Development Agency Act. No. 11 of 2006 and includes a micro or small business enterprise and rural business enterprise;

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**Money Laundering:** Under The *Prohibition and Prevention of Money Laundering Act No 14 of 2001, as amended by Act No.44 of 2010*, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (e.g. money) knowing or believing that these were derived from the commission of a designated offence. In this context, a designated offence means a serious offence as defined in the *Forfeiture of Proceeds of Crime Act, 2010*. It includes among others those relating to illegal drug trafficking, corruption, bribery, fraud, forgery, murder, robbery, counterfeit money, stock manipulation. A money laundering offence may also extend to property or proceeds derived from illegal activities that took place outside Zambia.

**Politically Exposed Persons:** Are individuals who are or have been entrusted with prominent public functions both in Zambia and foreign countries and those associated with them. For example, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Middle ranking or more junior individuals are not categorised as PEPs.

**Reporting Entity:** “An institution regulated by a Supervisory Authority and required to make a suspicious transaction report under the Act. For the purposes of these guidelines, ZDA shall play the role of a reporting as well as that of a supervisory.

**Supervisory Authority:** For the purpose of these guidelines, Supervisory Authority refers to the the Zambia Development Agency, established under the Zambia Development Agency Act. No. 11 of 2006.

**Suspicious Transactions:** Suspicious transactions are financial transactions that you have reasonable grounds to suspect are related to the

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commission of a money laundering offence or commission of a terrorist activity financing offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering or terrorist activity financing offence.

**Terrorist Financing:** Terrorist financing offences extend to any person who willfully provides or collects funds by any means, directly or indirectly, with the unlawful intention that they should be used or in the knowledge that they are to be used in full or in part to carry out a terrorist act by a terrorist organization or an individual terrorist. Under the Anti-Terrorism Act No. 21 of 2007, it is an offence to knowingly collect or provide property, such as funds, either directly or indirectly, to carry out terrorism or terrorist financing activities.

### **3.0 CUSTOMER DUE DILIGENCE**

Customer Due Diligence (CDD) is the identification and verification of both the investor and beneficiary including but not limited to continuous monitoring of the business relationship with the business entities.

In general terms, CDD commonly includes:

- i. Identification and verification of the identity of the investor and the beneficial owner;
- ii. Understanding the purpose of the investment (which may be self-evident in the case of certain specific products and services); and
- iii. Conducting ongoing due diligence on investors

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### 3.1 Customer Due Diligence Procedures

- a. ZDA shall identify its investors (whether natural or legal persons or legal arrangements) and verify the customers' identities using reliable, independently sourced documents. In relation to representatives of investors, documents such as a validly issued National Registration Card, Passport, Drivers' Licence, (which should not have expired at the time of conducting CDD) may be used. While in relation to companies who are investors, Certified Certificate of Incorporation or such other information as the Minister may prescribe.
- b. In respect of investors that are legal persons or legal arrangements, ZDA shall:
  - i. verify any person purporting to have been authorised to act on behalf of such a customer by obtaining evidence of his/her identity and verifying the identity of such a person; and
  - ii. Verify the legal status of the legal person or legal arrangement by obtaining proof of incorporation from a recognised established body or similar evidence of establishment or existence and any other relevant information.
- c. ZDA shall identify a beneficial-owner and take reasonable measures to verify his/her identity using relevant information or data obtained from a reliable source to satisfy themselves that they know who the beneficial-owner is.
- d. ZDA shall in respect of all customers determine whether or not a customer is acting on behalf of another person. Where the customer is



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- acting on behalf of another person, ZDA shall take reasonable steps to obtain sufficient identification-data and to verify the identity of that other person.
- e. ZDA shall take reasonable measures in respect of customers that are legal persons or legal arrangements to:
    - i. Understand the ownership and control structure of such a customer; and
    - ii. Determine the natural persons that ultimately own or control the customer. For **trusts** – The natural persons are the settlor, the trustee and person exercising effective control over the trust and the beneficiaries.
  - f. ZDA shall obtain information on the purpose and intended nature of the business relationship of their potential customers.
  - g. ZDA shall conduct ongoing due diligence on the business relationship as stated by the customers above.
  - h. The ongoing due diligence above includes scrutinizing the transactions undertaken by the customer throughout the customer relationship to ensure that the transactions being conducted are consistent with the reporting entities' knowledge of the customer, its business and risk profiles, and the source of funds where applicable.
  - i. ZDA shall ensure that documents, data or information collected under the CDD-process are kept up-to-date and relevant by undertaking reviews of existing records, particularly the records in respect of high-risk business relationships or customer categories. All

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books and records with respect to its customers and transactions should be maintained for a period of at least 10 years;

### **3.2 High-Risk Categories of Customers**

ZDA need to exercise enhanced identification, verification and ongoing due diligence with respect to high risk customers. Examples of high-risk customer categories include:

- a. Companies that have nominee-shareholders or shares in bearer form;
- b. Non-resident customers;
- c. Legal persons or legal arrangements such as trusts that are personal-assets holding vehicles;
- d. Politically Exposed Persons (PEPs). PEPs are individuals who are or have been entrusted with prominent public functions both in Zambia and foreign countries and those associated with them. For example, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Middle ranking or more junior individuals are not categorised as PEPs.
- e. ZDA shall, in addition to performing CDD procedures, put in place appropriate risk management systems to determine whether a potential customer or existing customer or the beneficial-owner is a PEP.
- f. The risk management systems used by ZDA to identify customers whose activities may pose a high risk of money laundering and financing of terrorism shall require:-

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- i. **Enhanced Identification**-which involves identifying customers or activities engaged in by customers who may pose high risk of money laundering or financing of terrorism by taking into account:
    - a. the nature and business of customers;
    - b. customer activities, transaction patterns and operations;
    - c. geographic location of the customer and/or transaction
    - d. the magnitude of customer assets that a customer/business handles;
    - e. third parties that may be involved in the customer's activities;
    - f. the beneficial ownership of an entity and their impact on risk;
    - g. any other indicators that may be relevant.
  
  - ii. **Verification and on-going Due Diligence**-which includes:
    - a. Seeking additional information beyond the minimum requirements under the law to substantiate the customer's identity or the beneficial ownership of an entity and
    - b. Obtaining additional information about the intended nature and value of a given transaction.

ZDA shall obtain senior management approval before they establish a business relationship with a PEP. Where an investor has been accepted or has an ongoing relationship with ZDA and the investor or beneficial-owner is subsequently found to be or becomes a PEP, ZDA shall obtain senior management approval in order to continue the business relationship. ZDA shall take reasonable measures to establish the source of wealth and the sources of funds of customers and beneficial-owners identified as PEPs and report all anomalies or unusual and abnormal transactions immediately to the Centre.

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## **4.0 THE ANTI-MONEY LAUNDERING (AML) AND COUNTERING THE FINANCING OF TERRORISM (CFT) COMPLIANCE PROGRAMME**

An AML/CFT programme is an essential component of ZDA's compliance regime. The AML/CFT compliance programme should be risk-based, and should be designed to mitigate the Money Laundering and Terrorist Financing risks you may encounter.

### **4.1 Elements of an AML/CFT Programme**

#### **4.1.1 A System of Internal Policies, Procedures and Controls**

ZDA shall adopt policies indicating its commitment to comply with AML/CFT obligations under the relevant Acts and regulations to prevent any transaction that facilitates ML/TF activities. ZDA should formulate and implement internal rules, procedures and other controls that will deter criminals from using its facilities for money laundering and terrorist financing and to ensure that its obligations under the relevant laws and regulations are always met. These procedures, policies and controls should cover the CDD, record retention, the detection of unusual and suspicious transactions, the reporting obligation, among other things.

#### **4.1.2 Compliance Officer**

**ZDA should designate a Compliance Officer who shall receive suspicious or unusual transaction reports from persons handling transactions within Agency.** The Compliance Officer shall be equipped with the relevant competence, authority and independence to implement the institution's AML/CFT compliance programme. The Compliance Officer shall have ready access to all the books, records of business entities necessary to fulfil the responsibilities under the Act.

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The duties of the Compliance Officer shall include but shall not be limited to the following:

- i. Developing an AML/CFT Compliance Programme;
- ii. Receiving and vetting suspicious transaction reports from staff;
- iii. Filing suspicious transaction reports with the Centre;
- iv. Ensuring that ZDA's compliance programme is implemented;
- v. Co-ordinating the training of staff in AML/CFT awareness, detection methods and reporting requirements; and
- vi. Serving both as a liaison officer with the Centre as well as a point-of-contact for all employees on issues relating to money laundering and terrorist financing. ZDA shall ensure that the Compliance Officer has access to other information that may be of assistance to the anti-money laundering reporting officer in consideration of a suspicious or unusual transaction.

#### **4.1.3 Training**

ZDA should have written AML/CFT Compliance programmes that include training. Ongoing employee training programs should be in place to ensure that employees are kept informed of new developments, including information on current ML and FT techniques, methods and trends; and that there is a clear explanation of all aspects of AML/CFT laws and obligations, and in particular, requirements concerning CDD and suspicious transaction reporting.

The timing, coverage and content of the employee training program should be tailored to meet the perceived needs of ZDA.

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#### **4.1.4 Independent Audit**

Putting your AML/CFT Compliance programme in place is not enough. The programme must be monitored and evaluated. Therefore, ZDA is supposed to have an independent audit performed by people not involved with the entity's AML/CFT Compliance staff to test compliance with the procedures, policies and controls. The individuals conducting the audit should report directly to the board of directors or to a designated board committee composed primarily or completely of outside directors.

#### **Monitoring of AML/CFT Compliance programme**

The Financial Intelligence Centre will from time to time undertake on and off-site visits to ZDA to monitor how the AML/CFT Compliance programmes are being implemented.

#### **I. Obligation to Report Suspicious Transaction**

Whenever ZDA processes a transaction to which there is reasonable grounds to suspect that any property is the proceeds of crime, or is related to, or is to be used for, terrorism, terrorist acts or by terrorist organisations or persons who finance terrorism, it should take reasonable measures to ascertain the purpose of that transaction and submit a report to the Centre, setting out the suspicion, within three (3) working days of forming that suspicion.

Further, ZDA is required to exercise caution when carrying out a transaction which it suspects to be related to money laundering or financing of terrorism. The Act also requires an STR to be submitted on attempted money laundering or financing of terrorism.

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In exceptional cases (transactions that require immediate action), making a suspicious transaction report to the Centre does not prevent ZDA from reporting suspicions of money laundering or financing of terrorism directly to law enforcement agencies. The Centre encourages supervisory authorities to maintain established relationships with law enforcement agencies.

Failure to submit a suspicious transaction report to the Centre may lead to imprisonment upon conviction to a term of up to seven years or payment of a fine of seven hundred thousand penalty units or to both.

## **II. Prohibition against Tipping Off**

ZDA or any director, partner, officer, principal or employee of the Agency is not allowed to disclose to any person the contents of the STR Form. Further, the disclosure of any other information from which a person could reasonably be expected to conclude that a suspicion has been formed or that a report has been or may be made is prohibited.

Any person who contravenes this requirement commits an offence and is liable to a fine of up to five hundred thousand penalty units or to imprisonment for a period not exceeding five years, or to both.

## **III. Protection of Identity of Persons and Information Relating to STRs**

ZDA is not allowed to disclose any information that identifies, or is likely to identify the person who prepared or made a suspicious transaction report, or handled the underlying transaction. In light of the foregoing, the disclosure of identity of the above mentioned person is confidential. Section 47 of Act prohibits the disclosure of confidential information. Such disclosure is an offence which may result in a fine of up to five hundred

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thousand penalty units or to imprisonment for a period not exceeding five years, or to both.

#### **IV. Protection of entities/persons reporting**

No civil, criminal, administrative or disciplinary proceedings for breach of professional secrecy or contract shall be taken against you for submitting a completed STR Form, in good faith, or in compliance with directions given by the Act.

##### **5.0 HOW TO IDENTIFY A SUSPICIOUS TRANSACTION**

Where there is a business relationship, a **suspicious transaction** will often be one which is inconsistent with your customer's known, legitimate or personal activities or with their normal business. Therefore, the first key to recognition is knowing enough about your customer and customer's business, to recognize that a transaction or series of transactions are unusual.

Reliance on what should be reported is largely on one's assessment, based on knowledge and experience, as well as specific circumstances of the transaction. The assessment should therefore be based on a reasonable evaluation of relevant factors, including the knowledge of the customers business, financial history, background and behavior.

##### **5.1 Possible Money Laundering and Terrorist Financing Indicators under ZDA**

- i. An investor admits or makes statements about involvement in criminal activities;
- ii. Inconsistencies appearing in the investors 's documents
- iii. An Investor obtaining a license under the Zambia Development Agency Act No. 11 of 2006 by fraud;



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- iv. An Investor deliberately or negligently submitting false information or statements;
  - v. An Investor carrying on business that contravenes the ZDA Act or any other written law;
  - vi. An investor offering money, gratuities or unusual favor for the provision of services that may appear unusual or suspicious;
  - vii. A new or prospective investor is known to you as having a questionable legal reputation or criminal background;
  - viii. An investor attempts to convince an employee not to complete any documentation required for the transaction;
  - ix. An investor attempts to convince an employee to destroy or hide records, files and documentation from the company registry;
  - x. Trades conducted by entities that are known to have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity;
  - xi. An investor does not want to put his or her name on any document that would connect him or her with the company in question or uses different names
  - xii. The carrying out of multiple intercompany loan transactions and/or multijurisdictional wire transfers that have no apparent legal or commercial purpose;
  - xiii. Transactions in which the parties show a strong interest in completing the transaction quickly, without there being a good cause;
  - xiv. An investor wants to use foreign companies but does not seem to have a legitimate, legal or commercial reason for doing so;
  - xv. An investor is uncertain about location of company records;
  - xvi. An investor using legal persons or legal arrangements that operate in jurisdictions with secrecy laws;
  - xvii. An investor carrying out multiple intercompany loan transactions and/or multijurisdictional wire transfers that have no apparent legal or commercial purpose;

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## 6.0 HOW TO OBTAIN SUSPICIOUS TRANSACTION FORMS

You may obtain the STR forms by contacting the FIC office using the address provided under paragraph nine (9) of this document or emailing [fic@ficzambia.gov.zm](mailto:fic@ficzambia.gov.zm). Further, an electronic copy of the STR form can be accessed on the FIC website ([www.fic.gov.zm](http://www.fic.gov.zm)).

## 7.0 HOW TO COMPLETE A SUSPICIOUS TRANSACTION REPORT

When completing an STR form, you MUST follow the instructions contained in the form and ensure that mandatory fields are duly completed.

## 8.0 HOW TO SEND YOUR SUSPICIOUS TRANSACTION REPORTS TO FIC

The completed STR form by confidential cover, must be reported through the following means:

- i. On the FIC e-system (applicable only to reporting institutions with electronic link with the FIC);
- ii. Authenticated FIC email address provided for under six (6) of this document;
- iii. Registered courier service providers using the address provided for in paragraph nine (9) below; and
- iv. To be hand delivered to designated officials of the Monitoring and Analysis department of the Centre.

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## 9.0 FINANCIAL INTELLIGENCE CENTRE CONTACT DETAILS

All the completed reports or any queries should be sent to:

The Director  
Financial Intelligence Centre  
Plot 50L, Kudu Road, Kabulonga  
P O Box 30481  
Lusaka  
**ZAMBIA**